

ASD plc Retirement Benefits Scheme
Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the ASD plc Retirement Benefits Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment objectives and strategy were 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 funding position will be 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.

The Scheme’s present investment objective is to achieve a return of around 1.8% per annum above the return on UK Government bonds, which are considered to move in line with the calculated present value of the Scheme’s liabilities.

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) for the level of contributions required to fund the Scheme, and also the strength of the sponsoring company’s covenant. The Trustee considered the merits of a range of asset classes, including various “alternative assets”.

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 liabilities. 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 perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The Trustee has 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.

Leverage and collateral management

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI).

The Trustee has a stated collateral management policy. The Trustee has agreed a process for meeting collateral calls should these be made by the Scheme's LDI manager. The Trustee will review this policy on a regular basis.

Further details on this can be found in the Scheme's IID which is available to members on request.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Scheme as listed in the IID. The investment managers 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 a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

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 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. The Scheme's Private Market Credit mandate is also subject to a performance-related fee element.

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

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> • The Trustee receives a bi-annual performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Scheme's investment managers may be invited, as required, to present to the Trustee on their performance, strategy and risk exposures. 	<ul style="list-style-type: none"> • There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> • The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from their investment advisers on the investment managers' approaches to engagement. 	<ul style="list-style-type: none"> • The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

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.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. 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.

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 company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed:

Signed:

Date:.....

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's 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 payoff profile of the Scheme's investments around our required objectives.

Excess liquidity of our Scheme: We utilise excess liquidity in order to access any illiquidity premium (when illiquidity is rewarded), taking into consideration known cash flow requirements and the need for flexibility.

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 objective.

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 plan, rather 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 added value 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 our Scheme.

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

7 Our investment process reflects our beliefs on responsibly investing.

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 that the Trustee has taken into consideration and sought to manage, where appropriate, is shown below.

The Trustee adopts 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 sponsoring company's 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 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 sponsoring company 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 takes 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.

Interest rate risk

- The risk of a mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates.

Inflation risk

- The risk of a mismatch between the value of the Scheme assets and present value of liabilities from changes in inflation.

Liquidity risk

- Difficulties in raising sufficient cash when needed without adversely impacting fair market value of the investment.

Currency risk

- The potential for adverse currency movements to have an impact on the Scheme's investments.

Longevity risk

- Members of the Scheme living longer than expected, leading to a larger than expected liability.

Credit risk

- Default on payments due as part of a financial security contract.

Counterparty risk

- A counterparty fails to meet its financial transaction obligations.

Concentration risk

- Excessive exposure to a single issue/stock/sector etc. which has a potentially disproportionate impact on the Scheme's investments.

Reinvestment risk

- Proceeds from the payment of principal and interest which may be reinvested at a lower rate than the original investment.

Appendix C

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<ul style="list-style-type: none"> As the Scheme is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustee’s policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective. The Scheme’s mandate for Private Market Credit is subject to a performance-related fee.
<p>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.</p>	<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 monitors the investment managers’ engagement and voting activity on an annual basis as part of their ESG monitoring process. The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>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.</p>	<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. Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme’s arrangements with the investment managers</p>	<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 closed ended funds or funds with a lock-in period the Trustee ensures

	<p>the timeframe of the investment or lock-in is in line with the Trustee's objectives and Scheme's liquidity requirements.</p> <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.
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