

Eastham Refinery Pension Scheme

Statement of Investment Principles

September 2020

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Section 1: Introduction

Pensions Act

- 1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustees of the Eastham Refinery Pension Scheme ("the Scheme").

Background

- 1.2 Before preparing this document, the Trustees have consulted the employer and will also consult the employer before revising this document, in particular, if it relates to changes in investment policy. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.
- 1.3 Before preparing this document, the Trustees have sought advice from the Scheme's actuary and investment consultants, Barnett Waddingham. The Trustees have also provided a copy to the Scheme's investment managers. The Trustees will review this document, in consultation with their investment consultants and (if appropriate) the Scheme Actuary, at least once a year, or sooner following an unscheduled actuarial valuation, or without delay following a significant change in investment policy. Before preparing this document the Trustees have had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustees will consider those requirements on any review of this document or any change in their investment policy. The Trustees will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.
- 1.4 This document has been drafted in the light of the Myners' Review and specifically Myners' recommendations relating to the content of Statements of Investment Principles (see Appendix A).

Scheme details

- 1.5 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.
- 1.6 Members of the Scheme are contracted-out of the State Second Pension under the Pensions Schemes Act 1993. The Scheme holds a contracting-out certificate issued by the Inland Revenue.
- 1.7 Since 6 April 2006, the Scheme has been treated by HM Revenue and Customs (HMRC) as a registered pension scheme, in accordance with Schedule 36 of the Finance Act 2004.
- 1.8 Administration of the Scheme is managed by Barnett Waddingham on behalf of the Trustees. The Trustees are responsible for the investment of the Scheme's assets.

Financial Services and Markets Act

- 1.9 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers, which may include an insurance company or companies. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Section 2: Governance

- 2.1 The Trustees have ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some of these responsibilities.
- 2.2 Responsibility for all day-to-day investment decisions is delegated to the Scheme's investment managers. The Trustees retain direct responsibility for other investment matters which include:
- a Reviewing annually, or following any significant change in investment policy, the content of this Statement of Investment Principles and for modifying it if deemed appropriate, in consultation with the investment consultants and Scheme Actuary.
 - b Reviewing the investment policy following the results of each actuarial review, in consultation with the investment consultants and Scheme Actuary.
 - c Appointing (and dismissing) investment managers.
 - d Assessing the quality of the performance and processes of the investment manager by means of regular, but not less than annual, reviews of the investment results and other information, in consultation with the investment consultants and Scheme Actuary.
 - e Consulting with the employer before amending this Statement.
 - f Strategically allocating the assets and the cash flow of the Scheme between investment mandates and making periodic adjustments to the portfolio allocations.
 - g Monitoring compliance with this Statement on an ongoing basis.
 - h Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments.
- 2.3 Decisions affecting the Scheme's investment strategy should be taken with appropriate advice from the Scheme Actuary and investment consultants and the Trustees' other advisers as appropriate.
- 2.4 The Trustees are satisfied that they have sufficient expertise and appropriate training to evaluate critically the advice they receive. The Trustees are also satisfied that they have an appropriate set of skills individually and collectively, and the right structures and processes, to carry out their role effectively.
- 2.5 Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees of the Scheme draw on the skills and expertise of external advisers including the investment managers, custodians, investment consultants and Scheme Actuary.

- 2.6 The Trustees are aware that they have the flexibility to open the contracts for actuarial services and investment advice to separate competition.

Section 3: Division of responsibilities

Trustees

3.1 The Scheme Trustees' responsibilities include:

- Reviewing the content of this Statement of Investment Principles and for modifying it if deemed appropriate, in consultation with the investment consultants and scheme actuary
- Reviewing the investment principles following the results of each actuarial review, in consultation with the investment consultants and scheme actuary
- Appointing the investment manager(s)
- Assessing the quality of the performance and processes of the investment manager(s) by means of regular reviews of the investment results and other information, in consultation with the investment consultants and scheme actuary
- Consulting with the employer before amending this statement
- Monitoring compliance of the investment arrangements with this Statement on an ongoing basis
- Considering on an annual basis the effectiveness of the decisions they have made and the contributions to those decisions by the Scheme's investment managers and consultants

3.2 The Trustees have considered the Myners principle recommending an investment sub-committee. However, the trustees feel that such a committee is inappropriate for the Scheme, due to its small size and membership; and simple investment arrangements.

