

# Chair's statement 2021

*This compliance statement relates solely to the Defined Contribution section and additional voluntary contributions within the ITV Pension Scheme. This statement is not relevant to any member's Defined Benefit pension in the Scheme.*

**You've built up valuable benefits in the ITV Pension Scheme (the Scheme), so it's important to know that the Scheme is well run and your benefits are being looked after. This is the responsibility of the Scheme Trustees.**

Each year, the Trustees produce a document called the Chair's statement. This sets out important information about the defined contribution benefits in the Scheme (including additional retirement savings – 'AVCs') and demonstrates how the Scheme has met its legal requirements in a number of key areas. It includes:

- [Details of the Scheme's investment fund costs and charges.](#)
- ['Pounds and pence illustrations'](#) showing the impact that investment costs and charges might have on the value of members' savings over time.
- [A 'Value for Members' assessment](#) about the value provided by the Scheme.
- [Details about the training provided to the Trustees](#) so they can carry out their role effectively.
- [Information about how core financial transactions are processed,](#) such as the investment of your Scheme savings or fund switches.
- [Information about the investment strategy](#) and how the investments are managed.

The Chair's statement on the following pages covers the Scheme year from 1 January to 31 December 2021.

If you have any questions about the Chair's statement or would like a printed copy, please contact ITV Pensions by calling [01772 884488](tel:01772884488) or emailing [enquiries@itv-pensions.com](mailto:enquiries@itv-pensions.com)

# Annual Chair's Statement

*for the Scheme Year ending 31 December 2021*

**This statement has been prepared by the Trustee of the ITV Pension Scheme ('the Scheme') to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015<sup>1</sup> in relation to the defined contribution ('DC') section of the Scheme and other DC benefits under the Scheme (including additional voluntary contributions (AVCs) for defined benefit ('DB') members). This statement relates to the period from 1 January 2021 to 31 December 2021 inclusive ('the Scheme Year').**

From 1 March 2017, the Scheme no longer accepted any new contributions, as active employees of ITV plc from that date, became active members of the new ITV Defined Contribution Plan ('the Plan'). In addition, the majority of the Scheme's DC assets have now been moved to the Plan in two parts, firstly during 2017 and then as part of a subsequent transfer in October 2020.

The Trustee believes that it has taken the necessary steps to ensure compliance with the governance standards.

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<sup>1</sup> The statement is prepared in accordance with Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended



## Investment strategy – relating to the Scheme’s default investment options

### Scheme default arrangements

The Hands off Phased lifecycle was historically the default investment option when the Scheme was open to new members (although most new joiners did make their own investment decision).

A number of the other Hands off and Hands on self-select funds are also default arrangements due to members being previously moved to these investment options without their consent. The objectives for these options are set out in the Scheme’s Statement of Investment Principles (‘SIP’), the latest version of which is provided in Appendix 2. The Hands off and Hands on funds considered defaults are:

#### Hands off

- Hands off phased
- Hands off blended
- Hands off focused
- Hands off steady

#### Hands on

- Company bonds
- Global shares (index tracker)
- Money Markets
- UK government bonds (index tracker)

The objective for all of the Hands off lifecycle defaults set out above is to generate capital growth over the long term with increasing levels of retirement income and capital protection as members approach retirement. Each Hands off strategy has a different growth phase with different levels of risk and therefore growth expectations applying.

For the Hands on default arrangements set out above their objectives are to perform in line with their stated investment performance target. More details on these objectives are set out in the DC Section Statement of Investment Principles which can be found as Appendix 2 of this Statement.

### Investment strategy review

The last formal review of the strategy and the performance of the investment options (including the default arrangements) that the Trustee makes available was undertaken during the Scheme Year, with support from the Trustee’s investment advisor. The Trustee formally agreed the outcome of the strategy review at its 15<sup>th</sup> December 2021 meeting. The Trustee considered the following areas as part of its review:

- Whether the current default investment options have met their stated investment objectives as set out in the SIP.
- The current DC Section membership and in particular how this has changed following the transfer of members out of the Scheme to the ITV DC Plan.
- The particular benefits available to different categories of members under the Scheme and how this may impact on the way members would be expected to access their savings on retirement.
- Whether the existing Hands off and Hands on investment options remained appropriate and if these were continuing to meet the needs of members.



The Trustee considered that the existing default arrangements had met their stated objectives as set out in the SIP as:

- For the Hands on funds listed above that are considered defaults their investment performance since the last strategy review was undertaken was in line with their benchmark or performance objective (as set out in the SIP)
- For the Hands off strategies:
  - There are four different growth phases' available with each having a different risk profile and supporting return expectation. The review showed that each growth phase's risk profile continues to match with their expectation and objective. This was supported by the performance of the different growth phases as these have been consistent with expectation given relevant market performance, as the higher risk and growth targeting options have outperformed the lower growth targeting options.
  - All four default lifestyles target a member looking to use 75% of their savings to buy an annuity and taking the remaining 25% as a lump sum. The broad design of moving into bonds and cash investments as members get closer to the age they have indicated they want to take their benefits, in line with the above splits, continues to match this objective of these lifestyles.

Although the Trustee and its investment advisor believe the default strategy had met their stated objectives over the relevant period, the wider review of both the membership demographics, and the ongoing suitability of the current investment options offered, indicated it would be appropriate to make changes to the investment strategy approach. More details of the agreed strategy changes and the rationale for these are set out below.

### **Analysis of the membership**

Taking account of the range of pot sizes and Scheme benefits applying, the analysis found there is likely to be a range of tolerance to investment risk across the membership.

Two groups of members were identified and considered:

- Those members with DC savings who have a defined benefit underpin that normally means the Trustee is required to convert their DC savings into an annuity on retirement. The majority of DC members fall under this category.
- A small number of other DC members who based on the analysis undertaken, have more freedom to take their savings using a number of different methods.

The analysis showed that there had been a significant change in the membership demographics since the current investment strategy was introduced due to the transfer of members to the ITV DC Plan. The analysis indicated that members would be expected to benefit from a more streamlined range of investment options that would be tailored to the specific needs of their benefits under the Scheme, and how members would be expected to take their savings.

### **Review of the Hands off options**

The Trustee considered the following for the Hands off approach:

- A single growth phase to be offered across all Hands off options. The Trustee considered the existing growth phases offered and agreed that, based on the potential risk tolerance of the membership, the Phased approach was the most appropriate. This decision was reached through consideration of the Hands off strategies members are currently invested in and the likely needs and potential risk tolerances for the membership, based on the analysis of the membership.
- Two Hands off strategies would be offered with different consolidation phases:



- One that targets an annuity purchase on retirement – this is based on the fact that the majority of the remaining DC members with a defined benefit underpin will need to purchase an annuity with their DC savings.
- One that provides an appropriate balanced approach to allow for a range of retirement decisions – this was deemed appropriate as there are a number of members where a range of retirement options may be considered.

### **Review of the Hands on options**

The Trustee agreed that a more streamlined Hands on fund range with a focus on passively managed investment options would be appropriate taking into account the Scheme is closed to future accrual of benefits, and the expected levels of member engagement with their investments. To achieve this the Trustee agreed that a number of existing funds would need to be closed and members investing in these funds moved to the most appropriate remaining (or new) fund option available.

### **Implementation of the strategy changes and wider DC Section review**

At the same time as the above strategy review was undertaken, the Trustee has also been undertaking a wider project to consider the future governance of the DC Section and what solutions will offer the best value to members. This project is ongoing and as part of the investment strategy review decision making, the Trustee agreed that implementing any changes to the investment strategy would be delayed until the wider project could be progressed further. Subsequently The Trustee reviewed this position in March 2022 and agreed that the investment strategy project should be progressed over 2022 in line with the wider review of the DC Section noted above. Any changes to the investment strategy will be communicated to members and reported on in the Trustee's future DC Governance Statements.

### **Ongoing monitoring**

In addition to the formal review noted above, over the Scheme Year, the Trustee, with support from its investment advisers, reviewed the strategy and performance of the default arrangements under the Scheme through regular reporting. These reports:

- outline whether the funds are meeting their stated objectives by measuring performance against benchmark over various time periods;
- assess the potential for meeting those objectives in the future based on estimated market conditions; and
- analyse the suitability of the fund managers based on detailed research undertaken by the Scheme's investment adviser.

Based on the reporting and advice from the Trustee's investment advisers, the Trustee concluded that each default arrangement met its objective during the Scheme Year.



## Statement of Investment Principles

As referenced above, a copy of the Scheme's latest SIP for DC savings which includes the default arrangements is included in Appendix 2. The SIP governs the Trustee's decisions about investments, including its aims, objectives, and policies and is prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. In particular, the SIP covers:

- the Trustee's policies on risk, return and ethical investing; and
- how the default arrangements are intended to ensure that assets are invested in the best interests of members and beneficiaries.

The SIP can also be found at [www.itv-pensions.com/documents/Chairs-Statement.pdf](http://www.itv-pensions.com/documents/Chairs-Statement.pdf)

## Investment returns

In Appendix 3 of this Statement, the Trustee has provided the net investment returns for the Scheme's investment options. These returns have been prepared taking into account the statutory guidance.



## Financial transactions

The Trustee has put arrangements in place to ensure that the core financial transactions of the Scheme are monitored regularly. These include the transfers of assets out of the Scheme, fund switches and payments out of the Scheme to and in respect of members and beneficiaries. Given that the Scheme is closed to future accrual, there are no longer any contributions which need to be invested.

During the Scheme year, the Scheme administrator in relation to the DC benefits under the Scheme was XPS. This section of the statement sets out how the Trustee ensured that core financial transactions were processed promptly and accurately.

### Processing of core financial transactions

The Trustee has delegated day to day administration of DC benefits to a third-party administrator, XPS, and delegates to the in-house pensions team (the ITV Pensions Department) to monitor XPS' performance, with periodic reports to the full Trustee Board. The Trustee had agreed service level agreements ('SLAs') in place with XPS during the Scheme Year, these SLAs set out the tasks XPS is required to perform and the Trustee's agreed levels for the promptness of the processing of financial transactions (examples of these are included in the table below). These SLAs are all well within legal disclosure limits and over the Scheme Year XPS provided reports of its performance against SLAs which were monitored by the in-house team and through reports at Trustee meetings. During the Scheme Year XPS completed on average 97.4% of tasks within the agreed SLA which was an improvement on the previous Scheme Year's performance.

