Comshare Retirement and Death Benefits Plan

Addendum to the Statement of Investment Principles

Original Statement dated: September 2019

Date of Addendum: September 2020

Purpose of the Addendum

This Addendum updates Appendices 1, 2 and 3 to reflect changes to the Scheme's investment strategy that were implemented in 2019.

This Addendum also adds an Appendix 4 which is made in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (it includes additional wording to cover this) and it updates the Statement of Investment Principles to record how the Scheme complies with the EU Shareholder Rights Directive (SRD II) which comes into effect on 1 October 2020.

Glossary Update

ESG – Environmental, Social and Governance (including, but not limited to, climate change)

In the relevant regulations "**non-financial matters**" refers to the views of the members. This includes, but is not limited to, ethical views, views on ESG factors and views on the present and future quality of life for the members.

"**Financially material considerations**" includes (but is not limited to) ESG considerations (including but not limited to climate change), which the trustees of the trust scheme consider financially material.

"**Appropriate time horizon**" means the length of time that the trustees of a trust scheme consider is needed for the funding of future benefits by the investments of the scheme.

Appendix 1: The Trustee's Investment Strategy – DB Section

Strategic Asset Allocation

In determining the strategic asset allocation, the Trustee views the investments as falling into two broad categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The use of Growth Assets is expected to deliver a level of investment returns deemed appropriate by the Trustee given the risk involved.

2. **Liability Matching Assets –** Assets that are expected to react to changes in market conditions in a similar way to the liabilities. The use of Liability Matching Assets is expected to protect the funding position of the Scheme.

In addition, the Trustee may hold cash. Cash will normally be held in the Trustee's bank account if it is to be used to make payments due in the short-term whereas cash that is to be held for more than a few weeks will normally be held in a cash fund.

At the time of preparing this statement, the split of the Scheme's assets between the above categories was approximately 58% Growth, 31% Liability Matching and 11% Cash (with the Cash holdings representing a temporary position). This split is not regularly rebalanced and will vary over time as market conditions change.

The Trustee will review the strategic asset allocation periodically, and at least every three years, to ensure that the investment strategy remains consistent with the Trustee's funding objectives. As part of such a review, the Trustee will consider the risks associated with the investment strategy.

Investment Strategy Implementation

The Trustee has selected funds managed by BlackRock Advisors (UK) Limited, BlackRock Investment Management (UK) Limited and Pictet Asset Management, to implement the Scheme's investment strategy.

Further details of the investment strategy and the funds used are provided overleaf.

Appendix 1: The Trustee's Investment Strategy – DB Section (continued)

Design of the Growth Asset Portfolio

The structure of the Scheme's Growth Assets has been designed to offer diversification across a range of underlying asset classes and to achieve this by combining investment managers with different asset management styles.

The strategic allocation for the Scheme's Growth Assets is as follows:

<table>
<tr><th>Pooled Fund</th><th>Strategic Allocation of the Growth Assets</th></tr>
<tr><td>BlackRock Aquila Life Market Advantage Fund</td><td>17%</td></tr>
<tr><td>BlackRock Dynamic Diversified Growth Fund</td><td>25%</td></tr>
<tr><td>Pictet Dynamic Asset Allocation</td><td>32%</td></tr>
<tr><td>BlackRock Aquila Life European Equity Index Fund</td><td rowspan="4">20% combined allocation</td></tr>
<tr><td>BlackRock Aquila Life Japanese Equity Index Fund</td></tr>
<tr><td>BlackRock Aquila Life US Equity Index Fund</td></tr>
<tr><td>BlackRock Aquila Life Pacific Rim Equity Index Fund</td></tr>
<tr><td>BlackRock Aquila Life UK Equity Index Fund</td><td>6%</td></tr>
<tr><td>Total Growth Assets</td><td>100%</td></tr>
</table>

The allocation of the Growth Assets is not automatically rebalanced but will be monitored and rebalanced at the discretion of the Trustee.

