

# The Photo-Me International Plc. Pension & Life Assurance Fund (the “Fund”)

## Statement of Investment Principles (the “Statement”)

### Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 29 September 2020. Photo-Me Trustee Company Limited (the “Trustee”) will review this Statement and the Fund’s investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

### Consultations made

The Trustee has consulted with the employer, Photo-Me International plc, and will take the employer’s comments into account when they believe it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Fund and has obtained written independent advice on the appropriate investment strategy and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Fund’s assets has been delegated to investment managers who are authorised and regulated by the Financial Services Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Fund.

### Objectives and policy for securing objectives

The Trustee’s primary objectives are:

- “funding objective” - to ensure that the Fund is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer; and
- “security objective” – to ensure that the solvency position of the Fund is improved. The Trustee will take into account the strength of the employer’s covenant when determining the expected improvement in the solvency position of the Fund.

The Trustee does, however, recognise that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater security, but may result in a level of contributions which the employer may find too financially demanding to support.

## Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Fund, its cash flow requirements, the funding level and the Trustee's objectives.

The assets of the Fund are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Fund's technical provisions (the present value of the liabilities of the Fund) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.

The assets of the Fund are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is made only in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

## The balance between different kinds of investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. The Trustee therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee reviews its investment strategy following each formal actuarial valuation (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme, taking into account the liability profile and funding level of the Scheme.

The Trustee has decided to invest the Fund's assets in fixed interest and index-linked bonds so as to broadly match the liabilities of the Fund.

## Investment risk measurement and management

As noted above, the key investment risks are recognised as arising from asset allocation. These are assessed at least triennially in conjunction with the actuarial valuation of the Fund, following which the Trustee takes advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustee also has an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer, in particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustee will re-consider the continued appropriateness of the Fund's existing investment strategy.

In aiming to control manager risk the focus of the Trustee's attention is on the following:

- the risk of the manager under-performing the objectives set; and
- the risks inherent in a particular manager's philosophy and / or process.

The Trustee has appointed Aon Solutions UK Limited to alert it on any matters of material significance that might affect the ability of its investment managers to achieve their objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

## Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the funds' assets. The custodians are independent of the employer.

## Expected returns on assets

The Trustee's current expected nominal return assumptions for the main assets classes for the next 10 years, as taken from Aon's 'Capital Market Assumptions' dated 31 March 2020, are as follows:

- UK inflation – Consumer Price Index (“CPI”) 2.0% pa / Retail Price Index (“RPI”) 2.8% pa
- 15 year UK fixed income gilts – 0.4% pa
- 10 year UK investment grade corporate bonds – 1.4% pa
- 15 year UK index-linked gilts – -0.2% pa

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustee in consultation with their advisers and investment managers.

## Realisation of investments/liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. All of the Fund's assets are realisable at short notice through the sale of units in pooled funds.

If realisations of investments in order to meet benefit expenditure were to be made at a time when prices are depressed this could reduce the likelihood of meeting the primary objectives. To avoid this situation, the Trustee and its advisers manage the Fund's cash flow requirements carefully over the short-term.

## Effective Decision Making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustee also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice taken.

The Trustee believes that, given the size of the Fund, a separate investment sub-committee would not be appropriate. Therefore all investment decisions are discussed by the Trustee before decisions are taken. The Trustee seeks assistance from its investment adviser where they deem it to be necessary.

## Social, environmental or ethical considerations

The policy of the Trustee is that social, environmental and ethical factors should be taken into account by the investment manager in the selection, retention and realisation of investments to the extent that such factors will affect the financial performance of those investments. The Trustee is satisfied that the investment manager has the research and investment processes to consider such matters. These matters are however kept under review by the Trustee, in consultation with their investment consultant and investment manager.

The Trustee's primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that, in order to fulfil this commitment and to protect and enhance the value of the Fund's investments, they must act as responsible stewards of the investments.

The Trustee acknowledges that financially material considerations include environmental, social and corporate governance (ESG) factors, such as climate change. Understanding these factors can help identify investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustee expects the investment managers to include ESG considerations in the selection, retention and realisation of investments. Such decisions should consider, amongst other things, the sustainability of business models and not be influenced by personal, ethical or moral judgments.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Fund's assets and liabilities.
- As part of ongoing monitoring, the Trustee will use information, where available, provided by Aon of their assessment of the investment managers against ESG factors.
- On a periodic basis, the Trustee will ask the investment managers to provide their policy on Responsible Investment to include details of how they integrate ESG in their investment decision making process. Should the Trustees look to appoint a new manager, they will request this information as part of the selection process. All responses will be reviewed and monitored.

## Members' views and non-financial factors

The Trustee does not explicitly take the views of members and beneficiaries of the Fund into account in relation to ESG factors or the present and future quality of life of the members and beneficiaries of the Fund (defined as 'non-financial factors' in the 2018 Regulations). The Trustee will review this policy periodically.

