ROYAL COLLEGE OF MUSIC
PENSION AND ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

Prepared and issued by

The Trustee of the Royal College of Music Pension and Assurance Scheme

September 2020

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1 INTRODUCTION

1.1 Legislative Background

This Statement of Investment Principles ("the SIP") has been prepared in accordance with Section 35 of the Pensions Act 1995 ("the 1995 Act"), as amended by the Pensions Act 2004 ("the 2004 Act"), and the Occupational Pension Schemes (Investment) Regulations 2005 ("the Investment Regulations") as amended.

In drawing up this document, the Trustee has obtained written advice from Censeo Actuaries & Consultants Limited ("the Investment Consultant") and has consulted the Principal Employer, the Royal College of Music.

The effective date of this SIP is September 2020. The Trustee will review the SIP without delay after any further significant change in investment policy but, in any event, no later than September 2022.

The Trustee will consult the Principal Employer on changes in investment policy, as set out in this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

The Trustee may delegate investment powers. Section 34(2) of the 1995 Act requires that, where any decision about investments constitutes regulated investment business under the Financial Services & Markets Act 2000 ("FSMA") the delegate be appropriately authorised by the Financial Services Authority. If a decision does not constitute investment business the Trustee must take all reasonable steps to satisfy itself that the delegate has appropriate knowledge and experience. The Trustee's policy regarding delegation is set out in section 5.6 and 5.10 of the SIP below. The delegations made are set out in Appendix A.

1.2 Scheme Constitution

The Royal College of Music Pension and Assurance Scheme ("the Scheme") is governed by a Definitive Trust Deed & Rules dated 18 June 2002, as amended ("the 2002 Trust Deed"). Investment decisions are taken by the Trustee in accordance with Part 2 Clause 3(e) and Part 2 Clause 7 of the 2002 Trust Deed.

The Scheme is a defined benefit scheme for employees of the Royal College of Music. However, the Scheme closed to new entrants and ceased accrual of future pensionable service for existing members from 31 July 2007. Benefits for members still employed by the Royal College of Music are still linked to increases in pensionable salary until their employment ceases or, if earlier, they transfer to another scheme, retire or reach age 65.

2 INVESTMENT RESPONSIBILITIES

2.1 The Trustee is responsible for:

- preparing the Statement of Investment Principles and, in doing so, taking written advice from its Investment Consultants to ensure that the investment policy is suitable for the Scheme,
- monitoring compliance with the Statement and reviewing its contents at least every three years and without delay after a significant change in investment policy,
- appointing the Investment Managers and any external consultants thought to be necessary and
- reviewing on a regular basis the Investment Managers' performance against established benchmarks and satisfying itself as to the Managers' expertise and the quality of their internal systems and controls.

2.2 The Investment Managers (to the extent that the Trustee has delegated its discretion) are responsible for:

- the investment of the Scheme's assets in compliance with the investment mandates to which they have been appointed,
- holding portfolios as instructed from time to time by the Trustee,
- security and stock selection within appropriate asset classes,
- providing the Trustee with quarterly valuations of the Scheme's assets and
- attending Trustee Meetings at reasonable intervals.

2.3 The Custodians are responsible for:

- their own compliance with prevailing legislation.

2.4 The Investment Consultants are responsible for:

- assisting the Trustee in the preparation and review of this document,
- assisting the Trustee in its regular monitoring of the Investment Managers' performance,
- assisting the Trustee in the selection and appointment of Investment Managers and Custodians and
- assisting the Trustee in the design and implementation of appropriate asset allocation strategies.

2.5 The Scheme Actuary is responsible for:

- providing the Trustee with advice as to the maturity of the Scheme and its funding level to aid the Trustee in balancing the short-term and long-term objectives of the Scheme and
- raising with the Trustee any concerns regarding investment policy that may arise through changes in liability profile or legislation.

