CBS Broadcast Services Limited Pension Fund

Statement of Investment Principles

April 2021

1. **Introduction**

The Trustees of the CBS Broadcast Services Limited Pension Fund (the "Fund") have drawn up this Statement of Investment Principles ("SIP") to set out the principles governing decisions about investments for the Fund. This Statement is designed to comply with the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004 (the "Act"), the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, and subsequent legislation.

In preparing this SIP, the Trustees have consulted CBS Broadcast Services Limited, (the "Principal Employer") as sponsor of the Fund and its parent company ViacomCBS Inc. (together "ViacomCBS"), to ascertain whether there are any material issues which the Trustees should be aware of in agreeing the Fund's investment arrangements.

The Trustees' investment responsibilities are governed by the Fund's Trust Deed and this SIP takes full account of its provisions. A copy of the Fund's Trust Deed is available for inspection upon request.

The Trustees will review this SIP at least once every three years and without delay should any changes be made to the Fund's investment arrangements. The Trustees are committed to maintaining the accuracy of this SIP on an ongoing basis.

2. **Process for choosing investments**

The Trustees make all major strategic decisions including, but not limited to, determining the Fund's asset allocation and appointing the Fund's investment managers. The process for choosing investments is as follows:

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

In considering the appropriate level of investments for the Fund, the Trustees have obtained and considered written advice from Mercer Ltd ("Mercer"), whom the Trustees believe to be suitably qualified to provide such advice. Advice is also taken as appropriate from the Scheme Actuary and other professional advisers.

The Trustees have selected Legal & General Investment Management Limited ("LGIM") as the appointed investment manager to manage the assets of the Fund. LGIM is regulated by the Financial Conduct Authority ("FCA"). The LGIM pooled funds in which the Fund invests operate under insurance policies rather than an investment management agreement.

The safekeeping, monitoring and custody of the Fund's assets have been delegated to the pooled fund custodians appointed by the Fund's investment manager, LGIM. The Trustees are satisfied that appropriate procedures are in place for selecting and monitoring the appointed custodians.

The Trustees wish to encourage best practice for the Fund's investments in terms of active ownership. 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. The Trustees are satisfied that LGIM has adopted a voting policy that is in accordance with industry best practice.

3. Investment Objectives

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

- To achieve a return on the Fund's assets over the long term that is consistent with the assumptions made by the Scheme Actuary in determining the funded status of the Fund.

- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.

- To consider the interests of ViacomCBS in relation to the size and volatility of contribution requirements

4. Risk management and measurement

The Trustees are aware of a range of financially material risks inherent in investing the assets of the Fund, over its anticipated lifetime. 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 Fund's liability profile.

The Trustees recognise that whilst taking investment risk may increase potential returns over a long period, it also increases the risk of a shortfall in assets relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funded status. 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 have discussed the following key risks and further acknowledge this list is not comprehensive:

- *Mismatch risk* – This is the primary investment risk faced by the Fund and arises as a result of the mismatch between the Fund's assets and liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Fund's liabilities. The Trustees regularly review this risk and partly mitigate it by investing a portion of assets in bonds. Notwithstanding this, a degree of mismatch risk arising from the investment strategy of the Fund has been accepted in order to seek additional investment returns.

- *Concentration risk* – The Trustees recognise that risks 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 that the Fund's asset allocation strategy results in an adequately diversified portfolio. Due to the size of the Fund's assets, the Fund's investment exposure is obtained via pooled vehicles to mitigate this risk. The Trustees have also adopted a strategy that ensures that the Fund is diversified by asset class (equity, corporate bonds and index-linked gilts) and by region (UK, overseas, etc.).

- *Manager risk* – The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the benchmark return. However, they believe this risk is outweighed by the potential gains from successful active management in certain asset classes. Therefore, the Fund's assets are managed through a mixture of active and passive investment strategies that may be adjusted from time to time. The Trustees monitor the performance of the Fund's assets on a regular basis, and compare the investment returns with the appropriate performance objectives to ensure continuing acceptable performance.

The Trustees also consider the risks arising from investment in specific asset classes. The following risks are taken into account by the Trustees. This list is not comprehensive:

- *Interest rate risk:* This exists if the projected cash flow profile of the assets held differs from that of the projected liabilities.

- *Inflation risk:* This exists if the projected cash flow profile of the assets has different linkages to inflation from the projected liabilities.

- *Longevity risk:* This reflects the possibility that an average member lives longer than is assumed by the Scheme Actuary when valuing liabilities.

- *Credit Risk:* This reflects the possibility that the payments due under a bond might not be made by the issuer, and similarly that the dividends expected from equity investments might not be paid.

- *Currency Risk*: This arises through investment in non-Sterling assets, given that the Fund's liabilities are denominated in Sterling, because changes in exchange rates will impact the relative value of the assets and liabilities. The Trustees have decided to hedge 50% of developed market overseas currency exposure back to sterling to reduce volatility from currency effects.

- *Volatility risk:* This concerns the stability of the market value of assets such as equities.

- *Regulatory risk:* This arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in markets subject to unstable regimes.

