Belfast Telegraph Pension Scheme

Statement of Investment Principles – May 2023

Background

The Trustee of the Belfast Telegraph Pension Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the SIP") to comply with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments and the Trustee believes that the investment policies and its implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001 (as amended).

The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

Governance

The Scheme is governed by its trust deed and rules, which set out in detail the benefits and specify the Trustee's investment powers.

The Trustee makes the key strategic decisions relating to the Scheme's investments, and to support the objectives of the Scheme's investment strategy, it appointed Legal and General Assurance (Pensions Management) Limited ("Fiduciary Manager") as a Fiduciary Manager as of 3 February 2023, giving the Fiduciary Manager discretion over the implementation and day-to-day management of the Scheme's investments. The Fiduciary Manager delegates its investment management powers to Legal & General Investment Management Limited ("LGIM"). LGIM is part of the same group of companies as the Fiduciary Manager. The Trustee has also appointed LGIM to provide investment advisory services under an investment advisory agreement. The Trustee may terminate its agreements with the Fiduciary Manager and LGIM in line with their terms.

When making investment decisions, and when appropriate, the Trustee takes proper advice from LGIM, in its role as investment advisor. LGIM is qualified by its ability in, and practical experience of, financial matters and has the appropriate knowledge and experience to provide such advice. The Trustee reviews LGIM's performance and the Scheme's risk profile on a quarterly basis. When deciding on the long-term investment strategy and in preparing this Statement, the Trustee has consulted with Mediahuis Ireland Group Limited, the Scheme's sponsor. The ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

Investment Objectives

The Trustee aims to pay members benefits in a sustainable and secure manner. The Trustee is required to invest the Scheme's assets in the best interest of the members, and its main objectives with regard to investment policy are:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Scheme provides; and

- To limit the risk of assets failing to meet the liabilities, both over the long-term and on a medium-term basis.

In addition, the following secondary objective has been adopted:

- To pay due regard to the interests of the size and incidence of the sponsor's contribution payments.

Investment Strategy

The Trustee has set a return target for the Scheme of 2.0% pa above gilts, net of investment management fees. The Trustee has considered the risks associated with a return target of this level. The Fiduciary Manager is tasked with reducing risk to the extent possible for the specified return target.

The asset mix will vary from time to time within the discretion of the Fiduciary Manager, the ranges in which the Scheme is managed are:

Asset allocation ranges (% of Scheme)	Minimum	Maximum
Overall growth assets	47.5%	75.0%
Liability matching assets (corporate bonds, LDI and cash)	25.0%	52.5%
Asset allocation ranges (% of growth assets)	**Minimum**	**Maximum**
Strategic liquid diversified growth assets	74.5%	85.5%
Illiquid growth assets	-	-
Dynamic growth strategies	14.5%	25.5%
Liability hedge ratios for liability matching assets	**Minimum**	**Maximum**
Interest rate exposure (PV01 as % of funded liabilities)	40%	110%
Inflation exposure (IE01 as % of funded liabilities)	40%	110%

Management of the Assets

The assets are managed under a fiduciary management agreement by the Fiduciary Manager. Under the fiduciary management arrangement, the Fiduciary Manager has discretion to invest the assets of the Scheme across its range of the Fiduciary Manager's pooled funds, which have exposure to a range of underlying assets, in order to meet the strategic objectives. In doing so, the Fiduciary Manager is tasked with maintaining the diversification, liability hedging and liquidity of the Scheme as a whole.

The safe custody of the underlying assets to which the Scheme is exposed is delegated to professional custodians via the use of pooled vehicles.

The Trustee monitors the Scheme's asset allocation on a quarterly basis and reviews the Fiduciary Manager's performance.

The Trustee's policy is to evaluate the Fiduciary Manager by reference to its performance (over short, medium and longer-term periods), the role it plays in helping to meet the objectives of the Scheme as set out in this Statement, and the fees paid to the Fiduciary Manager.

Investment Risks

The Trustee recognises a number of risks involved in investment of the assets of the Scheme and also understand that this does not constitute an exhaustive list of the risks the Scheme faces.