<i>Examples of core financial transactions</i>	<i>Target for completion (days)</i>
Members transferring assets out of the Scheme (members are not permitted to transfer in benefits into this Scheme)	5
The switching of member assets between the investment options within the Scheme following member instructions	2
Member payments out of the Scheme	5

The Trustee continues to believe that the service standards agreed remain suitable.

Over the reporting period there were no administration errors relating to the processing of core financial transactions.

### Data accuracy

To support the accuracy of financial transactions, the Trustee reviews the Scheme's common and conditional data on an annual basis to ensure that financial transactions can be processed promptly and accurately. As at November 2021, the common data score was 98% (2020 98%), and the conditional data was 98% (2020 99%). Common data gaps relate to one member with an inconsistent date joined Scheme and 8 members where a current address is not held. Conditional data gaps relate to where the information required to calculate a members' potential protected tax-free cash entitlement is incomplete. The gaps relating to members' protected tax-free cash entitlement were resolved in the 2022 Scheme Year. The Trustee is continuing to work with XPS to review the small number of outstanding data gaps identified during the 2022 Governance Year.



## **Service monitoring**

As indicated above, the Trustee relationship with XPS is supported by the ITV Pensions Department who held quarterly meetings with XPS to review and monitor that the service standards agreed remained suitable and raise any issues if necessary. XPS and the ITV Pensions Department engage regularly around different aspects of the service during the Reporting year through:

- Quarterly calls with senior XPS representatives to discuss the overall administration service provided with a focus on the service levels achieved.
- Monthly calls to discuss specific ongoing project work.
- Weekly calls with the day-to-day administration team to discuss ongoing member cases.

The ITV Pensions Department reviewed the following process documents and procedures followed by XPS to ensure financial transactions were processed accurately and promptly:

- Process for training XPS staff
- Scheme specific manual
- Business Continuity Plan in place at applicable XPS sites
- Daily monitoring of bank accounts
- Ensuring robust checking of all investment and banking transactions including the additional sign off required for larger transactions.

The ITV Pensions Department also provided some limited support in relation to the processing of financial transactions in relation to DC administration during the reporting year including the monitoring of members' investment switches.

The Trustee considers the performance of the ITV Pensions Department at Board meetings as part of its review of administration and governance matters and is satisfied the service provided meets all tasks delegated to it with regard to DC benefits.

Based on the above, the Trustee is satisfied that core financial transactions were processed promptly and accurately during the Scheme Year.





## Charges and transaction costs

### Charges

The Trustee monitors the fund charges on a bi-annual basis with the help of its advisers. In this report on the fund charges the Trustee has taken account of statutory guidance and confirms that the Scheme is compliant with the Charge Cap Regulations, meaning that the charges for the Scheme's default arrangements do not exceed 0.75%.

The tables below detail the charges for the default arrangements and all other fund options within the Scheme over the Scheme Year and has been prepared to take into account the statutory guidance:

<i>Default arrangements – Hands off</i>	<i>Component funds</i>	<i>AMC (%)</i>	<i>Additional Expenses (%)</i>	<i>Total Expense Ratio (TER) (%)</i>
<b>Phased</b>	Global shares (index tracker) – invested in until 10 years from retirement	0.153	0.000	0.153
	Mixed Selection – invested in from 20 years from retirement	0.660	0.040	0.700
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Blended</b>	Global shares (index tracker) & Mixed Selection – invested in up to within 1 year from retirement	0.407	0.020	0.427
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Focused</b>	Global shares (index tracker) – invested in until 10 years from retirement	0.153	0.000	0.153
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Steady</b>	Mixed Selection – invested in from 20 years from retirement	0.660	0.040	0.700
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153



<b>'Hands On' default arrangements</b>	<b>AMC (%)</b>	<b>Additional Expenses (%)</b>	<b>Total Expense Ratio (TER) (%)</b>
Company bonds	0.380	0.010	0.390
UK government bonds (index tracker)	0.130	0.000	0.130
Money markets	0.153	0.000	0.153
Global shares (index tracker)	0.153	0.000	0.153

The below tables provide the level of charges applying during the Scheme Year for all other non-default funds not listed above including DB AVCs options.

<b>Non default arrangements – Hands off options</b>	<b>Component funds</b>	<b>AMC (%)</b>	<b>Additional Expenses (%)</b>	<b>Total Expense Ratio (TER) (%)</b>
<b>Blended (cash at retirement)</b>	Global shares (index tracker) & Mixed selection – invested in up to within 1 year from retirement	0.407	0.020	0.427
	Money Markets – invested in from 10 years from retirement	0.153	0.000	0.153
<b>Focused (cash at retirement)</b>	Global shares (index tracker) – invested in up to within 1 year from retirement	0.153	0.000	0.153
	Money Markets – invested in from 10 years from retirement	0.153	0.000	0.153
<b>Blended (mainly pension)</b>	Global shares (index tracker) & Mixed selection – invested in up to within 1 year from retirement	0.407	0.020	0.427
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Focused (mainly pension)</b>	Global shares (index tracker) – invested in up to within 1 year from retirement	0.153	0.000	0.153
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Focused 5</b>	Global shares (index tracker) – invested in up to within 1 year from retirement	0.153	0.000	0.153



Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153

<i>'Hands On' non default funds</i>	<i>AMC (%)</i>	<i>Additional Expenses (%)</i>	<i>Total Expense Ratio (TER) (%)</i>
Emerging Markets (index tracker)	0.430	0.000	0.430
Global Shares (index tracker) & mixed selection	0.407	0.020	0.427
Global shares excluding UK (index tracker)	0.153	0.000	0.153
Mixed selection	0.660	0.040	0.700
Property and Infrastructure	0.480	0.085	0.565
Shariah law (index tracker)	0.350	0.000	0.350
Social conscience	0.730	0.030	0.760
UK government inflation-linked bonds (index tracker)	0.130	0.000	0.130
UK shares (index tracker)	0.125	0.000	0.125
UK shares	0.680	0.020	0.700

<i>Legacy funds</i>	<i>Total member borne deductions</i>
<b>Scottish Life Crest Secure Fund</b>	No explicit member charges are applicable; however, a deduction is made to the total value of the With-Profits Fund to cover the costs of managing the With-Profits Fund. These costs are implicit in the annual bonus rate applying to members.
<b>Standard Life With-Profits Fund</b>	A deduction is made to the total value of the With-profits Fund to cover the costs of managing the Fund. In addition, there is a deduction for the cost of With Profits guarantees. These costs are implicit in the annual bonus rate applying and are not deducted directly from members' pots. As a result, no explicit member charge can be disclosed in this statement.
<b>Equitable Life With-Profits Fund</b>	A deduction is made to the total value of the With-profits Fund to cover the guarantees and the management of the Fund. These costs are not directly applied to members but instead are taken into account when Prudential calculates the bonus rates that are applied to members fund values. As a result, no explicit member charge can be disclosed in this statement.



## Transaction costs

In some cases, members may also be charged transaction costs whenever units are either bought or sold such as when a member switches their investment choice. These costs are taken into account through the unit price for each of the funds and are not directly charged to the members. Transaction costs are those incurred by the investment managers as a result of buying, selling, lending or borrowing investments. These costs are typically categorised as:

- Explicit costs which are directly incurred and include broker commissions and taxes, or
- Implicit costs which are not incurred in the same way but can also result in a reduction in the value of capital invested. These implicit costs include market impact or delay costs which can also result in a gain for the fund (ie, a negative transaction cost).

The FCA's Policy Statement 'Transaction Cost Disclosure in WorkPlace Pensions' establishes a defined methodology to calculate transaction costs (known as the 'slippage cost' methodology).

The following transaction costs have been calculated by Scottish Widows (the Trustee's DC platform provider) in conjunction with the underlying fund managers. The Trustee has taken into account the statutory guidance when providing this information and has not deviated from this guidance.

<b>Fund Name</b>	<b>Total transaction costs (%)</b>
Global shares excluding UK (index tracker)	0.000
Company bonds	0.000
Emerging markets (index tracker)	0.021
Global shares (index tracker)	0.036
Mixed selection	0.351
Shariah law (index tracker)	0.029
Social conscience	0.018
UK government bonds (index tracker)	0.044
UK government inflation-linked bonds (index tracker)	0.037
UK shares	0.145
UK shares (index tracker)	0.007
Property and Infrastructure	0.058
Money markets	0.006
Global shares (index tracker) and mixed selection	0.191



These transaction costs were provided with the following notes:

1. Total transaction costs are a combination of some or all of: transaction taxes, fees and charges, implicit costs, indirect costs, anti-dilution offsets and lending and borrowing costs.
2. For funds with more than one underlying fund, transaction cost calculations are based on blended fund-level holdings at the report date given.
3. Indirect costs relate to transaction costs incurred within an underlying investment vehicle within the fund manager's fund.
4. Anti Dilution Offset (where provided) reflects the price adjustments the fund manager has made to protect existing investors from dilution effects resulting from investors buying or selling units. This reduces the total transaction cost incurred by existing investors and so is deducted from the costs incurred.
5. Lending & Borrowing (where provided) reflects transaction costs associated with short term loans of securities that the fund manager may undertake to increase investment returns.
6. Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Scottish Widows fund level when Scottish Widows deals in the underlying funds.
7. Reporting cycles may differ between fund managers, and so data provided may not align completely with the overall report date. The latest available annualised information has been used in each case.
8. Fund managers may use different methodologies to calculate their transaction costs; therefore, overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.
9. Transaction cost data has been obtained via the latest European Mifid Template (EMT) available from the external fund manager. As such, the EMT does not provide the full breakdown of individual costs.
10. A zero cost has been used where there are negative transaction costs (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative.