3 FUNDING AND INVESTMENT OBJECTIVES

3.1 The Trustee’s funding objective, as recorded in its Statement of Funding Principles, is to satisfy the Statutory Funding Objective and, should the funding level fall below 100% at any time, to return the funding level of the Scheme to 100% as quickly as the Employer can reasonably afford taking into account its business plans.

3.2 The Trustee and the College have agreed previously a further objective (although not recorded formally) – eventually to reach a fully-funded, near-risk-free position. It is intended that this position will be reached through a combination of contributions and excess investment returns.

3.3 The Trustee's primary investment objective for the Scheme is to ensure that members’ benefits are paid in full from the Scheme as and when they fall due. However, its investment strategy also accommodates the objective set out in paragraph 3.2 above, taking account of the risk appetite of the Trustee and of the College.

3.4 The Trustee's policy for achieving its investment objectives and the methods it uses to monitor and control the risks are set out in Section 5.

4 RISKS TO THE FUNDING AND INVESTMENT OBJECTIVES

The Trustee has identified a number of risks that may affect its ability to meet the objectives. These risks, and the measures the Trustee is taking to mitigate them, are set out below.

4.1 ***Risk that the Principal Employer becomes insolvent or fails to make adequate contributions to the Scheme to meet benefit promises***

The Trustee monitors the Employer covenant on a regular basis. If significant weakening is identified the Trustee will seek advice as to any necessary changes in strategy.

4.2 ***Risk that the funding level of the Scheme falls as a result of lower than expected investment returns on the assets held***

The Trustee will ensure that the assets are diversified across asset classes, taking into account their correlations, including assets that are expected to produce real returns over the long term, to reduce the risk of this occurring.

4.3 ***Risk that the investment managers appointed under-perform their benchmark***

The Trustee monitors the risk that managers will underperform by assessing their performance on a quarterly basis and reviewing them when considered necessary. If practicable, the Trustee will aim to appoint more than one manager in respect of the active growth element of the portfolio, thus reducing the exposure to underperformance by any one manager. The Trustee may also make use of passive management, thus removing the risk of manager underperformance from those assets.

4.4 ***Risk that the Trustee receives and accepts inappropriate advice from its appointed advisers***

The Trustee also reviews the other advisers on a regular basis and satisfies itself that those advisers are appropriately qualified and have adequate Professional Indemnity insurance.

4.5 ***Risk that an individual investment, constituting a large part of the Scheme's assets, fails***

The Trustee will ensure that no more than 5% of the Scheme’s assets are held in any one investment (as far as this is practicable through the use of pooled funds), with the exception of UK Government Bonds and collateralised, pooled swap arrangements.

4.6 ***Risk that the Scheme’s funding deficit may change because of a fall in interest rates or a rise in inflationary expectations***

The Trustee will invest a proportion of the assets in a leveraged Liability-driven investment (“LDI”) vehicle to hedge this risk as closely as practicable.

4.7 ***Risk that the Trustee is forced to sell assets at depressed prices to meet benefit payments or other cash calls***

Employer contributions have exceeded regular benefit payments to date but this situation is expected to reverse from 2020 – although the shortfall is expected to be small until contributions cease in 2026.

The Trustee will consider using a range of uncorrelated and/or low-volatility asset classes to reduce disinvestment risk.

The Trustee will seek advice from the investment consultants on the appropriate assets to realise to meet benefit payments or other cash calls.

4.8 ***Risk that the Trustee makes inappropriate decisions***

The Trustee takes advice from the Scheme Actuary and Investment Consultants, as appropriate, before making decisions. The Trustee also undergoes regular training relevant to its decision-making. All decisions are reviewed periodically to ensure that they remain appropriate.

5 THE TRUSTEE'S POLICIES

The Trustee's policies are set out below. The current arrangements entered into by the Trustee are set out in the Appendices to this Statement. Appendix A contains details of the disposition of the Scheme's assets, performance benchmarks and fee structure. Appendix B contains details of the advisers appointed who assist the Trustee on investment matters.

