Consumers' Association Pension and Employee Benefits Scheme

Statement of Investment Principles

14 September 2020

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1 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 and 36 of the Pensions Act 1995 and the Pensions Act 2004 for the Consumers' Association Pension & Employee Benefit Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Alan Wilkes of XPS Pensions Group, the Investment Advisers are Redington Limited for the Hybrid Section and River and Mercantile Solutions for the DC Section, and the Legal Advisers are Travers Smith and Sackers (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with Consumers' Association ('the Company') and the Scheme Actuary, and have obtained and considered written advice from the Investment Advisers. The Trustees believe the Advisers to be qualified by holding appropriate qualifications and by their ability and practical experience of financial matters; and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Hybrid Section of the Scheme provides primarily retirement pension benefits which are the better of those calculated with reference to the member's money-purchase fund, which is invested in the Prudential With-Profits Fund, and that based on the member's salary effectively earned over a short period prior to retirement or earlier withdrawal. The Scheme's liabilities are therefore to some extent dependent upon the performance of the Scheme's Prudential With-Profits holdings.

From 1 April 2004 the Hybrid Section of the Scheme was closed to new entrants and a new Defined Contribution Section (the "DC Section") opened. The Hybrid Section was closed to future accrual on 31 March 2019.

The DC Section of the Scheme provides primarily a money purchase fund arising from member and employer contributions with which the member is able to purchase retirement benefits.

The Trustees are responsible for the investment of the Scheme's assets and arrange administration of the Scheme. Where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme.

2 Declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have implemented for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed Alison Bostock **Date 14th September 2020**

For and on behalf of
The Trustees of the Consumers' Association Pension & Employee Benefit Scheme

3 Scheme Governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Section 9.6.

4 Hybrid Section

4.1 Objectives

The principal objective of the Trustees is to invest the assets of the Scheme to meet its liabilities when they fall due.

The Trustees maintain a diversified portfolio of assets which seeks to maintain a balance between expected investment return and volatility of returns. The Trustees also seek to manage the Scheme's exposure to interest rate and inflation risk whilst keeping expected returns at an appropriate level.

The Trustees may review this objective from time to time.

4.2 Choosing Investments

4.2.1 Process for Choosing Investments

The Trustees are responsible for the investment of the Scheme's assets. Where the Trustees are required to make an investment decision, they always receive written advice from the Advisers first and they believe that this, together with their own collective expertise, ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to the Investment Managers authorised under the Act.

4.2.2 Investment Strategy

Having considered advice from the Advisers, the Trustees have set the investment policy with respect to the Scheme's liabilities and funding level. The Trustees have set an investment strategy to achieve the principal funding objective within an acceptable risk budget and an acceptable timeframe.

The above objective and the risk budget are set out in the Scheme's Pension Risk Management Framework (PRMF). The risk budget is defined by the Scheme's aim to have a level of protection against interest rate and inflation risk so as to minimise the volatility of the funding level to these market factors whilst maintaining an appropriate level of expected returns. The level of such protection is regularly discussed with the sponsor in the light of their views and alternative protection methodologies which may be available.

Objectives have been set with a view to supporting the long-term sustainability of the Scheme. The objectives will be reviewed alongside each actuarial valuation to ensure they remain relevant and appropriate. Progress against objectives is monitored and reviewed by the Trustees on a regular basis.

The Scheme's assets are invested in line with these objectives and the risk budget as detailed in the PRMF.

In consultation with the Employer and having considered advice from the Advisers and also having due consideration for the objectives and attitude to risk of the Trustees and the liability profile of the Scheme, the Trustees run an investment strategy whereby the portfolio is split into two elements: member's money-purchase fund, which is invested in the Prudential With-Profits Fund and a portfolio consisting of return-seeking assets and liability-hedging assets.

The Trustees are responsible for reviewing both the asset allocation and the investment strategy of the Scheme in conjunction with each actuarial valuation in consultation with the Advisers. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where they deem it appropriate.

4.2.3 Investment Manager Policy

This section applies to both the Hybrid Section and Defined Contribution Section of the Scheme.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme.

Due to the cost benefits and ease of implementation, it is the Trustees' preference to invest in pooled investment vehicles. The Trustees recognise that due to the collective nature of these investments, there is less scope to directly influence how the investment manager invests. However, the Trustees' Investment Adviser ensures the investment objectives and guidelines of the manager are consistent with that of the Trustees where practicable.