<b>Fund Name</b>	<b>Total transaction costs (%)</b>
Scottish Life Crest Secure Fund	No transaction costs apply that are applicable to members
Standard Life With-profits One Fund	0.0002
Prudential Cash Accumulation With Profit Fund	0.0000
Standard Life Conventional With-Profits Fund	No transaction costs apply that are applicable to members

## The Trustee's assessment of transaction costs

The Trustee benchmarked the transaction costs incurred during the Scheme Year for each of the funds available to members within the Scheme. The Trustee found, based on advice from its investment adviser, that the transaction costs that members experienced were on the whole either less than or broadly in line with the average transaction cost observed across the market. Where a fund was higher than the average, the Trustee based on advice from its investment adviser is comfortable that either the difference was not material, or was due to the nature of the fund in question, but this will continue to be monitored in future years. In the context of the information available, the Trustee has concluded that the transaction costs reported over the period are reasonable.

## Illustration of the impact of costs and charges

[Appendix 1](#) contains details of illustrations which demonstrate the effect of costs and charges across a range of example members and investment options. These illustrations have been prepared taking into account the statutory guidance and are reflective of typical members. The Trustee has not deviated from this guidance.



## Value for Members (VFM)

Costs of the provision of services under the Scheme are split between members and the Trustee. During the year to 31 December 2021, members met investment related charges only. All other costs incurred by the Scheme, including costs of administration, legal costs, Scheme governance and communications, are met by the Trustee.

The Trustee is legally required to undertake a VFM assessment on at least an annual basis, and report on the outcome of the assessment. At the Trustee's request, WTW carried out an assessment in May 2022 that considered three areas:

1. The level of the charges and transaction costs members pay and benchmarking these across other pension schemes
2. The net investment returns of the Scheme's fund range and how they performed against their chosen benchmarks
3. Considering the services and features offered by the Scheme against those observed across best practice DC arrangements.

The results of the assessment are set out below.

### Charges and transaction costs

- The Trustee benchmarked the charges paid by members by comparing these to the charges seen across a range of pension schemes of a similar type and size, as well as the charges paid within the wider market (across contract based and Master Trust arrangements). The benchmarking showed that the average charge for all of the Scheme's investment options was broadly in line with the average paid by schemes of a similar asset size and using a similar investment approach.
- The transaction costs for all of the Scheme's funds were benchmarked against an average cost for their respective asset class. The assessment showed that the majority of the funds were either below or broadly in line with the market average for their relevant asset class.

### Net investment returns

- The assessment considered the performance of the component funds used within the Hands off strategies and the funds offered through the Hands on range. The assessment showed that:
  - The funds used within the Hands off strategy had on the whole either performed in line with or outperformed their respective benchmark. However, the Mixed Selection fund which is used within the growth phase of the majority of the Hands off options had underperformed against its benchmark over a 5 year period. The Trustee considered the appropriateness of this fund (along with the other actively managed funds noted below) as part of the 2021 investment strategy review.
  - The majority of the Hands on funds had either performed in line with or outperformed their benchmark. Where the performance was not in line with the benchmark this largely related to the actively managed funds offered through the Scheme. As noted under the 'default investment strategy' section, the Trustee has agreed to remove these actively managed funds and will be considering over 2022 the most appropriate approach to do this.



## Scheme services

- This element of the assessment considered whether the Scheme offered services that are seen across best practice arrangements. The assessment showed that the Scheme offered some of these services but identified a number of areas where action should be considered to improve the value provided to members including:
  - Updating the Scheme's investment strategy in line with the outcome of the review undertaken over 2021 (as set out earlier in this statement).
  - Considering a review of the Scheme's DC platform provider to understand if a both, lower charges and an improved solution could be offered via an alternative provider
  - Review the ongoing governance of the DC assets under the Scheme and how this could be further enhanced
  - Review the approach to supporting members with their key decision with a focus around member retirement decisions. This would include both the approach to communicating with members and the potential retirement solutions that could be offered.

The overall conclusion of the assessment was that the Scheme was providing fair value to members due to fact that:

- Members currently only pay for the investment charges under the Scheme
- The member charges and costs applying were broadly in line with the benchmarking undertaken
- The majority of the Scheme's funds have performed in line with their stated objectives. Where the funds have underperformed the Trustee has agreed action to address these funds.
- The administration performance over the Scheme Year was in line with expectation.
- The governance and monitoring activities undertaken by the Trustee over the Scheme Year including considering the administration and investment performance of the Scheme.
- The support provided to members and the Trustee by the ITV Pensions Department.

As noted above, a number of areas were identified as part of the assessment where additional value could be offered. The Trustee is currently undertaking a project to consider the most suitable approach to best support members and to continue to provide them with good value in the future. As part of this project the above areas will be considered by the Trustee.



## Trustee's knowledge and understanding (TKU)

The Trustee has a TKU process in place, which enables the Trustee Directors, together with advice on specific issues before them, to properly exercise their functions as the Trustee Directors of the Scheme.

During the Scheme Year, the Trustee's approach to meeting the TKU requirements from a DC perspective has included:

- Training or updates being provided to the Trustee Board or appointed working parties. Training over the Scheme Year included: training on setting a DC investment strategy and the history of the Scheme's DC investments in 2021, developments at the Scheme's DC fund managers (at various points during 2021), Environmental, Social and Governance (ESG) investing in November 2021 and the new transfer regime in December 2021 and general developments in the pensions market at each Trustee meeting.
- Some members of the Trustee Board also undertaking individual training outside of the Trustee meetings over the Scheme Year. The individual training included: climate change, media training and pension scheme wind ups.
- Key Scheme documents are available on the dedicated Trustee site and are considered where appropriate at Trustee meetings, examples during the Scheme Year included:
  - The Trustee considered certain policies under the DC Section SIP as part of its review of the Implementation Statement at the March 2021 DC Governance Meeting.
  - Reviewing the register of interests document at each Trustee meeting.
- The Trustee has maintained training logs covering training over the Scheme Year.

In addition, all Trustee Directors have completed the Pensions Regulator's trustee toolkit, which is a free, online learning programme aimed at trustees of occupational pension schemes and is a popular way for trustees to meet the level of knowledge and understanding required by law. The Trustee received training on the Regulator's pledge against pension scams during the Scheme year and completed the new trustee toolkit module in this area.

New Trustee Directors are provided with detailed information about the Scheme (including copies of all of the Scheme's key documentation) and around the role of a trustee. A bespoke training programme has been established, which is run by key advisers both to enable the new Trustee Directors to complete The Pension Regulator's (TPR) Trustee Toolkit and to learn about Scheme specific issues and projects. Following completion of the new trustee training programme, the ITV Pensions Executive then support new Trustees with identifying any additional training needs. One new Trustee Director was appointed on 1 November 2021 and has completed the induction process and the Regulator's TKU toolkit.

In addition to the above TKU processes, the following factors enable the Trustee to properly exercise its function as Trustee Directors of the Plan:

- The members of the Board were selected following a detailed selection process. This involved identifying and prioritising skills that would enhance the overall effectiveness of the Trustee Board (including considering diversity of the Board) and incorporating these factors into the selection process.
- The Trustee Board includes individuals who have a long and broad experience of the pensions industry, and individuals who, outside of their Trustee role hold or have held senior positions within ITV.
- Some of the Trustee Directors are long standing members of the Trustee Board and have built up detailed knowledge of the Scheme, trustee responsibilities and the management of pension schemes. Some have worked together for a number of years and as such have learnt to operate in a way which plays to each Director's strengths and areas of expertise.





- Two professional trustees are appointed to the Board. Both professional trustees are Accredited Members of the Association of Professional Pension Trustees. These two Trustee Directors hold appointments on other boards, which contributes to the knowledge, understanding and experience of the Board as a whole.
- The Board has the support of an experienced secretariat as well as professional advice from leading specialist advisers.
- The Trustee receives support from its advisers who are present at the majority of Trustee meetings, including:
  - Sacker & Partners LLP – legal advice
  - WTW – investment and general pensions advice
  - Mercer – Actuarial advice.

The Trustee regularly considers the overall performance and effectiveness of the Board through a peer review process. This was last carried out during the 2020 Scheme Year. In response to the most recent review, the Trustee Directors agreed the Board is overall run effectively with more recent changes to the make up of the Board enhancing the overall balance and skill set. No material issues were identified, however, the following improvements to further support the running of the Board were agreed, both of which were implemented by the end of the last Scheme Year (2020):

- The appointment of an additional professional trustee to provide additional expertise and skillset for the Board particularly in relation to investment matters.
- To increase the use of Trustee working parties to support the efficiency of the Trustee Board and the running of specific Scheme projects.

Due to the need to focus on critical projects over the 2021 Scheme Year, the Trustee decided not to run a performance review in 2021. However, the Trustee Board concluded that the actions taken in response to the last review have improved the operation of the Board, and a further review will be carried out in 2022.

The training and development of the Board outlined above means each Trustee is conversant with:

- The Trust Deed and Rules of the Scheme
- The Statement of Investment Principles
- Other Trustee documents and policies

In addition, to the degree to which it is appropriate for the purposes of each Trustee Director to properly exercise his or her functions as a Trustee Director, they have knowledge and understanding of:

- The law relating to pensions and trusts
- The principles relating to the funding and investment of the assets of pension schemes

The combined knowledge, understanding and experience of the Trustee Directors together with the advice available to them enables them to properly exercise their functions as Trustee Directors of the Scheme. This is demonstrated through the Trustee regularly challenging the advice received from its advisers, as evidenced through the Trustee meeting minutes.

**Signed by the Chair on behalf of ITV Pension Scheme Limited**

Date: 28 July 2022



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## Appendix 1

### Illustrations of the effects of costs and charges

The below illustrations are based on three different example members (see details of these below). The illustrations are based on the projected growth and charges for all of the default arrangements under the Scheme including the most popular investment option in terms of number of members invested; the Hands off Steady (mainly pension) option. In addition, illustrations have been included for the two funds offering the highest charge (Social Conscience) and lowest charge (UK Shares (index tracker)).

