

# *STATEMENT OF INVESTMENT PRINCIPLES*

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## *for the Brockhampton Pension Scheme*

4 February 2020

### **1. Introduction**

#### **1.1. What is the purpose of this Statement of Investment Principles?**

This Statement of Investment Principles (“SIP”) sets out the policy of the Trustees of the Brockhampton Pension Scheme (“the Trustees”) on various matters governing decisions about the investments of the Brockhampton Pension Scheme (“the Scheme”), a Defined Benefit (“DB”) Scheme. This SIP replaces the previous SIP dated July 2016.

#### **1.2. Who has had input to the SIP?**

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Scheme’s investment adviser and actuaries, who the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Scheme and the principles contained in this SIP.

The employer with active members in the Scheme was consulted on the SIP. The current investment managers of the Scheme were given the opportunity to comment on a draft of the SIP and their comments have been incorporated into this final version. The managers are required to carry out their investment responsibilities in a manner consistent with this SIP.

#### **1.3. What is the legal and statutory background to the SIP?**

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (“the Regulations”) and the Pensions Regulator’s guidance for defined benefit pension schemes (March 2017).

The Scheme’s assets are held in trust by the Trustees. The investment powers of the Trustees are set out in Rule 32 of the Scheme’s Trust Deed.

The SIP also reflects the Trustees' response to the Myners voluntary code of investment principles.

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## **2. What are the Trustees' overall investment objectives?**

The Trustees have agreed the following objectives:

### **Overall objective**

- To secure all pensions liabilities with an insurance company (ie full buy-out).

### **Planning objectives**

- To reach full funding on a low-risk basis (eg gilts and corporate bonds) over a 10-20 year timescale.
- To retain sufficient investment growth potential, even once fully funded on a low risk basis, to give a realistic prospect of achieving full buy-out funding on an opportunistic basis.

### **Process objectives**

- To set de-risking triggers that will take advantage of investment opportunities to accelerate the move towards the planning objectives as they arise.
- To retain sufficient growth prospects in order to give a realistic expectation that favourable opportunities could arise.
- To make progress towards the overall objective by securing bulk annuity policies for sections of the liabilities as market opportunities arise and to do this at acceptable pricing.
- Within this context, take no more risk than needed to achieve these objectives.

## **3. What risks do the Trustees consider and how are these measured and managed?**

When deciding how to invest the Scheme's assets, the Trustees consider a wide range of risks, including, but not limited to, those set out in Appendix A. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

## **4. Summary of the Scheme's investment strategy**

### **4.1. How was the investment strategy determined?**

The Trustees, with the help of their advisers and in consultation with the employer, undertook a review of the investment strategy in 2019, taking into account the objectives described in Section 2 above.

#### 4.2. What is the investment strategy?

The Scheme's investment strategy comprises three separate mandates:

- The bulk annuity policy with JUST which pays the pensions of the population of members that were retired when the policy was purchased (in October 2019).
- The Matching Portfolio consisting of investments in Liability Driven Investment ("LDI") and cash. This along with the above bulk annuity policy aims to hedge 70% of the technical provisions interest rate and inflation risk and will gradually increase to around 90% by around June 2023, by moving assets from the Sterling Liquidity fund to the Real Dynamic LDI fund.
- The Growth Portfolio which consists of an equity portfolio (broadly 50% UK equities and 50% overseas equities) and an alternatives portfolio (consisting of property and other assets managed to an "absolute return" benchmark) in the following proportions:

Asset class	Allocation
Equity Portfolio	50%
Alternatives Portfolio	50%
<b>Total</b>	<b>100%</b>

The Trustees, with the help of their investment advisors, intend to monitor the Scheme's funding level with a view to de-risking when investment opportunities arise. This will include monitoring further opportunities to purchase bulk annuity policies.

Details of the de-risking triggers will be set in tandem with the 31 March 2019 Actuarial Valuation process.