When relevant, the Trustees requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustees do not expect the respective investment managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustees' strategic asset allocation.

The performance targets, benchmark indices and restrictions placed on each manager have been discussed with them and the managers are satisfied that no restrictions have been placed on them which limit their ability to meet the Trustees' requirements.

Managers are paid an ad valorem fee for a defined set of services as well as additional performance fees, where these have been previously agreed with a manager in repayment for performance above a specified benchmark. The Trustees review the fees regularly to confirm they are in line with market practices.

The Trustees review the portfolio transaction costs and portfolio turnover range with managers, where the data is disclosed and available. The Trustees will then determine whether the costs incurred were within reasonable expectations.

4.3 Diversification and Risk Control

Given the size and nature of the Scheme, the Trustees have decided to invest on a pooled fund basis; any such investment is effected through a direct agreement with an Investment Manager and/or through an insurance contract. Having received advice from the Investment Adviser, the Trustees are satisfied that the range of pooled vehicles in which the Scheme's assets are invested provides adequate diversification.

The Trustees acknowledge that it is not possible to monitor all the risks the Scheme is exposed to at all times. However, it seeks to take on those risks which it expects to be rewarded for over time, in the form of excess returns, in a diversified manner, and to hedge out an element of those risks that are not expected to be rewarded. The Trustees recognise a number of risks involved in the investment of the assets of the Scheme:-

Risk	**Description**
Market risk	• Arises from the exposure of the Scheme's portfolio to market risk factors (for example equities, credit spreads, interest rates and inflation); • Measured at least quarterly by means of an Asset Liability Matching ("ALM") modelling exercise; • Currently managed by investing with regard to liability-matching assets and diversification within the growth portfolio of the Scheme. • In addition to the risks mentioned above, the Scheme is also exposed to currency risks via its exposure to overseas assets

	within its Diversified Growth Fund. • Currency risks arising from exposures in the Diversified Growth Funds and Multi-Class Credit mandates are managed by the respective investment managers through diversification across different regions and areas and by hedging foreign currency exposure back to sterling.
Liquidity risk	• Measured by the level of cash flow required by the Scheme over a specified period in order to pay benefits managed by investing a proportion of the assets in liquid assets, which allows the Scheme to easily divest cash as and when required. The Scheme also receives cash recovery contributions from the Employer, which provide liquidity and payments from the Prudential With-Profits Fund when members reach age 75.
Sponsor risk	• Measured by the level of ability and willingness of the Employer to support the continuation of the Scheme. Sponsor risk is measured by a number of factors, including the creditworthiness of the Employer, the size of the pension liability relative to the Employer's earnings and other commitments / debts, the size of the deficit in the Scheme and Value at Risk, the level of cash made available to the Scheme relative to other stakeholders; • Managed by monitoring the impact the Scheme has on the Employer's business.
Manager risk	• Measured and managed by quarterly monitoring and reviewing the performance of the manager relative to the risk and return objectives set out in the Investment Manager's mandate.
Counterparty risk	• Arises from the Scheme's derivative exposure in its liability-matching asset portfolio. The Scheme only invests in derivatives via pooled fund vehicles and it has therefore no direct exposure to derivatives counterparties. • The pooled fund manager manages the counterparty risk via diversification, as well as via daily collateralisation of positions.
Collateral risk	• The Scheme is exposed to collateral calls from its leveraged liability-matching asset portfolio, depending on market movements in the underlying derivatives. • The Scheme manages this risk by retaining a level of cash and liquid assets that can be turned into cash for collateral purposes. The Trustees monitor the liquidity position on a quarterly basis.
Mismanagement risk	• The Scheme is exposed to the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions. The activity of the managers and their processes are monitored regularly by the Investment Advisers on behalf of the Trustees.
Organisational risk	• Arises from inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Managers and Adviser.
Transition risk	• The Scheme is exposed to the risk of paying unnecessary costs or being at increased risk of adverse market movements, when transitioning assets from one manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion with the advice of the Advisers or by using a specialist transition manager, if appropriate.
Environmental, Social and Governance Factors 'ESG'	• the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Manager where applicable, or by requesting information on the ESG policies, adopted by the Investment Manager

4.3.1 Risk management policy

The 2018 Actuarial Valuation results have been agreed and an Integrated Risk Management Framework will be agreed with the Sponsor. A risk budget can then be formally defined. This will be documented in the Pension Risk Management Framework. Within this risk budget, the Trustees will aim to diversify risks across a range of exposures and to focus on risks that they view as well rewarded in terms of outperforming the liabilities.

