

SEPTEMBER 2019

STATEMENT OF INVESTMENT PRINCIPLES
for the
CLOSED FUND OF THE ITB PENSION FUNDS

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles?

This Statement of Investment Principles (“SIP”) sets out the policy of the Trustees of the ITB Pension Funds (“the Trustees”) on various matters governing decisions about the investments of the Closed Fund of the ITB Pension Funds (“the Closed Fund”).

1.2. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Closed Fund’s investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The SIP also takes into account comments made by GAD, the Closed Fund’s actuary. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Closed Fund and the principles contained in this SIP.

Each of the Participating Employers was consulted on the SIP. The current investment manager of the Closed Fund was given the opportunity to comment on a draft of the SIP and its comments have been incorporated into this final version. The manager is required to carry out its investment responsibilities in a manner consistent with this SIP.

1.3. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”), the Occupational Pension Schemes (Investment) Regulations 2005 (“the Regulations”) and the Pension Regulator’s investment guidance for defined benefit pension schemes (March 2017).

The Closed Fund’s assets are held in trust by the Trustees. The investment powers of the Trustees are set out in Clause 8 of the ITB Trust Deed dated 30th March 2012.

The SIP also reflects the Trustees’ response to the Myners voluntary code of investment principles.

2. What are the Trustees' overall investment objectives?

The Trustees' objectives are:

- the acquisition of suitable assets to match the cost of current and future benefits which the Closed Fund provides;
- the acquisition of suitable assets of appropriate diversification for the remaining assets, known as "the Reserve Assets", which will generate additional capital growth to meet further benefit enhancements;
- achieve low volatility of the Reserve Assets relative to annuity pricing; and
- to minimise the long-term costs of the Closed Fund by implementing a simple and low-cost investment strategy and maximising the return whilst having regard to the previous point.

The Investment Committee undertakes regular reviews of the investment strategy for the Reserve Assets.

The most recent actuarial valuation of the Closed Fund under the Occupational Pension Schemes (Scheme Funding) Regulations 2005 was carried out as at 31st March 2018. The Trustees have taken into account the results of this valuation in setting the investment policy for the Closed Fund. The valuation of liabilities includes a provision for providing three years' expected benefit payments to cover any delay with compensation from the Financial Services Compensation Scheme if the buy-in insurer was to become insolvent.

3. What risks do the Trustees consider and how are these measured and managed?

When deciding how to invest the Closed Fund's assets, the Trustees consider a wide range of risks, including, but not limited to, those set out in Appendix A. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

4. Summary of the Closed Fund's investment strategy

4.1. How was the investment strategy determined?

The Investment Committee undertakes regular reviews of the investment strategy with the help of their advisers, taking into account the objectives described in Section 2 above.

4.2. What is the investment strategy?

The majority of the Fund's assets are invested in a buy-in policy with an insurance company which broadly covers all of the Closed Fund's liabilities. However, it should be noted that whilst the buy-in policy receipts are linked to the Retail Prices Index ("RPI"), the Fund's benefits

increase in line with the Consumer Prices Index (“CPI”) – for more details see Appendix A. The remaining assets of the Closed Fund are known as “the Reserve Assets”.

The Reserve Assets, totalling around £71m as at 31 March 2019, are invested based on the benchmark allocation below:

Asset class	Benchmark allocation
Global equities	15%
Government bonds	70%
Corporate bonds	<u>15%</u>
Total	<u>100%</u>

4.3. What did the Trustees consider in setting the Closed Fund’s investment strategy?

The strategy review included modelling the Closed Fund’s assets and liabilities over a wide range of possible scenarios for future economic conditions. In setting the strategy, the Trustees considered:

- the term and nature of the projected liability cash flows;
- a wide range of asset classes;
- the risks and rewards of a number of possible asset allocation options;
- the suitability of each asset class within each strategy, both across asset classes and within asset classes;
- the need for appropriate diversification between different asset classes to ensure that both the Closed Fund’s overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Closed Fund;
- the positions of any Participating Employers, including an assessment of the strength of the covenant of any Participating Employers;
- the best interests of all members and beneficiaries; and
- the Trustees’ investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees’ key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;

- risks that are typically not rewarded, such as interest rates, inflation and currency, should generally be avoided, hedged, or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

4.4. What assumptions were made about the returns on different asset classes?

The key financial assumptions made by the Trustees in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 5.0% pa and that corporate bonds will return 0.9% pa above gilts over the long term.

