

# **Reuters Pension Fund**

## **Statement of Investment Principles**

July 2020

The Statement of Investment Principles contains the following Sections and Attachments.

<b>Sections</b>	<b>Page</b>
1 Introduction	2
2 Division of Responsibilities	3
3 Investment Strategy	5
4 Monitoring	9
5 Asset Manager Policy	10
6 Engagement Policy	11

## Section 1: Introduction

- 1.1 Under Section 35 of the Pensions Act 1995 (Pensions Act) and as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, trustees of a pension fund are required to prepare a statement of the principles governing investment decisions (“the Statement”). This document contains that Statement for the Reuters Pension Fund. This Statement reflects the current position of the Fund. This is expected to change over time as the investment policy of the Fund evolves.
- 1.2 The Trustee is responsible for all aspects of the operation of the Fund including this Statement. The Trustee has consulted with the Sponsor (Refinitiv Limited) in regards to the contents of this Statement, as required by the Act.
- 1.3 In drawing up this Statement, the Trustee has sought advice from the Fund's Investment Consultant and other advisers. The Trustee will review this Statement at least once a year, or where the Trustee considers a review is needed for other reasons. Before preparing this Statement, the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this Statement or any change in the investment policy. The Trustee will refer to this Statement where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

### Fund details

- 1.4 The Fund operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.
- 1.5 The Fund's benefits are provided on a salary related basis and the Fund's assets are held under the legal control of the Fund's Trustee. The operation of the Fund is governed by its Rules (as updated from time to time).
- 1.6 Until 5 April 2016 the members of the Fund were contracted out of the State Second Pension (S2P) under the Pension Schemes Act 1993. The Fund holds a contracting-out certificate issued by the Occupational Pensions Board.
- 1.7 Exempt approval has been granted by HMRC under Chapter 1 of part XIV of the Income and Corporation Taxes Act 1988.

### Financial Services and Markets Act

- 1.8 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 the appointed Investment Managers. The Trustee may also invest Fund assets in pooled funds such as insurance policies. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the Fund competently.

## Section 2: Division of responsibilities

2.1 Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Fund. The Trustee of the Fund draws on the expertise of external advisers including the Investment Managers, Investment Consultant (Redington) and the Scheme Actuary (Aon).

2.2 The responsibilities of the various parties are outlined below:

### **Trustee**

2.3 The Trustee has ultimate responsibility for strategic decision-making on investment matters, and ensuring that appropriate systems and procedures are in place. However, as noted in 2.6 below an Investment Sub-Committee (ISC) handles certain investment matters and makes recommendations to the Trustee where decisions are required to be taken by the Trustee.

2.4 The Trustee's responsibilities include:

- Reviewing the suitability of the investment policy (setting the risk budget through asset liability modelling, and the allocation between return-seeking and liability matching investments), in consultation with the Investment Consultant and the Scheme Actuary
- Consulting with the Sponsor before amending this Statement. However the ultimate decision making power rests with the Trustee.
- Setting objectives for the Investment Consultant.

2.5 Selection of specific investments is delegated by the Trustee to Investment Managers who are, where required, authorised under the Financial Services and Markets Act 2000. The Investment Managers are responsible for ensuring that specific investments are suitable for the Fund.

### **Investment Sub-Committee**

2.6 The Trustee is supported in its consideration of investment matters by the Investment Sub-Committee (ISC).

2.7 The Trustee may vary the terms of reference and constitution of the ISC from time to time. It may also disband the ISC at any time if it so decides.

### **The Sponsor**

2.8 The Trustee will work collaboratively with the Sponsor through the forum of the ISC with regard to the investment policy (as defined above) of the Fund. The Sponsor may make investment proposals to develop the investment policy for discussion with the Trustee.

2.9 The Trustee receives recommendations regarding changes to the Fund's investment policy from the ISC, and thus will work collaboratively with the Sponsor to formulate the proposed changes.

### **Investment Managers**

2.10 The Investment Managers' responsibilities include:

- For active managers at their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class.
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios.
- In the case of the LDI manager, to monitor funding level triggers and implement de-risking steps, which have been pre-approved by the Trustee. If and when a trigger is hit, the LDI manager has been authorised to sell external assets to achieve the agreed level of de-risking.

- 2.11 The Investment Managers are also expected to inform the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Fund and managed by the investment manager or an associated company in a timely manner.