- *Liquidity risk:* This arises from holding assets that are not readily marketable and realisable.

- *Covenant risk:* This related to the possibility of failure of the Sponsor.

- *Active risk:* This arises due to the combination of assets held by an active manager differing from the benchmark that may give rise to underperformance relative to passive management.

- *Tracking error risk:* This arises when a passive manager may not have the skills to track the benchmark index within an appropriate degree of accuracy.

The documents governing the managers' appointment include investment guidelines that are designed to ensure that suitable investments are held by the Fund.

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

5. Investment Strategy

During 2020, the Trustees carried out a review of the Fund's investment strategy in consultation with ViacomCBS. Following this review, it was agreed to adjust the Fund's strategic asset allocation to make an allocation to LGIM's Over 15 Year Gilts Index Fund in order to improve the Fund's liability matching characteristics. It was also agreed to alter the benchmark of the equity portfolio in order to target a traditional market capitalisation approach to equity investing (whilst maintaining the 50% currency hedge). In January 2021, the Trustees carried out de-risking by switching 5% from global equities to fixed-interest gilts. At the same time, they transitioned their global equities from RAFI funds into All World funds. In establishing the investment strategy for the Fund's assets, the Trustees have taken into account the risks and objectives identified previously.

The Fund's allocation to global equity, index-linked gilts and fixed-interest gilts are invested in pooled passive funds, where the investment objective is to track the benchmark indices within reasonable tolerances. The Fund's corporate bond fund is a pooled active fund where the objective is to outperform the benchmark through the active selection of bonds with better risk and return characteristics.

The Fund's strategic asset allocation is set out below:

Asset Class	Benchmark	Strategic Asset Allocation (%)	Control ranges (%)
Global Equities	FTSE All-World Index	20.0	-
Global Equities	FTSE All-World Index – GBP Hedged	20.0	-
Growth Assets		**40.0**	**35.0 – 45.0**
Corporate Bonds	Markit iBoxx £ Non–Gilts Over 10 Year Index	40.0	-
Index-Linked Gilts	FTSE Actuaries UK Index-Linked (All Stocks) Index	15.0	-
Fixed-Interest Gilts	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	5.0	
Matching Assets		**60.0**	**55.0 – 65.0**
Total		**100.0**	

The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

The Trustees will monitor the Fund's actual asset allocation at least annually and will consider whether any action is required to rebalance the Fund's investment strategy. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account advice from their investment consultant prior to making any decision.

6. Expected Return

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

The assets of the Fund are expected to generate an arithmetic mean return of circa 2.1% per annum above a portfolio of long dated UK Government bonds based on Mercer's 31 December 2020 economic assumptions, net of expenses, – which are considered to change in value in a similar way to the Fund's liabilities. This return is a best estimate of future returns given the Fund's asset allocation.

The Trustees recognise that over the short-term performance may deviate significantly from this long-term expectation. The best estimate will also generally be higher than the estimate used for the actuarial valuation of the Fund's liabilities. For this purpose, a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

7. Rebalancing Policy

There is no formal benchmark or rebalancing policy in place with LGIM. The Trustees will review the weightings between growth and matching assets on a periodic basis and will assess whether any re-balancing is required.

8. Performance Monitoring

The Trustees monitor the performance of LGIM through quarterly investment reports received directly from the investment manager and from Mercer.

9. Responsible Investment and Corporate Governance

9.1 *Financially Material Considerations and Stewardship*

The Trustees believe that environmental, social, and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly, but not limited to, climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have delegated day-to-day management of the Fund’s assets to LGIM. LGIM is expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to investments and engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees will review LGIM’s policy on this periodically.

The Trustees consider how ESG, climate change and stewardship is integrated within LGIM’s investment processes within the monitoring process. LGIM is expected to provide reporting on a regular basis, at least annually, on ESG integration progress and stewardship monitoring results.

The Trustees also consider their investment consultant’s assessment (in terms of ESG ratings) of how LGIM embeds ESG and stewardship factors into its investment process. Where appropriate the Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

9.2 *Member Views*

Member views are not taken into account in the selection, retention and realisation of investments.

9.3 *Investment Restrictions*

The Trustees have not set any investment restrictions on LGIM in relation to particular products or activities, e.g. controversial weapons, tobacco etc. but may consider this in future.

10. Investment Manager Appointment, Engagement and Monitoring

10.1 *Aligning Manager Appointments with Investment Strategy*

When engaging with the investment manager (LGIM) to implement the Trustees’ investment strategy, the Trustees are concerned that, as appropriate and to the extent applicable, LGIM is incentivised to align their strategy and decisions with the objectives of the Fund.

The Trustees have appointed LGIM based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics for the asset classes they are selected to manage.

As the Fund's investments are made through pooled investment vehicles, the Trustees accept that they have no ability to specify the risk profile and return targets. However, appropriate mandates can be selected to align with the Fund's overall investment strategy.