We would note that when reviewing the below illustrations, it is important to consider the assumptions used (see details below) and to bear in mind that there are other factors that impact what a member may receive on retirement. In addition, when considering what is a suitable investment choice charges are only one aspect and other areas should be considered by members (such as potential for investment return and a member's own preferences and tolerances to various risks). It is important to highlight that lower charges do not necessarily equate to better value.

Example Member	Years invested	Hands Off Steady (mainly pension)		UK shares		UK shares (index tracker)		Money markets	
		Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
Youngest member of the Scheme	1	£41,100	£40,700	£41,400	£41,400	£41,400	£41,400	£41,300	£41,000
	3	£43,500	£42,100	£44,500	£44,200	£44,500	£44,200	£44,000	£43,200
	5	£46,000	£43,600	£47,700	£47,300	£47,700	£47,300	£46,900	£45,400
	10	£53,000	£47,500	£56,700	£55,300	£56,900	£55,800	£54,900	£51,500
	15	£61,000	£51,800	£66,200	£62,200	£67,900	£66,000	£64,300	£58,500
	20	£68,900	£55,600	£74,800	£67,000	£79,100	£76,100	£73,800	£65,100
	25	£72,000	£56,400	£78,200	£67,900	£84,000	£79,800	£77,800	£67,100
	27	£71,700	£55,800	£77,900	£67,200	£83,700	£79,000	£77,500	£66,500
Average member of the Scheme (based on age)	1	£51,400	£50,900	£51,500	£50,900	£51,800	£51,700	£51,600	£51,300
	3	£54,200	£52,500	£54,300	£52,600	£55,400	£55,000	£54,800	£53,800
	5	£56,500	£53,700	£56,500	£53,800	£58,300	£57,700	£57,400	£55,700
	10	£59,100	£54,500	£59,100	£54,600	£61,900	£60,500	£60,500	£57,400
	12	£58,800	£53,900	£58,900	£54,000	£61,600	£59,900	£60,200	£56,800
Member approaching retirement	1	£75,700	£75,200	£75,700	£75,200	£75,900	£75,700	£75,800	£75,500
	3	£76,300	£75,100	£76,300	£75,100	£76,800	£76,200	£76,600	£75,700
	5	£76,000	£74,300	£76,000	£74,300	£76,500	£75,500	£76,300	£74,900



Example Member	Years invested	Global shares (index tracker)		Company Bonds		UK government bonds (index tracker)		Money Markets	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member of the Scheme	1	£41,400	£41,400	£40,000	£39,800	£39,600	£39,600	£39,800	£39,800
	3	£44,500	£44,200	£40,000	£39,500	£38,900	£38,700	£39,500	£39,300
	5	£47,700	£47,200	£40,000	£39,200	£38,200	£37,900	£39,100	£38,800
	10	£56,900	£55,800	£40,000	£38,400	£36,400	£35,900	£38,300	£37,700
	15	£67,900	£65,900	£39,900	£37,600	£34,800	£34,000	£37,400	£36,600
	20	£80,900	£77,900	£39,900	£36,800	£33,200	£32,200	£36,600	£35,500
	25	£96,500	£92,000	£39,900	£36,100	£31,700	£30,500	£35,800	£34,400
	27	£103,600	£98,300	£39,900	£35,800	£31,100	£29,800	£35,500	£34,000
Average member of the Scheme (based on age)	1	£51,800	£51,700	£50,000	£49,800	£49,500	£49,500	£49,800	£49,700
	3	£55,600	£55,300	£50,000	£49,400	£48,600	£48,400	£49,300	£49,100
	5	£59,600	£59,100	£50,000	£49,000	£47,700	£47,300	£48,900	£48,500
	10	£71,100	£69,800	£50,000	£48,000	£45,500	£44,800	£47,800	£47,100
	12	£76,300	£74,600	£49,900	£47,600	£44,700	£43,900	£47,400	£46,500
Member approaching retirement	1	£77,700	£77,500	£75,000	£74,700	£74,300	£74,200	£74,700	£74,600
	3	£83,400	£82,900	£75,000	£74,100	£72,900	£72,600	£74,000	£73,700
	5	£89,400	£88,600	£75,000	£73,500	£71,600	£71,000	£73,400	£72,800



Example Member	Years invested	Social conscience		UK shares (index tracker)	
		Before charges	After charges	Before charges	After charges
Youngest member of the Scheme	1	£41,700	£41,400	£41,400	£41,400
	3	£45,200	£44,200	£44,400	£44,200
	5	£49,100	£47,300	£47,600	£47,300
	10	£60,200	£55,900	£56,600	£55,900
	15	£73,900	£66,100	£67,300	£66,100
	20	£90,700	£78,200	£80,100	£78,100
	25	£111,300	£92,400	£95,200	£92,400
	27	£120,800	£98,800	£102,100	£98,800
Average member of the Scheme (based on age)	1	£52,100	£51,700	£51,800	£51,700
	3	£56,500	£55,300	£55,500	£55,300
	5	£61,400	£59,100	£59,500	£59,100
	10	£75,300	£69,900	£70,700	£69,900
	12	£81,700	£74,700	£75,800	£74,700
Member approaching retirement	1	£78,100	£77,600	£77,600	£77,600
	3	£84,800	£82,900	£83,200	£82,900
	5	£92,000	£88,700	£89,200	£88,700

## Notes and assumptions

1. Projected pension account values are shown in today's terms.
2. For the purpose of the illustrations, it is assumed that investment returns, transaction costs and fund charges are applied annually at the end of the year.
3. Switching costs are not considered in the Hands off strategies.
4. No additional contributions are assumed.
5. Values shown are estimates and are not guaranteed.
6. The projected growth rates for each fund (set out below) are shown gross of fees and before accounting for inflation:
  - Hands off Phased: from 2.11% to 6.09% (adjusted depending on term to retirement)
  - Hands off Blended: from 2.11% to 5.72% (adjusted depending on term to retirement)
  - Hands off Steady: from 2.11% to 5.35% (adjusted depending on term to retirement)
  - Hands off Focused: from 2.11% to 6.09% (adjusted depending on term to retirement)
  - UK Government Bonds (index tracker): 1.57%
  - Money Markets: 2.06%
  - Company Bonds: 2.49%
  - Global shares (index tracker): 6.09%
  - Social Conscience: 6.68%
  - UK Shares (index tracker): 6.03%



7. The TERs applying to each of the above investment option as set out in the 'Charges and transaction costs' section of the statement are deducted from the above growth rates as part of the calculation of the illustrations.
8. Inflation is assumed to be 2.5% each year and is deducted from the above growth rates as part of the calculation of the illustrations.
9. Transactions costs and other charges have been provided by Scottish Widows. Transaction costs have been averaged using a time-based approach and cover the period of 1st January 2019 to 31<sup>st</sup> December 2021. These average transaction costs are deducted from the above growth rates as part of the calculation of the illustrations. Where transaction costs are negative these are assumed to be zero.
10. Example members
  - Youngest member of the Scheme: age 38, starting fund value: £40,000, normal retirement age: 65
  - Average member of the Scheme: age 53, starting fund value: £50,000, normal retirement age: 65
  - Approaching retirement: age 60, starting fund value: £75,000, normal retirement age: 65
11. The assumed pot sizes were based on the averages for the relevant example member. For example, the pot size for the 'average member' shown in the above table was based on the average pot size across all members of the Scheme.



## Appendix 2

# Statement of Investment Principles (SIP) for the ITV Pension Scheme: Defined Contribution Section

[Section 1: Introduction](#)

[Section 2: Objective and Investment Strategy](#)

[Section 3: Other Investment Policies](#)

[Section 4: Investment Manager Arrangements](#)

[Section 5: Risk Management](#)

[Section 6: Compliance with and Review of this Statement](#)

[Appendix A: Fund Range](#)



## Section 1: Introduction

### Scheme details

- 1.1 This document describes the investment policy pursued by ITV Pension Scheme Limited (“the Trustee”).
- 1.2 The ITV Pension Scheme: Defined Contribution Section (“the Scheme”) operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme operates on a defined contribution basis.
- 1.3 The Scheme is a registered pension scheme under the Finance Act 2004.
- 1.4 The Scheme is administered by XPS and the investment platform provider is Scottish Widows through which a number of different underlying investment managers and are accessed.

### Pensions Acts

- 1.5 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustee is required to prepare a statement to the principles governing investment decisions. This document contains that statement and describes the investment principles adopted by the Trustee of the Scheme.
- 1.6 ITV Services Limited (‘the Sponsor’) has been consulted regarding this Statement as required by the Pensions Act 1995.
- 1.7 In drawing up this document, the Trustee has sought advice from the Scheme's investment consultant, Willis Towers Watson. When choosing investments, the Trustee and the Investment Managers, to the extent delegated, are required to have regard to the criteria for investment set out in the Occupational Pension Scheme (Investment) Regulations 2005 and the principles contained in this Statement.
- 1.8 This document has been drafted in light of the DC Code of Practice and the DWP’s minimum governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015, and specifically the recommendations relating to the content of Statements of Investment Principles generally.
- 1.9 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies.

