



Statement of Investment Principles

British Printing Industries Federation Pension and Life Assurance Scheme

March 2022

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01 Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the British Printing Industries Federation Pension and Life Assurance Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee has set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustee will review this Statement and its investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustee will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs - Additional Voluntary Contributions;

Investment Manager - An organisation appointed by the Trustee to manage investments on behalf of the Scheme;

Principal Employer - British Printing Industries Federation;

Recovery Plan - The agreement between the Trustee and the Principal Employer to address the funding deficit;

Scheme - The British Printing Industries Federation Pension and Life Assurance Scheme;

Statement - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

Trust Deed and Rules - the Scheme's Trust Deed and Rules dated 1 March 1958, as subsequently amended;

Trustee - BPIF Pension Trustees Limited;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets;

LDI - "Liability Driven Investment" is an investment strategy designed to match a pension scheme's liabilities to changes in interest rates and inflation;

ESG - the impact of "Environmental, Social and Governance" factors on a pension scheme's investments; and

Diversified Growth Funds - are funds that invest in a wide variety of asset classes, delivering an 'equity-like' return but with less volatility.

02 Strategic investment policy and objectives

Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Scheme's assets. However, the Trustee retains control over some investments. In particular, the Trustee makes decisions about pooled investment vehicles in which the Scheme invests and any AVC investment vehicles.

The Trustee's policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The primary investment objective of the Trustee is to ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.

Having regard to the primary investment objective, the Trustee will seek to target a level of investment return and risk which is consistent with the funding objective of the Scheme and the strength of the Principal Employer's covenant.

The Trustee will seek to keep the costs and the manager risk in implementing the investment strategy to a minimum.

Expected returns

By undertaking the investment policy described in this Statement, the Trustee expects future investment returns will at least meet the rate of return underlying the Recovery Plan.

Investment Policy

Following advice from the Investment Consultant, the Trustee has set the investment policy and objectives with regard to the Scheme's liabilities, funding level and Recovery Plan.

The Trustee intends to achieve these objectives through investing in a diversified portfolio of return-seeking assets (e.g. equities) and liability matching assets (e.g.

LDI). The Trustee recognises that the return on return-seeking assets, whilst expected to be greater over the long-term than that on liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustee, and an acceptable level of cost to the Principal Employer.

The investment policy the Trustee has adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix II.

Range of assets

The Trustee considers that the combination of the investment policy detailed in Appendix I and the specific manager mandates detailed in Appendix II will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Managers, the Trustee will ensure that the Scheme holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

Based on the structure set out in Appendix I, the Trustee will consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them given to them through by the Trustee or governing the pooled funds in which the Scheme is invested.

The Trustee will ensure that the Scheme's assets are invested in regulated markets to maximise its security.

Investment Managers are incentivised to perform in line with expectations for its specific mandate as its continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria set out in Section 6.

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in Section 3, the Trustee also requires the Investment Managers to take ESG factors and climate change risks into consideration within its decision-making as the Trustee believes these factors could have a material financial impact in the long-term.

03 Responsible investment

The Trustee has considered its approach to ESG factors for the long-term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustee requires the Scheme's Investment Managers to take ESG and climate change risks into consideration within its decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Consultant on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises.

Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated

responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of its decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation then the Trustee may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustee will review this policy if any beneficiary views are raised in future.

04 Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee measures and manages these risks as follows:

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustee will consider (for example) the Value at Risk.

Strategy risk - The risk that the Investment Managers' asset allocation deviates from the Trustee's investment policy is addressed through regular review of the asset allocation. In reviewing the investment strategy on a periodic basis, the Trustee will consider the current economic factors affecting the asset classes in which they have invested and the short to medium term outlook for performance by reference to e.g. current and historic yields, GDP growth forecasts and other relevant factors. The Trustee will also consider how far the actual asset allocation has drifted from the strategic asset allocation and take action to rebalance if necessary.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustee's policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Scheme can invest (see section 2).

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Manager risk - The risk that an Investment Manager fails to meet its stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustee measures the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustee will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- > for equities, the Trustee will consider the spread of assets across various geographic and industry sectors, the concentration of investments in individual stocks and the active positions taken by the Investment Managers;
- > for multi-sector credit funds, the Trustee will consider the type and quality of the underlying assets and the volatility of each fund both in absolute terms and in comparison to the volatility of traditional credit markets;
- > for diversified growth funds, the Trustee will consider the weightings within each fund to different asset classes; and
- > for LDI funds, the Trustee will review risk through the type of instruments held and the risks associated with these investments.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk - The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

05 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustee believes that the Scheme currently holds an acceptable level of readily realisable assets. The Trustee will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustee will hold cash to the extent that it considers necessary to meet impending anticipated liability outflows.

A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment restrictions

The Trustee has established the following investment restrictions:

- > The Trustee or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;
- > Whilst the Trustee recognises that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with its house style. In some instances, the Trustee may impose additional restrictions.

06 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustee has appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise its investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix II.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with its responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policies.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly

with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- > Parent - Ownership of the business;
- > People - Leadership/team managing the strategy and client service;
- > Product - Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance - Past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives set out in Appendix II;
- > The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future; or
- > The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management. Details of the fee arrangements are set out in Appendix II. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

Portfolio turnover

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee in undertaking its responsibilities.

07 Additional Voluntary Contribution arrangements

Provision of AVCs

The Scheme provided a facility for members to pay additional voluntary contributions (AVCs) to enhance its benefits at retirement. The Trustee's objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with its reasonable expectations.