#### 4.3. What did the Trustees consider in setting the Scheme's investment strategy?

The strategy review included modelling the Scheme's assets and liabilities over a wide range of possible scenarios for future economic conditions. In setting the strategy, the Trustees considered:

- the Scheme's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Scheme's cash flow requirements to meet benefit payments in the near to medium term;

- the best interests of all members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cashflows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- a wide range of asset classes, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate;
- the risks, rewards and suitability of several possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate;
- the views of the sponsoring employer;
- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers are likely to be able to improve risk-adjusted returns by taking account of ESG factors;
- long-term environmental, social and economic sustainability is a key factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

#### **4.4. What assumptions were made about the returns on different asset classes?**

The key financial assumptions underlying the Scheme's investment advisers' model as at 30 September 2019 were as follows:

- average long-term return on gilts: 0.9% pa
- average long-term return on equities: 6.2% pa
- average long term return on absolute return funds: 3.9% pa
- average long term return on property: 4.2% pa
- average long term return on dynamic LDI: 1.9% pa

Thus, the model assumes that there is a 50/50 chance that, over the long term, equity-type investment will outperform gilts by at least 5.3% pa.

### **5. Implementation of the investment arrangements**

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

#### **5.1. How many investment managers and custodians are there?**

The Trustees have decided to appoint two managers to manage the Scheme's non-insured assets. Brown Shipley & Co Ltd ("Brown Shipley") manages the Growth Portfolio and BMO Global Asset Management ("BMO") manages the Matching Portfolio.

The investment managers are responsible for the custody arrangements of the Scheme's assets.

#### **5.2. What formal agreements are there with investment managers?**

The Trustees have signed an investment management agreement with Brown Shipley setting out in detail the terms on which the portfolios are managed, including the need for suitable and appropriately diversified investment.

The Trustees have signed an application form enabling them to invest in funds managed by BMO. The terms under which the funds are managed are set out in the prospectus for the funds.

Details of the investment managers and their investment benchmarks and guidelines are given in Appendix B.

**5.3. What do the investment managers do?**

The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The Trustees and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

**5.4. What do the custodians do?**

The custodians' primary role is the safekeeping of the assets.

**5.5. How do the Trustees assess the investment managers?**

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the funds. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each managers' remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

#### **6. What is the Trustees' policy on the realisation of investments?**

The investment managers have discretion over the timing of realisation of investments of the Scheme and in considerations relating to the liquidity of investments. When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements.

It is expected that cash flow requirements will in general be met from the cash holding managed by BMO.

#### **7. What is the Trustees' policy on the consideration of financially material and non-financial matters?**

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. ESG issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes to better manage risk and generate sustainable, long term returns. Well-managed companies with strong governance are more likely to be successful long-term investments. The Scheme will endeavour, through its Investment Managers, to be an active owner and steward of its investments, both in externally managed direct holdings and through pooled vehicles.

The Scheme does not take into account any 'non-financial' considerations when considering the ESG approach.

The Scheme will only appoint active managers that will consider material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. As a long-term investor, it is therefore important that they are taken into account when analysing potential investments.

The Trustees will also introduce an evidence-based appraisal to inform decision making that Investment Managers will be expected to use to assess and review current and potential investments.

The factors considered are those which can cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. External managers will be required to report on how ESG issues will be considered and monitored within their mandates.

## **8. Voting and engagement**

Responsible investment and ESG considerations will be specifically referenced when conducting fund manager due diligence. They will be factored into the selection and appointment process and included in investment management agreements. Managers will be expected to include ESG issues within their investment decision making process. Managers will be required to report back to the Scheme regarding their responsible investment activities on a regular basis.

Voting rights are an asset and the Scheme will encourage its investment managers to ensure its rights are exercised carefully to promote and support good corporate governance principles. All external managers are encouraged to aim to vote in every market in which they invest and to vote in line with ESG considerations.

Meeting and engaging with companies is an integral part of the investment process. The Trustees, as part of their stewardship duties, require the investment managers to regularly monitor investee companies and take appropriate action if investment returns are at risk, which would include engaging with companies. Managers are required to report such engagement to the Scheme on a regular basis.

## **9. What are the responsibilities of the various parties in connection with the Scheme's investments?**

Appendix C contains brief details of the respective responsibilities of the Trustees, the investment adviser, the investment managers and the custodians. Appendix C also contains a description of the basis of remuneration of the investment adviser, the investment managers and the custodians.