The following measures have been implemented to reduce the risks associated with making investments:-

Risk versus the Liabilities

The value of the Scheme's liabilities is sensitive to changes in inflation and interest rates. The Trustees have therefore decided to invest a proportion of the Scheme's portfolio into assets whose sensitivity to these rate movements mirrors that of the liabilities as this will help protect the Scheme's funding position.

The Trustees measure this mismatching risk with reference to the liabilities of the Scheme, and examine how the investment strategy and asset allocation impacts on this exposure. The Trustees, in conjunction with the Advisers, will monitor the risk versus the liabilities on a regular basis.

Range of Assets

The Trustees have selected an investment strategy which contains assets suitable for the Scheme's funding and risk objectives. The Trustees review the investment strategy and consider investment in other asset classes at least after every valuation but more frequently than that if deemed necessary.

The Investment Managers will hold a mix of investments that correspond to the strategic asset allocation. Within each major market each manager will maintain a diversified portfolio of stocks or funds through pooled vehicles.

4.4 Compliance

4.4.1 Changes to the Statement of Investment Principles (SIP)

The Trustees are obliged to consult with the Employer when changing the SIP.

4.4.2 Frequency of Review

The Trustees will review this SIP annually, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Employer if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Adviser as part of such a review.

4.4.3 Professional Advice

The Trustees receive written advice from the Advisers to help review the investment strategy.

4.4.4 Additional Voluntary Contributions ("AVCs")

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Scheme for their AVCs. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from properly qualified and authorised financial advisers.

Members are offered the following funds in which to invest their AVC payments:-

- The Scheme's Lifestyle programs
- LGIM Ethical UK Equity Tracker Fund (DC Members Only)
- Prudential With-Profits Fund (Hybrid Members Only)

In selecting this range of funds offered the Trustees have taken advice from their professional advisers on:-

- the risks faced by members in investing in defined contribution funds, and
- the Trustees' responsibilities in the selection and monitoring of the investment options offered.

The Trustees will continue to manage AVC arrangements having taken professional advice on these matters.

5 Defined Contribution Section, Investment Strategy and Objective

5.1 Default Lifestyle Strategy

The Trustees, in conjunction with the Investment Adviser have developed a Default Lifestyle strategy for members of the DC Section of the Scheme. The Default Lifestyle strategy is the DC Section's default arrangement.

5.1.1 Aims and Objectives of the default strategy

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees regard their duty as creating a robust default fund offering to cater for the proportion of the workforce who do not wish to actively manage their pension investments. This default should be focused on members' needs and outcomes.

The Trustees' overarching aims and objectives are therefore:

- To provide members with a robust default solution which makes available vehicles designed to focus on members' needs by aiming to:
  - Optimise the value of members' assets at retirement;
  - Maintain the purchasing power of members' savings; and
  - Protect the value of accumulated assets as members approach retirement.
- To avoid over-complexity in investment in order to keep administration costs and member understanding to a reasonable level.

More specific investment objectives for each of the Which? Mixed Investment Funds are contained in the Investment Policy Implementation document under Section 2.

5.1.2 Trustees' Policies in relation to the default strategy

The kinds of investments to be held

The Trustees' policy relating to the kinds of investments held within the default strategy are summarised in Section 2.1 of the Investment Policy Implementation Document, titled "Which? Mixed Investment Fund A", "Which? Mixed Investment Fund B" and "Which? Mixed Investment Fund C" respectively.

The balance between different kinds of investments

The Trustees' policy relating to balance between different investments within the default strategy is shown in Section 2.1 of the Investment Policy Implementation Document, titled "Default Strategy Lifestyle Profile".

Risks (including the ways in which risks are to be measured and managed)

The Trustees' policy relating to risks applicable to the DC Section of the Scheme as a whole are shown in Section 6, titled "Risks". All of the risks applicable to the DC Section, including how they are measured and managed are relevant to the default strategy.

Expected return on investment

Target objectives for each fund used within the default strategy are shown in the Investment Policy Implementation document Section 2.1 of the Investment Policy Implementation Document, titled "Which? Mixed Investment Fund A", "Which? Mixed Investment Fund B" and "Which? Mixed Investment Fund C" respectively.