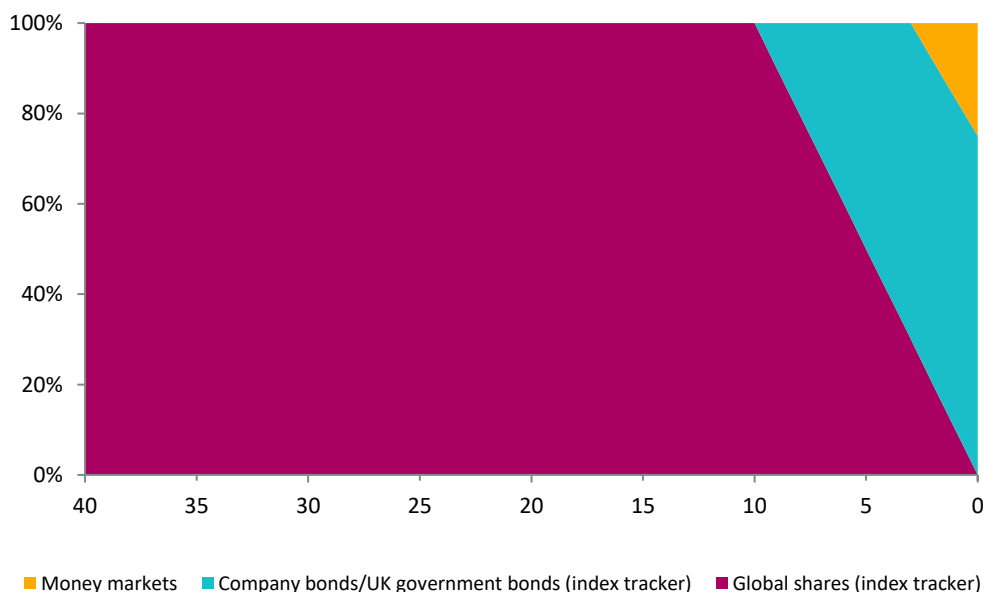


## Section 2: Objective and Investment Strategy

- 2.1 The Scheme is a defined contribution section and therefore members' benefits are solely dependent on the amount of money paid into their individual accounts performance of investments and the product or method members use to access their benefits on retirement.
- 2.2 The Trustee's objective is to make available to members a programme of investment via pooled funds which have the objectives to generate capital growth over the long term with increasing levels of retirement income and capital protection as members approach retirement.

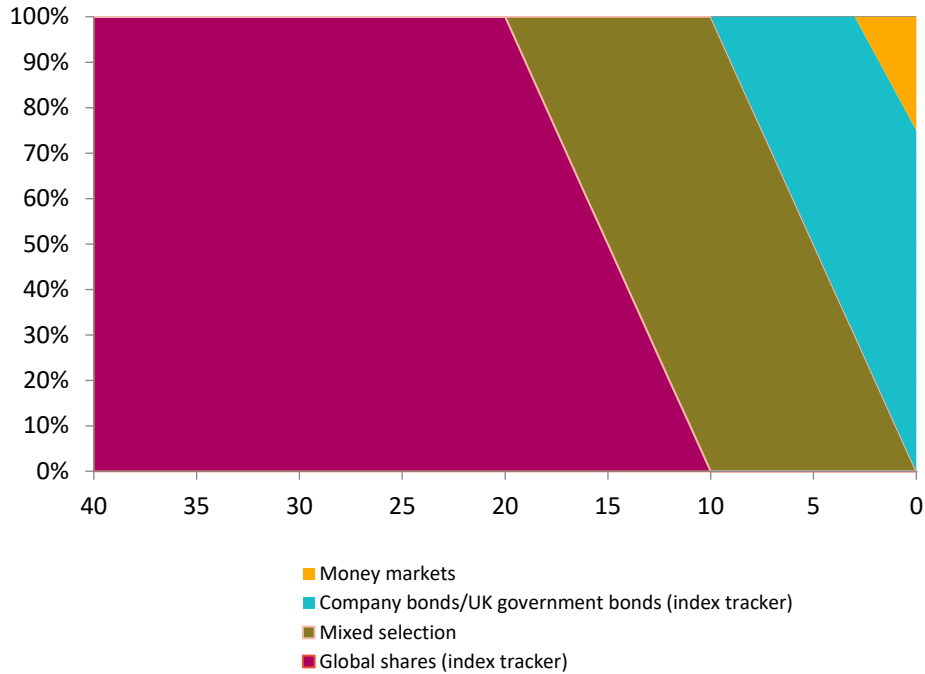
### Investment Strategy

- 2.3 A full list of the range of funds offered is shown in Appendix A.
- 2.4 The Trustee has selected a range of lifecycle ('Hands off') and self-select ('Hands on') funds to offer members a balanced range of investment options to allow members to match their investment choice against their own risk tolerance and the different ways in which members may take their benefits.
- 2.5 Each Hands off option incorporates two phases:
- (i) A growth phase: during this phase, Hands off aims to build pension savings through investing in funds with good growth potential which are also typically more risky.
  - (ii) A protection phase: during this phase (which lasts for 10 years), Hands off invests pension savings into funds that are less risky.
- 2.6 The 'Hands off' options are described below and on the next page. All of these options have different growth objectives as set out below, but all have the same protection phase since all options have the principal objective of being suitable for a member who is planning to use their savings at retirement to provide either pension or a mixture of pension and cash:
- (i) **Focused:** This fund aims to maximise the potential for growth over the longer term by investing in more risky funds until 10 years prior to retirement. The option then switches into lower risk funds such as bonds and cash 10 years prior to retirement.

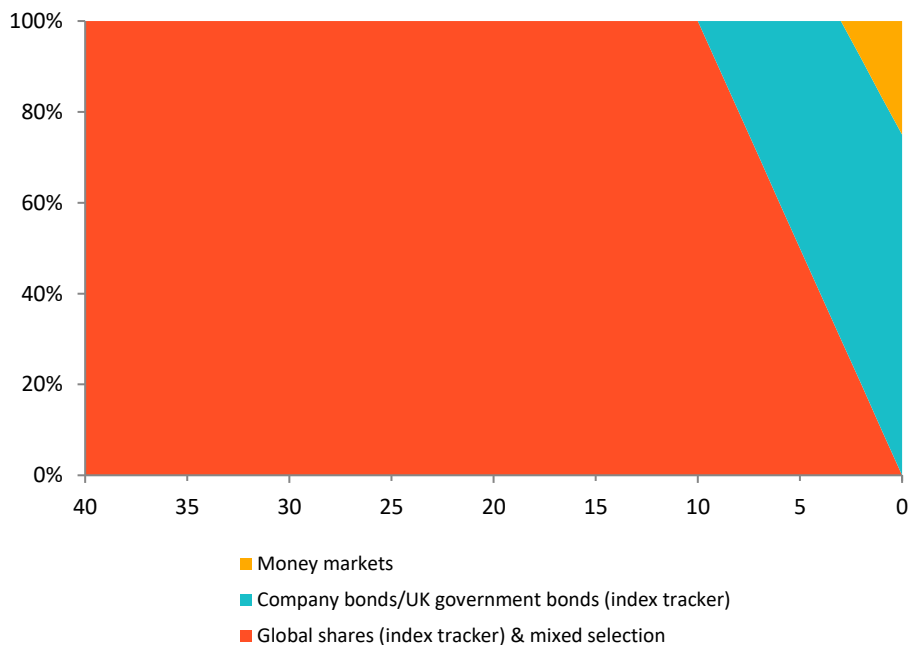




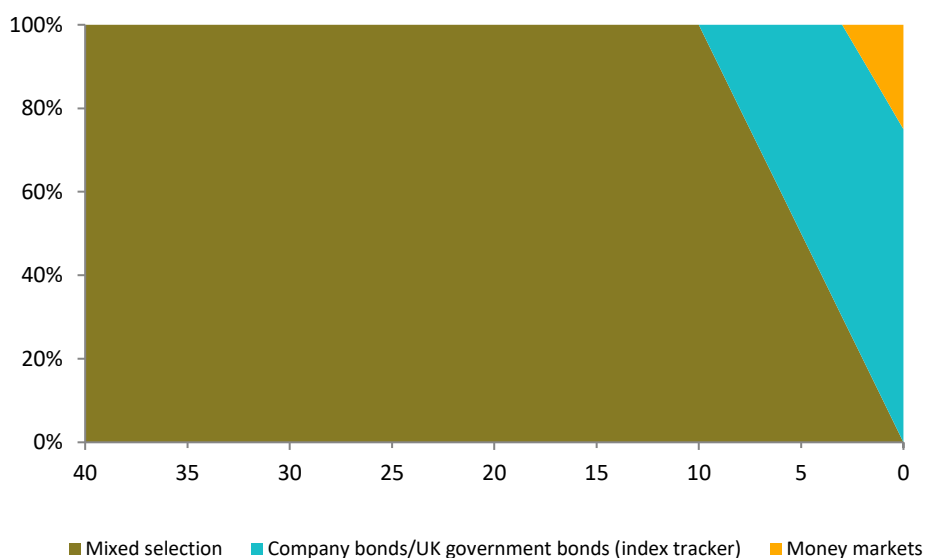
- (ii) **Phased:** This fund aims to maximise the potential for growth over the longer term by investing in riskier funds until 20 years prior to retirement. Risk is then spread through investing in the mixed selection fund from 20 years prior to retirement for 10 years. Thereafter it is invested in lower risk funds 10 years prior to retirement.



- (iii) **Blended:** This fund aims to achieve good growth over the longer term but typically less than the Focused option, by investing the growth phase in the global shares (index tracker) & mixed selection funds until 10 years prior to retirement. This option then switches to lower risk funds 10 years prior to retirement.



- (iv) **Steady:** This fund aims to achieve steady growth over the longer term and spread investment risk by investing in a wide range of funds until 10 years prior to retirement. Thereafter this option invests in lower risk funds 10 years prior to retirement.



- 2.7 In addition, a closed lifecycle called Focused5, is only open to members who were historically invested in the strategy and is closed to any further member switches. The Focused5 Lifecycle aims to maximise the potential for growth over the longer term by investing in more risky funds until 5 years prior to retirement. The option then switches into lower risk funds such as bonds and cash 5 years prior to retirement. This lifecycle invests 100% in Global shares (index tracker) until 5 years from a member's hand off completion date. It then gradually switches to Company bonds, UK government bonds (index tracker) and Money markets. At a member's Hands off completion date, a member will be invested in 45% Company bonds, 30% UK government bonds (index tracker) and 25% Money markets.