## **10. Do the Trustees make any investment selection decisions of their own?**

Before making any investment selection decision of their own, it is the Trustees' policy to obtain written advice. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP.

## **11. Review**

The Trustees will, from time to time, review the appropriateness of this SIP with the help of their advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.



A handwritten signature in black ink, appearing to read "N. J. Leach". The signature is written in a cursive style with a long, sweeping tail on the final letter.

For and on behalf of

Date: 4 February 2020

**The Trustees of the Brockhampton Pension Scheme**

## *The Trustees' policy towards risk, risk measurement and risk management*

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### **A.1. Risk appetite and risk capacity**

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Scheme to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their long-term objectives before attainment of those objectives is seriously impaired. The Trustees' aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Scheme's overall, planning and process objectives;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Scheme's current investment strategy, as at 30 November 2019, the Scheme's 3 year 95% Value at Risk was estimated to be £25m. This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £25m or more, compared to the expected position, over a three-year period. When deciding on the current investment strategy, the Trustees believed this level of risk to be appropriate given the Trustee's and employer's risk appetite and capacity, given the Scheme's objectives.

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

### **A.2. Strategic risk**

This is the risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustees' investment strategy review, and will be monitored by the Trustees on a regular basis.

The Trustees will review the Scheme's investment strategy at least every three years in light of the various risks faced by the Scheme.

**Appendix A (cont)**

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### **A.3. Inadequate long-term returns**

A key objective of the Trustees is to retain sufficient growth potential in the assets. The Trustees therefore invest the assets of the Scheme to produce an adequate long-term return in excess of price inflation. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by the Trustees on a regular basis.

### **A.4. Investment manager risk**

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

### **A.5. Risk from lack of diversification**

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustees' ability to meet their investment objectives.

The Trustees believe that the need for the Scheme's assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined in Section 4.2 and by the guidelines agreed with the investment managers.

### **A.6. Liquidity/marketability risk**

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets to meet benefit payments. The Trustees are aware of the Scheme's cash flow requirements and believe that this risk is managed appropriately via the measures described in Section 6.

### **A.7. Environmental, social and governance (ESG) risks**

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek investment options that address these risks and to appoint investment managers who will manage these risks appropriately on their behalf. They regularly review how these risks are being managed in practice.

#### **A.8. Collateral adequacy risk**

The Scheme is invested in leveraged Liability Driven Investment (“LDI”) arrangements to provide protection (“hedging”) against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio to support a given level of leverage. Collateral adequacy risk is the risk that the Trustees when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme’s interest rate and inflation hedging could be reduced and that the Scheme’s funding level could suffer subsequently as a result. To manage this risk, the Trustees ensure that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

#### **A.9. Credit risk**

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk through its annuity policy with JUST. The Trustees are confident that JUST has sufficient financial security (and the back-up of the UK insurance market regulatory regime) to have a very high likelihood of remaining solvent and delivering the promised benefits through the lifetimes of the Plan’s beneficiaries insured under the policy.

#### **A.10. Currency risk**

As the Scheme’s liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Scheme’s assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme’s investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate.

#### **A.11. Interest rate and inflation risk**

The Scheme’s assets are subject to interest rate and inflation risk because some of the Scheme’s assets are held in bonds and interest rate swaps, via the Scheme’s pooled LDI funds. The Scheme will also have some exposure to these risks through bonds and derivative instruments held within the “absolute return” investments. However, the interest rate and inflation exposure of the Scheme’s assets hedges part of the corresponding risks associated with the Scheme’s liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

#### A.12. Other risks

#### Appendix A (cont)

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The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and take these into consideration as far as practical in setting the Scheme's investment arrangements. Examples include:

- mortality risk (the risk that members live, on average, longer than expected); and
- sponsor risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustees believe that they have addressed and are positioned to manage this general risk.