5.1 *Policy for Meeting the Funding Objective*

The Trustee will review the Scheme's position compared with the Statutory Funding Objective by means of triennial actuarial valuations and interim annual reports. The Trustee will use an Integrated Risk Management approach, considering funding, investment and covenant together, when considering how to meet the Funding Objective.

The next full valuation will be carried out as at 1 August 2022.

5.2 *Policy on Setting Strategy and High-level Asset Allocation*

The Trustee will ask the College about its long-term objectives for the Scheme, which may include winding the Scheme up at some future date, and its attitude to risk. The Trustee will consider this information, but is under no obligation to follow it, as well as the funding position and the employer covenant, including planned contributions, when determining an appropriate investment objective(s) and level of risk.

The investment strategy is the asset allocation that the Trustee believes is the most appropriate for the Scheme to meet the objective(s), taking the above matters into account as well as the nature of the liabilities it expects to have to meet.

Each review will take into account the risk of changes in the Scheme's funding position arising from changes in the Scheme's liabilities; risk measures, such as Value at Risk, may be used. The Trustee, taking the advice of the Scheme Actuary and Investment Consultants, will consider the profile of the Scheme’s liabilities when determining an appropriate split of assets between matching assets (e.g. Gilts and Liability-driven Investments) and growth assets (e.g. Equity). In particular the Trustee will consider the required level of hedging of interest-rate risk and the return required from the assets in order to meet the objective(s).

In determining appropriate assets for the growth element of the portfolio, the Trustee will consider traditional and alternative asset classes, as well as alternatives to long-only investment strategies. Following advice from the Investment Consultants, the Trustee will determine the appropriate split of assets taking into account the required return when considering the objective(s), the Technical Provisions, diversification and correlations between asset classes.

The Trustee will review the investment strategy every three years, taking advice from the Investment Consultants. The Trustee will also review the appropriateness of its existing strategy after any significant change in the Scheme's circumstances.

The Trustee reviews the relative weightings of each asset class every three years, or more frequently as advised by the Scheme Actuary or Investment Consultant. In reviewing the decision, it will decide whether existing funds and/or new contributions should be switched to alternative funds.

The Trustee considers at least annually, after taking advice, whether it is necessary for the assets to be rebalanced, this to occur subsequent to the annual actuarial report. Depending on the agreed objective(s), de-risking triggers may be implemented.

5.3 ***Policy on Concentration Risk***

The Trustee has taken advice when setting investment strategy for the Scheme and has decided to invest in a range of pooled funds.

The Trustee believes that the arrangements detailed in Appendix A ensure that the portfolio is sufficiently diverse that the risks of failure of any individual investment will not impact significantly on the Scheme's ability to pay the benefits promised under the Trust Deed.

The Trustee will review the arrangements if it becomes aware of any individual security, with the exception of UK Government Bonds and collateralised swap arrangements, within the pooled funds exceeding 5% of the total value of the pooled fund assets. The Trustee understands that individual stocks may represent more than 5% of the benchmark index – in this circumstance, the Trustee is unlikely to review the arrangement, although a fund and benchmark may be sought that limit exposure to 5%. For this purpose, the Trustee will not count a pooled fund as a single investment, rather it will look through to the value of the underlying assets in any pooled fund.

5.4 ***Policy on Leverage***

The Trustee may invest in arrangements that use leverage where they offer risk reduction opportunities. The Trustee will use such arrangements to protect the funding position of the Scheme against adverse movements caused by changes in implied future nominal and real interest rates. The Scheme will not use leverage to enhance investment returns directly.

5.5 ***Policy on Active and Passive Management***

The Trustee considers whether each mandate awarded should be managed passively (in which case the Investment Manager's performance target will be to match the benchmark return) or actively (in which case the target will be greater than the benchmark return). The Trustee's decisions will be based on:

- the opportunities within the asset class to generate returns in excess of the benchmark return and
- the potential ability of active investment managers to generate returns above the benchmark.

