Pitney Bowes Pension Fund (the “Fund”)
Statement of Investment Principles

Investment Objective

The Trustee aims to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided. The asset allocation strategy is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Fund’s liabilities. It is the Trustee's policy to consider:

- A full range of asset classes, including alternative asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class in the planned asset allocation strategy; and
- The need for appropriate diversification both across asset classes and within asset classes.

Governance

Investment adviser

Aon Investments Limited (“AIL”) has been selected as investment adviser to the Trustee. The majority of the fee paid for investment advisory services is included as part of the ad valorem fee paid to AIL with respect to the Delegated Portfolio. Any remaining services outside of this are paid for on a time-cost basis. The investment adviser has the knowledge and experience required under the Pensions Act 1995.

Delegation

For a proportion of the Fund’s assets (referred to as “the Delegated Portfolio”), the Trustee has delegated certain decision making powers to AIL. In this capacity, AIL is considered the investment manager. The Trustee took advice from an independent third-party evaluator before appointing AIL as investment manager.

Division of responsibilities

The Trustee is responsible for the investment of the Fund’s assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has considered whether it has the appropriate training and expert advice to make an informed decision.

The Trustee has established the following decision-making structure:

<table>
<tr><td colspan="2">Trustee
▪ Set structures and processes for carrying out its role.
▪ Set the investment objective from time to time as required.
▪ Select the target asset allocation.
▪ Select and review direct investments (see below) where these decisions have not been delegated.
▪ Monitor investment advisers and investment managers.
▪ Approve this document.</td></tr>
<tr><td>Investment adviser
▪ Advise on all aspects of the investment of the Fund assets, including implementation.
▪ Advise on the investment objective and the planned asset allocation strategy.
▪ Advise on this statement.
▪ Provide required training.</td><td>Investment managers
▪ Operate within the terms of this statement and their written contracts.
▪ Select individual investments regarding their suitability and diversification.
▪ Advise the Trustee on suitability of the indices in its benchmark.
▪ Report on fund returns against objectives.
For the Delegated Portfolio, AIL (as Investment Manager) will also:
▪ Select, appoint and monitor the underlying investment managers.
▪ Monitor and rebalance the asset class allocation against the strategic targets set by the Trustee.</td></tr>
</table>

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly (e.g. the purchase of an insurance policy or units in a pooled vehicle). The latter are known as direct investments.

The Trustee’s policy is to review the Fund’s direct investments and to obtain proper and written advice about them at regular intervals. These include vehicles available for members' AVCs. The Trustee receives a quarterly investment report which assesses the performance and suitability of direct investments as well as other investment managers employed by the Fund.

When deciding whether to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the investment manager(s).

The written advice will consider the issues set out in the Occupational Pension Funds (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the investment managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

Review of this statement

The Trustee will review this statement at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to this statement.

Implementation

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate to the relevant investment manager through a written contract.

In setting the Fund's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors (including climate change) negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring performance.

Costs and transparency

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

The Trustee assesses the performance of its investment managers on a quarterly basis and the remuneration of its investment managers on an annual basis.

The Trustee receives annual cost transparency reports from AIL in respect of the Delegated Portfolio. These reports present information in line with prevailing regulatory requirements. They clearly set out on an itemised basis:

- The total amount of investment costs incurred;
- The fees paid to AIL;
- The fees paid to the investment managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by AIL;
  - The Trustee defines transaction costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying asset managers appointed by AIL.
- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc); and
- The impact of costs on the investment return.

For investment managers other than AIL, the Trustee collects annual cost transparency reports and asks that investment managers provide this data in line with appropriate reporting standards. The Trustee works with their investment adviser and investment managers to understand these costs in more detail where required.

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. A higher level of transaction costs is considered acceptable if it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee identifies a lack of consistency, the mandate will be reviewed.

AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed by it on behalf of the Trustee under the Delegated Portfolio.

The Trustee benefits from the economies of scale provided by AIL in two key cost areas:

- The ability of AIL to negotiate reduced annual management charges with the appointed investment managers; and
- The ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

Arrangements with investment managers

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

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

The Trustee is supported in this monitoring activity by their investment advisor.

The Trustee receives regular reports and verbal updates from the investment advisor 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 objectives and typically assesses the investment managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its investment managers, which supports the Trustee in determining the extent to which the Fund's engagement policy has been followed throughout the year.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and considers the extent to which it aligns with the Trustee's policies. Where possible, the Trustee seeks to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation (e.g. if the Fund invests in a collective vehicle), the Trustee will express its expectations to the investment managers by other means (e.g. through a side letter, in writing, or verbally at Trustee meetings).

