



# Statement of investment principles

for the ITV Auto-Enrolment Plan

This document sets out the Trustee's investment policy for the ITV Auto-Enrolment Plan (the AE Plan). It covers things like the investment funds that are available for members to invest in, the Trustee's aims and objectives for those funds and how they monitor the performance of the fund managers. It also includes information about the Trustee's approach to Responsible Investment.

# Statement of Investment Principles

## ITV Defined Contribution Plan – AE Plan

### Introduction

1. This document describes the defined contribution ('DC') investment policy pursued by the Trustee of the ITV Defined Contribution Plan (the "ITV DC Plan").
2. The Trustee's investment policy detailed in this Statement applies to the "AE Plan" within the ITV DC Plan. The AE Plan refers to the ITV Auto-Enrolment Plan, which was established by the Principal Employer on 1 April 2020.
3. The ITV DC Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The ITV DC Plan is Defined Contribution in nature and was established on 17 January 2017.
4. The ITV DC Plan is a registered pension plan under the Finance Act 2004.
5. The AE Plan is administered by XPS and the investment platform is provided by Legal & General.
6. The purpose of this Statement is to document those investment principles, guidelines and procedures which are appropriate for the ITV DC Plan, in a manner consistent with the requirements of the Pensions Act 1995 ("the Act") and the Pensions Act 2004 ("the 2004 Act").
7. The ITV DC Plan's Trustee ("the Trustee") has received advice from its investment adviser (WTW) and the Principal Company (ITV Services Limited) has been consulted regarding this Statement as required by the Act.
8. 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.
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. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the ITV DC Plan competently.
10. This document has been drafted in the light of the DC Code of Practice and the DWP's minimum governance standards, and specifically the recommendations relating to the content of Statements of Investment Principles generally.

### Compliance and review of this statement

11. The Trustee plans to monitor compliance with this Statement annually and following its planned reviews of the Trustee's investment strategy.
12. The Trustee will review this Statement in response to any material changes to any aspects of the ITV DC Plan, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.
13. This review will occur no less frequently than every three years. Any such review will be based on written expert investment advice and the Principal Company will be consulted.



## Investment objectives

14. The ITV DC Plan's main investment objectives are:
- To ensure the individual fund options are suitably invested and managed to maximise the return commensurate with an acceptable level of risk.
  - To provide members with a diversified a range of investment options designed to give members the freedom to structure his/her own investment policy to suit his/her individual risk, return, liquidity and retirement planning preferences.

## Investment policy

15. The Trustee's policy is to seek to achieve its investment objectives through offering a suitable mixture of asset classes and funds. Pooled funds are made available across the main asset classes, reflecting the changing requirements of members as they progress towards retirement.
16. For the AE Plan, the Trustee makes available one Guided (lifecycle) strategy. This is a pre-packaged investment option comprising a growth phase and a consolidation phase where members' investments are progressively switched into lower risk investments as retirement approaches. The Guided strategy aims to deliver a relatively stable but moderate return profile during the growth phase and to target one-off cash withdrawal at retirement.
17. Members are able to select their own investments from a range of pooled funds under the Customised investment strategy applicable to the AE Plan, which is sometimes referred to as the self-select option.

## Risk management

18. The Trustee recognises a number of risks involved in the investment of assets of the ITV DC Plan, including:
- **Capital risk** – the risk that the value of the investment will fall in value over any period of time. The Trustee has made available a cash fund for the purpose of managing this risk.
  - **Inflation risk** – the risk that the contributions fail to provide an adequate amount of benefit. This could be by failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment. The Trustee has made available funds which investment in equities or diversified assets for the purpose of managing this risk.
  - **Manager risk** – addressed through ongoing monitoring of the Managers as set out on page 4 of this document.
  - **Synchronisation risk** – the risk that members' investment allocation in the years prior to retirement and/or once benefits are being accessed does not match their retirement objectives, exposing members to inefficient or uncertain outcomes.



- **Currency risk** – where members invest in funds with an exposure to overseas securities, there will be an element of currency risk as these securities are converted back into Sterling. The Trustee has made available to members a number of funds that invest in Sterling and overseas securities to provide choice to members.
- **Political risk** – the risk of an adverse influence on investment values from political intervention is reduced by the Trustee offering members funds in which assets are diversified across many countries.
- **Liquidity risk** – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustee has had regard to this in selecting appropriate funds.

19. The Trustee continues to monitor these risks on a regular basis in line with the ongoing monitoring outlined on page 4 of this document.