### **Custodian**

- 2.12 The Custodian's responsibilities include:

- The safekeeping of all the assets of the Fund
- Processing the settlement of all transactions
- Providing the Trustee with statements of the assets and the cashflows
- Undertaking all appropriate administration relating to the Fund's assets
- Processing all dividends and tax reclaims in a timely manner
- Dealing with corporate actions
- Dealing with administrative requests from the Fund's investment managers

### **Investment Consultant**

- 2.13 The role of the Investment Consultant is to make recommendations or give advice to the Trustee and ISC in the following areas:

- The formulation of an efficient governance structure particularly in the light of The Pensions Regulator's Investment Governance Guidance "IGG" Principles
- The regular updating of the Statement of Investment Principles
- The development of a clear investment strategy for the Fund
- The asset-liability modelling and risk budgeting process
- The construction of a strategic asset allocation benchmark given the liabilities of the Fund and the risk and return objectives of the Trustee
- The construction of an overall investment management structure that meets the objectives of the Trustee
- The selection and appointment of appropriate investment management organisations
- The consultant's current views of the Investment Managers employed by the Fund
- Advice in relation to the on-going suitability of the Fund's liability hedging programme
- Commentary on investment performance and risk taken by the Investment Managers
- Trustee education on investment matters
- General advice in respect of the Fund's investment activities.

### **Scheme Actuary**

- 2.14 The Scheme Actuary's responsibilities include:

- Liaising with the Investment Consultant and Trustee on the suitability of the Fund's investment strategy given the financial characteristics of the Fund
- Assessing the statutory funding position of the Fund and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

- 2.15 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's Scheme Actuary and Investment Consultant and the Trustee's other advisers.

## Section 3: Investment Strategy

- 3.1 The Trustee's primary investment objective is to enable the Fund to provide the benefits to members as set out in the Rules of the Fund.
- 3.2 In deciding on the most appropriate investment strategy, the Trustee takes account of a range of other factors, including (but not limited to):
- the covenant of the Sponsor, and the impact this may have on the level of investment risk that is appropriate
  - the extent to which advance credit is taken for future investment returns in determining the funding basis for the Fund
  - the opportunity for discretionary increases.

### 3.3 Pension Risk Management Framework

The Trustee has worked collaboratively with the Sponsor to adopt a Pension Risk Management Framework ("PRMF") to guide the strategic asset allocation ("SAA") and risk management strategy of the Fund. The PRMF sets out the key investment objectives of the Fund, the metrics used to measure these objectives and the constraints within which the objectives will be targeted.

The agreed objectives and constraints include:

1. **Investment objective:** to reach 105% full funding by December 2030 on a Gilts basis. "Full funding" is defined as the point at which the value of the assets is equal to the accrued value of the liabilities on this basis.
2. **Statutory Funding objective:** to maintain full funding on the Technical Provisions basis.
3. **Risk Constraint:** The maximum loss the Fund could face in a 1-year (1-in-20) downside scenario should be less than 10% on the Gilts Flat basis (as measured by Funding Ratio at Risk).
4. **Liquidity Constraint:** Sufficient cash/collateral should be maintained to cover pension payments over a 1-year horizon and to meet collateral calls that could arise from the Fund's derivative positions in a stressed scenario.

The asset return required to achieve the investment and funding objectives ("required return") is assessed on an ongoing basis against the expected return on the Fund's assets. If expected return is below required return, the Trustee, based on recommendation from the ISC, may adjust the strategic asset allocation to ensure that the Fund remains on course to achieve its objective. Similarly, if expected return is above required return, the Trustee may reduce expected return and investment risk to enable the fund to progress on a less volatile path towards the funding objective.

Required return, expected return, risk and collateral requirements are calculated and reported to the ISC on a quarterly basis by the Fund's Investment Consultant while the funding position is calculated and reported to the ISC by the Fund's Actuary.

The kind of investments and the balance between different kinds of investments is driven by the objectives and constraints from the Pension Risk Management Framework, which helps balance the risks and returns required to reach full funding.

### **Interaction between Funding and Investment objectives**

- 3.4 The Funding and Investment objectives are interlinked. It is important the investment policy is considered in conjunction with the Statement of Funding Principles which is prepared in conjunction with each actuarial valuation.

### **Additional Voluntary Contributions (AVCs)**

- 3.5 The Fund no longer provides facilities for members to pay AVCs to enhance their benefits at retirement. Accumulated AVC assets are invested both internally in RPF and externally in a range of funds (with Prudential, Equitable Life and Utmost Life). Members may make DC AVCs through Refinitiv UK Retirement Plan ('RRP').

