

Newspaper Society Pension and Life Assurance Scheme

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the Newspaper Society Pension and Life Assurance Scheme (the “Scheme”). It sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment objectives and strategy are derived from the Trustee’s Investment Beliefs, set out in Appendix A. The beliefs have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

The Trustee has also taken the Myners’ Principles into consideration when making decisions about the Scheme’s investment arrangements.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles. The Scheme’s funding position is reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances.

Investment strategy

The Scheme’s investment strategy was derived following careful consideration of the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) on the level of contributions required to fund the Scheme. The Trustee considered the merits of a range of asset classes, including various “alternative assets”.

The strategy also took into account the covenant of the Newspaper Organisation Limited (trading as The News Media Association) and the support provided by the Guarantors.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the Technical Provisions. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to provide a return over the long term that is greater than that used in the calculation of the Technical Provisions and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the Technical Provisions.

The Trustee also considered a number of other risks set out in Appendix B.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The investments are made through a platform provider. With advice, the Trustee selects underlying funds from the platform to implement the chosen strategy. The platform provider is responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly performance reports and asset valuations;
- Providing any initial asset transition plans for the investment consultant to review; and
- Asset rebalancing and meeting cashflow requirements, when required.

The Trustee has selected several funds on the platform in which to invest. The investment managers manage the underlying assets of the Scheme as listed in the IID. The investment managers and platform provider are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via the platform provider. The delegation includes decisions about:

- Realisation of investments;
- Social, environmental, ethical and governance considerations in selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The platform provider's and investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the underlying investment managers.

Environmental, Social and Corporate Governance considerations

The Trustee's duty is to act in the best financial interests of the Scheme's beneficiaries. This duty includes undertaking due diligence when appointing investment managers and by reviewing each potential investment manager's policies and procedures regarding Environmental, Social and Governance (ESG) issues. The Trustee believes that a considered approach to ESG issues can enhance the investment processes of the investment manager

they employ. They believe that responsibly managed companies are better placed to achieve a sustainable competitive advantage and provide strong long-term growth.

The Trustee expects the appointed investment managers, when assessing the financial attractiveness and overall risk of any investment, to have due regard for all relevant issues, including the impact of ESG matters. This includes continually monitoring their ESG efforts, principles and processes and making their records of engagement available to investors.

The Trustee has also delegated to their investment managers the exercise of corporate governance issues, including the exercise of voting rights to investments.

Realisation of investments

The assets held by the investment managers are readily marketable. Notice for realisation can be given on any working day for any amount.

The Trustee and NMA have regard to the Scheme's likely cash flow requirements in order to minimise the likelihood of having to realise investments when market conditions are unfavourable.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers and platform providers.

When making such decisions, and when appropriate, the Trustee takes proper written advice.

The Trustee's current investment advisers, Isio Group Ltd, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The Trustee has agreed objectives upon which to assess its investment advisers and will monitor the investment adviser against these objectives.

The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Additional Voluntary Contributions (AVCs)

The Trustee has provided a facility to members to pay AVCs to enhance their benefits at retirement, but contributions ceased some years ago.

AVCs are held separately from the Defined Benefit assets of the Scheme.

AVCs are invested in policies with Aviva (previously Friends Life) and Equitable Life.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer, the Newspaper Organisation Limited and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment circumstances.

Signed:

A black rectangular redaction box covering the signature of the Trustee.

Signed: Roger Cooper

Date: 10 September 2020

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long-term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There is more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost, and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Scheme's investments around our required objectives.

True diversification: We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objectives.

4 A long-term mind-set can be used to enhance returns

As a long-term investor we pursue incremental growth that rewards adherence to our strategic objectives, rather than pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Scheme.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsible investing and Stewardship

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee have considered and sought to manage is shown below.

The Trustee adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate funding basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the Newspaper Organisation Limited (and/or the Guarantors) becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> When developing the Scheme's investment and funding objectives, the Trustee take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 70% of assets.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and

		to provide collateral to the LDI/synthetic equity manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria (unless there is a good reason why the manager does not satisfy each criteria): 1. It has a responsible investment ('RI') policy / framework 2. RI policy is implemented via the manager's investment process 3. It has a track record of using engagement and any voting rights to manage ESG factors 4. It has ESG specific reporting The Trustee monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets..
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C

The following table describes the Trustee's policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.	<ul style="list-style-type: none">• As the Scheme is invested in pooled funds via the Mobius Life platform, there is no scope for these funds to tailor their strategy and decisions in line with the Trustee policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	<ul style="list-style-type: none">• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.• The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	<ul style="list-style-type: none">• The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.• The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	<ul style="list-style-type: none">• The Trustee do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	<ul style="list-style-type: none">• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in.<ul style="list-style-type: none">○ For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.