Thus, the model assumes that there is a 50/50 chance that, over the long term, equity-type investments will outperform gilts by at least 5.0% pa and corporate bonds will outperform gilts by 0.9% pa.

The assumptions used will vary from time to time, to reflect changes in market conditions.

5. Appointment of investment managers and custodian

5.1. How many investment managers and custodians are there?

The Trustees have agreed a buy-in policy with an insurance company which broadly covers all of the Closed Fund's liabilities.

The Trustees have appointed an investment manager to manage the Closed Fund's Reserve Assets within pooled funds. The manager arrangements are discussed in Appendix B.

The pooled funds have underlying custodians, which are appointed by those funds.

5.2. What formal agreements are there with the insurance company and investment manager?

The Trustees have signed a policy document with the buy-in insurance company. This sets out the terms of the buy-in policy.

For the Reserve Assets, the Trustees have subscribed to pooled funds, governed by prospectuses which set out the terms for investors. Details of the investment manager and the funds are given in Appendix B.

5.3. What do the investment managers do?

The investment manager's primary role is the day-to-day management of the Closed Fund's Reserve Assets. The investment manager is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

5.4. What do the custodians do?

The custodians' primary role is the safekeeping of the assets. The custodians are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

6. Other matters

6.1. What is the Trustees' policy on the realisation of investments?

The Trustees will ensure that they hold sufficient cash to meet the likely benefit outgoings. The Trustees hold a buy-in contract, which pays the Closed Fund's benefit cash flows. It is therefore expected that there will be no need to disrupt the investment policy of the Reserve Assets in order to pay benefits, except where Trustees may grant increases to benefits following the results of triennial valuations.

The Trustees assess the likely outgoings from the Reserve Assets (e.g. to meet expenses) on a regular basis and ensure that sufficient cash reserves are available to meet the outgoings. It is expected that expenses will be able to be met from the Reserve Assets in such a way that is consistent with the Benchmark Allocation of the Closed Fund.

The Trustees have delegated responsibility for the realisation of investments to the investment manager, within certain guidelines and restrictions.

6.2. What is the Trustees' policy on financially material and non-financial matters?

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Closed Fund and its members.

The Trustees expect the investment manager to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint a manager that has appropriate skills and processes to do this, and from time to time review how the manager is taking account of these issues in practice.

The Trustees have limited influence over the manager's investment practices where assets are held in pooled funds but expect the investment manager to take account of financially material considerations (including climate change and other ESG considerations) as the manager considers appropriate.

The Trustees do not generally take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

6.3. What is the Trustees' policy on the exercise of investment rights?

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attached to investments, protect and enhance the long-term value of investments. The Trustees have delegated to the investment manager the exercise of rights attached to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment manager to exercise ownership rights and undertake monitoring and engagement in line with the manager's general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

6.4. What are the responsibilities of the various parties in connection with the Closed Fund's investments?

Appendix C contains brief details of the respective responsibilities of the Trustees, the Investment Committee, the investment adviser, the Fund's actuary, the buy-in provider, the investment manager and the custodian. Appendix C also contains a description of the basis of remuneration of the investment adviser, the Fund's actuary, the investment manager and the custodian.

6.5. Do the Trustees make any investment selection decisions of their own?

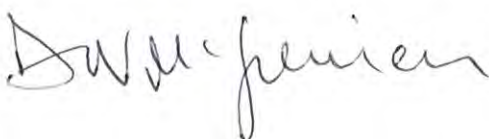
Before making any investment selection decision, it is the Trustees' policy to obtain written advice. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP. It is also the Trustees' policy to review their own investment selection decisions on a regular basis, based on written advice.

7. Review

The Trustees will, from time to time, review the appropriateness of this SIP with the help of their advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

For and on behalf of
The Trustees of the ITB Pension Funds

Date



8 November 2019

The Trustees' policy towards risk, risk measurement and risk management

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Closed Fund in order to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their longterm objectives before attainment of those objectives is seriously impaired. The Trustees' aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Closed Fund's long-term and shorter-term funding targets;
- the strength of the buy-in insurer's covenant;
- the Closed Fund's liability profile;
- the Closed Fund's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")).

