Taylor Hobson Limited Pension Plan

Statement of Investment Principles

October 2021

1. Introduction

1.1 This is the Statement of Investment Principles prepared by the directors of Taylor Hobson Trustees Limited ("the Trustee") in relation to the Taylor Hobson Limited Pension Plan ("the Plan"). This statement sets down the principles governing decisions about investments for the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and,
- the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Investment (Amendment) Regulation 2010, the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2 In preparing this statement the Trustee has consulted Taylor Hobson Limited, ("the Principal Employer"), and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4 The Trustee will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

1.5 The investment powers of the Trustees is set out in Clause 6 of the Definitive Trust Deed & Rules, dated 1 February 1999. This statement is consistent with those powers.

2. Choosing Investments

2.1 The Trustee's policy for the DB Section is to set the overall investment target and then monitor the performance of its managers against that target. For the DC Section, the Trustee's policy is to offer a default investment arrangement suitable for the Plan's membership profile plus a core range of investment funds into which members can choose to invest their contributions. In doing so, the Trustee considers the advice of its professional advisers, who the Trustee considers to be suitably qualified and experienced for this role.

2.2 The day-to-day management of the Plan's assets is delegated to one or more fund managers. The Plan's fund managers are detailed in the Appendices to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3 The Trustee reviews the appropriateness of the Plan's DB and DC investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the DB or DC investment strategy.

3. Investment Objectives

3.1 The Trustee has discussed key investment objectives in light of an analysis of the Plan's liability profile (for the DB section) and membership profile (for the DC section) as well as the constraints the Trustee faces in achieving these objectives.

3.2 The Trustee's main investment objectives for the DB section are:

- to ensure that the Trustee can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the participating employer, the cost of current and future benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

3.3 The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities at any time. The Trustee has obtained exposure to investments that the Trustee expects will meet the Plan's objectives as best as possible.

3.4 The Trustee's main investment objectives for the DC Section are:

- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC Section;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

3.5 Within the DC Section, the Trustee is responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

4. Kinds of investments to be held

4.1 The Plan can invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;

- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives; and,
- Annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3 The Trustee monitors from time-to-time the employer-related investment content of its DB Section portfolio as a whole and will take steps to alter this should the Trustee discover this to be more than 5% of the portfolio.

5 The balance between different kinds of investments

5.1 The DB Section of the Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2 DC Section members can choose to invest in any of the funds detailed in Appendix 2 or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions are invested, the Trustee will invest these contributions according to the default investment strategy set out in Appendix 2.

5.3 The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.

5.4 From time to time the DB Section of the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflow requirements or any other unexpected items.

5.5 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's DB Section asset allocation will be expected to change as the Plan's liability profile matures and the asset allocation of the DC Section may change as the membership profile evolves.

6 Risks

6.1 The Trustee has considered the following risks for the Plan's DB Section with regard to its investment policy and the Plan's liabilities:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cash flow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Plan, including ESG factors and climate risk. The Trustee believes these are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.

6.2 For the DC Section, investment risk lies with the members themselves. However, the Trustee has considered the following risks when making available suitable investment choices:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangement made available to members (see Appendix 2), the Trustee alters the asset allocation in a specified manner over a set period before retirement such that when members reach age 65, their funds are invested in assets that are expected to more closely match how a member may be expected to access their retirement savings. The same changes to asset allocation are applied to each member based on their age.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the fund range offered to members to ensure member outcomes can be maximised, whilst providing communication to members from time to time explaining the importance of the level of contributions.

6.3 The following risks have been considered in the context of both the DB and DC Section:

Investment manager risk	The Trustee monitors the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage some of the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each fund manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). Each fund manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.

7 Expected return on investments

7.1 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3 In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the DB section.

7.4 Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the DB section's funding position. The Trustee meets the Plan's fund managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

8 Realisation of investments

8.1 The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.

8.2 Ultimately, the DB Section investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9 Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities

9.1 The Trustees have set policies in relation to these matters. These policies are set out in Appendix 3.

10 Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

10.1. Prior to appointing an investment manager, the Trustee will discuss the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to invest according to their objectives, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers understand this.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment managers.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Trustee monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

10.10. The Plan invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that, for some asset classes, a higher turnover can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Plan invests, the duration of arrangement is not predetermined under the terms of agreement with the investment managers.

10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes mean it is appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11 Agreement

11.1 This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Plan auditor upon request.

Approved on behalf of The Taylor Hobson Limited Pension Plan
October 2021

Appendix 1 – The investment policy for the Plan's Defined Benefit section as at October 2021

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes, and the need for diversification.

The current strategic asset allocation for the Plan is set out in the following table.