The Trustees utilise the Investment Consultant's forward-looking assessment of a LGIM's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of LGIM's idea generation, portfolio construction, implementation and business management, in relation to the particular investment funds that the Fund invests in. Mercer's manager research ratings also assist with due diligence (and questioning LGIM during presentations to the Trustees) and are used in decisions around selection, retention and realisation of manager and asset class appointments.

The Trustees will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class.

If the investment objective for a particular fund changes, the Trustees will review the fund appointment to ensure that it remains appropriate and consistent with the Trustees' wider investment objectives.

10.2 *Incentivising Managers to Consider Long-Term Financial and Non-Financial Performance*

The Trustees also consider Mercer's assessment of how LGIM embeds ESG into its investment process and how LGIM's responsible investment philosophy aligns with the Trustees' beliefs around responsible investment. This includes LGIM's policy on voting and engagement (where relevant). The Trustees will use this assessment in decisions around selection, retention and realisation of Manager appointments where applicable.

The Trustees meet with the investment manager periodically and can challenge decisions made including voting history and engagement activity to ensure the best performance over the medium to long term.

LGIM are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then they will consider replacing the Manager.

10.3 *Manager Appointments and Remuneration*

The Trustees receive, and consider, performance reports from LGIM and its Investment Consultant on a quarterly basis, which present performance information and commentary on the funds the Fund invests in over various time periods. The Trustees review absolute performance and in many cases relative performance, either against a suitable index used as a benchmark (where relevant) and/or against LGIM's stated performance target (over the relevant time period).

The Trustees' focus is primarily on long-term performance but short term performance is also reviewed. The Trustees may review LGIM's appointment if:

- There are sustained periods of underperformance;
- There is a change in the underlying objectives of LGIM, or a change in the portfolio manager;
- There is a significant change to the Investment Consultant's rating of the funds in which the Fund invests

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

LGIM is aware that its continued appointment is based on their success in delivering the mandates for which they have been appointed. If the Trustees are dissatisfied, then it may look to replace the manager or ask the manager to review the Annual Management Charge.

10.4 *Manager Turnover*

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis. There is therefore no set duration for manager appointments. The Trustees typically expect to retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointed has been reviewed and the Trustees have decided to terminate the mandate.

10.5 *Portfolio Turnover Costs*

The Trustees do not actively monitor portfolio turnover costs. The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask LGIM to report on portfolio turnover cost.

11. 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.

12. 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. However as the Fund invests via pooled funds, this is not always possible to achieve. The Trustees monitor this annually and report on any employer related investments in its report and accounts.

13. Fee Structures

LGIM is paid a management fee based on assets under management. No additional performance fees are paid. The fees applicable to the assets managed by LGIM are set out in the Appendix.

The investment consultant is paid on a fixed fee basis for providing 'core services'. The Trustees can also request that Mercer undertake 'out of scope' projects, which may be undertaken on a fixed fee or time-cost basis as negotiated between the Trustees and Mercer.

14. Realisation of Investments

LGIM has the discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses. LGIM will act upon instructions from the Trustees to realise cash required to meet benefits from time to time.

15. Compliance with this Statement

The Trustees of the Fund, LGIM and Mercer (the investment consultant and Scheme Actuary) (all of whom have been appointed by the Trustees) each have duties to perform to ensure compliance with this SIP. These are:

The Trustees will review this SIP, with the advice of Mercer, and will record compliance with it at the relevant Trustees' meeting. This SIP should be reviewed at least every three years and as soon as possible following any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of someone who the Trustees 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.

Legal and General Investment Management Limited will prepare quarterly reports to the Trustees including:

- valuation of all investments held for the Fund.
- records of all transactions together with a cash reconciliation.

Mercer will provide investment advice as per the terms of its appointment for the Trustees to review and update this SIP as required. In addition, Mercer will produce quarterly reports to monitor the assets of the Fund. In addition, as the Scheme Actuary, Mercer prepare formal actuarial valuations at least every three years and report on an annual basis on the status of the Fund in respect of the requirements of the Pension Act 1995 (as amended) as it relates to the statutory funding objective.

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Julie Forsythe
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Trustee

April 23, 2021

Date

Signed on behalf of the Trustees of the CBS Broadcast Services Limited Pension Fund

Appendix I – Fee Information

Legal & General Investment Management Limited

The following fees apply for the assets managed by LGIM:

Fund	Charging Structure (% p.a.)
FTSE All-World Index	0.200% on the first £5m 0.175% on the next £10m 0.150% on the next £35m 0.125% thereafter
FTSE All-World Index – GBP Hedged	0.223% on the first £5m 0.198% on the next £10m 0.173% on the next £35m 0.148% thereafter
Active Corp Bond Over 10 Year Index	0.200% on entire assets
All Stocks Index-Linked Gilts Index	0.100% on the first £5m 0.075% on the next £10m 0.050% on the next £35m 0.030% thereafter
FTSE Actuaries UK Conventional Gilts Over 15 Years Index	0.100% on the first £5m 0.075% on the next £5m 0.050% on the next £20m 0.030% thereafter

In addition, LGIM charge a minimum fee of £1,500 p.a. However, this is waived if the Fund has assets over £25m invested with LGIM.