SEPTEMBER 2015

STATEMENT OF INVESTMENT PRINCIPLES

for the

OPEN 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 Open Fund of the ITB Pension Funds ("the Open 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 Open Fund's investment adviser, whom the Trustees believes to be suitably qualified and experienced to provide such advice. The SIP also takes into account comments made by GAD, the Open Fund's actuarial adviser. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Open Fund and the principles contained in this SIP.

Each of the Participating Employers with active members in the Open Fund was consulted on the SIP. The current investment managers of the Open Fund were given the opportunity to comment on a draft of the SIP and their comments have been incorporated into this final version. The managers are required to carry out their 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") and the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations").

The Open 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 of appropriate liquidity which will generate income and capital growth to meet, together with ongoing contributions from members and the employers, the cost of current and future benefits which the Open Fund provides;

- to limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Open Fund's ongoing funding target; and

- to minimise the long-term costs of the Open Fund by maximising the return on the assets whilst having regard to the objective shown in the previous point.

The Trustees undertook a review of investment strategy in 2014. As part of this review, the Trustees agreed additional objectives for the Open Fund as follows:

- a long-term funding target to be fully funded on a self-sufficiency basis. This means that the Open Fund would be fully funded on a basis that assumes little or no outperformance over gilts, ie at this stage there would only be a small risk that the Open Fund would require additional contributions as a result of adverse market circumstances;

- To implement a de-risking plan over a 20 year time horizon, the aim of which is to gradually reduce the allocation to return-seeking assets. However, this de-risking will only take place if the assets generate suitable returns consistent with the details of the agreed de-risking plan. Details of the de-risking plan are set out in Appendix B;

- to be close to 100% in Liability Driven Investment (hedging 100% of the liability risk and providing a return broadly in line with gilts) at the end of the de-risking period (again this will only happen if the assets generate suitable returns); and

- to reduce risk further if the position of the Open Fund improves significantly.

The Open Fund underwent an actuarial valuation under the Occupational Pension Schemes (Scheme Funding) Regulations 2005 (the valuation was at 31st March 2013). The Trustees have taken into account the results of this valuation in setting the investment policy for the Open Fund.

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

When deciding how to invest the Open 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 Open Fund's investment strategy (Defined Benefits Section)

4.1. How was the investment strategy determined?

The Investment Committee, with the help of their advisers, undertook a review of investment strategy in 2014, taking into account the objectives described in Section 2 above.

4.2. What is the investment strategy?

The result of the 2014 review was that the Trustees agreed that the investment strategy of the Open Fund (with the exception of assets relating to departing employers – discussed in Section 4.5) should be based on the benchmark allocation below (updated to allow for de-risking triggers that have already been reached as at 31 December 2014):

Asset class	Allocation as at 31 December 2014
Global equities	18%
Property	9%
Diversified growth fund	17%
Emerging market multi-asset fund	7%
Liability Driven Investment ('LDI')	47%
Cash	2%
Total	**100%**
Interest rate hedge ratio (from LDI assets)	*80.0%*
Inflation hedge ratio (from LDI assets)	*86.4%*

Please note that the Open Fund's benchmark allocation and investment managers are subject to change over time and as and when de-risking triggers are reached. Appendix B provides further details on the de-risking plan.

4.3. What did the Trustees consider in setting the Open Fund's investment strategy?

The strategy review included modelling the Open 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; and
- the positions of the Participating Employers, including an assessment of the strength of the covenant of the Participating Employers.

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

The key financial assumptions underlying the model as at 31 December 2014 were as follows:

- average long-term inflation: 3.3%
- average long-term gilt yield: 2.4%
- average long-term return on equities: 6.4%

Thus, the model assumes that there is a 50/50 chance that, over the long term, equity-type investment will outperform gilts by at least 4.0% pa.

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

4.5. What is the approach taken with regards to departing employers?

"Orphan liabilities" represent pensioner and deferred pensioners from employers that no longer participate in the ITB Pension Funds.

The Trustees have decided that, going forward, for any departing employers the assets backing these orphan liabilities should be invested using a "matching" approach (ie in index-linked gilts of suitable duration), rather than in line with the rest of the assets. This should mean that investment risk does not increase significantly for the remaining employers when an employer leaves.

