

Yell Pension Plan (the 'Plan')

Statement of Investment Principles

September 2022

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Yell Pension Plan ('the Trustee') on various matters governing decisions about the investments of the Yell Pension Plan ('the Plan') for the Defined Benefit ("DB") Scheme. This SIP replaces the previous SIP dated August 2022.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), and subsequent legislation. The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

The historic Defined Contribution and Additional Voluntary Contribution benefits of the Plan transferred to a Master Trust with Legal & General ("L&G") in October 2018. As of the 16th October 2018, the Defined Contribution and Additional Voluntary Contribution benefits are no longer the responsibility of this Trustee Board, and oversight and fiduciary responsibility for members and their assets passes to the Master Trust Trustees.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Plan, and the principles contained in this SIP. The Trustee has consulted with the employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Appendix 1 sets out details of the respective key responsibilities of the Trustee, investment adviser and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Investment objectives

The Trustee's investment objectives are that:

- the Plan should be able to meet benefit payments as they fall due; and

- the Plan's funding position (ie the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustee is aware that there are various measures of funding, and have given due weight to those considered most relevant to the Plan. In particular, the Trustee has taken into account the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

3. Investment strategy

In 2014 the Trustee entered into a bulk annuity policy with Pensions Insurance Corporation in respect of a portion of the Plan's pensioner liabilities. In September 2022 the Trustee entered into an additional bulk annuity policy with Pensions Insurance Corporation in respect of the remainder of the Plan's pensioner and deferred liabilities. These bulk annuity policies will meet all cash flows due from the Plan to members.

The only remaining investments are the liquidity holdings managed by Insight.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Plan's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes.

In setting this strategy, the Trustee also took into account:

- the best interests of members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and
- the need for appropriate diversification between different asset classes.

5. Implementation of the investment arrangements

Before investing, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers, their objectives, investment guidelines, and custody arrangements where relevant are set out in Appendix 3.

Page 3 of 11 The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers' investment practices because the Plan's assets are largely held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the

liquidity of investments. When appropriate, the Trustee, on the administrator's recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements.

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7. Social, environmental, and ethical considerations

The Trustee believes that environmental, social, and corporate governance (ESG) factors can have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Plan when considering how to integrate these issues into the investment decision making process.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights, and stewardship actions attached to investments, including undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Stewardship actions for fixed income portfolios can include assessing bond managers on the extent to which they use their influence to engage companies to whom they lend money, including collective engagement initiatives.

The Trustee considers how ESG, climate change and stewardship are integrated within its investment consultant's investment processes and those of the underlying managers in the monitoring process. The investment consultant is expected to provide reporting on a regular basis, at least annually, on ESG integration progress.

Member views in respect of non-financial matters are not taken into account in the selection, retention and realisation of investments, but members can make their views known to the Trustee. This position is reviewed periodically.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

8. Exercise of investment rights

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as shareholders being the owners of capital, and believes that good corporate governance enhances shareholder value in the long term.

The Trustee cannot usually directly influence the investment managers' policies on the exercise of investment rights or engagement where assets are held in pooled funds; this

is due to the nature of these investments. The Trustee understands that engagement and investment rights will be exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries.

SIP signed for and on behalf of the Trustee of the Plan:

Signed: **Ian Clarke**

Signed: **Daniel Sheehan**

Appendix 1: Responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Plan's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers, custodians, investment adviser, actuary and other advisers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- considering financially material risks in relation to the investment strategy of the Plan;
- communicating with members as appropriate on investment matters;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- engagement with underlying companies in respect to the investment managers own policies around ESG and climate change;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and

- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

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The custodians of the portfolios (even though they do not have a direct relationship with the Trustee) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustee in reviews of this SIP.

4. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustee has agreed Terms of Business with the Plan's investment adviser, under which work undertaken is charged for by an agreed fixed fee or on a 'time-cost' basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Plan. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

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It is the Trustee's policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustee will also carry out periodically an assessment of its own effectiveness as a decision-making body and will decide how this may then be reported to members.

Appendix 2: Policy towards risk, risk measurement and risk management

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Plan in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When deciding on the current investment strategy, the Trustee believed the level of risk to be appropriate given the Trustee's and employer's risk appetite and capacity, given the Plan's objectives.

The Trustee considers that there are a number of different types of investment risk that are important for the Plan over its anticipated lifetime. These include, but are not limited to:

2. Liquidity / marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Plan's cash flow requirements and believes that this risk is managed by investing in annuity policies which match the benefit outgo.

3. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Plan's bulk annuity policies are directly exposed to the solvency of the insurer. The Trustee is comfortable that this risk is mitigated by the strict UK regulatory regime of insurance companies, and the protections provided by the Financial Services Compensation Scheme.

4. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected), which is addressed by the annuity policies held in respect of all pensions; and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this risk.

Appendix 3: Investment manager arrangements

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Details of the investment managers, their objectives and investment guidelines are set out below.

1. Insight Investment Management Limited –Cash

Insight is responsible for custody of the assets held in their funds. Responsibility is delegated to Northern Trust. The Trustee does not have a direct relationship with the custodian.

The Plan invests in cash through a bespoke pooled fund called the LDI Active 59 Fund (which is expected to be wound up in early 2023) and the Insight Liquidity Fund. The objective of the funds is to provide stability of capital, with an income comparable to sterling denominated short-dated money market interest rates.

The Trustee has received advice on the appropriateness of these targets, benchmarks and risk tolerances from an appropriately qualified investment adviser and believes them to be suitable for the Plan.