

Prospect Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

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1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the Prospect Pension Scheme (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
 - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendments) Regulations 2019.
- 1.2 In preparing this statement the Trustees have consulted Prospect (the Trade Union), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' 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 Trustees 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 are set out in Clause 37 of the Scheme's Rules, dated 27 July 2007. This statement is consistent with those powers.

2 Choosing Investments

- 2.1 The Trustees' policy is to set the overall investment target and to review the investment strategy on an ongoing basis. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role. The Trustees will also consult the Employer before amending the investment strategy.
- 2.2 The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in Appendix 1 to this Statement. The investment 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 Trustees monitor the performance of their investments against the target they have set. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.
- 2.4 The division of responsibilities and the decision making structure is set out in Appendix 2.

3 Investment Objectives

3.1 The Trustees' main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- that the Scheme's funding position (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4 Risks

4.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

4.2 **Strategic risk** This is the risk that the Scheme's assets and liabilities perform differently in different financial and economic conditions. The Trustees will monitor and review the investment strategy with respect to the liabilities on a regular basis. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy, given the Trustees' assessment of the strength of the Principal Employer's covenant, as set out in the Scheme's Statement of Funding Principles. The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.

4.3 **Fund manager risk** This is the risk that the investment managers fail to meet their investment objectives. The Trustees monitor each of the Scheme's fund managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

4.4 **Governance risk** Each investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor this and will report on managers' practices in their annual Implementation Statement.

4.5 **Environmental, Social and Governance (ESG) risk** The Trustees have considered that the long-term financial risks to the Scheme and ESG factors, including climate risk, are potentially financially material. The Trustees will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

4.6 **Concentration risk** This is the risk that the Scheme is adversely affected by the performance of a particular investment or group of investments. Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. The Trustees consider the overall diversification of the Scheme's strategy when setting the investment strategy.

- 4.7 **Liquidity risk** This is the risk that the Scheme is unable to realise assets to meet benefit cashflows as they fall due. The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- 4.8 The Trustees recognise that there are other non-investment risks faced by the Scheme. Examples include longevity risk (the risk that members live, on average, longer than expected) and sponsor risk (the risk, for whatever reason, that the sponsoring employers are unable to support the Scheme as anticipated).
- 4.9 Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustees believe that they have addressed and are well positioned to manage this risk.

5 Setting investment strategy

- 5.1 The Scheme can invest in wide range of investments. The Trustees invest in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees consider the expected volatility of returns in the context of the Scheme's liabilities.
- 5.3 The Trustees are advised by their professional advisors on these matters, who they understand to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.
- 5.5 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 5.6 The Trustees consider 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 Appendix 1 to this Statement.
- 5.7 Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position.

6 Realisation of investments

- 6.1 The investment managers have responsibility for the buying and selling of investments within the pooled funds in which the Scheme invests. The Trustees instruct the investment managers in relation to any investments and disinvestments from the funds. The Trustees have considered the risk of liquidity as referred to in Section 4.

- 6.2 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are 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 Scheme accounts.

7 Environmental, Social and Governance factors, Corporate Governance and Voting Rights

- 7.1 The Trustees' policy on these matters is set out in Appendix 4 to this Statement.

8 Agreement

- 8.1 This Statement was agreed by the Trustees, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the Principal Employer, the investment managers, the Scheme Actuary and the Scheme Auditor upon request. The Statement will also be published on a publically accessible website.

Signed:..... **Date:**

On behalf of the Trustees of the Prospect Pension Scheme

Appendix 1 - Note on investment policy of the Scheme as at August 2020 in relation to the current Statement of Investment Principles

Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the fund:

- Legal & General Investment Management;
- Aberdeen Standard Investments;
- Columbia Threadneedle Investments;
- FIL Fund Management Limited (Fidelity).

The investment managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham is remunerated on a time cost basis or where agreed by fixed fees for specified pieces of advice.