Fund manager	Fund	Allocation
Growth portfolio		**80%**
	Diversified growth	**40%**
Legal & General	Dynamic Diversified Fund	25%
Ruffer	Absolute Return Fund	15%
	Passive equities	**40%**
Legal & General	World (ex-UK) Equity Index Fund	16%
	World (ex-UK) Equity Index Fund GBP Hedged	16%
	UK Equity Index Fund	8%
Protection portfolio		**20%**
	Passive gilts	**20%**
Legal & General	All Stocks Gilts Index Fund	10%
	All Stocks Index-Linked Gilts Index Fund	10%
Total		**100%**

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The Plan rebalances from time to time.

Choosing investments

The Trustee has appointed the following fund managers to carry out the day-to-day investment of the Plan:

- Ruffer LLP ("Ruffer"); and,
- Legal & General Investment Management Ltd ("LGIM").

Ruffer and LGIM are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund manager are given below:

Fund manager	Fund	Benchmark	Objective
Ruffer	Absolute Return Fund	n/a	Primary objective is to preserve capital value over rolling 12 month periods. Secondary objective is to grow the capital value at a higher rate (net of fees) than the return on cash.
Legal & General	Dynamic Diversified Fund	Bank of England Base Rate	To outperform the benchmark by 4.5% p.a. gross of fees over a full market cycle
	World (ex-UK) Equity Index Fund	FTSE World (ex UK) Index	To track the performance of the benchmark (less withholding tax if applicable) to within +/-0.5% p.a. for two years out of three
	World (ex-UK) Equity Index Fund GBP Hedged	FTSE World (ex UK) Index - GBP Hedged (excluding the advanced emerging markets)	To track the performance of the benchmark (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three
	UK Equity Index Fund	FTSE All-Share Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two years out of three
	All Stocks Gilts Index Fund	FTSE A Government (All Stocks) Index	To track the performance of the benchmark to within +/-0.25% p.a. for two years out of three
	All Stocks Index-Linked Gilts Index Fund	FTSE-A Index Linked (All Stocks) Index	To track the performance of the benchmark to within +/-0.25% p.a. for two years out of three

The Trustee also has AVC contracts with Aberdeen Standard Investments and Zurich Assurance Ltd for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

The fee arrangements for the DB Section of the Plan are set out in Appendix 4.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters. The performance of fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

Investment of new money

New money is typically invested to rebalance the overall asset allocation towards its overall benchmark.

Realisation of investments

The Plan's cash flow requirements are expected to be met by the Principal Employer's contributions, however where this is insufficient the Trustee may disinvest some of its investments, usually to move the overall asset allocation in line with the long term asset allocation.

Appendix 2 The investment policy for the Plan's Defined Contribution section as at October 2021

The balance between different kinds of investment

The Trustee has made available a range of funds to suit the individual needs of the Plan's members. A managed pension fund is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. A bond and cash fund are also offered for those members who are less comfortable with the likely volatility of the managed fund.

Alternatively, the Trustee has made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

The lifestyle arrangement is constructed from the funds mentioned above that are offered to members wanting to manage their own asset allocation decisions.

Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, having analysed the Plan's membership profile, the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions are invested.

- Assets will be invested 100% in the Pension managed fund until age 55. In the ten years before retirement assets are switched so that by age 65 assets are invested 25% in the Deposit Treasury Fund and 75% in the Mixed Bond Fund.

Choosing investments

The Trustee has appointed Aberdeen Standard Investments to carry out the day-to-day investment of the Plan. The DC assets are invested separately from the DB assets.

The investment manager is authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each of the Aberdeen Standard Investments funds are given below:

Fund	Benchmark	Objective
Managed Pension Fund	ABI (Pension) Mixed Investment 40-85% Shares Sector index	To outperform the benchmark by 1% pa over rolling 3 and 5 year periods
UK Mixed Bond Pension Fund	50% FTSE-A UK Government All Stocks 50% Merrill Lynch UK Non Gilt All Stocks Index	To outperform the benchmark by 1% pa over rolling three-year periods while minimising tracking error through disciplined risk controls
Deposit and Treasury Fund	Sterling Overnight Interbank Average Index	To outperform the benchmark

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The fee arrangements for the DC Section of the Plan are set out in Appendix 4.

Appendix 3 Note on financially material considerations, the exercise of rights and engagement activities, and non-financial matters

Policy on financially material considerations

The Trustee is comfortable that the funds currently invested in by the Plan within both the DB and DC sections are managed in accordance with their views on financially material factors, as set out below, in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically, at least annually. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by the managers and input from their investment advisors on Environmental, Social, and Governance (ESG) matters. In the future, the views set out below will be taken into account when appointing and reviewing managers.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their fund managers given they are investing in pooled funds.