Design of the Liability Matching Portfolio

The Scheme's Liability Matching Assets are invested in leveraged Liability Driven Investment (LDI) funds managed by BlackRock. The funds used are:

- BlackRock LMF Leveraged 2027 Index Linked Gilt Fund
- BlackRock LMF Leveraged 2032 Index Linked Gilt Fund
- BlackRock LMF Leveraged 2040 Index Linked Gilt Fund
- BlackRock LMF Leveraged 2052 Gilt Fund
- BlackRock LMF Leveraged 2062 Index Linked Gilt Fund
- BlackRock LMF Leveraged 2030 Gilt Fund
- BlackRock LMF Leveraged 2040 Gilt Fund
- BlackRock LMF Leveraged 2050 Index Linked Gilt Fund
- BlackRock LMF Leveraged 2060 Gilt Fund

Appendix 1: The Trustee's Investment Strategy – DB Section (continued)

The targeted level of matching, expressed as proportion of the sensitivity of funded liabilities to changes in long term interest rates and inflation expectations, is 75% and 85% respectively.

Cash

The Trustee may invest in the BlackRock Institutional Cash Series (ICS) Sterling Liquidity Fund.

LDI Leverage Management Policy

In an environment of rising yields, a recapitalisation payment may need to be paid into one or more of the LDI funds. This will ensure that leverage within the LDI funds remains within a permissible range.

The Trustee has provided BlackRock with authority to meet a recapitalisation contribution by selling assets in the following order:

i) BlackRock ICS Sterling Liquidity Fund
ii) BlackRock Dynamic Diversified Growth Fund
iii) BlackRock Aquila Life Market Advantage Fund
iv) BlackRock Aquila Life UK Equity Index Fund

If the leverage of a BlackRock LDI fund falls below a minimum threshold, BlackRock will make a cash payment from the relevant fund to raise the leverage. The Trustee has provided BlackRock with authority to invest any such cash proceeds in the BlackRock ICS Sterling Liquidity Fund.

Cashflow Management Policy

Any investments or disinvestments will be made at the discretion of the Trustee, but the Trustee will maintain a *Cashflow Management Policy* which will record how such payments should be structured. The *Cashflow Management Policy* will be designed to ensure the allocation of the Scheme's assets remains closely aligned with the strategy described in this statement.

To ensure the Scheme operates efficiently, the Trustee may share the *Cashflow Management Policy* with the individual(s) responsible for processing payments from the Scheme.

The *Cashflow Management Policy* will be reviewed from time-to-time by the Trustee and, as a minimum, at least every three years in line with a review of this statement. Given that the *Cashflow Management Policy* is designed to keep the Scheme's asset allocation aligned with the investment strategy and investment principles described in this statement, the sponsoring employer is satisfied that the *Cashflow Management Policy* can be amended by the Trustee without consulting the sponsoring employer.

Appendix 1: The Trustee's Investment Strategy – DB Section (continued)

Additional Voluntary Contributions

The Scheme’s AVC arrangements are held with Prudential Life & Pensions.

Appendix 2: Fund Details – DB Section

This Appendix provides a summary of the funds used to implement the Scheme’s Defined Benefit investment strategy. The details provided below were correct as at August 2020.

The following points should be noted:

- **Legal Structure**: An explanation of the different types of fund legal structures is provided in the Trustee's *Investment Risk Policy* document.
- **T**: Trade Date

BlackRock Aquila Life Market Advantage Fund	
Objective	The BlackRock Aquila Life Market Advantage Fund aims to provide a return over the long term (5 consecutive years) which exceeds 3 month GBP LIBOR by 3.5 % (gross of fees). The Fund will invest in a global portfolio of asset classes, including: equities, fixed income securities, money-market instruments and derivatives.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Daily

BlackRock Dynamic Diversified Growth Fund	
Objective	The BlackRock Dynamic Diversified Growth Fund targets capital growth by investing in a diversified portfolio of equities, bonds, property and cash. Derivatives (exchange traded and over-the-counter) may be used for efficient portfolio management and to hedge underlying positions. The fund's performance objective is to outperform cash (3 month LIBOR) by 3% per annum (net of fees) over rolling 3 year periods.
Legal Structure	Investment Company with Variable Capital
Trading Frequency	Daily

Pictet Dynamic Asset Allocation	
Objective	The Pictet Dynamic Asset Allocation Fund aims to deliver returns of 4% per annum (net of fees) above 3 month LIBOR over a 3 to 5 year period.
Legal Structure	Investment Company with Variable Capital
Trading Frequency	Weekly