Consideration will also be given to the risk of underperformance relative to the benchmark as discussed in paragraph 4.3 above.

The Trustee has elected to invest in both actively-managed and passively-managed funds.

5.6 ***Policy on Arrangements with Investment Managers***

The Trustee will seek advice on the capabilities of Investment Managers prior to any mandate being awarded. As the Trustee uses pooled funds, it considers, also, whether the fund under consideration is consistent with its policies, since it is unlikely to be able to influence the manager's approach. The Trustee will consider the effect of the appointment of any single Investment Manager on the likely volatility of returns on the Scheme's assets as a whole before making that appointment.

The Trustee will not enter into any agreement with an Investment Manager prior to receiving advice from its Investment Consultants on the proposed form of agreement. However, the Trustee is aware that, when investing in pooled funds, there may be little scope for amending the Manager's standard form of agreement.

Where the Trustee elects to use a pooled fund where the manager has some freedom over the asset allocation and/or stock holdings, the Trustee monitors the performance of the fund against its target, taking into account the market environment. Where the Trustee has performance concerns, it will investigate the reasons for such underperformance, which may consider portfolio turnover and costs. The Trustee does not monitor portfolio turnover and costs on a regular basis.

The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the Investment Managers. However, the Trustee remains aware that the majority of the assets are managed for the longer term and will not automatically remove a manager as a result of a short period of poor performance. Because it invests in pooled funds, the Trustee is not in a position to adopt a remuneration policy that incentivizes Managers to invest in any particular fashion.

Arrangements with Investment Managers are intended to continue, subject to satisfactory performance, until the relevant mandate is no longer part of the Trustee's strategy. In this context, satisfactory performance relates not just to quarterly asset returns but to other aspects, such as risk, being in line with the fund's objectives as described by the Manager to the Trustee.

The Trustee obtains regular reports from its Investment Managers on the performance of the funds, supplemented by commentary from the Investment Consultants.

5.7 ***Policy on Stock Selection***

The Trustee is not authorised under FSMA to manage pension scheme assets. The Trustee delegates all stock selection decisions to its appointed Investment Managers and monitors the Investment Managers' activity in conjunction with its advisers.

The Trustee has obtained confirmation from the Investment Managers of their policy towards the use of derivatives and on whether the Managers engage in stock-lending and underwriting. With the exception of any exposure to hedge funds or pooled LDI funds, the Trustee expects the Investment Managers to use these mechanisms only to facilitate investment or to hedge risk, rather than as a specific investment, and will monitor those Managers using them to ensure that no unacceptable additional risk is being added to the funds.

5.8 ***Policy on Financially Material and Non-Financial Matters***

ESG Matters

The Trustee believes the ability of the financial system to deliver attractive risk-adjusted investment returns depends on the sustainability of the underlying economic, social and environmental systems. The Trustee does not believe that systematically disinvesting from companies helps achieve this; rather the Trustee believes the Investment Managers should engage with companies to improve the sustainability of the investment, particularly with regard to environmental, social and governance risk factors. Before any new manager appointment, the Trustee will consider the manager's ESG engagement policies and how the approach might maximise the risk-adjusted returns on the Scheme assets over the long term.

Other Financially Material Matters

The Trustee has not identified any other specific financially-material matters at this time not already covered by other policies within the SIP.

Non-financial matters

The Trustee does not take non-financial matters into account in the selection of investments.

5.9 ***Policy on Stewardship***

As the Trustee invests in pooled funds, the Trustee is not the legal owner of the individual stocks and shares held by those funds. Therefore, the Trustee is not in a position to engage with the boards of the investee companies. The Trustee is aware, however, that its Investment Managers do engage with the companies in which they invest and is happy for them to do so on such basis as they deem appropriate to improve risk-adjusted returns.

Similarly, the Trustee has no voting rights in relation to the underlying assets purchased by the Investment Managers but is notified on a regular basis of the policies followed by the Managers. The Trustee expects the Investment Managers to exercise their rights in this regard.