Realisation of investments

The Trustees' policy relating to the realisation of investments is to make use of funds within the default strategy which are unitised, pooled, daily dealt funds. This allows the flexibility with regards to changing investments or realising cash to pay benefits.

Exercise of rights (including voting rights) attached to the investments

The Trustees' policy relating to the exercise of rights (including voting rights) in the Scheme as a whole is shown in Section 9. All of the content of Section 9 is relevant to the default strategy.

Financially material factors

The Trustees' policy relating to financially material factors (including environmental, social, governance and climate change considerations) in the Scheme as a whole are shown in Section 9.1, titled "Financially Material Factors". All of the content of Section 9.1 is relevant to the default strategy.

Non-Financially material factors

The Trustees' policy relating to non-financially material factors (including ethical considerations) in the Scheme as a whole are shown in Section 9.2, titled "Non-Financially Material Factors". All of the content of Section 9.2 is relevant to the default strategy.

5.1.3 Act in the best interests of members and beneficiaries

Prior to offering the current default strategy, the Trustees carried out a comprehensive review in conjunction with the Investment Advisers, focussing on how best to deliver a good outcome for as many members as possible. As a result of the review, the Trustees selected the combination of aims and objectives within the default (as stated in Section 5.1.1), and their policies (as stated in Section 5.1.2 and the subsequent sections noted in Section 5.1.2) in order to achieve an investment strategy which it believes is in the best interests of members and beneficiaries.

This belief is supplemented by undertaking regular (generally annual) investment strategy reviews of the default investment strategy, investment governance and annual value for members reviews.

5.2 Diversification

The choice of investment options (including both the default and non-default arrangements) for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

5.3 Suitability

The Trustees have taken advice from the Advisers that the investment strategy offered to members (including both the default and non-default arrangements) is suitable.

6 Defined Contribution Section - Risks

The Trustees recognise a number of risks for the members of the Defined Contribution Section of the Scheme (including both the default and non-default arrangement). Defined Contribution investors face these key risks:-

i **Inflation risk** – the risk that the purchasing power of their pension accounts is not maintained. To try and manage this risk, the strategy will aim to achieve a return above the rate of inflation.

ii **Pension purchase risk** – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. The Trustees have mitigated this risk by offering a Lifestyle Strategy which aims to broadly match annuity prices in the final three years of the strategy, thus maintaining the purchasing power of members' pension accounts.

iii **Capital risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained. This could be due to the impact of any of the risks above and is addressed where possible in the same ways.

iv **Communication risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Advisers and regular monitoring and updates, where appropriate, of member communications.

v **Inappropriate member decision –** the risk that members make inappropriate decisions regarding their investments. This is addressed by the Trustees offering a streamlined series of options for members of the DC Section.

vi **Liquidity risk –** the risk that members are not able to realise the value of their funds when required. The Trustees have addressed this risk by not offering funds which are considered illiquid.

vii **Value for members –** the risk that the Scheme fails to offer value for members. The Trustees have negotiated a competitive fee for members, which is kept under review, along with regular strategy, service and value for members reviews.

viii **Environmental, Social and Governance Factors 'ESG'–** the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Manager where applicable, or by requesting information on the ESG policies adopted by the Investment Manager.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become significant as retirement approaches.

There is no single investment option that best manages all of these risks. Of the major asset classes, equities have traditionally been used to provide the most effective means of managing inflation risk. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing capital risk.

The varying nature of the risks faced by a defined contribution investor through time means that no single investment product will adequately meet the needs of the investor throughout the investing period. Therefore, suitable funds will need to be sought for effective management of the risks faced by defined contribution investors.

The Trustees will keep these risks and how they are measured and managed under regular review.

7 Monitoring

7.1 Investment Managers

As and when required, the Trustees meet with the Investment Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund.

The appointment of the Investment Managers will be reviewed by the Trustees from time to time, based on the recommendations of the Scheme's Investment Consultant, and the results of their monitoring of performance and process. The Trustees will monitor the extent to which the Investment Managers give effect to the policies set out in it.

The Investment Consultant provides quarterly updates of performance to assist in the reviews of the funds' and Investment Managers' performance against the benchmarks.

