Panavision Europe Pension and Life Assurance Scheme

Statement of Investment Principles – June 2018

1. Introduction

The Trustees of the Panavision Europe Pension and Life Assurance Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. As required under the Act, the Trustees have consulted a suitably qualified person in obtaining written advice from Mercer Limited ('Mercer'). The Trustees, in preparing this Statement, have also consulted Panavision Europe Limited (the 'Company'), as Sponsor of the Scheme.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The specifics of the Scheme's investment arrangements are detailed in the Investment Policy Implementation Document ("IPID"), which is available on request.

2. Process For Choosing Investments

In considering the appropriate investments for the Scheme, the Trustees will obtain and consider the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Policy

3.1 Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The following encapsulates the Trustees' objectives:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own personal and financial circumstances.
- Offer funds which facilitate diversification and long term capital growth (i.e. in excess of price and wage inflation) so that the value of members' assets at retirement can be maximised.

- Offer funds that enable members to reduce risk in their investments as they approach retirement. Specifically, make available investments that provide protection for members' accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.

- To restrict the number of funds to avoid unnecessarily complicating members' investment decisions.

- To provide a default investment option for members who do not make their own investment decisions, that is broadly suitable having regards to the likely needs of the membership.

The Trustees are responsible for deciding the range of funds to offer, but have no influence on how the investment manager chooses the underlying investments within the fund as the assets are pooled with many other investors to obtain economies of scale. Nevertheless, notwithstanding how the assets are managed, the Trustees have taken investment advice regarding the suitability of the relevant investment vehicles.

The Trustees regularly monitor and review the suitability of the funds provided and from time to time may change the investment options.

3.2 Risk

The Trustees have considered risk from a number of perspectives. These are:

- *Risk of capital loss in nominal terms.* The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' individual accounts.

- *Risk of erosion by inflation.* If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.

- *Risk of returns from day-to-day management not meeting expectations.* This will lead to lower than expected returns to members. The Trustees recognise that the use of active investment management involves a greater degree of this risk.

- *Market risk.* The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested. However, the Trustees realise that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash.

- *Liquidity risk.* The Scheme must be able to meet its liabilities as and when they become due. Members invest in a range of daily dealt pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.

- *Benefit conversion risk.* The purchasing power of members may fall relative to how they wish to take benefits at retirement.

The Trustees have considered these risks when setting the Investment Strategy and ultimately when choosing the funds to make available to members as detailed in the following section. The Trustees recognise that many of these risks are inherent to investing and understand that the above list is not exhaustive.

4. Investment Strategy

4.1 Range of Funds

The Trustees believe, having taken expert advice, that it is appropriate to offer a range of investment funds to allow members to tailor their own investment strategy. The following funds are offered to members:

- Zurich Mercer High Growth Fund
- Zurich Mercer Growth Fund
- Zurich Mercer Moderate Growth Fund
- Zurich Mercer Defensive Fund
- Zurich Mercer Active Money Market Fund

The Trustees have decided to 'white label' the fund choices by providing a naming convention that describes (at a high level) the return and/or risk profile of the underlying investments. White labelling funds enables changes to be made to the underlying investment manager(s), if necessary, without making changes to the funds' names or strategies. Further details on the investment funds are provided in the Scheme's Investment Policy Implementation Document ("IPID"), which is available on request.

All the funds made available to members are blended funds-of-funds (with at least one constituent). These funds are blended by Mercer and Mercer Global Investment Europe Limited ("MGIE") using underlying funds managed by other investment management firms.

Day-to-day management of the assets is at the discretion of MGIE and the investment managers of the underlying funds.

4.2 Lifestyle Options

The Trustees offer members a choice of three 'lifestyle' options. Within each Lifestyle option, until eight years from a member's target retirement date, assets are held in the Zurich Mercer Growth Fund, with the aim of providing long term investment growth, before gradually switching to an asset allocation intended to be appropriate to each of the three ways that members with DC savings can potentially take benefits at retirement (Cash, Income Drawdown, Annuity Purchase).

Eight years before their target retirement date (or Normal Retirement Date if no target has been specified), members in any of the lifestyle options will have their holdings in the Zurich Mercer Growth Fund transferred into a Zurich Mercer Target Retirement Fund based on their expected date of retirement. The Zurich Mercer Target Retirement Funds aim to gradually move investments from growth-seeking assets to investments to assets intended to be appropriate for each of the three ways that members with DC savings can potentially take benefits at retirement (Cash, Income Drawdown, Annuity Purchase).

At the start of the year of their expected retirement, members' accumulated savings will be moved to the Zurich Mercer Retirement Fund relevant to their choice of benefits.

4.3 **Default Investment Option**

The default investment option is known as the Target Annuity Retirement Path. It is designed to be suitable for members that do not feel comfortable making their own investment decisions and plan to purchase an annuity when they take their retirement benefits. If no choice of investment is made, members' contributions will be invested in this option.