## Member investment options

20. Based on the Trustee’s investment objectives, the Trustee has selected a range of investment options available to members. Contributions are invested by XPS onto the Legal & General platform.
21. Members in the AE Plan are given a range of Customised investment options, and a single Guided lifecycle option (One-off cash (Diversified)). The Trustee believes that the range of funds is appropriate based on analysis of the membership, consideration of the impact of the automatic enrolment process and the expectation that the majority of members will join the DC Section of the ITV DC Plan after 12 months’ employment. The range includes equity, multi-asset, bond and cash funds, as well as those seeking to meet the responsible investment and/or religious considerations of members. The Trustee will review its approach relating to the AE Plan over time.

## Default investment option

22. Members in the AE Plan are not required to make an investment choice on joining, and therefore a default investment option is needed for these members. The Trustee has adopted a two-stage default for these members: for an initial period, investments are made into the Money markets Fund. This enables members to establish their pension savings with very low capital risk, and would also allow them to transfer their savings to the DC Section of the ITV DC Plan without incurring transition costs as part of their invitation to join the DC Section after having completed 12 months’ employment. For members who remain in the AE Plan their investments are moved to the ‘One Off Cash (Diversified)’ Guided lifecycle strategy. This has been chosen on the basis that the Diversified lifecycle growth phase is expected to offer a suitable level of risk, and the expected level of pension savings at retirement is likely to result in members withdrawing their savings as a single cash lump sum. Further details about this Guided strategy are contained in the Investment Policy Document for the AE Plan (dated September 2023).

## Fee basis

23. Members bear the management charges on the funds in which they invest which cover the provision of investment services. These fees are charged by an 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 Principal Company meets the administration and communication costs of the ITV DC Plan.



## Expected risk and return

24. The investment options include the following assets and have the following risk and expected return characteristics:
- **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.
  - **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.
  - **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 some 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 to retirement when used to provide a pension income (annuity).
  - **Cash** – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.

## Monitoring and reviewing investments under the ITV DC Plan

25. The Pensions Regulator expects Trustee Boards to regularly review their investment fund options and consider the demographics of the membership when doing so.
26. The investment fund options available in the AE Plan were agreed following advice from the Trustee’s advisers, including a consideration of the expected AE Plan membership. The last such review was carried out in 2023. In carrying out future reviews, the Trustee will consider all relevant factors in determining whether this Statement and the associated risks remain appropriate.

## Monitoring investment performance

27. The Trustee receives regular performance monitoring data from its investment advisers on a quarterly basis.

## Investment manager monitoring

28. The continuing suitability of the ITV DC Plan’s investment managers will be reviewed by the Trustee at least annually. The review will be based on the results of the Trustee’s regular monitoring of the Investment Managers’ performance and investment processes and their compliance with the requirements of the Pensions Act concerning diversification and suitability of investments, where relevant.



## Other matters

### Responsible investment and corporate governance

29. The Trustee defines Responsible Investment as investing to meet present and future needs through management of long-term risks and opportunities, which involves considering all financially material factors, including environmental (including climate risk), social and governance (ESG) issues within a broader risk management framework. The Trustee takes account of members' investment time horizons and objectives when considering these factors to help the ITV DC Plan and its agents (including the advisors and investment managers) make more informed investment decisions to produce better investment outcomes.
30. The Trustee considers Responsible Investments 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.
31. The Trustee believes that the incorporation of ESG factors into investment decision making is likely to have a positive impact on the risk-adjusted performance of assets over the medium to long term. The most recent investment strategy review undertaken by the Trustee, supported by its investment adviser, involved detailed analysis of ESG factors and the potential for these factors to impact the future risk and return profile of DC investments. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. Where applicable in the overall fund range, consideration of all financially material factors, including ESG-related issues is delegated to the investment managers. The Trustee explores these issues with its advisers on a regular basis to understand the investment managers' Responsible Investment processes and approach and how they exercise these duties in practice. 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.
32. The assets of the ITV DC Plan are invested in pooled funds. As such, the day to day management of the ITV DC Plan's assets are delegated to professional investment managers. Therefore, the exercise of the ITV DC Plan's corporate governance powers, including its voting rights, with respect to relevant matters including the capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings is delegated to and directly carried out by the investment managers, with oversight by the Trustee where appropriate.

### Arrangements with investment managers

33. Alignment between an investment manager's management of the ITV DC Plan's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of a new investment manager. As the ITV DC Plan 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 Responsible Investment (including engagement).



34. 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 ITV DC Plan's assets are being managed.
35. Should the Trustee's monitoring processes reveal that an investment fund's objectives and guidelines, or an investment manager's approach to Responsible 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.
36. The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the ITV DC Plan's assets. For most of the ITV DC Plan'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.
37. 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.
38. 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.
39. The Trustee reviews the costs incurred in managing the ITV DC Plan'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.

## Realisation of investments

The ITV DC Plan 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.

30 September 2023

