

# British Dental Association Pension Scheme

## Statement of Investment Principles

Date prepared: January 2025

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## 1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the British Dental Association Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
  - the Pensions Act 1995, as amended by the Pensions Act 2004; and
  - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted the British Dental Association, 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 any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in the Third Operative Provision of the Definitive Trust Deed & Rules, dated 24 April 1953 and subsequent amendments. This statement is consistent with those powers.

## 2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 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 the Appendix 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 review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

## 3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives.

3.2. The Trustees' main investment objectives are:

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

3.3. 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. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

## 4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of the Scheme's portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

## 5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation of the Scheme will be expected to change as the Scheme's liability profile matures.

## 6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

### **Risk versus the liabilities**

The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

### **Covenant risk**

The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

### **Solvency and mismatching**

The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

### **Asset allocation risk**

The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.

### **Liquidity risk**

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 cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

### **Investment manager risk**

The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.

### **Governance risk**

Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.

### **ESG/Climate risk**

The Trustees have considered long-term financial risks to the Scheme. They believe that ESG factors as well as climate risk are potentially financially material and 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.

### **Concentration risk**

Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

<b>Currency risk</b>	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
<b>Loss of investment</b>	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

## 7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the Scheme.
- 7.4. 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). The Trustees meet the Scheme's investment managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

## 8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the Scheme's 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.

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

The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

## 10. Policy on arrangements with asset managers

### Incentivising alignment with the Trustees' investment policies

- 10.1. 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.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to 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.
- 10.3. The Trustees carry out a strategy review at least every three years 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.
- 10.4. 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 may be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

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

- 10.6. 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 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.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the 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.
- 10.8. 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.

### Method and time horizon for assessing performance

- 10.9. 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.

- 10.10. The Scheme invests exclusively in pooled funds. The investment manager is 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.
- 10.11. 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.
- 10.12. 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.

### Portfolio turnover costs

- 10.13. 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.
- 10.14. 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. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

### Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, 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.

## 11. Agreement

- 11.1. 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 employer, the investment managers, the actuary and the Scheme auditor upon request.



## Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles dated January 2025

### 1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

#### Rebalancing

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 rebalances.

Investment manager	Asset class	Allocation	Control Range (%)
<b>Legal &amp; General Investment Management</b>	<b>UK equities</b>	<b>2.5%</b>	<b>+/- 0.2</b>
	<b>Overseas equities:</b>	<b>7.5%</b>	<b>+/- 0.5</b>
	North American Equities	0.55%	+/- 0.075
	North American Equities – GBP Hedged	1.65%	+/- 0.10
	European (ex UK) Equities	0.70%	+/- 0.075
	European (ex UK) Equities – GBP Hedged	2.10%	+/- 0.20
	Japanese Equities	0.315%	+/- 0.05
	Japanese Equities – GBP Hedged	0.935%	+/- 0.10
	Asia Pacific (ex Japan) Equities	0.315%	+/- 0.05
	Asia Pacific (ex Japan) Equities – GBP Hedged	0.935%	+/- 0.10
	<b>Diversified Fund</b>	<b>15.0%</b>	<b>-</b>
	<b>Maturing Buy and Maintain Credit &amp; Cash</b>	<b>25.0%</b>	<b>-</b>
	<b>LDI portfolio &amp; Cash</b>	<b>40.0%</b>	<b>-</b>
<b>TwentyFour Asset Management</b>	<b>Strategic Income Fund</b>	<b>10.0%</b>	<b>-</b>

**Total**

**100.0%**

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## 2. Choosing investments

The Trustees have appointed the Legal & General Investment Management ("LGIM") and TwentyFour Asset Management LLP to carry out the day-to-day investment of the Scheme. The Scheme accesses all the underlying funds through LGIM's Investment-only Platform ("IoP").

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

Fund	Benchmark index	Objective
<b>UK Equity Index</b>	FTSE All-Share	The Fund aims to track the sterling total return of the benchmark to within +/- 0.25% p.a. for two years in three
<b>Overseas Equities:</b>		
North American Equity Index	FTSE AW-Developed North America	The Fund aims to track the sterling total return of the benchmark to within +/- 0.5% p.a. for two years in three
North American Equity Index – GBP Hedged	FTSE AW-Developed North America – Hedged Sterling	The Fund aims to track the total return of the benchmark to within +/- 0.5% p.a. for two years in three
European (ex UK) Equity Index	FTSE AW-Developed Europe (ex-UK)	The Fund aims to track the sterling total return of the benchmark to within +/- 0.5% p.a. for two years in three
European (ex UK) Equity Index – GBP Hedged	FTSE AW-Developed Europe (ex UK) – Hedged Sterling	The Fund aims to track the total return of the benchmark to within +/- 0.5% p.a. for two years in three
Japanese Equity Index	FTSE AW-Japan	The Fund aims to track the sterling total return of the benchmark to within +/- 0.5% p.a. for two years in three
Japanese Equity Index – GBP Hedged	FTSE AW-Japan Hedged Sterling	The Fund aims to track the total return of the benchmark to within +/- 0.5% p.a. for two years in three

