Travel Automation Services Limited Retirement Benefits Scheme

Statement of Investment Principles – September 2020

Introduction

The Trustees of the Travel Automation Services Limited Retirement Benefits Scheme ("the Scheme"), have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to confirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustees have consulted Travelport International Limited (the 'Employer') on the Trustees' investment principles.

Governance

The Trustees make all major strategic decisions involving the Scheme's assets, including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees' investment consultant, Capita Employee Solutions, is qualified by its ability in and practical experience of financial matters, and has the appropriate knowledge, qualifications, and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Scheme's assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is sufficient in conjunction with any contributions paid to pay all members' benefits in full;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustees understand, following discussions with the Employer, that the Employer is willing to accept a degree of volatility in the Employer's contribution requirements in order to aim to reduce the long-term cost of providing the Scheme's benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Scheme's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. The Trustees' principal focus in setting investment strategy is therefore taking into account the nature and duration of the Scheme's liabilities.

- The Trustees recognise that whilst increasing risk can potentially increase long-term returns, it can also increase the short-term volatility of the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk can be outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Environmental, Social and Governance ("ESG") Considerations

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustees recognise that this is a DB scheme closed to new entrants with an ageing membership. Nevertheless, the Trustees believe that an appropriate time horizon for the Scheme could still be over 20 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively).

However, the Trustees will consider the manager policies in all future selections and will seek to deepen their understanding of their existing manager policies by reviewing these at least annually. The Trustees will also seek to understand what other options might be available at their managers and in the wider market. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustees expect the Scheme's investment managers to have effective ESG policies (including the application of voting rights) in place, and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

The Trustees will monitor the voting being carried out by investment managers and custodians on their behalf. They will do this by receiving reports from their investment managers which should include details of any significant votes cast and proxy services that have been used.

Non-financial matters, including members' views are not taken into account.

Investment Strategy

Given their investment objectives and regular investment strategy reviews, the Trustees have agreed to the strategic asset allocation detailed in the table below – further details are shown in the Appendix. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall agreed level of risk.

Asset Class	Strategic Asset Allocation
UK Equities	15%
Overseas Developed Market Equities	15%
Diversified Growth	40%
Emerging Markets Multi Asset	10%
Nominal Dynamic LDI	5%
Real Dynamic LDI	15%
Total	**100%**
Approximate interest rate hedge ratio	**30%**
Approximate Inflation expectations hedge ratio	**50%**

The LDI funds employ leverage (ie the level of protection provided against changes in longer-term interest rates/inflation expectations is greater than the amount invested). Should the leverage within one of the LDI funds deviate substantially from the target leverage level, F&C will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested or released from the LDI funds and the Trustees have established a default cash management policy for these events (see below).

A hedge ratio is a measure of the level of protection the Scheme has against changes in longer-term interest rates/inflation expectations. Both of these risks originate from the nature of the Scheme's 'self-sufficiency' liabilities. For example, with an interest rate hedge ratio of 30%, if a fall in longer-term interest rates results in a £10m increase in the 'self-sufficiency' liability, then the assets are expected to rise by £3m to compensate. This simplified example assumes financial market conditions are otherwise stable (eq no change in equity markets) – in practice the overall asset value may rise by more or less than £3m (or fall).

The Nominal Dynamic LDI fund provides protection against changes in longer-term interest rates. The Real Dynamic LDI fund provides protection against changes in both longer-term interest rates and longer-term inflation expectations. Whilst around 50% of the 'self-sufficiency' liabilities are sensitive to changes in longer-term inflation expectations, 75% of the LDI assets are invested in the Real Dynamic LDI fund - this results in the inflation expectations hedge ratio being higher than the interest rate hedge ratio, as can be seen in the table above. This was an active decision by the Trustees following discussions with the Employer.

The Trustees have a longer-term objective to increase both hedge ratios over time, although no formal process or mechanism is yet in place to achieve this.

Any cash flows (including for LDI leverage rebalancing) will be directed towards and taken from the diversified growth allocation (ie BlackRock's Dynamic Diversified Growth Fund, Insight's Broad Opportunities Fund and NinetyOne's Diversified Growth Fund). The Trustees may decide to change this cash flow policy from time-to-time, subject to receiving the necessary advice from their investment consultant.

The Trustees will monitor the Scheme's actual asset allocation at least every six months and will decide if any changes are required, such as redirecting cash flows or a switch of assets. The Trustees will take into account advice from their investment consultant prior to making any decision.