Investment manager

3.3 As set out in Section 6, the assets are entirely passively measured. The investment manager's responsibilities include:

- Tracking the relevant benchmark returns within an appropriate tracking error
- Providing the Trustees with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios
- Informing the Trustees of any material changes in the internal objectives and guidelines of any pooled funds used by the Scheme and managed by the investment manager or an associated company

Investment consultants

3.4 The role of the investment consultants includes:

- Participating with the Trustees in reviews of this statement.
- Advising the Trustees, as requested:
 - through consultation with the Scheme Actuary on how any changes in benefits, membership and funding position may affect the manner in which the assets should be invested
 - on how any changes at the investment manager(s) could affect the interests of the Scheme
 - on how any changes in the investment environment could either present opportunities or problems for the Scheme.
- Undertaking project work as requested, including:
 - reviews of asset allocation policy
 - reviews of the investment manager(s).
- Advising on the selection of new managers and/or custodians

3.5 Fees are generally calculated by reference to the time spent on a particular assignment and the relevant charge-out rates applying to the associates who provide the services in question.

Scheme Actuary

3.6 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Scheme and advising on the appropriate contribution levels for the future.
- Liaising with the investment consultants on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

Section 4: Objectives and long term policy

Objectives

- 4.1 The Trustees have the following investment objectives:
- a The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the Company, the cost of current and future benefits which the Scheme provides.
 - b To limit the risk of the assets failing to meet the liabilities over the long term.
 - c To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown under **b**.

Policy

- 4.2 The Trustees' policy is to seek to achieve the objectives through investing in a suitable mixture of real and monetary assets. They recognise that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. A mixture across asset classes is targeted to provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk for the Trustees and an acceptable level of cost to the Company.
- 4.3 Having taken appropriate actuarial advice, the Trustees are of the opinion that the asset allocation detailed in 5.1 is appropriate in the current circumstances, but will be reviewed after subsequent valuations or more frequently as required.

Expected return on investments

- 4.4 In setting the Scheme's asset allocation policy, the Trustees' aim is that the returns on investment enable the Scheme to fund the benefit provisions to members. For this purpose the Trustees have had regard to the actuarial valuation approach which is used to determine Company contributions, including in particular an expected higher return on equity investments than on bonds, and to the historical rates of return earned on the various classes of assets available for investment.
- 4.5 The relative risks and returns of different classes of investment are reviewed at intervals by the Trustees, based in part on asset liability modeling following each actuarial valuation.

AVCs

- 4.6 The Scheme provides a facility for members to pay AVCs into the Scheme to enhance their benefits at retirement. The payments under AVCs are used to purchase "added years" of service for the members and the proceeds are invested with the main Scheme assets.

Realisation of assets

- 4.7 The majority of stocks held by the Fund's investment managers are quoted on major stock markets and may be realised quickly if required.

Section 5: Asset allocation guidelines

Asset allocation

5.1 The Trustees believe that the following strategic scheme-specific asset allocation is appropriate for the Scheme:

LGIM Fund	Asset Allocation %	Control Range %	Benchmark
Global Equity Market Weights (30:70) Index Fund (75% Hedged)	60.0	57.5 - 62.5	Composite of 30/70 distribution between the following indices, with 75% of the foreign currency exposure hedged back to Sterling: <ul style="list-style-type: none"> • FTSE All Share Index; and • FTSE All World (ex-UK) Index
Total equities	60.0		
AAA-AA-A Corporate Bond All Stocks Index Fund	11.7	10.7 - 12.7	Markit iBoxx £ Non-Gilts (ex-BBB) Index
UK Over 15 Year Index-Linked Gilts Fund	12.8	11.8 - 13.8	FTSE Actuaries UK Index-Linked Gilts Over 15 Years Index
UK 5-15 Year Index-linked Gilts Fund	15.5	14.0 - 17.0	FTSE Actuaries UK Index-Linked Gilts 5-15 Years Index
Total bonds	40.0		
Total	100.0	100.0	

5.2 The actual allocation of the Scheme's assets will be rebalanced on a weekly basis, upon breach of the control range shown above. The Trustees, after advice from their strategic investment adviser, may exceptionally extend these ranges.