- *Solvency risk and mismatching risk* - The Trustee regularly reviews the asset allocation of the Scheme to ensure mismatching risk is considered and managed suitably. Solvency levels are monitored through ongoing triennial actuarial valuations.

- *Liquidity risk* - The Trustee has adopted a strategy that makes due allowance of the need for liquidity of the Scheme's assets.

- *Concentration risk* - The Trustee has delegated to the Fiduciary Manager the task of ensuring that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification across asset classes, regions and securities.

- *Sponsor risk* - The Trustee reviews the sponsor's covenant at each actuarial valuation or when there is an event that might lead to material changes in the Sponsor's covenant. The Trustee has considered the risk that the sponsor may be unwilling or unable to maintain the necessary level of contributions in future, as measured by a number of factors including the creditworthiness of the Sponsor and the size of the pension liability relative to the financial strength of the Sponsor.

- *Leverage (derivatives) risk* – In order to manage liability risk the Trustee permits the use of derivative strategies by the Fiduciary Manager, to facilitate efficient portfolio management and to contribute to risk reduction. The Trustee delegates the management of derivative instruments to the Fiduciary Manager to ensure they are managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

- *Fiduciary Manager risk* – The Trustee monitors the Fiduciary Manager's performance on a quarterly basis, and compares the investment returns with appropriate performance objectives.

Realisation of Investments

The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments where possible. The responsibility for buying and selling investments has been delegated to the Fiduciary Manager.

Responsible Investment and Corporate Governance

The Trustee believes that good stewardship and environmental (including climate change), social and governance ("ESG") issues may have a financially material impact on meeting the investment objective. As an investor in pooled funds, the Trustee has implicitly given the

Fiduciary Manager full discretion when evaluating the impact of ESG issues on the investment objective, and in exercising rights and stewardship obligations attached to the Scheme's investments.

The Trustee expects the Fiduciary Manager, where appropriate, to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity, taking into account all relevant matters pertaining to that security, in order to improve their performance in the medium to long-term. The Trustee invests through a Fiduciary Management arrangement and any exposure it has to equity and debt securities is through pooled funds managed by the Fiduciary Manager.

Similarly, the Scheme's voting rights are exercised by the Fiduciary Manager in accordance with the Fiduciary Manager's own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee deems the most "significant votes" cast by the Fiduciary Manager to represent issues on which the Fiduciary Manager decided to vote against management or where the vote was part of a wider engagement with the entity to reflect the Scheme's stewardship priorities and themes. The Trustee expects that significant votes will cover a range of relevant matters, including (but not limited to) climate change, biodiversity, gender diversity and ethnicity, remuneration and governance.

The Trustee reviews its sustainability preferences and expectations for voting and stewardship behaviour with the Fiduciary Manager every three years or in conjunction with a significant change to investment policy (when reviewing the wider content of this document).

The Trustee expects the Fiduciary Manager to demonstrate good stewardship practices, and will review how the Fiduciary Manager is performing in this area by considering its disclosures on stewardship as provided to the Trustee.

Fees and costs

The Fiduciary Manager is paid a management fee on the basis of assets under management. This fee includes the provision of both asset management and investment consulting services for the Fiduciary Management service.

The Trustee considers the fees agreed with the Fiduciary Manager incentivise the Fiduciary Manager to provide a high quality service that meets the objectives of the Scheme. The Trustee monitors the Fiduciary Manager and would consider terminating any appointment that appears to be acting contrary to this SIP.

The Trustee receives an annual statement outlining the Scheme's portfolio turnover costs (the unavoidable costs of buying, selling, lending or borrowing securities). However the Trustee recognises that investment management necessarily generates portfolio turnover costs, which are reflected in performance of the Scheme's assets, in order to meet the investment objectives and so has not defined target portfolio turnover costs. The Trustee expects LGIM to include the consideration of portfolio turnover costs as appropriate when providing advice on the Scheme's investments.

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.

The Trustee of The Belfast Telegraph Pension Scheme