## Default arrangements

- 2.8 The Scheme is closed to new members and contributions. When the Scheme was open to new members, the Phased Lifecycle was set as the default option for members that did not make an active investment choice. The Trustee selected the Phased Lifecycle as a default based on analysis of the membership demographics. The default option is regularly monitored to ensure the associated assets are invested in the best interests of the membership.
- 2.9 Due to previous investment mapping exercises, some members within the Scheme have been mapped into investment options outside of the default Phased Lifecycle. Therefore, some additional funds/lifecycle strategies are considered by legislation as a Scheme default arrangement. The additional default arrangements are:



- Hands off blended
  - Hands off focused
  - Hands off steady
  - Company bonds
  - UK government bonds (index tracker)
  - Money markets
  - Global shares (index tracker)
- 2.10 The Trustee believes that based on the analysis of the membership and advice received, that the Scheme’s default arrangements are suitably designed to ensure they provide a reasonable balance between risk and return over time and meet their stated objective. These default arrangements are monitored through the investment policies outlined in this Statement of Investment Principles to ensure that assets are invested in the best interests of the Scheme’s members and any potential beneficiaries.
- 2.11 More information on the Scheme’s default arrangements and the objectives for these are set out in the ‘Investment Strategy’ section and the Appendix.

## Expected Risk and Return

- 2.12 The investment options invest in the following assets and have the following risk and expected return characteristics:
- (i) **Equities** – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.
  - (ii) **Diversified assets** – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities.
  - (iii) **Bonds** – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term. The value of bonds is expected to move broadly in line with the price of annuities, providing some protection to the ‘purchasing power’ of a member’s account near retirement.
  - (iv) **Cash** – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.
  - (v) **Property and Infrastructure** – aims to provide good growth via diversified exposure to commercial property in the UK, global developed property shares and global listed infrastructure markets.

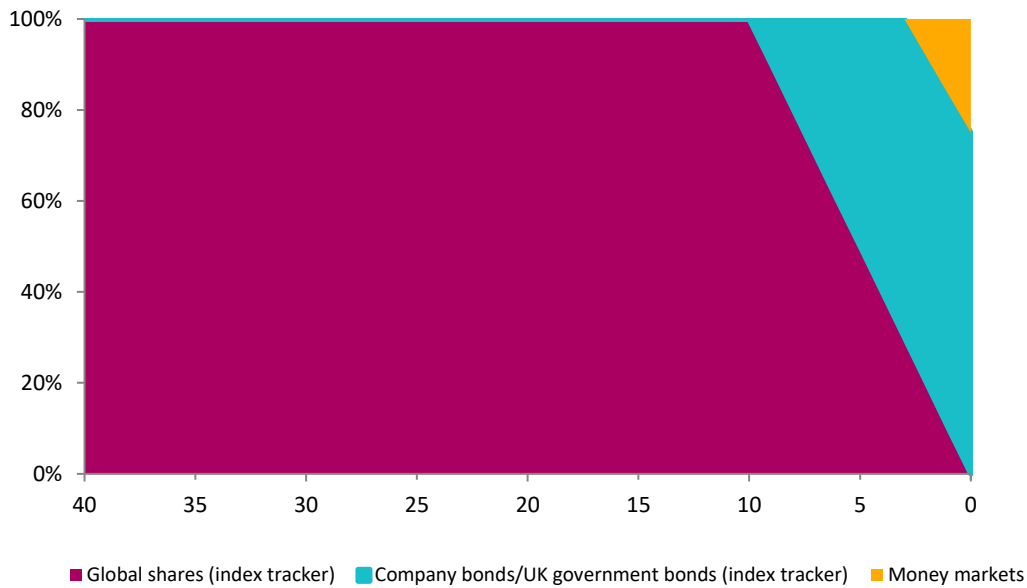
## Additional Voluntary Contributions (‘AVCs’)

- 2.13 Prior to the Scheme closing to future contributions members were provided a facility for Defined Benefit, as well as Defined Contribution members to pay AVCs into the Scheme to enhance their benefits at retirement. Additional Voluntary Contributions were paid on a Defined Contribution basis. The Scheme provided a facility for the receipt of voluntary contributions to similar investment options made available by the Trustee to the Defined Contribution Section to enhance member benefits at retirement. Members have the choice of investing their AVC in any combination of lifecycle (‘hands off’) and self-select (‘hands on’) options. The hands on options are the same as those based available to DC Section members but the hands off options have been designed by the Trustee specifically for the needs of the AVC members. The Trustee’s objective is to provide funds which will offer a suitable

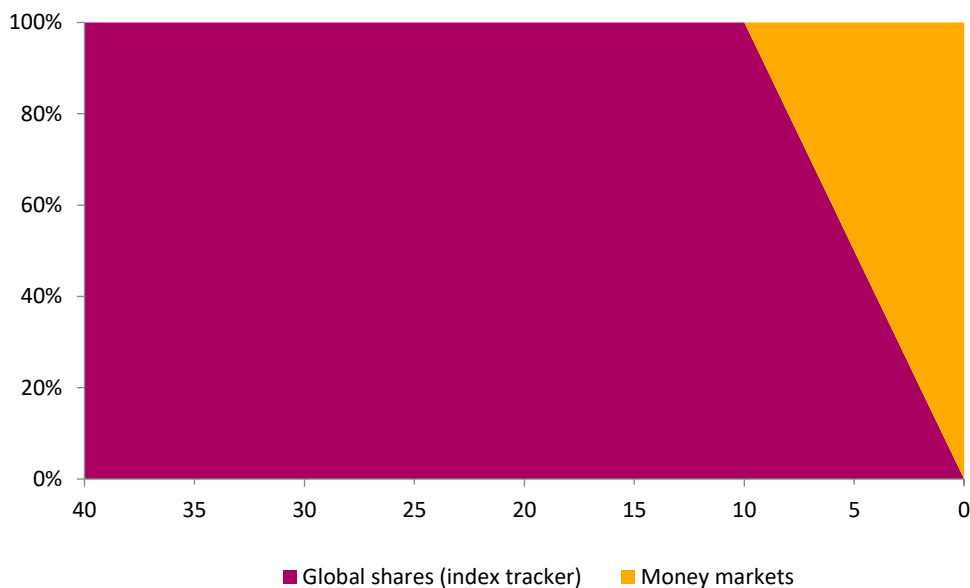


long-term return for members and invest in assets that are consistent with the manner by which members are planning on accessing their additional pension savings at retirement. As such, the following four lifecycle options are available to AVC members:

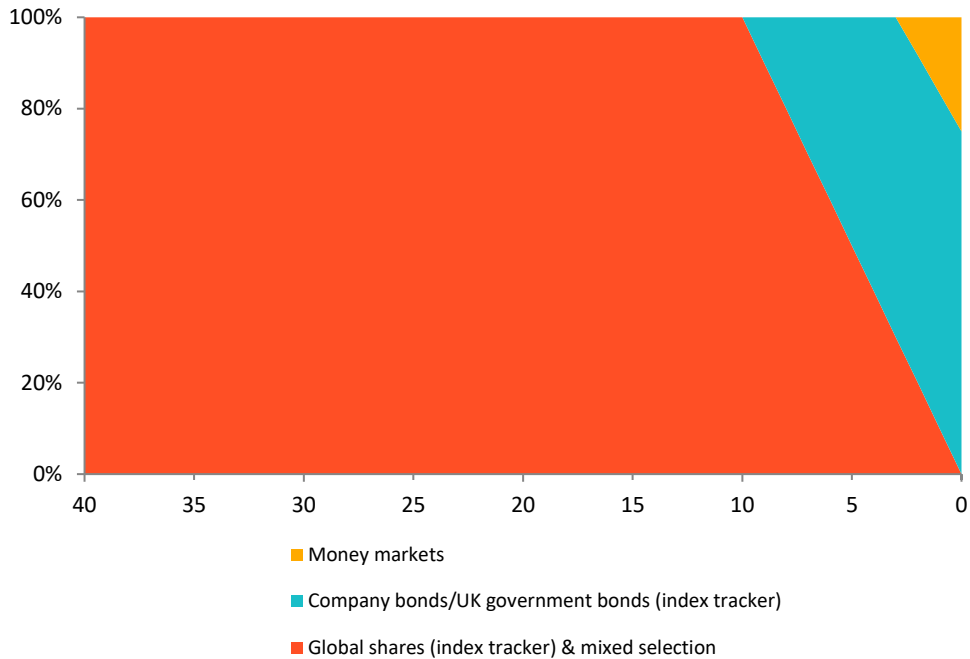
- (i) **Focused (mainly pension):** this fund aims to maximise the potential for growth over the longer term by investing in more risky funds until 10 years prior to retirement. The option then switches into lower risk funds such as bonds and cash 10 years prior to retirement for those members planning to use their additional pension savings at retirement to provide either pension or a mixture of pension and cash.



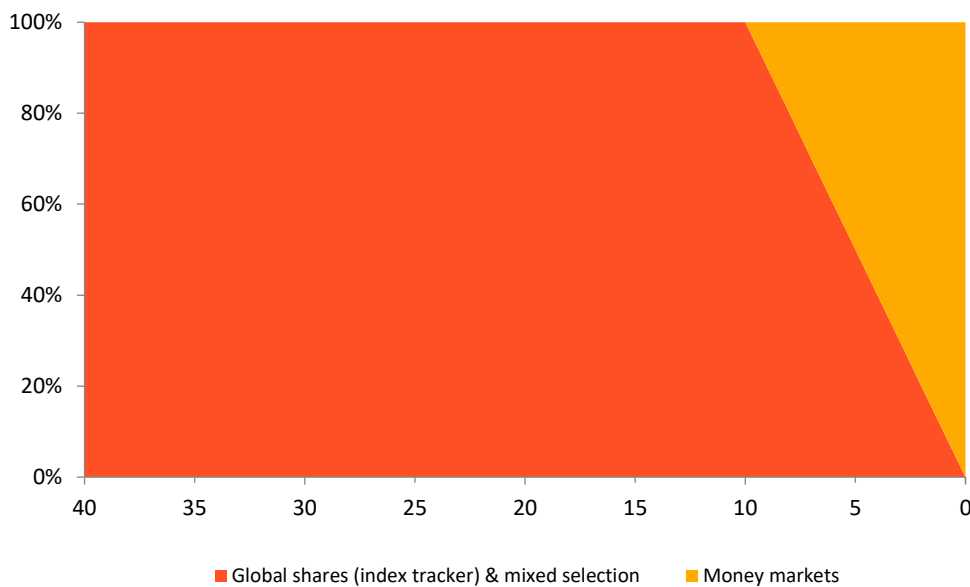
- (ii) **Focused (cash at retirement):** this fund aims to maximise the potential for growth over the longer term by investing in more risky funds until 10 years prior to retirement. The option then switches into cash 10 years prior to retirement for those members planning to take their additional pension savings as cash at retirement.