5.3 It is the intention of the Trustees to review the asset allocation of the Scheme every three years following each actuarial valuation. In addition, the Trustees will monitor the position on an annual basis.

5.4 The Trustees considered the use of both passive and active investment management when reviewing the Scheme's strategy. The resultant use of fully passive management for all invested assets was determined following consideration of the relative levels of risk involved, set against the efficiency, liquidity and level of transaction costs likely to prevail within each market, allowing for investment manager fees.

5.5 Asset categories not included here may only be used following a revision of these restrictions which specifically permits their inclusion.

5.6 The Trustees' policy is not to leverage the portfolio. Some short-term borrowing for settlement is allowed, but is strictly limited and for the purpose of trade settlement only (which is standard practice in investment management).

Diversification

5.7 The Scheme's strategic asset allocation (see 5.1 above) is designed to ensure that the Scheme's investments are adequately diversified by asset class. Since the Scheme is invested in pooled funds, the Trustees cannot influence directly the concentration of investments at a stock selection level.

Suitability

5.8 The Trustees have taken advice from the investment consultants to ensure that the asset allocation specified above is suitable for the Scheme given its liability profile.

Liquidity

5.9 The Trustees, together with the Scheme's administrators, will ensure that they hold sufficient cash to meet the likely benefit outflows from time to time. The Trustees' policy is that there should be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy.

Section 6: Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

Financially Material considerations

- 6.1 The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.
- 6.2 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 consultants. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.
- 6.3 The Trustees take those factors into account in the selection, retention and realisation of investments as follows:
- **Selection:** The Trustees will consider how ESG factors are taken into account in the selection of investments with the Scheme's investment managers. When appointing a new mandate, the Trustees will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustees will also consider alongside other factors whether any new investment managers are signatories to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Scheme's investment managers are all PRI signatories.
 - **Retention:** The Trustees will request information regarding the ESG practices of the Scheme's investment managers, and will review this on a regular basis, to consider whether these remain appropriate.
 - **Realisation:** The Trustees will consider how ESG factors are taken into account in the realisation of investments with the Scheme's investment managers.
- 6.4 The Trustees will also take those 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.

Policy for monitoring ESG policy

- 6.5 The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:
- The Trustees will obtain regular training on ESG considerations 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 will use any ESG ratings information available within the pensions industry or provided by its

investment consultants, to assess how the Scheme's investment managers take account of ESG issues.

- Through their investment consultants 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.

Non-financially material considerations

- 6.6 The Trustees do not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.
- 6.7 The Trustees will review its policy on whether or not to take account of non-financial matters on an annual basis.

The exercise of voting rights

- 6.8 The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees behalf. In doing so, the Trustees expects 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.
- 6.9 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 consultants.
- 6.10 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 consultants, monitor and review the information provided by the investment managers.
- 6.11 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.

Engagement activities

- 6.12 The Trustees acknowledge the importance of ESG and climate risk within the investment making framework. When delegating investment decision making to their investment managers the Trustees provide the investment managers with a benchmark it expects the investment managers to either follow or outperform.
- 6.13 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.

- 6.14 The Trustees consider it to be a part of the investments manager's role to assess and monitor developments in the capital structure for each of the companies in which the manager invests as part of the pooled fund in which the Scheme holds units.
- 6.15 The Trustees also consider it to be part of the investment manager's role 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.
- 6.16 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.
- 6.17 The Trustees periodically review engagement activity undertaken by their investment managers to ensure that the policy outlined above is being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

Conflicts of interest

- 6.18 The Scheme's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring Employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustees have made the Sponsoring Employer aware of their policy on ESG and climate related risks, how it intends to manage them, and the importance that the pensions industry as a whole, and its regulators, places on them.
- 6.19 The Scheme's investment consultants, Barnett Waddingham, are 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.
- 6.20 The Trustees expects 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.