As at 30 June 2019 the 3 year 95% VaR of the investment strategy outlined in s4.2 above was around £8m. This means that there is a 1 in 20 chance that the Closed Fund's Reserve Assets will fall in value by around £8m or more over a three-year period.

When deciding on the current investment strategy, the Trustees believed this level of risk to be appropriate given the Trustees' and Employer's risk appetite and capacity, and the Closed Fund's objectives.

The Trustees consider that there are a number of different types of investment risk that are important for the Closed Fund. These include, but are not limited to:

A.1. Strategic risk

This is the risk that the performance of the Closed Fund's assets and liabilities diverge in certain financial and economic conditions. This risk has been taken into account in the Trustees' investment strategy review, and will be monitored by the Trustees on a regular basis. The buy-in contract covers broadly all of the benefit liabilities.

The Trustees will review the Closed Fund's investment strategy at least every three years in light of the various risks faced by the Closed Fund.

A.2. Inadequate long-term returns

A key objective of the Trustees is that, over the long-term, the Closed Fund should have adequate resources to meet its liabilities as they fall due. The buy-in contract covers all of the benefit liabilities. The Trustees invest the Reserve Assets to produce an adequate long-term return.

A.3. Investment manager risk

This is the risk that the investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Investment Committee undertake investment manager selection exercises to satisfy themselves that the manager could meet these objectives.

The Investment Committee holds regular meetings with the investment manager to satisfy themselves that the manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the investments of the Closed Fund.

An independent performance measurer provides quarterly updates of performance to assist in the reviews of the Closed Fund's and manager's performance against the benchmarks. A full presentation of the performance is considered annually by the Trustees.

A.4. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustees' ability to meet their investment objectives.

A significant proportion of the Closed Fund's assets are invested in the buy-in policy and are, therefore, exposed to the risk of the buy-in insurer defaulting (as discussed below).

The Trustees believe that the rest of the Closed Fund's assets are adequately diversified between different asset classes and within each asset class under the strategy outlined in Section 4.2 and by the guidelines agreed with the investment manager.

A.5. Default of the buy-in insurer

This is the risk that the buy-in insurer defaults and does not, therefore, meet the benefit liabilities in full. The Trustees note that the buy-in insurer's solvency is monitored by the Prudential Regulation Authority, and that additional protection is provided by the Financial Services Compensation Scheme ("FSCS").

It is understood that FSCS protection covers 100% of the benefits payable under the contract.

A.6. Liquidity/marketability risk

This is the risk that the Closed Fund is unable to realise assets to meet liability cash flows as they fall due. The buy-in policy covers broadly all of the benefit liabilities. The Trustees are aware of the Closed Fund's other cash flow requirements and believe that this risk is managed appropriately via the measures described in Section 6.1.

A.7. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Closed Fund's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices and unsound corporate governance. The Trustees seek to appoint an investment manager who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

A.8. Currency risk

This is the risk that the value of the Closed Fund's assets is affected by movements in currency exchange rates. Currency risk is managed within the pooled funds that the Trustees have selected.

A.9. Custodian risk

This is the risk that the custodians do not settle trades on time or provide secure safekeeping of the Closed Fund's assets. It is managed by monitoring the custodians' activities and discussing the performance of the custodians with the investment manager when appropriate.

A.10. Inappropriate investments

This is the risk that the investments are inappropriate. It is managed through constraints on the use of derivatives, gearing, specific asset limits and other restrictions as set out in the fund prospectuses.

A.11. Political risk

This is the risk of an adverse influence on investment values arising from political intervention. It is managed by regular reviews of the actual investments relative to policy and through regular assessments of the levels of diversification across different markets within the existing policy.

A.12. RPI versus CPI

This is the risk that CPI increases exceed RPI increases. This is relevant given the buy-in policy proceeds are linked to RPI while the Fund's benefits increase with CPI. The Trustees are comfortable to run this risk given historically CPI has been lower than RPI and the buy-in policy broadly covers all of the Closed Fund's liabilities.

