

Clear Channel Retirement Benefits Scheme

Statement of Investment Principles

September 2020

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Clear Channel Retirement Benefits Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants and future accrual. Members are provided with the facility to pay additional voluntary contributions (AVCs).

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustee must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

The Trustee is responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing the investment strategy, the Trustee has had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirements of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.
- In respect of the AVCs provided on a money-purchase basis, the Trustee has taken account of the requirements and recommendations within the "Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits".

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustee has obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and has consulted Clear Channel Outdoor Limited ('the Sponsoring Employer'). However, it should be noted that neither the Trustee (nor any investment manager to whom it has delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

Review

The Trustee will review this SIP at least every three years and without delay after each significant change in investment policy. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available on a public website.

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Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee. The Trustee will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee without constraint by the Sponsoring Employer. The Trustee will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios who are reviewed from time-to-time to ensure the way they make investments on behalf of the Trustee is suitable for the Scheme, and appropriately diversified.

Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustee having taken advice from the investment consultant.

The investment strategy is based on an analysis of the Scheme's liability profile, the required investment return, the returns expected from the various asset classes and the associated investment risks.

The Trustee's primary objectives are:

- To achieve, over the long term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme.
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.
- To consider the interests of the Sponsoring Employer in relation to the size and volatility of the Sponsoring Employers' contribution requirements.

The Trustee has translated its objectives into a suitable investment strategy for the Scheme.

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.

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

The Trustee has been reviewing its investment arrangements following the conclusion of the actuarial valuation as at 1 January 2019 and has agreed a new investment strategy which is in the process of being implemented at the date of signing this SIP. The Trustee considers

the Scheme's new investment strategy to be consistent with the current financial position of the Scheme and the Trustee's investment objectives.

The Trustee's policy in relation to the kinds of investments to be held

The Trustee has full regard to its investment powers as set out in Clause 4.2 of the Trust Deed and Rules dated November 2016.

The Scheme may invest directly or indirectly in quoted and unquoted securities of UK and overseas markets including (but not limited to):

- Equities
- Government bonds (nominal and real)
- Investment grade bonds
- Non-investment grade bonds
- Cash
- Property
- Private equity
- Hedge funds

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 the stated assets to be currently suitable for the Scheme.

The Scheme invests in pooled funds and other collective investment vehicles (collectively referred to as pooled funds) and cash. The Trustee has made this decision because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustee to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

The Trustee has appointed a platform provider to manage the Scheme's assets. The platform provider has been selected in order to effect cost and operational efficiencies in the management of the assets.

The Trustee's policy in relation to the balance between different kinds of investments

The choice of investments is driven by their characteristics, including the time horizon over which it is prudent to assume the expected returns will be delivered. The sizing of the allocation will be driven, in part, by the level of benefit payments to be covered by the asset concerned subject to appropriate limits to ensure appropriate portfolio diversification.

Within this framework, the appointed investment managers will hold an appropriately diversified mix of investments consistent with their agreed benchmark and within their discretion to diverge from the benchmark.

The Trustee's policy in relation to the 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.

The Trustee's policy in relation to the 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 Scheme'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 Scheme. The majority of assets are not expected to take an undue time to liquidate.

The investment strategy includes lower risk liquid assets to cover shorter terms benefit payments.

The Trustee's policy in relation to financially material considerations

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

In setting the Scheme's investment strategy the Trustee has considered the expected benefit outgo each year over the expected lifetime of the Scheme and chosen investments consistent with the expected benefit payment profile. The Trustee considers that the investment time horizon for some of the investments means that ESG factors will be financially material.

The Trustee will review, at least annually, the investment managers' policies in respect of financially material considerations. The Trustee would like their investment managers to be signatories of the United Nations Principles of Responsible Investment.

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

The Trustee believes that the financial interests of the Scheme members is their priority when choosing investments. The Trustee has decided not to take members' preferences into account when determining the suitability of the investments.

Risk capacity and risk appetite

The Trustee has determined the overall level of investment risk and how this is expected to evolve by considering the interplay between investment, funding and covenant risk. The investment strategy adopted incorporates an assumed level of de-risking that is designed to gradually move the Scheme into lower risk assets as it matures.