5.10 ***Policy on Taking Investment Decisions***

The Trustee takes into account the complexity of its investment arrangements in setting its processes for decision making. Where the Trustee believes that it can achieve sufficient understanding in order to make well-informed decisions about investment matters it will not delegate the decision. If any decision the Trustee is called on to make requires additional training, the Trustee will obtain such training from the Investment Consultants, Investment Managers or other adviser as appropriate.

5.11 ***Policy on Dissemination of Investment Information***

The Trustee will review this SIP at least triennially, having taken advice from its Investment Consultants and consulted the Principal Employer. The Trustee has informed members that the SIP is available for inspection on request together with other information relating to the investment of the Scheme's assets.

5.12 ***Policy in the event of Contribution Default by the Principal Employer***

If the Principal Employer fails to make contributions in accordance with the Schedule the Trustee will seek clarification of the reasons for the default. If in the Trustee's opinion contributions are unlikely to continue to be received in accordance with the Schedule it will seek advice as to whether the current investment strategy remains appropriate.

5.13 ***Policy in the event of Employer Insolvency***

Should the Principal Employer become insolvent the Trustee will immediately review its investment strategy, taking advice from the Investment Consultants and the Scheme Actuary.

5.14 ***Policy on Liquidity Risk***

The Trustee will ensure that the assets chosen provide sufficient liquidity for the needs of the Scheme.

5.15 ***Compliance with the "Myners' Principles"***

The Trustee has conducted a full review of the Scheme's investment policy against the revised Myners' Principles and complies with those aspects of the Principles that it believes to be appropriate to the Scheme's circumstances.

A1 Asset Allocation

A review of the Scheme's asset allocation was conducted in 2018 and the following changes were agreed in October 2018:

Asset class:	**Change to current allocation:**
UK Equities	No change
Overseas Equities	No change
Long-dated Corporate Bonds	No change
UK Index-linked Gilts	Sell all
Liability Driven Investment (LDI)	Increased so that 100% of the interest-rate risk, including real-interest rate risk, is hedged on the funding basis
Absolute Return/Multi-asset and Multi-asset Credit	Remaining assets at outset split equally between these asset classes. (LDI collateral returns/requests will be to/from an absolute return Multi-asset Credit fund.)

Based upon conditions as at 31 July 2019, the above changes would lead to the allocations shown in the following table. These figures have been adjusted to allow for the LDI releveraging payment made in early August.

Asset class:	**(%)**
Liability Driven Investment (LDI)	25.4
Corporate Bonds	7.8
UK Equity	9.2
Overseas Equity	11.9
Absolute Return / Multi-asset	20.2
Absolute Multi-asset Credit	15.4
Multi-asset Credit	10.1
Total	**100.0**

The actual allocation over time will depend on market movements and LDI de/releveraging payments. Automatic rebalancing between asset classes is not to occur but the amounts held in each asset class will be reviewed on a regular basis. It is expected that cashflow shortfalls to meet benefits payments will, usually, be met from the Corporate Bonds holding. The allocation to Corporate Bonds is, therefore, expected to fall over time.

Should significant collateral be returned and the allocation to Absolute Multi-asset Credit increase to more than 25% of the Scheme's non-matching assets, the Trustee may elect to allocate some of the holding to Cash, after seeking advice from the Investment Consultant. Should collateral demands reduce the value of the Absolute Multi-asset Credit allocation to below £0.5m, the Trustee will consider increasing the amount, after seeking advice from the Investment Consultants.