A.13. Other risks

The Trustees recognise that there are other, non-investment, risks faced by the Closed Fund. Examples include:

- mortality risk (the risk that members live, on average, longer than expected) – this risk has effectively been passed to the buy-in provider; and
- sponsor risk (the risk that, for whatever reason, Employers are unable to support the Closed Fund as anticipated). The Trustees have taken into account the strength of the Employers' covenant in setting the Closed Fund's investment strategy.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Closed Fund'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 positioned to manage this general risk.

The risks A.1, A.2 and particularly A.13 will be monitored through regular actuarial valuations and reports.

Investment manager arrangements

The Trustees have purchased a buy-in policy with an insurer, as well as appoint an investment manager to manage the Closed Fund's Reserve Assets.

The Trustees have ensured that the manager's objectives are still appropriate given the level of fees paid. Further details on the manager fee structure is given in section C.3.

B.1. Buy-in contract

Following negotiations with several buy-in providers, the Trustees selected a buy-in policy with Pension Insurance Corporation.

B.2. Index-linked gilts

The Closed Fund's portfolio of index-linked gilts is held at BlackRock Investment Management (UK) Limited ("BlackRock"). The portfolio is split equally between BlackRock's All Stocks Index-Linked Gilts Index Fund and its Up to 5 Year Index-Linked Gilts Index Fund. The objectives of the funds are to track the return of the FTSE UK Gilts Index-Linked All Stocks Index and the FTSE UK Gilts Index Linked Up To 5 Years Index respectively, before the deduction of investment management fees. The funds are priced daily and are not listed on an exchange.

B.3. Global equities

The Trustees have selected BlackRock as the manager of a passive global equities mandate. Its objective is to track the total return of the MSCI World Index before the deduction of investment management fees over rolling three-year periods. By investing in this fund, the Trustees have decided not to hedge currency risk for the global equity portfolio.

B.4. Corporate Bonds

The Trustees have appointed BlackRock as manager of a buy and maintain corporate bond fund mandate. The objective of the BlackRock Buy and Maintain UK Credit Fund is to produce income for investors by primarily investing in a diversified portfolio of high quality non-government bonds. There is no formal performance benchmark. The fund is priced monthly, is open-ended and is not listed on any stock exchange.

B.5. Custodians

The pooled funds used have underlying custodians, appointed by the manager of the underlying fund.

Responsibilities and fees

C.1. Responsibilities and investment decision-making structure

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

C.1.1. Trustees

The Trustees have delegated to an Investment Committee consideration of certain investment matters, authority to carry out certain activities on behalf of the Trustees, and to make recommendations where decisions are required to be taken by the Trustees.

In broad terms, the Trustees retain responsibility in respect of investment matters for:

- reviewing the investment policy following the results of each triennial actuarial valuation, and / or after any review of investment strategy (e.g. any asset liability modelling exercise);
- appointing the actuary;
- consulting with any Participating Employers when reviewing investment policy issues;
- developing a mutual understanding of investment and risk issues with the employer;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of their effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- putting effective governance arrangements in place and documenting these arrangements in a suitable form.

The Trustees have formulated a business plan that provides further information on the processes and structure in place governing the Closed Fund's investments.

C.1.2. Investment Committee

The Investment Committee shall perform its duties within the scope of any general guidelines, policies and instructions established or given by the Trustees from time to time, including the Statement of Investment Principles. The following matters are within the authority and scope of the Investment Committee:

- establishing general guidelines and policies on investment matters including revising from time to time the Statement of Investment Principles (after having consulted the employers in accordance with section 35 of the Pensions Act 1995);

Responsibilities and fees

- appointing and dismissing investment managers, AVC providers, custodians, performance measurement service providers and other investment service providers;
- establishing overall investment objectives and strategic asset allocations;
- making investment decisions in accordance with the investment objectives and strategic asset allocations but not those which are required to be taken by an authorised person under section 191 of the Financial Services Act 1986;
- approving transfers of assets between investment managers and/or custodians; and
- setting the policy for rebalancing between asset classes.

The Investment Committee shall generally monitor the performance of the investment manager in relation to the portfolios under its control and shall:

- establish a benchmark consistent with the overall investment objectives for performance of each portfolio and appoint a company (or person) to measure performance of each portfolio against that benchmark;
- review performance of each portfolio against the benchmark agreed for that portfolio between the Trustees and the relevant investment manager;
- hold regular meetings with the investment manager to discuss performance, objectives (long and short-term), any divergence, and any other relevant issues, and hold meetings as necessary with the custodians (if they are not represented by the investment manager); and
- appoint and manage consultants for specific limited projects to assist with the above.