### **Environmental, Social and Governance Factors**

- 3.6 The Trustee seeks to incorporate all financial considerations which are relevant and material to the Fund into its decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.
- 3.7 The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Trust and should therefore be considered as part of investment strategy and implementation decisions. This will have varying levels of importance for different types of assets invested in by the Fund. These factors may, in particular, be of limited or no application for the Fund's investment strategy comprising gilts and hedging instruments and any buy-in policy.
- 3.8 The Trustee's Investment Consultant incorporates environmental, social and governance factors into their manager research process, which informs advice provided to the Trustee on selecting, reviewing and changing individual managers. Each time a new active manager is selected, or an existing active manager is reviewed, integration of environmental, social and governance factors is (to the extent relevant to the asset class) one of the key factors considered by the Trustee. The Trustee has also developed with its Investment Consultant a process for monitoring periodically managers' approach to these factors, which includes requesting relevant information periodically from the managers.
- 3.9 Having delegated responsibility for the selection, retention and realisation of investments to the investment managers, the Trustee expects the Fund's investment managers to take account of environmental, social and governance considerations insofar as they believe such considerations will benefit performance and/or reduce risk.
- 3.10 The Trustee does not factor non-financial considerations (such as member ethical views) into its investment decision-making.

### **Risks**

- 3.11 The Trustee recognises a number of risks involved in the investment of the assets of the Fund, including:

#### **Solvency risk and mismatching risk:**

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies
- are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- mismatch risk can include inflation and interest rate risk (where the assets have a different sensitivity to inflation and interest rate changes than the liabilities)

#### **Investment Manager risk:**

- is measured by the expected deviation of the prospective return, as set out in the manager objectives, relative to the investment policy

- is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the investment process for each Investment Manager
- is managed through the diversification of the Fund's assets between active and passive Investment Managers and negotiation of suitable Investment Management Agreements.

**Liquidity risk:**

- is measured by the level of cashflow required by the Fund over a specific period
- is managed by the Fund's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

**Custodian risk:**

- is measured by assessing the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody
- is managed by monitoring the custodian's activities and discussing the performance of the custodian with the Investment Managers when appropriate.

**Political risk:**

- 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
- is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

**Sponsor risk:**

- The strength of the Sponsor's covenant is measured by the level of ability and willingness of the Sponsor to support the continuation of the Fund and to make good any current or future deficit and through regular formal specialist covenant assessments.
- is managed by assessing the interaction between the Fund and the Sponsor's business.

**Derivative risk:**

- Counterparty risk - addressed through the investment manager, banks and custodian guidelines with respect to cash management; in the use of derivatives this risk is mitigated through the exchange of collateral or margin.
- Basis risk – the returns from the backing assets used to meet the payable leg of a derivative may not match exactly. This risk is addressed through the investment policy adopted by the Trustee for the backing assets and the Investment Managers' asset management capabilities.
- Liability risk – pension liabilities can only be estimated and there is a risk of unanticipated changes in the assumptions used to value the Fund's liabilities, hence there may be a divergence between the performance of the derivatives and the actual value of the liabilities. This risk is managed by constructing a derivative strategy based on a best-estimate of future Fund cashflows. The cashflows will also be updated at appropriate regular intervals to help further manage this risk.
- Legal and operational risk – the successful operation of derivatives are dependent on various legal documents governing the contracts and the correct completion of some operational tasks. The Trustee takes appropriate advice in putting in place legal documents and appointing providers capable of carrying out the required operational tasks.
- The Trustee is also aware of the risks relating to the initial terms of entry (for example purchasing the swap contracts at a competitive price) and the valuation of the derivatives on an ongoing basis and, with the help of their advisors, the Trustee monitors these positions on a regular basis.

These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need to allow the Investment Managers sufficient flexibility to manage the assets in such a way as to achieve the required performance target.

### **Suitability**

- 3.12 The Trustee has taken advice from both the Scheme Actuary and the Investment Consultant to ensure that the asset allocation of the Fund is suitable for the Fund given its liability profile.

### **Liquidity**

- 3.13 The Trustee, together with the Fund's administrators, will ensure that sufficient cash is held to meet the likely benefit outgo from time to time. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Fund's overall investment policy where possible.
- 3.14 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Investment Managers, within certain guidelines and restrictions.