The fee arrangements with the investment managers are summarised below:

Fund manager	Fees
Legal & General	
Index-Linked Gilts – Over 5 Years	0.10% p.a. on the first £5m, 0.075% p.a. on the next £5m, 0.05% p.a. for the next £20m
World (ex UK) Equity	0.243% p.a. on the first £5m p.a., 0.213% on the next £10m
Aberdeen Standard	
UK Ethical Equity Institutional Fund	0.40% p.a.
Columbia Threadneedle	
Dynamic Real Return Fund	0.50% p.a.
Fidelity	
UK Real Estate Fund	0.75% p.a. plus a performance fee of 0.35% if the Fund outperforms its benchmark by between 0.5% p.a. and 1.5% p.a. and an additional 0.15% if the Fund outperforms the benchmark by more than 1.5% p.a.
	Performance fees are measured after all fees, over three year rolling periods and only applied if performance is positive.

The Trustees have arrangements with Royal London for the receipt of members' Additional Voluntary Contributions. The arrangements are reviewed from time to time.

Kinds of investments to be held

The Trustees have considered all asset classes and has gained exposure to the following asset classes:

- UK and overseas Equities;
- Index-Linked Gilts;
- Diversified Growth Funds;
- Property.

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The investment benchmarks and objectives for each investment manager are given below:

Fund manager	Benchmark	Objective
Growth Assets		
Legal & General World (ex UK) Equity	FTSE AW - World (ex UK) GBP currency hedged	Benchmark +/- 0.5% p.a. in two out of three years
Aberdeen Standard UK Ethical Equity	IMA UK Ethical Sub Sector	Outperform the benchmark
Threadneedle Dynamic Real Return Fund	UK Consumer Price Index	Benchmark + 3.5% p.a. after fees (over rolling three to five year periods)
Fidelity UK Real Estate Fund	IPD All Balanced Funds Weighted Average	Achieve returns of 8-10% p.a. net of fees (over rolling three to five year periods)
Bond Assets		
Legal & General Index-Linked Gilts Over 5 Year	FTSE A Index Linked Gilts - Over 5 Year	Benchmark +/- 0.25% p.a. in two out of three years

The performance of investment managers is monitored on a quarterly basis. Monitoring takes into account both short term and long term performance.

Fund manager	Allocation	Control range*
Growth Assets	60%	55% -65%
Legal & General World (ex UK) Equity	28% {	75%
Aberdeen Standard UK Ethical Equity		25%
Threadneedle Dynamic Real Return Fund	21%	18% - 24%
Fidelity UK Real Estate Fund	11%	8% - 14%
Bond Assets	40%	35% -45%
Legal & General Index-Linked Gilts Over 5 Year	40%	35%-45%
Total	100%	

*Note that the individual elements are not expected to add up to the total. For example, if all four growth funds were underweight we could breach the overall control range for growth assets without breaching the individual ranges.

The Scheme has a strategic asset allocation as set out in the table above. The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalancing. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short term cashflow requirements.

Investment of new money

New money is normally invested to rebalance the overall asset allocation towards its overall benchmark, although the Trustees retain their discretion as to how investments (and disinvestments) are made.

Realisation of investments

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

Appendix 2 – Trustee responsibilities

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

Trustees

In broad terms, the Trustees are responsible for:

- reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy;
- appointing (and, when necessary, dismissing) the investment managers, the actuary and investment consultants;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995;
- reviewing the content of this Statement from time to time and modifying it if deemed appropriate; and
- consulting with the Principal Employer when reviewing the Statement.

Investment managers

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

- managing their respective portfolios, within the guidelines agreed with the Trustees;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Pensions Act 1995 insofar as it is necessary to do so.

Investment consultant

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

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers;
- providing the Trustees with regular monitoring of the performance of the Scheme and the Trustees' appointed investment managers; and
- participating with the Trustees in reviews of this Statement.

Appendix 3 – Objectives for the investment consultant

Introduction

The purpose of this appendix is to set out the objectives agreed between the Trustees of the Prospect Pension Scheme (“the Trustees”) and Barnett Waddingham LLP (“BW”) for the purposes of the provision of Investment Consultancy Services to be provided by BW to the Trustees in respect of the Scheme. This appendix has been produced in order to comply with the requirements of The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019 (“the Regulations”) and The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (“the Order”).

Agreed objectives

The agreed objectives are:

Overall service

Provide high quality advice that helps the Scheme to achieve its investment objectives.

Communicate advice clearly using plain English.

Produce advice and other papers in a timely fashion, at least a week before a scheduled meeting, except where agreed otherwise.

Investment strategy design

Help the Trustees to define appropriate Aims, Beliefs and Constraints for the Scheme, including agreeing the approach to Environmental, Social and Governance factors.