A2 Asset class mandate allocation

Asset Class	Selected Fund
Liability Driven Investment (LDI)	Insight LDI Enhanced Shorter Real Fund Insight LDI Enhanced Longer Real Fund Insight LDI Enhanced Longer Nominal Fund (In such proportions as advised by the Investment Consultants)
Corporate Bonds	L&G Active over-10-years Corporate Bond Fund
UK Equity	L&G UK Equity (5% Capped) Passive
Overseas Equity	L&G World (ex UK) Equity Index
Absolute Return / Multi-asset	70% Newton Real Return Fund 30% L&G Diversified Fund
Absolute Multi-asset Credit	Insight Bonds Plus Fund
Multi-asset Credit	Fidelity Global Multi-asset Credit Fund

A3 Investment Charges

The Investment Managers levy a charge for managing the investments on behalf of the Trustee. The charge is deducted by each manager directly from the fund. The following table confirms the charges currently applicable to each fund:

Fund	Investment Management Charge
L&G UK Equity (5% Capped) Passive	0.11% per annum
L&G World (ex UK) Equity Index	0.22% per annum
L&G Active over-10-years Corporate Bond Fund	0.20% per annum
Insight LDI Enhanced Shorter Real Fund	0.12% per annum, <u>calculated on exposure</u>
Insight LDI Enhanced Longer Real Fund	0.12% per annum, <u>calculated on exposure</u>
Insight LDI Enhanced Longer Nominal Fund	0.12% per annum, <u>calculated on exposure</u>
Newton Real Return Fund	0.75% p.a.
L&G Diversified Fund	0.3% p.a.
Insight Bonds Plus Fund	Performance-related structure: 0.3% p.a. plus 10% of outperformance above Cash
Fidelity Global Multi-asset Credit Fund	0.35% p.a.

There is also a fee of £1,500 per annum payable to Legal & General Investment Management, quarterly in arrears.

A4 Benchmarks and Performance Objectives

The Trustee will assess performance quarterly and review the Investment Managers' appointments as required, based on the results of their performance and investment process.

The benchmarks and performance objectives for the appointed Investment Managers are as follow:

Fund	Benchmark	Performance Objective
L&G UK Equity (5% Capped) Passive	FTSE All-Share (5% capped)	Track the benchmark
L&G World (ex UK) Equity Index	FTSE AW-World (ex-UK) Index	The Fund aims to track the sterling total return of the benchmark to within +/- 0.50% p.a. for two years in three
L&G Active over-10-years Corporate Bond Fund	iBoxx £ Non-Gilt Over 10 Year Index	The fund aims to beat the benchmark by 0.75% p.a., gross of fees over rolling three-year periods. The fund has a duration of up to +/- 1 year relative to its benchmark and a maximum tracking error of 1.5% p.a.
Insight Solutions Plus LDI funds	Based on the cashflow profile of a typical pension scheme, the funds have a Gilt comparator and a Swaps comparator.	N/A
Newton Real Return Fund	Performance objective is LIBOR plus 4% p.a. (gross of fees) over rolling three to five year periods	
L&G Diversified Fund	No strict benchmark but L&G use a comparator of the FTSE Developed World Index (50% GBP Hedged) because the long-term expected rate of return of the Fund is designed to be broadly similar to that of a Developed Market Equity fund.	
Insight Bonds Plus Fund	LIBOR plus 2% p.a. (gross of fees) over rolling 3-year periods and aims to deliver positive absolute returns on an annual basis	
Fidelity Global Multi-asset Credit	The strategy aims to generate a nominal return of 5% per annum (over a full market cycle).	

A5 Employer-related Investment

The Royal College of Music is a non-profit making organization. The Scheme will have no direct investments in the College or in assets used by the College.