### **Investment Manager Structure**

- 3.15 The Trustee has considered the use of both index-tracking and active investment management when reviewing the Fund's strategy. The Trustee's general policy is to utilise passive management where suitable passive funds exist. Active management will be used where passive funds are not available or deemed inappropriate for a particular asset class. This policy on the use of active and index-tracking management was formed following consideration of the efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment manager fees on future expected returns net of fees.
- 3.16 The Fund employs a number of Investment Managers, for whom the overall benchmark and asset ranges specified are designed to ensure that the Fund's investments are adequately diversified and suitable for the Fund given its liability profile. In this regard, the Trustee has taken written advice from the Investment Consultant.
- 3.17 The Investment Managers have been set mandate-specific benchmarks which have clear performance objectives.
- 3.18 The expectation is that the Investment Managers should achieve their objectives in the majority of three year periods under consideration. It is not expected that the Investment Managers will achieve these objectives in every three year period. Investment Managers should, however, demonstrate that the skill they exercise in managing the Fund's assets and the process that they follow is consistent with these objectives given the level of risk adopted.



## Section 4: Monitoring

- 4.1 As and when required, the Investment Sub-Committee (ISC) of the Trustee meets with the Investment Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund.
- 4.2 The appointment of the Investment Managers will be reviewed by the Investment Sub-Committee from time to time, based on the recommendations of the Fund's Investment Consultants, and the results of their monitoring of performance and process. The Trustee will monitor the extent to which the Investment Managers give effect to the policies set out in it.
- 4.3 The Investment Consultant provides quarterly updates of performance to assist in the reviews of the Fund's and Investment Managers' performance against the benchmarks.

### **Selection criteria**

- 4.4 The Trustee has identified the criteria by which Investment Managers should be selected (or deselected). These include:
  - Past Performance
  - Quality of the Investment Process (including the integration of ESG risk factors)
  - Role Suitability: level of fees, reputation of the manager, familiarity with the mandate, internal objectives, and restrictions of any pooled funds
  - Service: reporting, administration
  - Team Proposed: the individual fund managers working for the Fund.

### **De-selection criteria**

- 4.5 Investment Managers may be replaced, for example, if:
  - They fail to meet the objectives of the mandate; and/or
  - The Trustee believes that the manager is not capable of achieving the performance objectives in the future.
  - The manager fails to comply with this Statement.

## Section 5: Asset Manager Policy

- 5.1 For segregated arrangements, the terms of the long-term relationship between the Trustee and its managers are set out in separate Investment Management Agreements (IMAs). These document the Trustee's expectations of their managers, alongside the investment guidelines they are required to operate under.
- 5.2 The investment guidelines are based on the policies set out in this Statement (the SIP). The Trustee shares its SIP with the managers periodically, with the aim of ensuring managers invest in line with the Trustee's policies.
- 5.3 For pooled arrangements, the Fund's investments are managed according to standardised fund terms. These are reviewed by the Fund's legal adviser and Investment Consultant at the point of investment and following any material changes notified by the manager to ensure that they are aligned with the Fund's long-term investment strategy and market best practice.
- 5.4 When relevant, the Trustee requires its investment managers to invest with a medium-to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on maximizing long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.
- 5.5 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Fund's assets. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe, subject to a minimum of three years.
- 5.6 The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure, the investment team or non-alignment with the Trustee's principles. Managers' alignment with the Trustee's principles are monitored periodically.
- 5.7 Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees periodically to confirm they are in line with market practices.
- 5.8 The Trustee periodically reviews the portfolio transaction costs and managers' portfolio turnover ranges, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

## Section 6: Engagement Policy

- 6.1 Direct engagement with underlying companies (as well as other relevant persons) in respect of shares and debt is carried out by the Fund's investment managers.
- 6.2 This includes monitoring and engaging with issuers of debt or equity on financially material issues concerning strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental impact, social considerations and corporate governance. Where relevant, the Trustee expects its managers to use voting rights to effect the best possible sustainable long-term outcomes.
- 6.3 The Trustee expects all its investment managers to practice good stewardship. When selecting new managers, the Trustee's Investment Consultant assesses the ability of each investment manager to engage with underlying companies to promote the long-term success of the investments.
- 6.4 Whereas the Trustee chooses managers that align with its beliefs on stewardship, there are instances where the Trustee has less direct influence over the managers' policies on the exercise of investment rights, such as where assets are held in pooled funds, due to the collective nature of these investments. The Trustee monitors and discloses the voting behaviour carried out on its behalf. If the Trustee deems this behaviour inadequate, it will engage with the relevant manager and seek to better align the behaviour of the manager with the Trustee's policy.
- 6.5 The Trustee has a preference for 'engagement' rather than 'exclusion' as a method of incorporating climate change risks into an effective risk management framework. However, this preference is kept under review and may be updated in the future should circumstances change. The Trustee expects its investment managers to independently consider whether exclusion or engagement is more appropriate within their investment process.
- 6.6 When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question. The Trustee requires its Investment Consultant to report annually on how the managers have acted in accordance with the Trustees' policy on stewardship and engagement. In addition, the Trustee meets with its investment managers as required and questions the manager on their activities with respect to stewardship and engagement. The Trustee will disclose any highlights as part of these reviews annually in its implementation statement.

