

**Pitney Bowes Pension Fund
("the Fund")
Statement of Investment Principles ("SIP")**

1. Introduction

This SIP has been prepared by The Pitney Bowes Pension Fund Trustee Limited as the Trustee of the Fund to meet the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019). The Trustee, in preparing this SIP, has also consulted the Sponsoring Employer.

The overall investment policy falls into two parts. The strategic management of the Fund assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultants Aon Investments Limited ("AIL") and is driven by its investment objectives as set out below. The remaining elements of the policy are part of the day-to-day management of the assets which is delegated to AIL in its capacity as a professional fiduciary investment provider. The appointment of AIL was made in line with the requirements set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

2. Decision Making Structure

2.1 Setting Investment Objectives

The Trustee is responsible for identifying appropriate investment objectives, under guidance from its adviser.

2.2 Delegation

The Trustee has delegated certain decision-making powers to AIL in respect of implementing the investment strategy. These powers are explained later in this document. The Trustee took advice from an independent third-party evaluator before appointing AIL as investment manager.

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.

3. Investment Objectives, Risk and Investment Strategy

3.1 Investment Objectives

The Trustee aims to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided.

In setting the Fund's investment objectives, 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 monitoring performance.

3.2 Risk

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 its adviser 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 adviser 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 AIL to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and AIL on an ongoing basis.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its adviser consider this risk when reviewing the Fund's investment strategy and when reviewing the Fund's performance on an ongoing basis.
- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). The Trustee and its adviser 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 adviser 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 (normally triennially). Such risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Fund's liabilities, the Trustee's policy is to monitor, where possible, these risks on a quarterly basis. The Trustee receives quarterly reports showing:

- The current funding level;

- Fund performance versus the expected change in value of the Fund's liabilities;
- Any significant issues that may impact ALL's ability to meet the performance target set by the Trustee.

3.3 Investment Strategy

The investment objective is to outperform the Liability Benchmark by 1.5% per annum (net of fees) over rolling three-year periods. The Liability Benchmark is an investable proxy for the Fund's liabilities.

This investment objective was decided following a formal review of the investment strategy and advice received from the Trustee's investment adviser. ALL makes the day-to-day decisions to target the investment objective.

4. Management of the Assets

4.1 Asset Guidelines

ALL will manage the assets with regard to the:

- need for diversification of investments, so far as appropriate to the circumstances of the Fund; and to the
- suitability to the Fund of both the asset classes proposed and also the particular assets proposed within those classes.

The underlying exposure to assets will be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer and manager to avoid accumulation of risk in the portfolio as a whole. ALL may use pooled vehicles to help with diversification.

Investments in derivative instruments are permitted if they:

- contribute to a reduction of risks; or
- facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk), and any such investments must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

ALL manage the growth component of the assets within the following restrictions:

Asset category	Maximum allocation within Growth Component
Multi Factor Equities	75%
Active Credit	100%
Liquid Alternatives	60%
Property	20%
Medium Term Asset Allocation Opportunities	15%
Asset categories excluding those above	10%

4.2 Inflation and Interest Rate Hedging

The target strategic hedge ratio for inflation and interest rates is a proportion of the liability benchmark, equivalent to 90% of the inflation and interest rate sensitivity of the Liability Benchmark.

4.3 Rebalancing Policy

AIL will regularly review the asset allocation and will rebalance the portfolio if the allocation is no longer consistent with the investment objective.

4.4 Manager Monitoring

Whilst the Trustee is not involved in AIL's day to day method of operation and so cannot directly influence attainment of the performance target, it will assess performance and review the appropriateness of the appointment on an ongoing basis.

Investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Fund or any part of it.

The appointment of AIL will be reviewed by the Trustee based on the results of its monitoring of performance and investment process and of the manager's compliance with the requirements of the Act. AIL has been provided with a copy of this SIP and the Trustee will monitor the extent to which they give effect to the investment principles set out in it. The Trustee will provide AIL with any material amendment to or replacement of this SIP.

4.5 Custodian

The underlying investment managers have appointed custodians for the safe custody of the assets held within their respective pooled funds in which the Fund is invested. The custodian is responsible for the safekeeping for each of the Fund's pooled assets and performs the administrative duties including the collection of interest and dividends and dealing with corporate actions.

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).

4.6 Choosing Investments

The Trustee has appointed AIL who are authorised and regulated by the Financial Conduct Authority ("FCA") to undertake investment business. After taking appropriate investment advice, the Trustee has specified the investment objective for AIL. Investment choice has been delegated to AIL.

In this context, investment advice is defined by Section 34 of the Act.

4.7 Environmental, Social, and Governance ("ESG") considerations

The Trustee recognises that ESG factors and climate change could have a financial impact on the Fund's investments over the time horizon of the Fund if not understood and evaluated properly. The Trustee considers these risks by taking advice from its investment adviser.

As part of AIL's management of the Fund's assets, AIL have informed the Trustee that they will:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Fund's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

4.8 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").