The investment funds were provided by Utmost Life and Pensions Limited.

The Trustee selected Utmost Life and Pensions Limited as a provider and the vehicles offered as they were believed to meet the Trustee's objective of providing investment options that enabled AVC members to generate suitable long-term returns, consistent with its reasonable expectations.

Review process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustee in accordance with its responsibilities, based on the result of the monitoring of performance and process. The Trustee will review the appointment of the AVC providers periodically in the light of its performance.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

08 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the Trustee of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by the Act.

Signatures

On behalf of XPS Investment Limited:



Chris Haywood
Senior Consultant – Investment

Date:

23/3/22

Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustee:



Date:

22/3/22

Appendix I

Investment Strategy & Structure

Overall strategy

The Trustee has adopted a strategy where assets are invested in liability matching assets (LDI) and growth assets (equities, diversified growth funds and multi-sector credit).

The Trustee has identified the following long-term structure as appropriate to meet the objectives of the Scheme:

Asset Class	Long term Target Allocation (%)
<u>Matching Assets</u> LDI Cash Fund	31%
<u>Return Seeking Assets</u> Equities Diversified Growth Funds Multi Credit Funds	69%
Total	100%

Liability matching assets

The Scheme invests in a range of assets to provide a partial hedge against the Scheme's interest rate and inflation sensitivities. The LDI funds are leveraged in order to increase the degree of hedging.

The leveraged nature of some of these funds means that there is an expectation that additional collateral will be required to be paid into these funds from time to time (and any excess collateral repaid to the Trustee). Where any additional collateral payments are required it is the Trustee's intention that these will be met through disinvestments from the Scheme's return seeking assets. Where collateral is repaid, this is to be held in a cash fund

until a decision is made as to whether to reinvest or use for benefit payments for example.

Return-seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the Trustee has decided to invest in a diversified range of return seeking assets comprising of traditional asset classes (e.g. equities and bonds) and alternative asset classes (e.g. property and infrastructure), accessed via a diversified growth fund.

Equities – to provide exposure to listed global equity markets for long term real returns;

Multi-Sector Credit - to provide additional diversification benefits and deliver higher returns than traditional instruments such as corporate and government bonds without a substantial increase in volatility; and

Diversified Growth Funds - to provide additional diversification and a long term return similar to equities but with a lower degree of volatility.

Trustee Rebalancing and cashflow

The Trustee will review the asset allocation on a periodic basis to ensure that the Scheme assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

There is no automatic rebalancing back to the target, however the Trustee will periodically review the position and take action to rebalance if considered appropriate.

Appendix II

Fund benchmarks, objectives & fees

The table below sets out the investment strategy at the date this statement was signed. The Trustee, in conjunction with consultation with the Principal Employer, may review and adapt this strategy over time, especially in light of unpredictable LDI rebalancing events.

Asset Class	Strategic allocation (%)	Manager and Fund	Benchmark (and outperformance target)	Objective	Ongoing Charges Figure (OCF) (p.a.) ¹
Matching Assets	31.0				
LDI	5.0	LGIM – Matching Core Fixed Short Fund	Liability driven benchmark	To deliver nominal (and where applicable inflation-linked) returns.	AMC: 0.2% Additional: 0.0% OCF: 0.2%
LDI	16.0	LGIM – Matching Core Real Short Fund			
LDI	10.0	LGIM – Matching Core Real Long Fund			
Cash ²	0.0	LGIM – Sterling Liquidity Fund	SONIA	To provide diversified exposure and a competitive return in relation to SONIA.	AMC: 0.125% Additional: 0.0% OCF: 0.125%
Return Seeking Assets	69.0				
Equity	15.0	LGIM - Future World Global Equity Index - GBP Hedged	Solactive L&G ESG Global Markets – Index - GBP Hedged	To track the performance of the benchmark within +/- 0.60% p.a. for two years out of three,	AMC: 0.25% Additional: 0.00% OCF: 0.25%
Multi-sector credit	24.0	Brandywine – Global Multi-Sector Income Fund	SONIA + 4.0% p.a. ³	To outperform the index by 4.0% per annum gross of fees.	AMC: 0.35% Additional: 0.09% OCF: 0.44%
Diversified growth	30.0	LGIM – Dynamic Diversified Fund	BoE Base Rate +4.5% p.a.	To outperform the index by 4.5% per annum gross of fees.	AMC: 0.35% Additional: 0.02% OCF: 0.37%

Notes:

- The following abbreviations have been used; Annual Management Charge (“AMC”), Ongoing Charges Figure (“OCF”).
- The Scheme is expected to hold a small, short-term allocation to cash following an LDI re-leveraging event.
- Benchmark has changed from LIBOR +4.5% p.a. to SONIA +4.0% p.a. due to the discontinuation of LIBOR in December 2021.

LGIM Fee Tier Structure

Manager and Fund	Annual Fee
LGIM – Matching Core Fixed Short Fund LGIM – Matching Core Real Short Fund LGIM – Matching Core Real Long Fund	Tiered base fee based on the AUM of 0.20% pa on the first £7.5m, 0.17% pa on the next £20m and 0.15% pa thereafter.
LGIM – Future World Global Equity Index - GBP hedged	Tiered base fee based on the AUM of 0.250% pa on the first £5m, 0.225% pa on the next £10m, 0.200% pa on the next £35m and 0.175% pa thereafter.
LGIM – Sterling Liquidity Fund	Tiered base fee based on the AUM of 0.125% pa on the first £5m, 0.100% pa on the next £5m, 0.075% pa on the next £20m and 0.050% pa thereafter.