The aims of the default option, and the ways in which the Trustees seek to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  The default option's growth phase invests in equities and other growth-seeking assets (through a diversified growth fund). These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustees believe the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.

  In view of the above, the Trustees consider the level of risk within the default option in the context of the variability of returns relative to annuity prices and cash rates.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Scheme to buy a fixed annuity and take a 25% tax-free cash lump sum at retirement.

  At the member's selected retirement date, 75% of the member's assets will be invested in a specialist pre-retirement fund that aims to provide a degree of protection against changes in the annuity purchasing power of a member's savings, and 25% in a money market fund.

The Trustees' policies in relation to the default option are detailed below:

- The default option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns.

- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustees considered high level profiling analysis of the Scheme's membership in order to inform decisions regarding the default option. Based on this understanding of the membership, a default option that targets the purchase of a fixed annuity at retirement is considered appropriate.

- Members are supported by clear communications regarding the aims of the default option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective Investment Managers in line with the mandates of the funds. Likewise, the Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

- Within the default investment option, the target asset allocation for members at different periods to retirement is based on the table below:

Time to Retirement (years)	Passive Global Equities (%)	Diversified Growth (%)	Pre-Retirement Fund (%)	Money Market Fund (%)
>8	50.00	50.00	0.00	0.00
7	37.50	50.00	12.50	0.00
6	25.00	50.00	25.00	0.00
5	12.50	50.00	37.50	0.00
4	0.00	50.00	50.00	0.00
3	0.00	37.50	62.50	0.00

Time to Retirement (years)	Passive Global Equities (%)	Diversified Growth (%)	Pre-Retirement Fund (%)	Money Market Fund (%)
2	0.00	25.00	67.00	8.00
1	0.00	12.50	71.50	16.00
0	0.00	0.00	75.00	25.00

Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

The Trustees believe that this strategy meets the investment objective outlined in section 3.1 and controls the risks identified in section 3.2.

5. Day-to-Day Management of the Assets

The fund range offered to members of the DC Section is accessed through Mercer Workplace Savings ("MWS") on the platform provided by Zurich Assurance Limited ("Zurich"). The Trustees access the platform via a long-term insurance contract with Zurich.

The Trustees recognise that it is not possible to specify investment restrictions where assets are managed via pooled funds and furthermore, given that it is Zurich that has the direct relationship with the third parties offering the funds (and not the Trustees).

The Pensions Act 1995 (and subsequent legislation) distinguishes between investments where the management is delegated to a fund manager with 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 policy of the Trustees is to review their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Plan (Investment) Regulations 2005 and the principles contained in this Statement. The advisor will have knowledge and experience required under section 36(6) of the Pensions Act 1995.

All the funds made available to members of the DC Section are blended funds-of-funds (with at least one constituent). These funds are blended by Mercer and MGIE using underlying funds managed by other investment management firms ("Investment Managers").

Day-to-day management of the assets in the blended funds-of-funds is delegated to professional Investment Managers who are all authorised or regulated. The Trustees expect the Investment Managers to manage the assets delegated to them under the terms of their contracts.

The Investment Managers have full discretion to buy and sell investments within the underlying funds of the blended funds-of-funds (subject to agreed constraints and applicable legislation).

The Investment Managers have appointed custodians for the safe custody of assets held within underlying funds of the blended funds-of-funds. Where applicable, MGI has also appointed custodians for the safe custody of assets held within the blended funds-of-funds. The custodians are responsible for the safekeeping of the assets held and for performing various administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees assess the continuing suitability of the blended funds-of-funds made available under the DC Section on a periodic basis.

6. Realisation of Investments

In general, the Scheme's investment manager has responsibility for providing sufficient liquidity to meet benefit outgoings, as advised by the Trustees.

7. Expected Return

The funds available are expected to provide an investment return commensurate to the level of risk being taken. The Trustees believe that the range of funds offered should provide a range of returns suitable for the membership as a whole. The performance target for each fund is shown in the IPID.

8. Socially Responsible Investment

The Trustees believe that environmental social and corporate governance ("ESG") issues can affect the performance of investment portfolios and should therefore be considered as part of the investment process. The Trustees have given their investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Scheme's investments.

It is accepted that pooled investments will be governed by the individual policies of the investment managers.

9. Corporate Governance

The Trustees accept that by offering pooled investment vehicles for members' equity investments, the day-to-day application of voting rights will be carried out by the investment managers.

The Scheme's voting rights are exercised by the underlying investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

10. Compliance with this Statement

The Trustees will monitor compliance with this Statement annually, or immediately after any change in strategy. In particular they will obtain written confirmation from the investment manager that it has given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment manager has done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

11. Review of this Statement

The Trustees will review this Statement at least once every three years and after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed on behalf of the Trustees of the Panavision Europe Pension and Life Assurance Scheme.

Signed: TKalsey Date: 6/7/18

Name: JASMINDER KALSEY