(iii) **Blended (mainly pension):** this fund aims to achieve good growth over the longer term but typically less than the Focused option, by investing the growth phase in the global shares (index tracker) & mixed selection funds until 10 years prior to retirement. This option then switches to lower risk funds 10 years prior to retirement for those members planning to use their additional pension savings at retirement to provide either pension or a mixture of pension and cash.



(iv) **Blended (cash at retirement):** this fund aims to achieve good growth over the longer term but typically less than the Focused option, by investing the growth phase in the global shares (index tracker) & mixed selection funds until 10 years prior to retirement. This option then switches to lower risk funds 10 years prior to retirement for those members planning to take their additional pension savings as cash at retirement.



- 2.14 In addition to the investments available on the Scottish Widows investment platform, there are also a number of legacy AVC providers which members are able to invest with. These AVC providers include Aviva, Phoenix, Prudential, Scottish Life and Standard Life. These legacy providers are no longer open for members to switch into. Willis Towers Watson provides assistance to the Trustee with regards to the monitoring of these legacy AVC policies.
- 2.15 The Trustee also regularly monitors the AVC arrangements to ensure that they remain appropriate.



## Section 3: Other Investment Policies

The Trustee also faces other requirements relating to investment, be they legislative or considered best practice.

The Trustee periodically reviews reports from investment managers to ensure that the policies outlined in this Statement are being met.

### Choosing investments

- 3.1 The Trustee has appointed investment managers who are authorised under Financial Services and Markets Act 2000 to undertake investment business. After gaining (and reconfirming at least annually) appropriate investment advice, the Trustee has specified the asset allocation of every manager. Investment choice has been delegated to the managers subject to defined tolerances relative to their respective benchmarks.
- 3.2 In this context, investment advice is defined by Section 36 of Pensions Act 1995 (as amended).

### Socially responsible investments

- 3.3 The Trustee defines “Sustainable and Responsible Investment” as investing to meet present and future needs through management of long-term risks and opportunities, which involves considering environmental (including climate risk), social and governance (ESG) issues within a broader risk management framework. The Scheme’s long term investment horizon gives us both a responsibility and an advantage which we believe will produce better investment outcomes. Considering these factors will help the Scheme and its agents (including the Section’s advisors and investment managers) make more informed and better investment decisions.
- 3.4 The Trustee considers sustainability to be an important and relevant issue and follows a policy of encouraging effective stewardship to influence this with fund managers across the investment strategy. The Trustee recognises the UK Stewardship Code as best practice and encourages its investment managers, via its investment adviser, to comply with the Code or explain where they do not adhere to this policy.
- 3.5 Where applicable in the overall fund range, integration of ESG factors into the investment process is delegated to the investment managers with the Trustee monitoring this on an ongoing basis through engagement with managers and an annual review of their sustainable investment processes and approach. The extent to which investment managers integrate and consider ESG factors, and their approach to stewardship (comprising voting and engagement) is a criteria used as an input for the selection of new asset managers.
- 3.6 The assets of the Scheme are invested in pooled funds. As such, the day-to-day management of the Scheme’s assets are delegated to professional investment managers. Therefore, the exercise of the Scheme’s corporate governance powers, including its voting rights, with respect to relevant matters such as performance, strategy, capital structure, management of actual and potential conflicts of interest, risks and ESG considerations is delegated to and directly carried out by the investment managers, with oversight by the Trustee where appropriate.



## Arrangements with investment managers

- 3.7 Alignment between an investment manager's management of the Scheme's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of a new investment manager. As the Scheme only invests in pooled investment funds, the Trustee cannot directly influence or incentivise investment managers to align their management of the funds with the Trustee's own policies and objectives. However, the Trustee will seek to ensure that the investment objectives and guidelines of any investment fund used are consistent with its own policies and objectives. The Trustee will also seek to understand the investment manager's approach to sustainable investment (including engagement).
- 3.8 The Trustee is responsible for monitoring the investment funds and managers. As part of this, the Trustee will provide investment managers with the most recent version of this Statement of Investment Principles on a regular basis to ensure managers are aware of the Trustee's expectations regarding how the Scheme's assets are being managed.
- 3.9 Should the Trustee's monitoring processes reveal that an investment fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will, with the assistance with its advisers, engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible the Trustee may consider alternative options available in order to terminate and replace the manager.
- 3.10 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.
- 3.11 When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- 3.12 Investment managers are paid a fee expressed as a percentage of assets managed, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- 3.13 The Trustee reviews the costs incurred in managing the Scheme's assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund

## Active ownership

- 3.14 The Trustee will require any investment manager appointed to report regularly on corporate governance, and particularly on the manager's voting record. The Trustee accepts that, in general, an investment manager is likely to choose to support and vote with incumbent company management, and that therefore "exception reporting" is expected. The Trustee has asked the investment managers to report exceptions to the Stewardship Code. The Stewardship Code should be followed in so far as it is possible to do so without restricting the investment decisions being taken. Significant shareholder action other than voting against incumbent management (for example, the





acceptance of a hostile take-over bid) should also be reported. Again, an immediate report to the Trustee may be appropriate where an issue is particularly contentious or topical.

### **Suitability**

- 3.15 The Trustee has taken advice from the investment consultant to ensure that the investment options specified above are suitable for the Scheme. The Trustee continues to monitor, and take advice on, the various options on an ongoing basis.
- 3.16 The Trustee has a range of investment options available to members to allow members sufficient diversification of investment choice and meet varying retirement objectives.

### **Fee basis**

- 3.17 Members bear the investment management charges on their investment. These fees are charged by adjustment to the unit prices within the funds, calculated daily on the value that day. The Trustee believes the charging structure is appropriate and in line with standard market practice. The Sponsor meets the administration and communication costs of the Scheme.



## Section 4: Investment Manager Arrangements

### Performance Objectives

- 4.1 Whilst the Trustee is not involved in each investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review appointments. A set of measurable objectives has been developed for each investment manager consistent with the achievement of the Scheme's longer-term objectives with an acceptable level of risk.
- 4.2 The investment managers set performance objectives and risk tolerances for each of the Scheme's funds. The Trustee considers these investment performance objectives to be appropriate to assess each fund's performance against.
- 4.3 The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.
- 4.4 The Trustee recognises that the active managers' performance will be volatile and that they will not always achieve their target. Nonetheless, the managers should demonstrate that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.

### Realisation of investments

- 4.5 The Scheme only has investment options that can be readily realised which allows members to access funds quickly and easily. The investments are daily dealt, and this aims to provide benefits on retirement or transfer to another pension arrangement without delay. However, the Scheme does allow Property as an investment option which may have occurrences of when the funds are not readily realisable due to liquidity issues.



## Section 5: Risk Management

### Member risks

- 5.1 The Trustee recognises investment risks specific to each member which can be managed by the range of investment options provided to the members. These are:
- (i) 'Inflation risk' – the risk that the investment return over members' working lives does not keep pace with inflation and does not therefore secure an adequate pension.
  - (ii) 'Retirement objective mismatch' risk – the risk that members' investment allocation in the years prior to retirement does not match their retirement objectives, exposing members to inefficient or uncertain outcomes.
  - (iii) 'Sequencing' risk – the risk that unfavourable investment returns close to retirement can result in less money for retirement. This risk is particularly pronounced in the immediate weeks pre and post retirement when a member is transacting their retirement options and moving their assets out of the Scheme.
  - (iv) 'Shortfall' or 'opportunity cost' risk – the risk that members end up with insufficient funds at retirement with which to secure a reasonable income.
  - (v) 'Manager risk' – the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.
  - (vi) 'Capital risk' - the risk of a fall in the value of the members' fund.
- 5.2 In formulating the hands off options the Trustee considered the willingness and ability of the Scheme's membership to take investment risk as analysed in the segmentation project in 2012. As part of this, the Trustee considered the following measures of risk, and the capacity of members to respond to an adverse event:
- (i) 'Retirement at risk' – the ability of members to delay retirement in order to receive the level of income expected at retirement.
  - (ii) 'Income at risk' – the ability of members to accept a lower income in retirement.
- 5.3 The Hands off options offered through the Scheme have been chosen, in part, to help members mitigate these risks in 5.1 above.
- 5.4 The Hands on investment options are a range of funds which allow members to mitigate the risks in 5.1 and 5.2 by selecting which funds to use.



## Investment risks

The Trustee uses the Willis Tower Watson's FundWatch service which monitors the funds and fund managers selected by the Trustee. The Trustee understands that it will be alerted to concerns raised about selected managers through this regular quarterly report or between reports, if significant changes are made at the fund management company. The Trustee will invite Fund managers to its meetings if Willis Towers Watson recommend it or if the Trustee requests it.

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. Whilst these risks potentially impact members, they are managed at a Scheme level:

**1. Manager risk:**

- (i) is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- (ii) is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment processes.

**2. Liquidity risk:**

- (i) is measured by the amount of a pooled fund investment that can be redeemed by members over a specified period. This risk is considered by the Scheme's investment consultant when recommending funds to include on the Scheme's fund range.
- (ii) is managed by typically offering members pooled funds that are readily redeemable in normal circumstances at reasonable prices.

**3. Political risk:**

- (i) is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- (ii) is managed by the Scheme's investment consultant through regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

**4. Diversification risk:**

- (i) is measured by observing the relative and absolute volatility of the investment options.
- (ii) is managed through the selection of broad-based funds that show internal diversification, as well as by offering the membership a range of funds across several asset classes and a diversified fund offering broad diversification.