4.9 Arrangements with the Investment Managers

The Trustee recognises that the arrangements with AIL, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. The Trustee seeks to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Fund and its beneficiaries.

With the exception of the Schroders Real Estate Fund, the Trustee delegates the ongoing monitoring of underlying investment managers to AIL. AIL monitors the Fund's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of the Fund.

This includes monitoring the extent to which the underlying 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 its investment advisor.

The Trustee receives regular reports and verbal updates from AIL 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 typically assesses AIL over 3-year periods.

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

The Trustee shares the policies, as set out in this SIP, with AIL and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

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 or will express its expectations by other means (e.g. through a side letter, in writing, or verbally at Trustee meetings) so that there is more alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to AIL by other means (where necessary), and regular monitoring of AIL's performance and investment strategy, is sufficient to incentivise AIL to make decisions that align with the Trustee's investment objectives.

Where AIL is considered to make decisions that are not in line with the Trustee's objectives, the Trustee will typically first engage with AIL to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with AIL, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying investment managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

4.10 Cost Monitoring

4.10.1 Fee Structures

AIL is paid on an ad valorem basis. This structure has been chosen to align the interests of the Fund with those of AIL. Details of the fee structures are included in the Investment Management agreement.

4.10.2 Cost Monitoring

Costs and transparency

The Trustee is aware of the importance of monitoring costs and the impact costs can have on the overall value of the Fund's assets. The Trustee recognises that in addition to annual management charges, there are other costs that can increase the overall cost incurred by its investments. The Trustee receives annual cost transparency reports from AIL. 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 by the Fund;
- 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 investment 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.

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 may be considered acceptable if it is consistent with the asset class characteristics and manager's style and historic trends.

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.

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.

4.10.3 Evaluation of performance and remuneration

The Trustee assesses the (net of all costs) performance of AIL on a rolling three-year basis against the Fund's specific liability benchmark and investment objective. The remuneration paid to AIL and fees incurred by third parties appointed by the AIL are provided annually by AIL to the Trustee. This cost information is set out alongside the performance of AIL to provide context. The Trustee monitors these costs and performance trends over time.

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.

4.11 Stewardship Policy – 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 has delegated all voting and engagement activities to the Fund's investment managers, via AIL. The Trustee accepts responsibility for how the underlying investment managers steward assets on its behalf, including the casting of votes in line with each investment managers' individual voting policies. The Trustee reviews AIL's investment manager voting and engagement policies on an annual basis to ensure they are in line with the Trustee's expectations and in the members' best interests.

As part of the AIL's management of the Fund's assets, the Trustee expects the AIL to:

- ensure that (where appropriate) underlying investment managers exercise the Trustee's voting rights in relation to the Fund's assets; and
- report to the Trustee on stewardship activity by underlying investment managers as required.

Investment managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Fund. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor and engage to bring about the best long-term outcomes for the Fund.

4.12 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.

4.13 Schroders UK Real Estate Fund

At the time of writing this statement, the Fund held an allocation to the Schroders UK Real Estate Fund for which the Trustee submitted a redemption request in 2023. For the purpose of this statement, references to AIL's responsibilities as fiduciary manager do not include the Schroders Property Fund holding, however AIL as the Trustee's investment adviser provides ongoing manager monitoring and advice to the Trustee in respect of this investment. As redemption proceeds are received, AIL will invest these amounts in the fiduciary portfolio in line with the Fund's investment objectives. The Trustee, in conjunction with its investment adviser, monitors the redemption of this holding on an ongoing basis.

5. Governance

5.1 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. 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.

5.2 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:

Trustee ▪ Set structures and processes for carrying out its role. ▪ Set the investment objective from time to time as required. ▪ Select and review direct investments (see below) where these decisions have not been delegated. ▪ Consult with the sponsoring employer. ▪ Approve this document. ▪ Monitor returns versus the Fund’s investment objective. ▪ Monitor investment adviser (Aon Investments Limited) and fiduciary provider (Aon Investments Limited). ▪ Make ongoing decisions relevant to the operational principles of the Fund’s investment strategy (where these decisions have not been delegated).	
Investment adviser (Aon Investments Limited) ▪ Advise on all aspects of the investment of the Fund’s assets, including implementation. ▪ Advise on this statement. ▪ Provide required training. ▪ Advise on the investment objective. ▪ Advise on the Liability Benchmark used by the Fiduciary Provider. ▪ Carry out further project work when required.	Fiduciary Provider (Aon Investments Limited) ▪ Set the strategy for investing in different asset classes in line with the investment objective ▪ Determine strategy for selecting investment managers ▪ Implement the investment strategy ▪ Select, appoint and monitor the underlying investment managers. ▪ Adjust asset allocations to reflect medium term market expectations ▪ Report on asset performance against the liability benchmarks ▪ Report on asset returns against objectives. ▪ Communicate any significant changes to the investment arrangements

5.4 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. 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

5.5 Review of this SIP

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.

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