## Stewardship – voting and engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries.

The Trustee regularly reviews the suitability of the appointed investment managers and takes advice from the investment consultant regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee expects, the Trustee undertakes to engage with the manager and seek a more sustainable position and may look to replace the manager.

The Trustee reviews the stewardship activities of the investment managers on an annual basis, covering both engagement and voting actions, and will report on this information in the Engagement Policy Implementation Statement (EPIS). The Trustee will review the alignment of its policies to those of the investment managers and look for the investment managers, or other third parties, to use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure and management of actual or potential conflicts of interest. When a concern is identified, the Trustee will engage with the investment consultant to consider the methods by which, and the circumstances under which, they will monitor and engage with the investment managers and other stakeholders.

## Arrangements with investment managers

The Trustee monitors the Fund's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies.

The Trustee assesses the performance of the investment managers at least on an annual basis with the help of the investment consultant and draws conclusions drawn as to whether the funds and investment managers remain suitable.

The above monitoring includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee receives quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund's objectives and assesses the investment managers over the long-term.

In line with the required actions from the Pensions Regulator, on an annual basis the Trustee will produce an EPIS which will be included in the annual report and accounts.

Before appointment of a new investment manager, the Trustee will review the governing documentation associated with the investment and will consider the extent to which this aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Fund invests in a collective vehicle, then the Trustee will express its expectations to the investment manager.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, is sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed if material causes for concern are identified.

## Cost monitoring

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Fund's assets. The Trustee recognises that in addition to annual management charges, other costs will be incurred by the investment managers that will increase the overall cost incurred by the investments.

The Trustee receives annual cost transparency reports covering all of the investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying the managers. The Trustee works with the investment consultant and investment managers to understand these costs in more detail where required.

The Trustee believes that net of all costs performance assessments provide an incentive on investment managers to manage costs efficiently. However, the Trustee also understands that regular monitoring of these costs will improve the incentives on investment managers to control any inefficiencies.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency, the mandate will be reviewed.

The Trustee is aware of portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with the underlying investments through the information provided by their investment managers. The monitoring of the target portfolio turnover and turnover range is undertaken annually with the assistance of the investment consultant.

## Additional Voluntary Contributions ("AVCs") arrangements

Some members obtain further benefits by paying AVCs to the Fund. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Signed by Robert Lowes

29 September 2020

**For and behalf of Photo-Me Trustee Company Limited**

# Photo-Me International Plc. Pension & Life Assurance Fund

## Appendix I to Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy, and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are set out below:

### 1. Asset Allocation Strategy

The Fund has an investment agreement with Legal & General Investment Management ("L&G"). The Trustee has not set a specific benchmark asset allocation. However, the table below provides the broad allocation between the various funds held as at the date of the attached Statement.

Asset Class / Fund	Allocation
L&G All Stocks Index-Linked Gilts Index Fund	30%
L&G Pre-Retirement Fund	70%
<b>Total</b>	<b>100%</b>

The Trustee holds insurance policies to fully match the benefits of certain members.

### 2. Investment Management Arrangements

The Trustee has agreed the following mandates with each of the investment managers:

#### 2.1. Legal & General

Fund	Benchmark	Target
L&G All Stocks Index-Linked Gilts Index Fund	FTSE A Index-Linked (All Stocks) Index	Track index with a tracking error of +/-0.25% for two years out of three
L&G Pre-Retirement Fund	Composite of corporate bonds and gilts	To provide diversified exposure to assets that reflect the investment underlying a typical traditional level annuity product

#### 2.2 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Fund's administrator. Any surplus cash balances are invested 70% in the L&G Pre-Retirement Fund and 30% in the L&G All Stocks Index-Linked Gilts Index Fund.

#### 2.3 Re-balancing arrangements

The balance of the assets is examined periodically relative to the asset allocation strategy, following which appropriate corrective action is taken.

### 3. Fee structure for advisers and managers

#### 3.1 Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustee will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

#### 3.2 Investment managers

The investment managers are remunerated as a set percentage of the assets under management, subject to an agreed minimum fee. This is in keeping with market practice.

A summary of the current fee arrangements (for balances of under GBP 5 million per fund) are set out in the table below.

Manager	Fund	% pa
L&G	Pre-Retirement Fund	0.15
L&G	All Stocks Index-Linked Gilts Index Fund	0.10

In addition, the Trustee pays a flat fee of £1,500 pa to L&G.

### 4. Additional Voluntary Contributions

AVCs are invested with AVIVA via units in pooled funds.