Further details on the investment funds can be found in the Appendix.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect the Scheme's assets to generate a return, over the long term, of circa 2.8% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme's 'self-sufficiency' liability value. This return is a "best estimate" of future returns that has been arrived at given the Scheme's current strategic asset allocation and in light of advice from the investment consultant.

The Trustees recognise that, over the short term, actual performance may deviate from this long-term expectation and be either higher or lower than the long-term "best estimate" expectations. This "best estimate" should be higher than the assumption used for funding purposes for the actuarial valuation of the Scheme's technical provisions. For funding purposes, a prudent estimate of returns is used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Platform Provider

The Trustees have appointed Legal & General Investment Management Ltd ('LGIM') Investment Platform ("the Platform Provider") to administer all of the assets of the Scheme. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustees have selected BlackRock Investment Management (UK) Limited ('BlackRock'), Capital International Management Company Sàrl ('Capital'), F&C Management Limited ('F&C'), Insight Investment Management Limited ('Insight'), Ninety One Fund Managers UK Limited ('NinetyOne'), and Legal & General Investment Management Limited ('LGIM') as the appointed investment managers ("the Investment Managers") to manage the assets of the Scheme via a single policy with the Platform Provider. The investment managers are themselves regulated under the Financial Services and Markets Act 2000.

The Trustees have rolling contracts with their investment managers.

The Trustees monitor the performance of their investment managers on a quarterly basis. This monitoring is contained in a report provided by its advisors.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that are paid to their investment managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the investment managers' process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond mainly accountancy measures. The Trustees consider if the investment managers are incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments being made. The Trustees are conscious of whether the investment managers are incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and it will look to monitor the costs breakdown annually, as long as the investment managers provides these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, their investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets, then the Trustees will monitor compliance with these targets.

Additional Voluntary Contributions

Some members have obtained further benefits from having paid Additional Voluntary Contributions (AVCs) into the Scheme either with facilities through Aegon or Equitable Life. The liabilities in respect of these AVC funds are equal to the value of the investments bought by the contributions. Since AVCs are defined contribution in nature, the Trustees review the choice of investments on a regular basis in order to meet the requirements of the Pension Regulator's DC Code of Practice 13 and related guidance, which came into effect in November 2013.

Corporate Governance

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the investment managers. Consequently, the Trustees expect the Scheme's investment managers to adopt a voting policy that is in accordance with best industry practice.

Compliance with Myners' Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance.

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Platform Provider and the Investment Managers are paid a management charge on the basis of the assets under management. No additional performance fees are payable.

The investment consultant is paid on a time-cost or fixed fee basis, as agreed between the Trustees and the investment consultant from time-to-time.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay 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 whom 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.

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Trustee

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Date

Signed on behalf of the Trustees of the Travel Automation Services Limited Retirement Benefits Scheme

Appendix – summary of investment mandates

The Trustees have chosen the Investment Managers to manage the assets of the Scheme via a single policy with the Platform Provider. The Investment Managers and Platform Provider are regulated under the Financial Services and Markets Act 2000. The Investment Managers' mandates are set out below:

Asset Class	Investment Manager	Fund Name	Management Style	Strategic Asset Allocation
UK Equities	LGIM	Global Equity Fixed Weights (50:50) Index Fund	Index-tracking	15%
Overseas Developed Market Equities				15%
Diversified Growth	BlackRock	Dynamic Diversified Growth Fund	Active	40%
	Insight	Broad Opportunities Fund	Active	
	NinetyOne	Diversified Growth Fund	Active	
Emerging Market Multi-Asset	Capital	Emerging Markets Total Opportunities Portfolio Fund	Active	10%
Dynamic LDI	F&C	Nominal Dynamic LDI Fund	Mechanistic	5%
		Real Dynamic LDI Fund		15%
Total				**100%**

The diversified growth allocation shown above is expected to be broadly equally split between the three diversified growth investment managers chosen, to help to diversify the active manager risk.

Any cash flows (including for LDI leverage rebalancing) will be directed towards and taken from the diversified growth allocation (ie BlackRock's Dynamic Diversified Growth Fund, Insight's Broad Opportunities Fund and NinetyOne's Diversified Growth Fund). The Trustees may decide to change this cash flow policy from time-to-time, subject to receiving the necessary written advice from their investment consultant.