Selection criteria

The Trustees have identified the criteria by which Investment Managers should be selected (or deselected). These include:

- Past Performance
- Quality of the Investment Process (including the integration of ESG risk factors)
- Role Suitability: level of fees, reputation of the manager, familiarity with the mandate, internal objectives, and restrictions of any pooled funds
- Service: reporting, administration
- Team Proposed: the individual fund managers working for the Fund.

De-selection criteria

Investment Managers may be replaced, for example, if:

- They fail to meet the objectives of the mandate; and/or
- The Trustees believe that the manager is not capable of achieving the performance objectives in the future.
- The manager fails to comply with this Statement.

7.2 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

7.3 Other

The Trustees will review this SIP annually, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Company if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Adviser as part of such a review.

8 Fees

8.1 Investment Managers

The Investment Manager fee policy is covered in Section 4.2.3 – "Investment Manager Policy".

8.2 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

8.3 Custodian

The majority of custodianship arrangements are operated by the Investment Managers for all clients investing in their pooled funds. The Investment Managers are expected to provide a statement of the security of the underlying assets annually.

The Trustees have separately appointed JP Morgan to provide custodianship services for managing transition preparations and set-up of the Schroders investments.

8.4 Performance Measurer

There is no performance measurer appointed by the Trustees.

8.5 Trustees

All Trustees are paid.

9 Corporate Governance, Responsible Ownership and Stewardship

These factors apply to both Sections of the Scheme.

9.1 Financially Material Factors

The Trustees incorporate all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible. This includes considerations of what the Trustees believe to be financially material (whether ESG related or not) and is relevant for the Hybrid Section, and both default arrangement and non-default arrangements within the DC Section.

The Trustees believe that environmental, social and governance factors 'ESG' will be financially material over the time horizon of the Scheme, and should be considered as part of the investment strategy and implementation decisions. The Trustees consider the time horizon for the Hybrid Section to be the length of time necessary for the funding of future benefits by the investments of the Scheme. The Trustees consider the time horizon for the DC Section (default and non-default) to be the future working lifetime of members. Both of these time horizons are long term. This will have varying levels of importance for different types of assets invested in by the Scheme.

When investing in new asset classes, the Trustees assess, with advice from their Advisers, the relevance of ESG-related risks and the most appropriate way to ensure that they are incorporated into the mandate. ESG factors and stewardship are considered in the context of long term performance by the Trustees (in conjunction with their Advisers) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustees monitor ongoing compliance with ESG and other factors (like Stewardship) as part of overall engagement and performance monitoring, based on reports from investment managers.

All references to ESG within this document relate to financially material ESG factors only. All references to ESG within this document also include climate change.

9.2 Non-financially material factors

The Trustees' policy at present is to not take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions in relation to the Hybrid Section or to the DC Section default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. This policy is reviewed periodically.

However, the Trustees recognise that members may have different beliefs and have made available a fund within the DC Section which invests based on certain ethical criteria. While not part of the default arrangement, members can invest additional voluntary contributions in this fund.

9.3 Corporate Governance and Stewardship

The Trustees recognise that good stewardship practices, including engagement and voting activities are important as they help preserve and enhance asset owner value over the long-term.

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustees own shares and debt is carried out by the Scheme's investment managers.

The Trustees expect their investment managers to practise good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

The Trustees Investment Advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments, and reports to the Trustees on an annual basis covering how the investment managers have acted in line with this policy.

When selecting, monitoring and de-selecting investment managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments, which are exercised by the investment managers of the Scheme. The Trustees monitor and discloses the voting records of its managers on a regular basis.

9.4 Myners Principles

The original Myners review of "Institutional Investing in the UK" was published in March 2001. It included a set of 10 Principles that pension scheme trustees are recommended to use when considering their investment policy for final salary pension schemes and 11 Principles for money purchase schemes. The Government endorsed the report with some minor modifications on 2 October 2001. Pension scheme trustees were asked to comply with the Principles on a voluntary basis. The Myners Principles recommend that certain issues were included in the Statement of Investment Principles ("SIP").

The Myners Principles were subsequently reviewed in October 2008; the explicit requirement to include certain items in a strengthened SIP was removed and replaced with a requirement for trustees to act in a transparent and responsible manner. By making the following statements the Trustees believe that they are complying with the spirit of these principles.