## *Investment manager and bulk annuity arrangements*

Appendix B

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### **B.1. Bulk annuity policy – JUST Retirement Limited (“JUST”)**

The Trustees have selected JUST as the insurer for the Scheme’s bulk annuity policy, purchased in October 2019.

The bulk annuity policy covers the pensions payable to a set of specific pensioner members of the Scheme. The objective of the policy is to match the Scheme’s benefit payments relating to those pensions covered by the policy.

### **B.2. Growth Portfolio managed by Brown Shipley**

The Trustees have selected Brown Shipley as the investment manager for the Scheme’s equity and alternatives portfolios. Brown Shipley’s benchmark allocation is as follows:

<b>Asset class</b>	<b>Initial allocation (%)</b>	<b>Performance objective</b>
<b>Equity portfolio</b>	<b>50.0</b>	
UK equities	25.0	To target a return of 1% pa above the FTSE All Share index, net of fees.
Overseas equities	25.0	To target a return of 1% pa above the FTSE All World (ex UK) index, net of fees.
<b>Alternatives portfolio</b>	<b>50.0</b>	
Absolute return	33.3	Invest in a range of assets and pooled funds to target a return of cash + 3.3% pa net of fees.
UK property	16.7	Invest in a portfolio of UK property and pooled UK property funds to target a return in line with the IPD/AREF All Balance Property Fund Index, net of fees.
<b>Total</b>	<b>100.0</b>	

Brown Shipley does not have a standing instruction to rebalance to the initial allocations set out above.

### B.3. Matching Portfolio managed by BMO

Page 15 of 18 The Trustees have selected BMO as the investment manager for the Scheme's LDI and cash holdings:

Asset class	Performance objective
Real dynamic LDI	Provide a hedge against real rate liabilities through the use of a number of hedging assets.
Cash	Maintain high levels of liquidity, preserve capital and generate a return in line with the 7-day LIBID.

At 30 November 2019, the Scheme's investment with BMO was split between the Real Dynamic LDI and the Sterling Liquidity funds in such a way that the Scheme's LDI allocation (and the annuity policy with JUST) provided interest rate and inflation hedging of broadly 70% of the technical provisions funding level (of the whole Scheme). The hedging level is expected to gradually increase to around 90% of the technical provisions funding level by June 2023, by moving assets from the Sterling Liquidity fund to the Real Dynamic LDI fund.

### B.4. Rebalancing between managers

There is no formal rebalancing policy. The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation as set out in Section 4.2 occur, the Trustees will consider with their advisors whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

## *Responsibilities and fees*

## Appendix C

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### **C.1. Responsibilities and investment decision-making structure**

The Trustees have decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service.

### **C.2. Trustees**

In broad terms, the Trustees are responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- reviewing the investment policy in consultation with the employer following the results of each valuation, and / or after any review of investment strategy (eg any asset liability modelling exercise);
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- if required, the policy for rebalancing between asset classes and asset managers;
- appointing (and, when necessary, dismissing) the investment managers, custodians, the actuary and investment consultants;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of their effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

### **C.3. Investment managers**

In broad terms, the investment managers will be responsible for:



- managing their respective portfolios, within the guidelines agreed with the Trustees;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

#### C.4. Custodians

In broad terms, the custodians will be responsible for:

- the safekeeping and reconciliation of the Scheme's directly held investments;
- settling transactions;
- administering income and tax payments; and
- providing performance verification services.

#### C.5. Actuary and investment consultant

In broad terms, the actuary and investment consultant will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers and custodians, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustees in reviews of this SIP.

#### C.6 Mandates given to advisers and investment managers

The Trustees have in place signed agreements with each of the Scheme's advisers and investment managers. These provide details of the specific arrangements agreed by the Trustees with each party.

**C.7. Fee structures**

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The Trustees recognise that the provision of investment management, dealing, custodial and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustees have agreed Terms of Business with the Scheme's actuarial and investment advisers, under which charges are calculated on a "pre-agreed" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

There are no direct fees charged by the custodians to the Trustees.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Scheme. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

**C.8. Performance assessment**

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. See Section 5 of the SIP. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members.

**C.9. Working with the Scheme's employer**

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and employer work together collaboratively.