Section 7: Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

- 7.1 Prior to appointing an investment manager, the Trustees discuss the investment manager's benchmark and 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 aims, beliefs and constraints, taking into account the nature of the investment manager's mandate.
- 7.2 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 its own investment objectives for the part of the portfolio being considered, the Trustees may consider whether it would be more appropriate to use another manager for the mandate.
- 7.3 The Trustees' approach is therefore to determine its investment policies, which are set out in this document, and to appoint investment managers that it believes fits with these policies. The Trustees do not provide any direct incentives for the investment managers to align their practices with these policies; instead the managers have been selected on the basis that their approaches are aligned with the policies. The Trustees consider this to be a suitable approach in practice given it typically invests in pooled funds with other investors. Sections 7.11 to 7.16 of this document explain how the fee arrangements in place act as an indirect incentive for the investment managers to continue to perform in line with the criteria against which they were assessed at selection over the medium to long term.
- 7.4 The Trustees carry out an investment strategy review at least every 3 years where they assess the continuing relevance of the investment strategy in the context of the Scheme and the Trustees aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 7.5 In the event that an appointed investment manager ceases to meet the Trustees desired aims, including the management of ESG and climate related risks, using the approach expected of them, the Trustees will consider whether it would be more appropriate to use another manager for the mandate. The investment managers have been informed of this by the Trustees.
- 7.6 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

- 7.7 The Trustees are mindful that the impact of ESG and climate change may have 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 have acknowledged this in the Scheme's investment management arrangements.
- 7.8 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 an agreed predetermined 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. The Trustees do not expect ESG considerations

to be disregarded by the investment manager in an effort to achieve any short term targets.

- 7.9 The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings. From 1 October 2020, the Trustees monitor this activity within the Implementation Statement in the Scheme's Annual Report and Accounts.

Method and time horizon for assessing performance

- 7.10 The appointment of the investment managers will be reviewed by the Trustees from time to time, based on the results of their monitoring of performance and investment process, the Trustees' confidence that the manager can continue to fulfil their mandate in the future and of the managers' compliance with the requirement in the Pensions Act concerning diversification and suitability, where relevant. The Trustees will monitor the extent to which the managers give effect to the policies set out in this document.
- 7.11 The Trustees will assess performance on an annual basis, with interim monitoring quarterly. Measurable objectives have been developed for the fund managers, consistent with the achievement of the Scheme's longer term objectives. These are set out in 5.1.
- 7.12 The Trustees monitor the performance of the Scheme's investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.
- 7.13 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.
- 7.14 The Scheme's assets are managed entirely passively, and the setting of a clear benchmark index that the investment manager aims to track incentivises the manager to manage the portfolio in line with Trustees' requirements. The Trustees acknowledge that a fall in the benchmark index would reduce the remuneration paid to the manager.
- 7.15 The Trustees do not consider this to be a disincentive for the investment manager to invest in line with the benchmark, because the Trustees make clear to the investment manager that any material deviation from the benchmark for passively managed assets which is considered out of line with the manager's expected approach could result in the appointment of a replacement investment manager.
- 7.16 The Trustees believe that this fee structure incentivises the investment manager to focus on tracking the benchmark index over the long-term.
- 7.17 The Trustees ask the Scheme's investment consultants 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 every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 7.18 The Trustees acknowledge that portfolio turnover costs can impact on the performance of the Scheme's investments. Overall performance is assessed as part of the regular investment monitoring process.
- 7.19 During the investment manager appointment process, the Trustees 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.

- 7.20 The Scheme's investment manager does not use soft commission arrangements within their broking transactions.

