Pointing Ltd Pension Fund

Statement of Investment Principles

22 September 2020

1 Introduction

1.1 This is the Statement of Investment Principles prepared by the Trustee of the Pointing Ltd Pension Fund (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2 In preparing this statement the Trustee has consulted Pointing Ltd, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4 The Trustee will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

1.5 The investment powers of the Trustee are set out in Rule 3 of the Definitive Trust Deed & Rules, dated February 1996. This statement is consistent with those powers.

2 Choosing Investments

2.1 The Trustee's policy is to set the overall investment target and then monitor the performance of its managers against that target. In doing so, the Trustee considers the advice of its professional advisers, whom it considers to be suitably qualified and experienced for this role.

2.2 The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in Appendix 1 to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3 The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3 Investment Objectives

3.1 The Trustee's main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;

- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2 The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustee has obtained exposure to investments that it expects will meet the Scheme's objectives as best as possible.

4 Kinds of investments to be held

4.1 The Scheme can invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3 The Trustee monitors from time-to-time the employer-related investment content of the portfolio as a whole and will take steps to alter this should it discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditor.

5 The balance between different kinds of investments

5.1 The Trustee invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2 The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3 From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short term cashflows requirements or any other unexpected items.

5.4 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6 Risks

6.1 The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

6.2 **Risk versus the liabilities** The Trustee will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

6.3 **Asset Allocation risk** The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.

6.4 **Governance risk** Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in its annual Implementation Statement.

6.5 **ESG/Climate risk** The Trustee has considered long-term financial risks to the Scheme, and believes that ESG factors as well as climate risk are potentially financially material. The Trustee will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

6.6 **Fund manager risk** The Trustee monitors each of the Scheme's fund managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

6.7 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

6.8 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustee.

6.9 **Liquidity risk** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrator assesses the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

6.10 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

6.11 **Solvency and mismatching** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

6.12 **Currency risk** The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7 Expected return on investments

7.1 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors, whom it deems to be appropriately qualified experts, on these matters. However, the day-to-day selection of investments is delegated to the fund managers.

7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3 In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4 Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets the Scheme's fund managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

8 Realisation of investments

8.1 The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.

8.2 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9 Environmental, Social and Governance considerations and investment stewardship

9.1 The Trustee believes that Environmental, Social and Governance ("ESG") considerations have the potential to have a financially material impact. The Trustee appreciates that the method of incorporating ESG within an investment strategy and process will differ between asset classes. A high-level summary of the Trustee's views on ESG integration within each asset class the Scheme invests in is outlined below:

9.2 *Corporate bonds* – the Trustee believes ESG issues should be considered in a fund manager's investment process as they have the ability to materially impact risk-adjusted returns. The Trustee recognises that fixed income assets do not include voting rights; however the Trustee supports engagement from their managers to identify ESG risks and opportunities. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.3 *Passive gilts* – the Trustee does not believe there is scope for ESG issues to significantly improve risk-adjusted returns within the Scheme's passive gilt holdings.

9.4 It is worth noting that when transacting in gilt funds, the Trustee requires that due diligence is undertaken by the fund manager to assess the credit worthiness of the counterparty both initially and ongoing, whilst at the same time looking to achieve best execution. The Trustee expects this to incorporate ESG factors where these assist with the credit-worthiness assessment.

9.5 The Trustee is comfortable that the investment manager is managing the relevant funds with ESG taken into account in a reasonable way for each particular asset class. The Scheme's fund manager is expected to ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk, subject to relevant constraints.

The Trustee will consider ESG issues when appointing and reviewing managers to ensure that they are appropriately taken into account given the asset class involved. In particular, before considering any new mandate, the Trustee will consider whether the manager is a signatory to the United Nations Principles for Responsible Investment (PRI). The Scheme's current investment manager is a PRI signatory.

9.6 The Scheme currently invests in pooled investment funds only. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant fund managers. The Trustee also expects managers to engage with companies in relation to ESG matters. The Trustee is comfortable with the fund managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor. They will review this position periodically, usually annually.

9.7 The Trustee acknowledges the importance of ESG and climate risk within its investment decision-making framework. When delegating investment decision making to its investment managers, it provides them with a benchmark that it expects them to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund. The Trustee considers it to be a part of its investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units. The Trustee also considers it to be part of its investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure. Where the Trustee uses pooled funds the Trustee expects the investment manager to employ the same degree of scrutiny.

9.8 The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.9 The Trustee's investment advisor will notify the Trustee if it believes that the investment manager is failing in these respects. Where such a significant concern is identified the Trustee and advisor will discuss an appropriate method of engagement on a case by case basis.

9.10 The Scheme's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer's business, subject to the constraints of the mandate. Through its consultation with the Sponsoring Employer when setting this Statement of Investment Principles, the Trustee has made the Sponsoring Employer aware of its attitude to ESG and climate related risks, how it intends to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

9.11 The Scheme's investment consultant, Barnett Waddingham, is independent and no arm of its business provides asset management services. This, and Barnett Waddingham's FCA Regulated status, makes the Trustee confident that the investment manager recommendations it makes are free from conflict of interest.