**5. Currency risk:**

- (i) is measured by observing the difference between hedged and unhedged returns.
- (ii) is not currently managed by the Trustee as there are limited options available, but these are considered where appropriate. The Trustee does provide the membership with a number of GBP based investment options and communicate those funds which invest overseas.



## Section 6: Compliance with and review of this Statement

### Compliance with this Statement

6.1 The Trustee will monitor compliance with this Statement annually.

### Review of this Statement

- 6.2 The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.
- 6.3 This review will occur no less frequently than every three years. Any such review will be based on written expert investment advice and the Sponsor will be consulted.



## Appendix A: Fund Range

<i>Bespoke Fund Name</i>	<i>Underlying Fund</i>	<i>Benchmark</i>	<i>AMC (% pa)</i>
Global shares (index tracker)	L&G 30/70 Global Equity Index Fund	30% FTSE All-Share 70% FTSE AW – World (ex UK)	0.153
Global shares excluding UK (index tracker)	L&G World ex-UK Equity Index	FTSE AW – World (ex UK)	0.13
UK shares (active)	M&G Recovery Fund	FTSE All Share Index	0.83
UK shares (index tracker)	L&G UK Equity Index	FTSE All Share Index	0.125
Emerging markets (index tracker)	L&G World Emerging Markets Equity Index	FTSE AW-All Emerging Markets Index	0.43
Company bonds	M&G Corporate Bond Fund	iBoxx Sterling Non-Gilts Index	0.38
UK Government bonds (index tracker)	L&G Over 15 Year Gilts Index	FTSE-A Government (Over 15 Year) Index	0.13
UK government inflation-linked bonds (tracker)	L&G Over 5 Year Index-Linked Gilts Index	FTSE Index-Linked Gilts (Over 5 Year) Index	0.13
Property and infrastructure	50% M&G Pooled Pensions UK Property Fund 30% LGIM Magellan Infrastructure Equity Fund 20% LGIM Global Real Estate Equity Index Fund	50% IPD UK All Property Index, 30% FTSE MFG Core Infrastructure Index 20% FTSE EPRA/NAREIT Developed Index	0.535
Social conscience	Jupiter Ecology Fund	FTSE World	0.73
Shariah Law (index tracker)	HSBC Amanah Fund	Dow Jones Islamic Titans 100 Index	0.35
Mixed selection	Schroder Diversified Growth	CPI + 5%	0.56
Money market	LGIM Cash Fund	7 Day LIBID	0.153
Global shares (index tracker) & mixed selection	50% Schroder Diversified Growth Fund 50% L&G 30/70 Global Equity Index Fund	15% FTSE All-Share 35% FTSE AW – World (ex UK), 50% CPI + 5%	0.345



The objective of these Hands on options is to provide members with a range of funds from which they can construct their own portfolio. The funds' specific objectives are as follows:

- Company Bonds – invests in Bonds (loans) issued by companies in Sterling (even those issued by overseas companies). Medium risk, expected to produce modest to good growth at a fixed rate for a set number of years.
- Emerging Markets – invests in shares of emerging markets economies, including South America, Russia, India and China. High risk, expected to produce good growth over the longer term in line with the returns of the chosen index.
- Global Shares excluding UK (index tracker) – invests in shares of overseas companies. High risk, expected to produce good growth over the longer term in line with the returns of an index of global shares.
- Global Shares (index tracker) – invests in shares of UK and overseas companies. High risk, expected to produce good growth over the longer term in line with the returns of an index of global shares.
- Global Shares (index tracker) & Mixed Selection – invests in a combination of the Global Shares (index tracker) fund and the Mixed Selection fund; this means it's made up predominately of shares of UK and overseas companies together with a wide variety of other investments including bonds, private equity, commercial property, currency hedge funds and commodities. High risk, expected to produce good growth over the longer term by investing in a number of different types of investments.
- Mixed Selection – invests in a wide variety of investments including shares, bonds, private equity, commercial property, currency hedge funds and commodities. By investing in this way, it spreads the types of risks that an investor is exposed to, with the aim of reducing the size of sudden changes in the value of the fund. Medium to high risk, expected to produce modest to good growth by investing in a number of different types of investments.
- Money Markets – invests in a wide range of Sterling investments including short-term bank deposits, UK government bonds, and promissory notes such as bankers' drafts and Treasury bills which allow money to be borrowed and lent for short periods of time. Low risk, expected to produce low growth at a similar rate to short-term government interest rates, and a high degree of protection to the value of a members ITV pension savings (although even with this fund the value could fall, and returns could therefore be negative in some circumstances).
- Property and Infrastructure – invests in commercial properties including retail, office and warehousing. Medium to high risk, expected to produce good growth from rental income and any increase in commercial property values.
- Shariah law (index tracker) – invests in shares of companies that comply with the principles of Islamic Shariah law. High risk, expected to produce good growth over the longer term in line with the returns of the Dow Jones Islamic Titans 100 Index.
- Social conscience – invests in shares of companies that have social responsibility and sustainability at the centre of their business. High risk, expected to produce good growth over the longer term through active investment in socially responsible and sustainable companies.
- UK government bonds (index tracker) – invests in government bonds (loans) issued by the UK government with a long-term repayment period. Bonds are loans to organisations or governments which can be issued for different lengths of time. Bonds are traded in a similar way to shares so their values rise and fall, but



not usually as sharply as the value of shares. Medium to low risk, expected to produce modest growth for a set number of years that matches the returns of an index of government securities.

- UK government inflation-linked bonds (index tracker) – invests in government bonds (loans) issued by the UK government with a long-term repayment period. Bonds are loans to organisations or governments which can be issued for different lengths of time. Bonds are traded in a similar way to shares so their values rise and fall, but not usually as sharply as the value of shares. Medium to low risk, expected to produce modest growth in line with inflation for a set number of years.
- UK Shares – invests in predominantly shares of UK companies, although it may invest a small percentage in overseas shares from time to time. High risk, expected to produce good growth over the longer term by actively choosing which shares to buy, sell or hold onto. This fund is only open to members who were historically invested in this fund and is closed to any further member switches.
- UK Shares (index tracker) – invests in shares of UK companies. High risk, expected to produce good growth over the longer term in line with the returns of an index of UK shares.

## September 2020





## Appendix 3

### Net investment returns

The below tables provide the net investment returns for each of the investment options available under the Scheme. The Trustees have taken into account the statutory guidance when providing these investment returns and has not deviated from this.

<b>Hands off – default arrangements</b>	<b>Age of member in 2021</b>	<b>Last 12 months (%) 1 year (2021)</b>	<b>Last 3 years (% p.a.) (2018 to 2011)</b>	<b>Last 5 years (% p.a.) (2016 to 2021)</b>
<b>Phased</b>	25	20.2%	16.3%	11.0%
	45	20.2%	16.3%	11.0%
	55	7.6%	8.6%	5.3%
<b>Blended</b>	25	13.7%	12.7%	8.3%
	45	13.7%	12.7%	8.3%
	55	13.7%	12.7%	8.3%
<b>Focused</b>	25	20.2%	16.3%	11.0%
	45	20.2%	16.3%	11.0%
	55	20.2%	16.3%	11.0%
<b>Steady</b>	25	7.6%	8.6%	5.3%
	45	7.6%	8.6%	5.3%
	55	7.6%	8.6%	5.3%



<i>Hands off – non default arrangements</i>	<i>Age of member in 2021</i>	<i>Last 12 months (%) 1 year (2021)</i>	<i>Last 3 years (% p.a.) (2018 to 2011)</i>	<i>Last 5 years (% p.a.) (2016 to 2021)</i>
<b>Blended – cash at retirement</b>	25	13.7%	12.7%	8.3%
	45	13.7%	12.7%	8.3%
	55	13.7%	12.7%	8.3%
<b>Blended – mainly pension</b>	25	13.7%	12.7%	8.3%
	45	13.7%	12.7%	8.3%
	55	13.7%	12.7%	8.3%
<b>Focused – cash at retirement</b>	25	20.2%	16.3%	11.0%
	45	20.2%	16.3%	11.0%
	55	20.2%	16.3%	11.0%
<b>Focused – mainly pension</b>	25	20.2%	16.3%	11.0%
	45	20.2%	16.3%	11.0%
	55	20.2%	16.3%	11.0%
<b>Focused 5</b>	25	20.2%	16.3%	11.0%
	45	20.2%	16.3%	11.0%
	55	20.2%	16.3%	11.0%



<i>Hands on funds</i>	<i>Last 12 months (%) 1 year (2021)</i>	<i>Last 3 years (% p.a.) (2018 to 2011)</i>	<i>Last 5 years (% p.a.) (2016 to 2011)</i>
<b>Hands on – default funds</b>			
Global Shares (index -tracker)	20.2%	16.3%	11.0%
Mixed Selection	7.6%	8.6%	5.3%
Company Bonds	-2.3%	5.9%	4.2%
UK Government Bonds (Index– tracker)	-7.4%	5.7%	4.0%
Money markets	-0.1%	0.2%	0.2%
<b>Hands on – non default funds</b>			
Global Shares ex-UK (Index Tracker)	22.8%	20.1%	13.5%
Global Shares (index- tracker) and Mixed	13.7%	12.7%	8.3%
UK shares	13.3%	3.2%	0.9%
UK shares (index-tracker)	17.9%	8.3%	5.4%
Emerging markets (index-tracker)	0.6%	9.1%	7.3%
UK Government inflation-linked bonds (index tracker)	4.5%	7.3%	4.9%
Property and Infrastructure fund	19.5%	7.4%	6.8%
Shariah law (index tracker)	27.2%	26.2%	18.5%

**Notes:**

1. Returns are net of the fund specific charges and factor in the transaction costs incurred by the funds.
2. Age specific returns shown under the Hands off strategies arrangements are based on a member with a target retirement age of 65.
3. The returns have been provided by Scottish Widows as at 31 December 2021.
4. The Trustee currently is looking to obtain longer term performance where available from its fund managers and will look to include this in its future DC Governance Statements.