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

The Trustee's policy in relation to risks

The Trustee considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. In setting the investment strategy, prudence margins have been built into the assumed returns, although the Trustee recognises there can be no guarantee over the returns that will be achieved.

Investment policies are set with the aim of having sufficient and appropriate assets to meet the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

Although the Trustee acknowledges that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Associated with insufficient portfolio diversification.
- Of failure of the Scheme'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 will monitor the change in asset allocation compared to that expected and seek advice from the investment consultant on what, if any, changes should be made.

Stewardship in relation to the Scheme's assets

The Trustee has a fiduciary duty to consider their 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 their investment managers.

The Trustee's policy in relation to engagement and monitoring (including peer to peer engagement)

As all the Scheme's investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer to peer engagement in investee companies. The Trustee expects the investment managers to undertake these activities and to use their discretion to maximise financial returns for members over the long term.

The Trustee will periodically review the investment managers engagement activity and if they are dissatisfied with the approach adopted will take this into account in considering the ongoing suitability of the manager concerned.

The Trustee's policy in relation to voting rights

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 Trustee will periodically review each manager's voting activity.

Investment management monitoring

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee with the assistance of the investment consultant. This includes the assessment of the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information.

The Trustee accesses the investment managers via an investment platform and receives quarterly statements of the assets held along with a quarterly performance report from the platform provider.

The platform provider will forward any communications from investment managers advising of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

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

The Trustee's policy in relation to their 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 Trustee's primary objectives. 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 Scheme'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 manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustee, based on advice from their investment consultant, appoints the investment managers and chooses the specific pooled fund(s) taking account of the Scheme's specific requirements. They expect each investment manager to 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 Scheme's performance) over an appropriate time horizon.

The Trustee has decided not to take non-financial matters into account when considering their policy objectives.

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

The Trustee expects their 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 the 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, they will make their concerns known to the investment manager and may ultimately disinvest.

The investment managers are paid a management fee which is a fixed percentage of assets under management.

Prior to agreeing a fee structure, the Trustee, in conjunction with their investment consultant, consider 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 managers, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustee, in conjunction with their investment consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee has arranged to receive reports that include the turnover costs incurred by the investment managers used by the Scheme.

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 their 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 their 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.

Risk management approach (structures for de-risking)

The investment strategy agreed by the Trustee was developed on the expectation that the level of investment risk will be reduced every three years. However, the ability to de-risk is monitored more frequently and is reported upon in an annual review provided by the investment consultant.

Employer-related investments

The Trustee will not make direct investments in the Sponsoring Employer's own securities.

Additional voluntary contributions (AVCs)

The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Scheme 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 their investment advisers.

In selecting the funds offered the Trustee has taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustee's responsibilities in the selection and monitoring of the investment options offered.

The Trustee will periodically review the continuing suitability of the AVC arrangements, taking professional advice accordingly. Members are directed to seek independent financial advice when considering their AVC arrangements.

Appointments and responsibilities

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

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultants are Buck Consultants (Administration & Investment) Limited.
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Mr D Field of Capita Employee Solutions.

Trustee

The Trustee's primary responsibilities include:

- The preparation of this SIP, 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 SIP will also be reviewed following a significant change in investment policy.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme'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 Scheme's liabilities, taking advice from the investment consultant.
- Assessing the processes and 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 SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment managers have undertaken their stewardship responsibilities.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustee in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review 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.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in the pooled fund documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Platform provider

- Providing the Trustee with quarterly reports and a review of the investment performance of their portfolio.
- Informing the Trustee of any changes advised by the investment managers in relation to the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.

Scheme Actuary

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

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme'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.

Compliance

A copy of the Scheme's current SIP is supplied to the Sponsoring Employer, the Scheme's auditors and the Scheme Actuary. The SIP is published on a publicly available website.

This SIP supersedes all others and was approved by the Trustee.

Full name

Signature

A black rectangular redaction box covers the signature, with faint pencil lines extending from the top and bottom edges.

Position: Sole Trustee

For and on behalf of the Clear Channel Retirement Benefits Scheme

Date: 29 September 2020