Appendix 2: Fund Details – DB Section (continued)

BlackRock Aquila Life European Equity Index Fund	
Objective	The BlackRock Aquila Life European Equity Index Fund aims to achieve index returns in line with the FTSE All-World Developed Europe ex-UK Index.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Daily

BlackRock Aquila Life Japanese Equity Index Fund	
Objective	The BlackRock Aquila Life Japanese Equity Index Fund aims to achieve index returns in line with the FTSE Japan Index.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Daily

BlackRock Aquila Life Pacific Rim Equity Index Fund	
Objective	The BlackRock Aquila Life Pacific Rim Equity Index Fund aims to achieve index returns in line with FTSE All-World Developed Asia Pacific ex Japan Index.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Daily

BlackRock Aquila Life UK Equity Index Fund	
Objective	The BlackRock Aquila Life UK Equity Index Fund aims to achieve index returns in line with the FTSE All-Share Index.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Daily

Appendix 2: Fund Details – DB Section (continued)

BlackRock Aquila Life US Equity Index Fund	
Objective	The BlackRock Aquila Life US Equity Index Fund aims to achieve index returns in line with the FTSE USA Index.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Daily

BlackRock LMF Funds	
Objective	The BlackRock LMF Fund is designed to be held until maturity and aims to provide a single payment on the specified maturity date of the underlying reference gilt. Due to the leveraged nature of the Fund, every £1 invested in the Fund provides more than £1 worth of exposure to the underlying reference gilt.
Legal Structure	Unit Trust
Trading Frequency	Daily

BlackRock ICS Sterling Liquidity Fund	
Objective	The BlackRock ICS Sterling Liquidity Fund aims to maximise current income consistent with preservation of principal and liquidity by the maintenance of a portfolio of high quality short term money market instruments.
Legal Structure	Investment Company with Variable Capital
Trading Frequency	Daily

Appendix 3: The Trustee's Investment Strategy – DC Section

Fund Manager

The Trustee has appointed LGIM, State Street and Prudential to manage the assets of the DC Section of the Plan, in the following funds.

•State Street MPF Balanced Index sub-Fund	•Prudential With Profits Fund
•LGIM Cash Fund	•LGIM UK Equity Index Fund
•LGIM Overseas Equity Consensus Index Fund	•LGIM Over 15 Year Gilts Index Fund
•LGIM Retirement Income Multi-Asset Fund	

Default Lifestyle Strategy

The DC Section of the Plan implemented a 'lifestyling' arrangement on 1 October 2018.

Under this arrangement, when a member is five years away from retirement, the allocations of their assets will be de-risked for the majority of members. This is to be implemented in phases, occurring on 1 October of each year. Typically when members reach retirement, 25% of assets are invested in cash and 75% of assets are invested in the Legal & General Retirement Income Multi Asset Fund (LGIM RIMA).

It should be noted that the Trustee also decided to make special arrangements for a limited number of members following consideration of investment advice e.g. due to the existence of With Profit holdings and following consideration of the particular features of that type of fund.

Appendix 4: Investment Manager Arrangements

The Trustees believe that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of both investment opportunities and financially material risks. Consequently, financially material considerations can have a material impact on investment risk and return outcomes.

As the Scheme's assets are held in pooled funds, the Trustees have limited influence over the investment managers' investment decisions. In practice, investment 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 therefore the Trustees' responsibility to ensure that the approaches adopted by investment managers are consistent with the Trustees' 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 Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/ equity issuers, and to engage with issuers to improve their performance. The Trustees assess this when selecting and monitoring managers.

When selecting investment managers, the Trustees may also take into account non-financially material considerations such as the investment manager's administrative capabilities and the liquidity of the investments.

The Trustees' policy on selecting, monitoring, evaluating and (where necessary) terminating these arrangements is set out in further detail on the next page.