B1 Appointments Made

The following advisers assist the Trustee:

Scheme Actuary:	G Higgins FIA Censeo Actuaries & Consultants Limited Suite 9 The Portway Centre Old Sarum Park Salisbury SP4 6EB
Pension Consultants:	Premier Pensions Management Limited Corinthian House 17 Lansdowne Road Croydon CR0 2BX
Investment Consultants:	Censeo Actuaries & Consultants Limited Suite 9 The Portway Centre Old Sarum Park Salisbury SP4 6EB Sterling Financial Consultants Limited City Reach 5 Greenwich View Place Millharbour London E14 9NN
Administrators:	Premier Pensions Management Limited Corinthian House 17 Lansdowne Road Croydon CR0 2BX
Auditor:	Grant Thornton UK LLP Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW

In addition the Trustee has appointed the following Investment Managers:

Equity, Corporate Bonds and Multi-asset	*Legal & General Assurance (Pensions Management) Ltd* One Coleman Street London EC2R 5AA

Pooled LDI Funds and Absolute Multi-asset Credit	*Insight Investment Management Ltd* 160 Queen Victoria Street London EC4V 4LA
Multi-asset Credit	*FIL Investments International (Fidelity)* 25 Cannon Street London EC4, 2NY
Multi-asset	*Newton Investment Managers Ltd* 160 Queen Victoria Street London EC4V 4LA

The Investment Managers are monitored by the Department for Business, Enterprise & Regulatory Reform and by the Securities and Investments Board. They are regulated by the Financial Services Authority.

B2 Delegations Made

The Trustee has delegated the selection of all individual investments held within the pooled funds it invests in to the Investment Managers.

Once the Trustee has agreed to rebalance the Scheme Assets, it delegates responsibility for arranging the rebalancing of the different portfolios to the Investment Consultants and Administrators.

The Custodians for the assets held are appointed and monitored by the Investment Managers. All the Custodians are independent of the Employer.

B3 Reports Received by the Trustee

From the Investment Managers:

- quarterly reports detailing returns achieved,
- annual summaries of governance and Socially Responsible Investment policies,
- reports on transaction costs,
- copies of the investment managers' annual reports on compliance with AAF 01/06 or a suitable alternative.

From the Investment Consultants:

- quarterly reports monitoring the performance of the Investment Managers,
- annual reports on compliance with the current SIP.

From the auditor:

- a report on the Scheme’s annual financial statements.

COMPLIANCE WITH THE MYNERS PRINCIPLES

C1 Effective Decision Making

The Trustee considers that:

- the trustee board has appropriate skills for, and is run in a way that facilitates, effective decision-making,
- there are sufficient internal resources and access to external resources for the Trustee to make effective decisions,
- there is an investment business plan and progress is evaluated regularly and
- the Trustee pays particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).

The Trustee is a corporate, professional trustee and is remunerated as such.

C2 Clear Objectives

The Trustee has confirmed that:

- it has benchmarks and objectives in place for the funding and investment of the scheme,
- it considers as appropriate a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates and
- it considers the strength of the employer covenant.

Since the Scheme's assets are invested in pooled funds, investment management agreements are in a standard form as issued by the fund manager.

C3 Risk and Liabilities

The Trustee has confirmed that it:

- has a clear policy on willingness to accept underperformance that is due to market conditions,
- takes into account the risks associated with the liabilities' valuation and management,
- analyses factors affecting long-term performance and receives advice on how these impact on the scheme and its liabilities and
- considers whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.

The Trustee acknowledges that it has a legal requirement, under section 249A of the Pensions Act 2004, to establish and operate internal controls.

C4 Performance Assessment

The Trustee considers the performance of the investment managers biannually. Performance is considered with reference to the fund's benchmark, the manager's performance objective and the level of risk taken to achieve the return. The Trustee will consider each fund's performance over a period appropriate for the type of investment, usually in line with that stated in the fund's formal performance objective. However, the Trustee will seek an explanation of any significant short-term underperformance.

The Trustee reviews the performance of its advisers annually.

The Trustee is a corporate, professional trustee which is responsible for ensuring the capability and performance of those acting on its behalf.

C5 Responsible Ownership

The Trustee's policy on responsible ownership is included in its Statement of Investment Principles. However, because the Scheme's assets are invested in pooled funds, the Trustee recognizes that it has limited influence on the fund managers' engagement and voting policies.

C6 Transparency and Reporting

The Trustee provides regular communication to members in the form it considers most appropriate.