# Attachment A Current advisers and Investment Managers

<b>Scheme Actuary</b>	Jonathan Wicks, Aon Solutions UK
<b>Actuarial Consultant</b>	Aon Solutions UK
<b>Investment Consultant</b>	Redington
<b>Global custodian</b>	Bank of New York Mellon
<b>Performance measurer</b>	Bank of New York Mellon
<b>Legal Advisers / Solicitors</b>	Sacker & Partners LLP
<b>Auditors</b>	PricewaterhouseCoopers LLP
<b>Administrators</b>	Capita Employee Solutions

## Investment Managers

Buy and Maintain Credit manager	Legal & General
Emerging Market Debt manager	Stone Harbor Global Funds PLC
Private equity managers	Morgan Stanley Investment Management Abbott Capital Management LLC
Diversified Risk Premia manager	Bridgewater Associates
Diversified Risk Premia manager	AQR Capital Management
Liability Driven Investment manager	BlackRock
Currency hedging manager	BlackRock
Insurance-linked securities manager	Nephila Capital Ltd
Sustainable Active Equity Manager	Impax Asset Management
Multi-Class Credit manager	TwentyFour Asset Management
Multi-Class Credit Manager	CQS
Pensioner Buy-In Policy	Canada Life

Note: the fund has residual investments with the following terminated managers –CB Richard Ellis Global Investors (European Property manager), BlackStone Alternative Asset Management LLC (Fund of Hedge Funds) and Securis Investment Partners LLP. These investments are being disposed of in an orderly manner.

# Attachment B - Terms of Reference of the Investment Sub-Committee

The Trustee is supported in its consideration of investment matters by the Investment Sub-Committee (ISC).

The Trustee may vary the terms of this Statement from time to time. It may also disband the ISC at any time if it so decides.

## **Membership of the ISC**

The membership of the ISC shall be determined by the Trustee from time to time other than that it will include a Sponsor Representative member. The Trustee may appoint and remove Trustee Director members of the ISC, whilst the Sponsor may appoint and remove the Sponsor Representative member of the ISC.

As at July 2020 the ISC comprises:-

- Sue Clark – Trustee Director
- Greg Meekings – Trustee Director
- Graeme Ramsey – Trustee Director
- Geoffrey Sanderson – Trustee Director
- Andrew Perrin – Sponsor Representative

Upon retirement by any of the above Trustee Directors, another Trustee Director will act as a member of the ISC until a permanent addition to the ISC is agreed.

One of the Trustee Director members of the ISC will chair the ISC's meetings.

A director member of the ISC shall automatically cease to be a member if he or she ceases to be a director of the Trustee unless the Trustee determines otherwise.

The ISC will be supported by the Secretary to the Reuters Pension Fund and by the Fund's Investment Consultant.

The Sponsor's professional advisers may also be invited to attend ISC meetings.

The Trustee may establish separate working parties for specific investment projects by resolution adopting an addendum to these Terms of Reference. Such working parties shall include one Sponsor Representative member.

## **The ISC's Role**

The ISC's roles will be as set out below:

### *Review and recommendation functions*

1. The ISC will assist in reviewing the Fund's strategic objectives, as defined in the PRMF (incorporating the views of the Sponsor), as discussed in Section 3.
2. The ISC will review, from time to time, the continuing appropriateness of the Fund's investment strategy. It will develop and make recommendations to the Trustee board for changes to investment policy (setting the risk budget through asset liability modelling, and the allocation between return-seeking and liability matching investments and the appropriate mix within the return-seeking and liability driven assets).
3. It will also review, from time to time, the continuing appropriateness of the Fund's Statement of Investment Principles and may make recommendations to the Trustee board for change.
4. The ISC will take forward, on behalf of the Trustee, the consultation with the Sponsor about any proposed changes to the Statement of Investment Principles.