Appendix 4: Investment Manager Arrangements (continued)

Compatibility of Pooled Funds with the Trustees' Investment Strategy

When selecting a pooled fund, the Trustees consider various factors, including:

- the assets that will be held within that fund and whether the asset allocation of the fund is expected to change over time;
- the risks associated with the fund along with the return that is expected;
- the fund's objective (as stated by the fund's investment manager) and whether the objective is consistent with the performance that the Trustees expect from that fund;
- the fund's fee structure to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the fund in a way that differs from the expectations of the Trustees.
- how frequently underlying investments within the fund are expected to be traded by the investment manager;
- how financially material considerations (including ESG factors) over the appropriate time horizon are taken into account by the investment manager;
- the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund; and
- the investment manager's policy in relation to undertaking engagement activities in respect of the investments held within the pooled fund*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG matters. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

After analysing the above characteristics for a fund, the Trustees identify how that fund would fit within their overall investment strategy for the Scheme and how the fund is expected to help the Trustees meet their investment objectives.

Appendix 4: Investment Manager Arrangements (continued)

Duration of Investment Manager Arrangements

The Trustees normally expect that pooled funds will be held for several years.

However, as part of the periodic strategic asset allocation reviews (which take place at least every three years), the Trustees will review whether the ongoing use of each fund remains consistent with their investment strategy.

The Trustees regularly monitor the financial and non-financial performance of the pooled funds held and details of this monitoring process is set out below. If the Trustees become concerned about the ongoing suitability of a pooled fund, they may reduce exposure to it or disinvest entirely. Such action is expected to be infrequent.

Monitoring Pooled Funds

The Trustees regularly assess the performance of each fund held and this monitoring includes an assessment of whether the investment manager continues to operate the fund in a manner that is consistent with the factors used by the Trustees to select the fund (as listed above).

When assessing the performance of a fund, the Trustees do not usually place too much emphasis on short-term performance although they will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

The Trustees expect the investment managers of pooled funds to invest for the medium to long term and they expect investment managers to engage with issuers of debt or equity with a view to improving performance over this time frame.

If it is identified that a fund is not being operated in a manner consistent with the factors used by the Trustees to select the fund, or that the investment manager is not engaging with issuers of debt or equity, the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their investment adviser to raise the Trustees' concerns with the investment manager. Thereafter, the Trustees, in conjunction with their investment adviser, would monitor the performance of the fund to assess whether the situation improves.

Appendix 4: Investment Manager Arrangements (continued)

Portfolio Turnover

The Trustees are aware of the requirement to monitor portfolio turnover costs (the costs incurred as a result of the buying, selling, lending or borrowing of investments).

When selecting a pooled fund, the Trustees will consider how the investment manager defines and measures:

- the targeted portfolio turnover (the frequency within which the assets of the fund are expected to be bought or sold); and

- turnover range (the minimum and maximum frequency within which the assets of the fund are expected to be bought or sold).

At least annually, the Trustees, in conjunction with their investment adviser, will consider the transaction costs incurred on each pooled fund. As part of this analysis, the Trustees will consider whether the incurred turnover costs have been in line with expectations.

The Trustees will take the above information on portfolio turnover into account when assessing the ongoing suitability of each pooled fund.

Appendix 4: Investment Manager Arrangements (continued)

Stewardship

The Trustee's policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.

However, the Trustee invests in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters. For that reason, the Trustee recognises that its ability to directly influence the action of companies is limited.

Nevertheless, the Trustee expects that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee also expects that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

When considering the suitability of an investment manager, the Trustee (in conjunction with its investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

The Trustee recognises that the members might wish the Trustee to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustee's priority is to select investment managers which are best suited to help meet the Trustee's investment objectives. In making this assessment, the Trustee will receive advice from its investment adviser. The Trustee recognises that the investment managers' own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

Appendix 4: Investment Manager Arrangements (continued)

Investment Beliefs (additional wording)

Appropriate Time Horizon

In determining investment objectives and a suitable investment strategy for the Scheme, the Trustee takes into account an appropriate time horizon. The Trustee believes that an appropriate time horizon will be the period over which benefits are expected to be paid from the Scheme.

ESG and Other Financially Material Considerations

The Trustees believe that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of both investment opportunities and financially material risks. Consequently, financially material considerations can have a material impact on investment risk and return outcomes.

The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustees when selecting and monitoring investment managers.

Stewardship

The Trustee believe that good stewardship can help create, and preserve, value for companies and markets as a whole.