9.12 The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes it has managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

Non-financial matters

9.13 The Trustee does not take account of non-financial matters (such as ethical views) within the investment strategy.

10 Agreement

10.1 This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Scheme auditor upon request.

Signed:……. **Date:** 23 September 2020 ……

On behalf of the Pointing Ltd Pension Fund

Appendix 1 Note on investment policy of the Scheme as at September 2020 in relation to the current Statement of Investment Principles

Choosing investments

The Trustee has appointed the following fund manager(s) to carry out the day-to-day investment of the assets:

- Legal & General Investment Management ("LGIM").

The fund manager is authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

The fee arrangement with the fund manager is recorded separately.

Barnett Waddingham is remunerated on a time cost basis.

The Trustee has an AVC contract with Aviva and Equitable Life Assurance Society for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- Fixed Interest Gilts;
- Index Linked Gilts;
- Corporate bonds.

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The investment benchmarks and objectives for the fund manager are given below:

Fund manager	Benchmark	Objective
Legal & General Investment Management		
AAA-AA-A Corporate Bond Over 15Y Index Fund	iBoxx Sterling Non-Gilts (ex-BBB) Over 15 Year Index	To track the sterling total return of the benchmark to within +/- 0.5% pa gross of fees for two years in three
2027 Gilt Fund	Single Stock Treasury 4.25% 2027 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2047 Gilt Fund	Single Stock Treasury 1.50% 2047 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2049 Gilt Fund	Single Stock Treasury 4.25% 2049 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2055 Gilt Fund	Single Stock Treasury 4.25% 2055 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2060 Gilt Fund	Single Stock Treasury 4.00% 2060 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2065 Gilt Fund	Single Stock Treasury 2.50% 2065 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2068 Gilt Fund	Single Stock Treasury 3.50% 2049 Gilt	To produce a return in line with that of the underlying Single Stock Gilt
2030 Index-Linked Gilt Index Fund	Single Stock Treasury 4.125% 2030 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2037 Index-Linked Gilt Index Fund	Single Stock Treasury 1.125% 2037 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2042 Index-Linked Gilt Index Fund	Single Stock Treasury 0.625% 2042 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2047 Index-Linked Gilt Index Fund	Single Stock Treasury 0.75% 2047 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2055 Index-Linked Gilt Index Fund	Single Stock Treasury 1.25% 2055 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2058 Index-Linked Gilt Index Fund	Single Stock Treasury 0.125% 2058 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2062 Index-Linked Gilt Index Fund	Single Stock Treasury 0.375% 2062 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt
2068 Index-Linked Gilt Index Fund	Single Stock Treasury 0.125% 2068 Index-Linked Gilt	To produce a return in line with that of the underlying Single Stock Index-Linked Gilt

The performance of fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

The table below sets out the funds with LGIM in which the Scheme currently invests and the strategic asset allocation which was implemented in August 2020.

Fund	Initial allocation
Nominal bonds	
AAA-AA-A Corporate Bond Over 15Y Index Fund	**67%**
2027 Gilt Fund	
2047 Gilt Fund`	
2049 Gilt Fund	
2055 Gilt Fund	
2060 Gilt Fund	
2065 Gilt Fund	
2068 Gilt Fund	
Index-Linked Gilts	
2030 Index-Linked Gilt Index Fund	**33%**
2037 Index-Linked Gilt Index Fund	
2042 Index-Linked Gilt Index Fund	
2047 Index-Linked Gilt Index Fund	
2055 Index-Linked Gilt Index Fund	
2058 Index-Linked Gilt Index Fund	
2062 Index-Linked Gilt Index Fund	
2068 Index-Linked Gilt Index Fund	

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark, which is designed to broadly match the sensitivity of the liability value to interest rate and inflation rate changes, and limiting the costs of rebalancing.

Investment of new money

In the normal course of events new money is invested in line with the allocation between different funds at the date of investment.

Realisation of investments

The Trustee may disinvest from some of its investments from time to time in order to meet the Scheme's cash flow requirements. This would usually be from the Scheme's assets held with LGIM in line with the allocation between different funds at the date of disinvestment.

Appendix 2 Policy on arrangement with asset managers

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

Prior to appointing an investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they are aligned with the Trustee's own investment aims, beliefs and constraints.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be significantly out of line with its own investment objectives for the part of the portfolio being considered, it will consider using another manager for the mandate.

The Trustee carries out a strategy review at least every 3 years where it assesses the continuing relevance of the strategy in the context of the Scheme and its aims, beliefs and constraints. The Trustee monitors the investment manager's approach to ESG and climate related risks on an annual basis using reports and data provided by the investment manager.

In the event that the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of it, the Trustee will consider terminating the appointment. The investment manager will be informed of this by the Trustee, through its investment advisor.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, they are aware that the need for the investment industry to change its current pathway is great. The Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee has acknowledged this in its investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon.

The Trustee expects investment managers to be voting and engaging on behalf of the fund's holdings where applicable and the Trustee monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

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

The Trustee monitors the performance of its investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.

The Scheme invests mainly in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Scheme's investment managers are recorded separately by the Trustee.

The Trustee believes that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Scheme's Investment Consultant to assess whether the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges is considered every three years as part of the review of the Statement of Investment Principles.

How the Trustee monitors "portfolio turnover costs" incurred by the asset manager, and how it defines and monitors targeted portfolio turnover or turnover range

The Trustee acknowledges that portfolio turnover costs can impact on the performance of its investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements can be beneficial to the fund from both a risk and cost perspective.

The duration of the arrangement with the asset manager

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment manager.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes make it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.