The Trustee believes that ESG factors are financially material – that is, they have the potential to impact the value of the Plan's investments from time-to-time over the Plan's investment horizon. This view includes an appreciation for climate risk to impact on the values of the Plan's investments and applies to both the DB and DC sections, as explained in the following bullet points:

- The investment horizon for the DB section is considered to be long-term, noting the maturity of the liability profile and the Trustees' objective to pay benefits under the Trust Deed & Rules in full as they fall due.
- The Trustee is cognisant of the different investment timeframes that members will have within the DC section and believes that the financial materiality of ESG factors (including climate risk) will be greater for members who are further from retirement, given there is greater scope for these factors to have an impact as these members will be invested for longer, on average. Therefore, within the default investment strategy, the Trustee may focus on the funds used in the earlier stages of the lifestyle arrangement.

The Trustee appreciates that the method of incorporating ESG in the investment strategy and process will differ between asset classes. A summary of the Trustee's views for each asset class in which the Plan invests across both the DB and DC sections is outlined below.

The Trustee received training on financially material considerations from its investment advisor and considered the research presented during the training in order to form this policy.

Passive equities

The Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan's passive equities. The Trustee accepts that fund managers must invest in line with the specified index and, therefore, may not be able to disinvest if they have concerns relating to ESG. The Trustee therefore requires that the fund manager takes into account ESG considerations by engaging with companies and by exercising voting rights. However, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process.

Diversified growth funds

The Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan's diversified growth fund managers. The investment process for any diversified growth fund manager used by the Plan should take ESG issues into account. The Trustee also supports engagement activities and, where relevant, the exercise of rights attaching the investments by the Plan's diversified growth fund manager. However, the incorporation of ESG issues, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process.

Active corporate bonds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan's active corporate bond holdings. The Trustees therefore require their fund managers to consider ESG issues within their investment process. The Trustees recognise that fixed income assets do not typically provide voting rights; however, they support engagement with companies by the fund manager. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Passive gilts and money market

The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments, including the fact that gilts are considered "least risk" when constructing an investment strategy and money market investments are short term.

It is worth noting that when transacting in money market funds, the Trustee requires due diligence is undertaken to assess the credit worthiness of the counterparty both at the start of and throughout any investment, whilst at the same time looking to achieve best execution. The Trustee believes this is more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

Policy on the exercise of voting rights and engagement activities

The Plan currently invests in pooled investment funds only. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant fund managers. The Trustee also expects managers to engage with companies in relation to ESG matters.

The Trustee is comfortable with the fund managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustee will review this position periodically, usually annually, and engage with the investment managers to the extent that any issues or questions are identified and the Trustees believe that remedial action is required to ensure their investments continue to be managed in line with this policy.

The Trustee also considers the Financial Reporting Council's UK Stewardship Code. The existing fund managers all have stated corporate governance policies that comply with these principles.

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so, the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on stewardship and engagement and how these policies have been implemented.

Policy for taking into account non-financial matters

The Trustee does not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing fund managers. These non-financial matters include, without limitation, members' and beneficiaries' views on ethical considerations and social and environmental impact, and the present and future quality of life of the members and beneficiaries of the Plan.

Appendix 4 Investment Manager Fee Arrangements

The fee arrangements with the fund managers for the DB Section of the Plan are summarised below:

Fund manager	Fund	Fees
Ruffer	Absolute Return Fund	1.20% p.a.
Legal & General Investment Management Ltd.	Dynamic Diversified Fund	For the first £25 million; 0.50% pa For the balance above £25 million; 0.45% pa
	World (ex-UK) Equity Index Fund*	For the first £5 million; 0.22% pa For the next £10 million; 0.19% pa
	World (ex-UK) Equity Index Fund - GBP Currency Hedged*	For the first £5 million; 0.243% pa For the next £10 million; 0.213% pa
	UK Equity Index Fund*	For the first £10 million; 0.10% pa For the next £10 million; 0.075% pa
	All Stocks Gilts Index Fund*	For the first £5 million; 0.10% pa For the next £5 million; 0.075%
	All Stocks Index-Linked Gilts Index Fund*	

*Different rates apply for larger investments

Barnett Waddingham is remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

The fee arrangements with the investment managers for the DC Section of the Plan are summarised below:

Fund	Annual Management Charge (% p.a.)
Managed Pension Fund	0.50%
UK Mixed Bond Pension Fund	0.30%
Deposit and Treasury Fund	0.15%

As well as the annual management charges given above, additional fund expenses will apply (covering legal, accounting and auditing fees for each fund). The additional fund expenses will vary from quarter to quarter but are expected to be in the region of 0.01% to 0.02% pa.