9.5 Transparency and reporting

The Trustees have discretion over the form of reporting they wish to undertake. This SIP provides the following details of the Trustees' investment approach:-

i Who is taking which decisions and why has the structure been selected?
  - Details of the Trustees' decision making structure are included in Section 4 and Section 5.

ii The Trustees' investment objective.
  - Details of the Trustees' investment objective are included in Section 4 for the Hybrid and Section 5 for the Defined Contribution Section, with the appointed managers' specific objectives in the Investment Policy Implementation Document.

iii The Trustees' asset allocation strategy, including projected investment returns in each asset class, and how the strategy has been selected.
  - Details of the Trustees' asset allocation strategy are included in the Investment Policy Implementation Document. The strategies were constructed following consultation with the Investment Consultant, and included consideration of the likely range of returns from each asset class.

iv The mandates given to all advisers and managers.
  - The responsibilities of the Trustees, Investment Manager and Investment Consultant are outlined in Section 9.6, while the managers' mandates are specified the Investment Policy Implementation Document.

v The nature of the fee structures in place for all advisers and managers; and why this set of structures has been selected.
  - Details of the fees charged by the Investment Managers and Investment Consultants are included in the Investment Policy Implementation Document. The Trustees have agreed these fees following consultation with their Investment Advisers, where appropriate, and believe they are reasonable for the services they receive.

9.6 Appointments and responsibilities

Trustees

The Trustees of the Scheme are responsible for, amongst other things:-

i. Determining the investment objectives of the Scheme and reviewing these from time-to-time and following the results of each actuarial review, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, or Scheme's investment policy, in consultation with their Advisers.
ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
iii. Reviewing annually the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
v. Reviewing the investment policy for the Defined Contribution Section including assessing the continued appropriateness of the range of funds (and structuring of funds) in which members funds are invested.
vi. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews, but not less than annual, of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
vii. Appointing and dismissing investment manager(s), custodian(s) and transition manager(s) in consultation with the Advisers.
viii. Assessing the ongoing effectiveness of the Advisers.
ix. Consulting with the Company when reviewing investment policy issues.
x. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
xi. Monitoring risk and the way in which the Investment Managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.
xii. Advising the Advisers of any changes to Scheme benefits and significant changes in membership.

Investment Managers

The Investment Managers will be responsible for, amongst other things:-

i. Investing assets in a manner that is consistent with the objectives set.
ii. Ensuring that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this SIP.
iii. At their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class.
iv. For the Defined Contribution Section, providing information to members and the Trustees in the agreed format.
v. Informing the Trustees of any changes in the internal performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.
vi. Exercising voting rights on shareholdings in accordance with their general policy.
vii. Attending meetings with the Trustees as and when required.
viii. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including:-

    a. A report of the strategy followed during the quarter.
    b. The rationale behind past and future strategy.
    c. A full valuation of the assets and a performance summary.
    d. A transaction and a cash reconciliation report.
    e. Corporate actions taken by the Investment Manager.
    f. Any changes to the process applied to the portfolio.
    g. Future intentions in the investment management of the Scheme's assets.

ix. Informing the Trustees immediately of:
    h. Any breach of this SIP that has come to their attention.
    i. Any serious breach of internal operating procedures.

j. Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
k. Any breach of investment restrictions agreed between the Trustees and the Investment Managers from time to time.
l. Any changes in the investment performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:-

i. Participating with the Trustees in the preparation and reviews of this SIP.
ii. Advising the Trustees how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.
iii. Advising the Trustees of any changes in the Scheme's Investment Managers that could affect the interests of the Scheme.
iv. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Scheme.
v. Undertaking reviews of the Scheme's investment arrangements including reviews of the investment strategy, asset allocation policy and current Investment Managers, investment management structure, investment performance and selection of new managers as appropriate.
vi. Providing training or education on any investment related matter as and when the Trustees see fit.
vii. Monitoring and advising upon where contributions should be invested on a periodic basis.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:-

i Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.
ii Performing the triennial (or more frequently as required) valuations and providing advice in respect of assumptions, deficits and contribution requirements
iii Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
iv Advising the Trustees and Investment Adviser of any changes to contribution levels and funding level.

Legal Adviser

The Legal Adviser will be responsible for, amongst other things:-

i Liaising with the Trustees to ensure legal compliance including, those in respect of investment matters.

Administrator

The Scheme's pension administrator is the Employer.