# Photo-Me International PLC Pension and Life Assurance Fund (the “Fund”)

## Appendix II to the Statement of Investment Principles

### Compliance with Myners’ Principles

Principle	Best Practice Guidance	Current Fund Position
<b>1. Effective Decision Making</b>		
<i>Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.</i>	<i>The board has appropriate skills for, and is run in a way that facilitates, effective decision-making.</i>	The Trustee receives training on investment issues during Trustee’s meetings or from training courses.
<i>Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest</i>	<i>There are sufficient internal resources and access to external resources for trustees and boards to make effective decisions</i>	The Trustee has appointed an investment adviser to provide specific investment advice. It can also draw on advice from the Scheme Actuary.
	<i>It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making</i>	In view of the number of Trustee Directors a sub-committee is not considered essential.
	<i>There is an investment business plan and progress is regularly evaluated</i>	The Trustee has a business plan which is reviewed regularly.
	<i>Consider remuneration of trustees</i>	The Trustee Directors are not remunerated other than payment of incidental expenses.
	<i>Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues)</i>	The Trustee reviews its advisers and investment arrangements on a regular basis. Key investment issues are identified and considered at Trustee’s meetings.
<b>2. Clear Objectives</b>		
<i>Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme’s liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.</i>	<i>Benchmarks and objectives are in place for the funding and investment of the scheme.</i>	Funding objectives are stated in the Statement of Funding Principles. Investment objectives are stated in the Statement of Investment Principles (SIP).
	<i>Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.</i>	Explicit mandates are in place with the investment managers. Performance is measured against specific benchmarks. The investment managers may be invited to attend Trustee’s meetings to discuss performance against those indices.

Principle	Best Practice Guidance	Current Fund Position
	<p><i>Trustees consider as appropriate, given the size of the fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.</i></p> <p><i>Consider the strength of the sponsor covenant.</i></p>	<p>The Trustee reviews strategic asset allocation following each actuarial valuation. Consideration has been given to a range of asset classes, styles of management, cost and attitude to risk.</p> <p>The strength of the sponsor covenant is considered regularly.</p>
<p><b>3. Risk and Liabilities</b></p>		
<p><i>In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.</i></p> <p><i>These included the strength of the sponsor covenant, the risk of sponsor default and longevity risk.</i></p>	<p><i>Trustees have a clear policy on willingness to accept underperformance due to market conditions.</i></p> <p><i>Trustees take into account the risks associated with their liabilities valuation and management.</i></p> <p><i>Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.</i></p> <p><i>Trustees have a legal requirement to establish and operate internal controls.</i></p> <p><i>Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.</i></p>	<p>The Trustee does not make changes to asset allocation or investment managers due to underperformance, as long as the reasons for this are explained and justified.</p> <p>The Trustee takes into account the risks associated with their liabilities valuations and management.</p> <p>Factors affecting long-term performance and advice on how these may impact on the Fund and its liabilities are considered as part of the triennial valuation process and when making changes to investment strategy. Advice is received from the Scheme Actuary and investment adviser.</p> <p>Reviews covering internal controls are held as and when circumstances necessitate.</p> <p>The Trustee has reviewed the sponsor's covenant and believes it to be acceptable. This view has been factored into investment strategy considerations.</p>
<p><b>4. Performance Assessment</b></p>		
<p><i>Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.</i></p> <p><i>Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.</i></p>	<p><i>There is a formal policy and process for assessing individual performance of trustees and managers.</i></p> <p><i>Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).</i></p> <p><i>The chairman addresses the results of the performance evaluation</i></p> <p><i>State how performance evaluations have been conducted</i></p>	<p>The performance of the investment managers is reviewed regularly. Advisers are reviewed via a meeting with an independent Aon representative.</p> <p>The Trustee does not have a formal process for measuring its own effectiveness. Active participation at Trustee's meeting is encouraged.</p>

Principle	Best Practice Guidance	Current Fund Position
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*When selecting external advisers, take into account relevant factors, including past performance and price*

Relevant factors are considered.

## 5. Responsible Ownership

*Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.*

*Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.*

The Statement of Investment Principles is available to members on request and includes a statement on the exercise of rights attaching to investments.

*A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.*

*Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers*

Voting on underlying shareholdings is delegated to the investment manager with reporting back to the Trustee on a regular basis. The Trustee encourages the investment managers to exercise voting rights and to vote in the best interests of shareholders.

*Trustees should report periodically to members on the discharge of such responsibilities.*

*Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.*

*Trustees ensure that investment consultants adopt the Institutional Shareholder Committee's (ISC) Statement of Practice relating to consultants.*

The investment consultant's manager research ratings do not, as standard practice, adhere to the ISC's Statement of Practice relating to consultants. First and foremost it is concerned with whether a manager will meet their performance objectives. In addition they are used globally rather than purely for UK clients. The consultant is able to carry out a manager search by filtering out managers that do not comply with the ISC's Statement of Principles if required.

## 6. Transparency and Reporting

*Trustees should act in a transparent manner, communicating with stakeholders on issues relating to the management of investment, its governance and risks, including performance against stated objectives.*

*Reporting ensures that:*

- The scheme operates transparently and enhances accountability to scheme members; and*
- Best practice provides a basis for the continuing improvement of governance standards.*

The Trustee's annual Report and Accounts, Statement of Investment Principles and other key documents are available to members on request.

*Trustees should provide regular communication to members in the form they consider most appropriate.*

Communications are sent to members whenever important changes to the Fund take place or providing updates.