### *Executive decision making powers*

5. The ISC will develop and implement the Fund's investment manager structure. The investment manager structure must be consistent with the overall asset allocation decided by the Trustee.
6. The ISC may terminate the appointment of an investment manager (subject to the approval of the Trustee board), provided that the portfolio managed by that investment manager shall either be passed to the Fund's index-tracking investment provider or (directly or via the index-tracking investment provider or a transition manager) to a new investment manager appointed under 7 below.
7. The ISC may appoint new investment managers or providers (subject to the approval of the Trustee board), provided the appointment is consistent with the Fund's overall asset allocation strategy as determined by the Trustee board and the investment manager structure as referred to in 1 above.
8. The ISC may appoint a transition manager (subject to the approval of the Trustee board) to manage any transition involved with changes which it approves under 5, 6 or 7 above.
9. The ISC may (having taken investment and legal advice) agree minor alterations to the agreements with any investment manager or provider or custodian, if those alterations do not affect the Fund's overall investment strategy as determined by the Trustee board and the investment manager structure as referred to in 5 above.
10. The ISC may move assets or cash between investment managers and providers in order to re-balance the Fund's overall asset allocation more closely to the Fund's strategic asset allocation benchmark and may (having taken advice) approve any instructions or other necessary documentation (including any appropriate advance trading indemnity) in connection with such re-balancing. Any such instructions or documentation shall be signed by any two directors of the Trustee.
11. The ISC may determine how any cashflows into or out of the Fund's invested assets are to be allocated between the investment managers and providers, in accordance with the Fund's overall investment strategy.
12. The ISC may (having taken investment and legal advice) agree the terms of the investment management or other agreements and any ancillary documentation with any manager, provider or transition manager appointed under 7 or 8 above or in connection with any re-balancing referred to above. Any such agreement or document shall be signed on behalf of the Trustee by two directors of the Trustee.
13. The Trustee board may from time to time delegate to the ISC such of their duties and discretions as they may consider appropriate on such terms and conditions as the Trustee may decide.
14. The ISC will report to the Trustee any decisions made under its executive decision making powers.
15. Nothing in this document will prevent the ISC from referring any of the above executive decisions back to the Trustee board if the ISC decides that it is appropriate to do so.

### *Monitoring functions*

The ISC will:

- monitor the investment performance of managers including developments in the business, people and investment process areas at managers
- manage relationships with appointed managers, including meeting managers to discuss progress with their investment mandates
- manage relationships with all investment service providers
- monitor the service standards and performance of the Investment Consultant
- meet and report to the Trustee board quarterly, or more frequently, if required.

In performing its functions, the ISC will take such advice and reports as it considers appropriate from the investment, legal and other advisers and any performance measurers appointed by the Trustee.

### **Conducting business of the ISC**

The quorum for transacting business is at least three members of the ISC. However, any decision or recommendation of the ISC must have the support of all of the members of the ISC present at the meeting.

The ISC may refer any matter to the Trustee board.

The ISC will meet as required, but at least quarterly. The ISC may draw up such procedures as it thinks fit for the conduct of its meetings, including notice of meeting arrangements, place of meetings and other attendees to be invited;

The minutes of such meetings will be taken by the Secretary to the Reuters Pension Fund (or some other person approved by the ISC) and distributed to the ISC for approval. Approved minutes will be circulated to the Trustee.

Any member of the ISC may participate in a meeting of the ISC by means of a conference telephone, video-conference or similar communications equipment whereby all persons participating in the meeting can hear each other. Participation in such manner shall be deemed to constitute presence in person at such meeting. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chair of the meeting is located.

A resolution in writing signed by all the members of the ISC shall be as valid and effective as if it had been passed by a meeting of the ISC duly convened, on appropriate notice, and held. It may consist of one or more documents and for this purpose a written document includes copies sent by facsimile or electronic transmission or in a similar form and they are deemed to be signed if purported to be authorised by the relevant ISC members.

The ISC may invite any person to attend part or all of any of its meetings. Any such person invited will attend as a guest and shall not be treated as a member of the ISC for voting, quorum or any other purpose. Any Trustee, who is not a member of the ISC, may attend any meeting of the ISC.

The business of the ISC will remain confidential to the ISC and to the Trustee except for communications to duly appointed advisers or as required by law.