The Investment Committee shall generally review all investment related matters concerning the ITB Pension Funds and shall, as and when it considers appropriate (or at any time at the request of the Trustees), make recommendations to the Trustees about actions or changes that should be taken or made. Such investment related matters include:

- developments in and application of relevant laws, regulations, policy, and best practice in connection with pensions related investments; and
- any other relevant matters related to the investments.

The Investment Committee shall have the power to authorise the Director of the ITB Pension Funds to sign and execute documents on their behalf in order to implement decisions taken by them.

Responsibilities and fees

C.1.3. Buy-in insurer

The buy-in insurer is responsible for making payments to the Trustees under the buy-in policy. These payments broadly cover members' benefits. Appendix A provides more details.

C.1.4. Investment manager

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

- for active mandates at its discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting securities within each asset class;
- for passive mandates, tracking the relevant benchmark return 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 the portfolios;
- informing the Trustees of any material changes in the internal objectives and guidelines of any pooled funds used by the Closed Fund and managed by the investment manager or an associate company; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

C.1.5. Custodians

The Closed Fund invests in a range of pooled funds, each of which has its own custodian. The custodians' responsibilities include:

- the safekeeping of the assets;
- processing the settlement of all transactions;
- providing the investment manager with statements of the assets and the cash flows;
- undertaking all appropriate administration relating to the Closed Fund's assets;
- processing all dividends and tax reclaims in a timely manner; and
- dealing with corporate actions.

C.1.6. Investment consultant

In broad terms, the investment consultant will be responsible, in respect of investment matters, as requested by the Trustees, for:

Responsibilities and fees

- advising on how material changes within the Closed Fund'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 formulation of an efficient governance structure, particularly in the light of the Myrers Report and the Pension Regulator's DB investment guidance;
- advising on the regular updating of the Statement of Investment Principles;
- advising on the development of a clear investment strategy for the Closed Fund and on the construction of a strategic asset allocation benchmark, given the liabilities of the Closed Fund and the risk and return objectives of the Trustees;
- advising on an overall investment management structure that meets the objectives of the Trustees;
- advising on the selection and appointment of appropriate investment managers;
- providing the consultant's current views of the investment managers appointed by the Closed Fund, as requested;
- advising on potential new areas or tools of investment such as hedge funds, currency hedging, interest rate swaps etc;
- providing trustee education, as requested; and
- providing general advice in respect of the Closed Fund's investment activities, as requested.

C.1.7. Scheme Actuary

The Scheme Actuary's responsibilities include:

- performing the triennial (or more frequently as required) actuarial valuations, providing annual actuarial reports, and advising on the appropriate contribution levels; and
- liaising with the investment consultant on the suitability of the fund's investment strategy given the Statement of Funding Principles and the financial characteristics of the Closed Fund.

C.2. Mandates given to advisers, investment managers and custodian

The Trustees have in place signed agreements with each of the Closed Fund's advisers. These provide details of the specific arrangements agreed by the Trustees with each party.

The pooled funds are governed by a prospectus, setting out the terms for investors.

Responsibilities and fees

C.3. Fee structures

The Trustees recognise that the provision of investment management, dealing, custodial and advisory services to the Closed Fund results in a range of charges to be met, directly or indirectly, by deduction from the Closed Fund's assets.

The Trustees have agreed Terms of Business with the Closed Fund's actuarial and investment advisers, under which charges are calculated on a "time-cost" basis.

The investment manager receives base fees calculated by reference to the market value of assets under management. The fee rates are consistent with the manager's general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The custodian fees are calculated on a per transaction basis and by reference to the market value of assets under custody. The fee rates are believed to be consistent with the custodian's general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Closed Fund. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

C.4. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Closed Fund's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members.

C.5. Working with the Closed Fund's employers

When reviewing matters regarding the Closed Fund's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the Employers' perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the Employers, the Trustees believe that better outcomes will generally be achieved if the Trustees and Employers work together collaboratively.