Advise the Trustees on the design of investment strategy consistent with the Scheme’s ABCs.

Manager selection and monitoring

Recommend appropriate investment managers and/or funds consistent with the Scheme’s ABCs.

Report to the Trustees on major developments or changes in our opinion of managers/funds.

Provide reports monitoring the performance of the Scheme’s investments relative to the Scheme’s strategic objectives and also the performance of the Scheme’s investment managers relative to their own benchmarks/targets.

Implementation

Arrange the implementation of asset transfers in an efficient and timely manner.

Advise on the management of cashflow.

Governance

Advise the Trustees promptly on new investment opportunities or emerging risks.

Provide training to enable the Trustees to take well informed investment decisions.

Advise the Trustees of any actions required to ensure compliance with regulations.

Review

The Trustees acknowledge that they are required under the Regulations and the Order to review the Investment Consultancy Services provided by BW at least annually against these objectives and must review and, if appropriate, revise the objectives every three years (or without delay after any significant change in investment policy).

Appendix 4 – Environmental, Social and Governance factors, Corporate Governance and Voting Rights

1. Financial Materiality

The Trustees believe that environmental, social and governance (“ESG”) factors, including but not limited to climate change, are financially material over the length of time during which benefits will be provided by the Scheme. The Trustees therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme’s investments.

2. Trustees’ Policy

The Trustees’ policy on ESG matters, including engagement and the exercise of voting rights, is set out below. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have 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 Trustees have elected to invest the Scheme’s assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. As the investments are held in pooled funds, ESG considerations are set by each of the investment managers. The Scheme’s investment managers will ultimately act in the best interests of the Scheme’s assets to maximise returns for a given level of risk and only funds with specific ethical criteria will apply these.

The Trustees take into account ESG factors (including climate change risks) in the selection, retention and realisation of investments as follows:

- The Trustees will assess the investment managers’ ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels. When selecting new investments, an investment manager’s excellence in relation to these considerations will not take precedence over other factors, including (but not limited to) historical performance or fees.
- The Trustees will monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees accept that they cannot directly influence the investments held within the pooled funds in which the Scheme invests. The Trustees will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG factors in making their investment decisions. An investment manager’s excellence in this area may but does not have to take precedence over other factors, including (but not limited to) historical performance or fees.

The Trustees will also take ESG factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme’s investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain training on ESG considerations from time to time in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees may use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- The Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

3. Policy on non-financially material considerations

The Trustees have not considered it appropriate to take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The Trustees have appointed Aberdeen Standard to manage part of the equity portfolio using an ethical and socially responsible approach that excludes investments in certain areas. The Trustees have not included any non-financial matters (such as ethical views) as constraints when selecting the other funds or setting the overall strategy.

4. Policy on engagement and voting rights

The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.

The Trustees have examined how rights, including voting rights, attached to investments should be exercised. They recognise that they cannot directly influence the managers' policies on the exercise of investment rights as the assets are held in pooled funds. The Trustees delegate the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant. The Trustees will endeavour to hold the managers to account in relation to the exercising of these investment rights. The Trustees will make representations to their investment managers on specific issues where they see fit.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

The Trustees acknowledge 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 Trustees are 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 Trustees also recognise 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 Trustees consider 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 Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider 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 Scheme.

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

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider the investment managers' policies on engagement and how those policies have been implemented. The Trustees will regularly monitor the investment managers' approaches to these issues over time and will require the managers to report on what they have been doing.

5. Conflicts of interest

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have 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 Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflicts of interest.

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

6. Incentivising alignment with the Trustees' investment policies

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

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 make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem 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.

The Trustees carry out a strategy review periodically where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed. The investment managers have been informed of this by the Trustees.

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

The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value of investments as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe 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 Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

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

8. Method and time horizon for assessing performance

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

The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

The Trustees believe 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.

The Trustees ask the Scheme'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.

9. Portfolio turnover costs

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

During the investment manager appointment process, the Trustees 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.

10. Duration of arrangement with investment managers

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers. The Scheme first invested with Legal & General in April 1999, Aberdeen Standard in August 2009, Fidelity in September 2014, and Threadneedle in June 2018.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed periodically, or when changes deem it 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.