Duration of arrangement with manager

- 7.21 For the open-ended pooled funds in which the Scheme invests, there are no predetermined timescales for investment agreed with the investment managers.
- 7.22 The assets are entirely passively managed and invested in Legal & General passive funds. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees investment aims, beliefs and constraints 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.

Investment restrictions

- 7.23 The Trustees confirm that the trust deed and rules and the contractual agreement with the Scheme's investment manager do not prohibit the use of any financial instruments.

Fees

- 7.24 The fees paid to the manager by the Scheme follow the manager's standard fees scale.

Section 8: Risk management

8.1 The Trustees recognise a number of risks involved in the investment of the assets of the Scheme and will continue to monitor these risks, making investment adjustments as appropriate.

- Solvency risk, mismatching risk
 - are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies
 - are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk
 - is measured by the expected deviation of the prospective risk and return, as set out in the manager(s)' objectives, relative to the investment policy
 - is managed by the selection of a passive manager and by monitoring the actual deviation of returns relative to the objective and factors supporting the manager(s)' investment process.
- Liquidity risk
 - is measured by the level of cashflow required by the Scheme over a specified period
 - is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Custodial risk
 - Is addressed through investment in pooled vehicles, with the investment managers responsible for selection of suitable custodians. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- Political risk
 - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
 - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Sponsor risk
 - is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit
 - is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.
- ESG/Climate risk
 - The Trustees will take these factors into account in the selection, retention, and realisation of assets, as well as part of its investment process to determine a strategic asset allocation, and will consider these factors as part of ongoing reviews of the Scheme's investments. The

Trustees' full policy on these factors is set out in Section 6.

- 8.2 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target.

Adopted by the Trustees, September 2020

Appendix A: Myners principles

In 2000, the Government commissioned Paul Myners to investigate the factors which were distorting the investment decision-making of UK institutions. As a result of this review, it was recommended that UK pension funds adopt investment principles (called the Myners Principles) as best practice. These investment principles have since been amended and are detailed as follows:

Principle	Best practice guidance
The high level principles will be the accepted code of best practice throughout the industry in investment decision-making and governance. It is expected that trust boards will report against these on a voluntary 'comply or explain' basis.	Best practice guidance is intended to help trustees to apply the principles effectively. Trustees are not expected to implement every element of best practice. Rather trustees may use best practice examples where appropriate to help demonstrate whether compliance has been achieved.
Principle 1: Effective decision-making <ul style="list-style-type: none"> Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<ul style="list-style-type: none"> The 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 trustees and Boards to make effective decisions. It is good practice to have an investment subcommittee, to provide the appropriate focus and skills on investment decision-making. There is an investment business Scheme and progress is regularly evaluated. Consider remuneration of trustees. Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).
Principle 2: Clear objectives <ul style="list-style-type: none"> Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers. 	<ul style="list-style-type: none"> Benchmarks and objectives are in place for the funding and investment of the scheme. Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation. Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates. Consider the strength of the sponsor covenant.

Principle 3: Risk and liabilities

- In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.
- These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.
- Trustees have a clear policy on willingness to accept underperformance due to market conditions.
- Trustees take into account the risks associated with their liabilities valuation and management.
- Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.
- Trustees have a legal requirement to establish and operate internal controls.
- Trustees consider whether the investment strategy is consistent with schemes to pay.

Principle 4: Performance assessment

- Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.
- Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.
- There is a formal policy and process for assessing individual performance of trustees and managers.
- Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).
- The chairman addresses the results of the performance evaluation.
- State how performance evaluations have been conducted.
- When selecting external advisers take into account relevant factors, including past performance and price.

Principle 5: Responsible ownership

- Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
 - A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.
 - Trustees should report periodically to members on the discharge of such responsibilities.
 - Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.
 - Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.
 - Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.
 - Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.
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Principle 6: Transparency and reporting

- Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
 - Trustees should provide regular communication to members in the form they consider most appropriate.
- Reporting ensures that:
 - the scheme operates transparently and enhances accountability to scheme members; and
 - best practice provides a basis for the continuing improvement of governance standards.