Asia Pacific (ex Japan) Equity Index	FTSE AW-Developed Asia Pacific (ex-Japan)	The Fund aims to track the sterling total return of the benchmark to within +/- 0.75% p.a. for two years in three
Asia Pacific (ex Japan) Equity Index – GBP Hedged	FTSE Developed Asia Pacific (ex Japan) – Hedged Sterling	The Fund aims to track the total return of the benchmark to within +/- 0.75% p.a. for two years in three
<b>Diversified Fund</b>	FTSE Developed World Index – 50% GBP Hedged	Similar rate of return as developed market equities over the long-term (corresponding to Bank of England base rate + 3.75% p.a. before fees)
<b>TwentyFour Strategic Income Fund (LGIM Platform)</b>	The fund has no official benchmark, but 3 Month LIBOR/SONIA is used as a monitoring comparator	The fund has no explicit performance target, but we would expect returns of SONIA +3-5% p.a.
<b>Maturing Buy &amp; Maintain Credit Funds</b>	The funds have no official benchmark	To provide credit risk exposure by investing in a globally diversified portfolio of non-government bonds. The investment manager avoids investing in bonds where they believe default or a significant deterioration of credit quality may occur.
<b>LDI portfolio:</b>		
Matching Core Pooled LDI Funds	Gilts and swaps based benchmarks based on the liability profile of a 'typical' UK defined benefit pension scheme	To hedge part of the interest and inflation risk of the liabilities
Sterling Liquidity Fund	SONIA	To generate a return in line with the benchmark whilst maintaining high levels of liquidity

### 3. Fee agreements

The fees paid by the Scheme are recorded in the contracts agreed between the Trustees and LGIM, through the IoP.

Barnett Waddingham is remunerated on a time-cost basis and fixed fees where agreed in advance.

The Trustees have an AVC contract with Legal & General for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

## 4. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.

## **Appendix 2 Note on financially material considerations, the exercise right and engagement activities, and non-financial matters**

### **1. Policy on financially material considerations**

Given the maturity profile of the Scheme and the objective to fund future member benefits from the Scheme's assets as they fall due, the Trustees have considered financial risks to the Scheme in the context of this long-term time horizon and believes that Environmental, Social and Governance ("ESG") issues, including but not limited to climate change, are potentially financially material and therefore takes these factors into account, alongside other factors, in their decisions in relation to the selection, retention and realization of the Scheme's investments.

The Trustees received training from their investment advisor on ESG factors. The Trustees considered the research findings presented at this training as well as their own independent research to form their views on the financial materiality of ESG factors as they apply to the Scheme's current investments. The Trustees concluded that these factors have the potential to impact the risk and/or return profile of the Scheme's investments from time to time. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes and investment managers.

The Trustees are comfortable that the funds currently invested in by the Scheme are managed in accordance with its view on financially material factors, as set out in this policy. This position is monitored as part of the ongoing monitoring of the Scheme's investment managers. Managers provide updates on their engagement and stewardship activities when they meet the Trustees, provide engagement and stewardship reporting and the Trustees may also obtain further updates and training from their investment consultant on ESG matters. In the future, the views set out below will be taken into account in decisions to select, retain or realise holdings with asset managers.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

#### **Passively managed equity and corporate bond funds:**

The Trustees believe that ESG factors will be financially material to the risk-adjusted returns for equities and corporate bonds. However, the Trustees accept that for passively managed funds, the managers must invest in line with the specified index and, therefore, may not be able to select, retain or realise investments based on ESG related risks and opportunities.

However, the Trustee believes that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustee looks to their managers to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company. LGIM is a long-term investor and engages with companies (including those in the indices that the Scheme invests in) on matters including wider ESG factors and climate change on a regular basis. However, engagement activities (including the exercise of rights) should be consistent with, and proportionate to, the rest of the investment process.

## Multi-asset funds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund holdings. The investment process for any multi-asset fund manager should take ESG into account when selecting, retaining or realising any holdings and the same is true for all other financially material considerations. The Trustees also support engagement activities and, where relevant, the exercise of rights attaching to the investments by the Scheme's multi-asset fund manager. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustees are satisfied that their multi-asset managers have suitable processes in place to consider ESG factors and take them into account, where relevant.

## LDI and Money Market

The Trustees believe there is limited scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used within the LDI funds and the fact that money market investments are short term.

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

The Trustees are comfortable that all of their current investment managers have a suitable approach to taking ESG into account in the management of the respective funds in each particular asset class, and within applicable guidelines and restrictions. This position is monitored periodically and the Trustees views on these issues will be taken into account when appointing and reviewing fund managers in future.

## 2. Policy on the exercise of voting rights

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers.

The Scheme currently invests in pooled investment funds only. The Trustees delegate responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact, and to mitigate financial risks.

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

The 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.

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.

### 3. Policy on engagement activities

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.

Where applicable, 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.

Where applicable, 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.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the 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 conflict 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.

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

## 4. Policy for taking into account non-financial matters

The Trustees do not take into account the Scheme members' and beneficiaries' views on ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (i.e. "non-financial matters" in the relevant regulations) in the selection, retention and realisation of investments. The Trustees will review the policy on whether to take account of non-financial matters periodically.