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

Stewardship – voting and engagement

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

The Trustee accepts responsibility for how the investment managers steward assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee has, however, delegated all voting and engagement activities to the Fund's investment managers.

The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee expects its 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 AIL monitoring its underlying asset managers' voting and engagement activities and engaging with these managers – where relevant and appropriate – to promote good corporate governance, accountability, and positive change.

The Trustee expects transparency from its investment managers on their voting and engagement activity. Where voting is concerned, the Trustee expects investment managers to, where relevant, provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action, the ultimate outcome and the processes for escalating unsuccessful engagements.

Members' views and non-financial factors

In setting and implementing the Fund's investment strategy the Trustee does not explicitly consider the views of the members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Asset allocation

The Fund's asset allocation consists of a Growth portfolio (currently comprising global equities, UK property, active credit, core diversifiers and active diversifiers) and a Matching portfolio (currently comprising a bespoke Liability Driven Investment mandate).

The Fund's allocation to UK property is held outside the Delegated Portfolio. The remaining investments constitute the Delegated Portfolio, for which the Trustee has agreed a benchmark allocation.

The asset allocation was determined with regard to the actuarial characteristics of the Fund, in particular the strength of the funding position and the liability profile. The actual asset allocation of the Fund may vary from the benchmark allocation from time to time, due to market movements, manager performance, cashflows or short-term investment considerations.

The Trustee's policy is to assume that equities (or growth assets more broadly) will outperform gilts over the long term and assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in returns, particularly relative to the Fund's liabilities. When choosing the Fund's planned asset allocation strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

Investment mandates

Details of the investment mandates and their targets are set out below.

Aon Investments Limited (AIL) – the Delegated Portfolio	
Asset class	**Performance target**
Global Multi Factor Equity	To achieve long-term total returns (net of fees) in excess of the MSCI World Index.
Core Diversifiers	To outperform SONIA by 2% per annum over a full market cycle.
Active Diversifiers	To outperform (net of fees) the HFRI FoF Conservative Index (GBP Hedged).
Sustainable Multi Asset Credit	To outperform (net of fees) its composite benchmark of 1/3rd corporate emerging market debt (EMD), 1/3rd high yield debt and 1/3rd 1-10 year global investment grade credit.
Active Fixed Income	To outperform (net of fees) SONIA by 2% per annum over a market cycle.
Low Risk Bonds	To outperform (net of fees) SONIA by 1% per annum over a market cycle.
LDI/Hedging Mandate	To provide returns consistent with the custom liability benchmark provided by Aon.

Schroders – UK Real Estate Fund	
Asset class	**Performance target**
UK Property	To outperform the IPD UK All Balanced Funds Index by 0.5% p.a. over rolling three-year periods.

Threadneedle – Property Unit Trust	
Asset class	**Performance target**
UK Property	To outperform the IPD UK All Balanced Funds Index.

AIL will manage each of the asset classes in the Delegated Portfolio within a +/- 3% tolerance limit to the benchmark allocation. The Trustee will manage the Fund's allocation to the UK Property funds with support from its investment adviser.

Fund managers are remunerated based on mandate size. This structure has been chosen to align the fund managers' interests with those of the Fund.

Custodian

The Trustee has appointed Northern Trust as global custodian. The custodian provides safekeeping for all the Fund's assets and performs the associated administrative duties (e.g. the collection of interest and dividends and dealing with corporate actions).

Additional Voluntary Contributions (AVCs)

In relation to AVCs, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has considered members' circumstances, in particular members' attitudes to risk and term to retirement.

The AVCs in the Fund are invested with Zurich, in the Zurich With-Profits Pension Fund. This fund aims to provide relatively smooth investment returns through the declaration of regular bonuses.

The Trustee aims to take a proportionate approach to reviewing the AVCs. The Trustee will conduct an AVC review every 3 – 5 years.

Risk measurement and management

The Trustee recognises that the key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Fund's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and their advisers considered this mismatching risk when setting the investment strategy.

- The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cash flow risk"). The Trustee and their advisers manage the Fund's cash flows taking into account the timing of future payments in order to ensure cashflow requirements are met.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the investment managers and on an ongoing basis thereafter. AIL has been appointed for the Delegated Portfolio and will manage such risk in this capacity.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Fund's investment strategy and do so on an ongoing basis.
- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). The Trustee and its advisers monitor this risk on an ongoing basis.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.
The Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- The current funding level;
- Performance of investment managers versus their respective targets;
- Any significant issues with the investment managers that may impact their ability to meet the performance targets set by the Trustee.

June 2024