The matching approach adopted is set out in more detail in Appendix B.

5. Appointment of investment managers and custodian

5.1. How many investment managers and custodians are there?

The Trustees have decided to appoint a range of managers to manage the Open Fund's assets. The manager arrangements are discussed in Appendix B.

The Trustees have a global custodian. The pooled funds used also have underlying custodians.

5.2. What formal agreements are there with investment managers?

The Trustees have signed investment management agreements with some of the investment managers, setting out in detail the terms on which the portfolios are managed, including the need for suitable and appropriately diversified investment. Details of the investment managers and their investment benchmark and guidelines are given in Appendix B.

For some of the investment managers, there is no signed investment management agreement in place, for example where the investment is in a pooled fund and the manager has no discretionary powers in respect of the mandate. In such cases, the pooled fund is governed by a prospectus, setting out the terms for investors. In most of these cases, the Trustee has negotiated specific terms that are set out in a side letter.

5.3. What do the investment managers do?

The investment managers' primary role is the day-to-day investment management of the Open Fund's investments. The managers are 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.

Further details of the custodians are given in Appendix B.

6. Defined Contribution Section

6.1 What is the Trustees' overall investment objective?

The Trustees recognise that members of the Defined Contribution Section may have differing investment needs. These needs may change during the course of a member's working life and members may have differing attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The Trustees' investment objective is, therefore, to make available a range of pooled investment funds which serve to meet in general the varying investment needs and risk tolerances of the members of the Defined Contribution Section.

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

The Trustees have considered risk for the Defined Contribution Section from a number of perspectives, including, but not limited to, those set out in Appendix A. Some of the risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

6.3 What are the investment strategy arrangements?

The Trustees have provided to members a range of investment options, having regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns. The range of funds that is available is set out in Appendix B.

It is for each member to decide on their required strategic allocation to each of the available investment funds. The fund range offered also includes three "lifestyle" strategies that automatically combines the investments in proportions that vary according to the proximity to retirement age. Each of the three lifestyle strategies targets a different investment option for members at retirement; income drawdown, a cash lump-sum or the purchase of an annuity. If a member does not choose an investment option, their account will be invested into the default lifestyle option, which targets income drawdown at retirement.

The lifestyle strategy is designed to offer some protection against the risks described in Section 6.2.

6.4 What did the Trustees consider in setting the Scheme's Defined Contribution Section investment strategy arrangements?

In deciding upon the funds to offer to members, the Trustees' primary concern is to provide funds to members which allow them to address appropriately the main investment risks that they face.

The main risks considered were inflation risk (the risk that a member's investments fail to keep pace with inflation over the longer term), conversion risk (the risk of a deterioration in the terms available for converting funds into pension at retirement - applicable to the annuity lifestyle) and capital risk (the risk of a fall in the amount of cash available to take at retirement).

6.5 Appointment of investment provider

The Trustees have appointed one main provider to provide the funds in which the Defined Contribution Section invests. The provider offers funds managed internally and by third party investment managers.

The provider's primary role is to maintain the funds in which the Defined Contribution Section invests. The provider is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Other matters

7.1 What is the Trustees' policy on the realisation of investments?

The Trustees, together with the ITB Funds' Office, will ensure that they hold sufficient cash to meet the likely benefit outgo from time to time. The Trustees' policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Open Fund's overall investment policy where possible.

The ITB Funds' Office, on behalf of the Trustees, assesses the likely benefit outgo of the Open Fund on a regular basis and ensures that sufficient cash reserves are available to meet the outgo.

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

7.2 What is the Trustees' policy on social, environmental and ethical factors?

Selection, retention and realisation of the Open Fund's investments are delegated to the investment managers under the terms of written agreements. The Trustees' policy is that the extent to which social, environmental or ethical considerations are taken into account in these decisions is left to the discretion of the investment managers.

However, the Trustees expect that, to the extent to which social, environmental or ethical issues may have a financial impact on the portfolio, they will be taken into account by the investment managers in the exercise of their delegated duties.

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

The Trustees have examined how rights, including voting rights, attached to investments should be exercised. In doing so, the Trustees have considered the UK Stewardship Code (the "Code") issued by the Financial Reporting Council. The Trustees are supportive of the Code, and the Trustees have informed the investment managers of their support for the Code.

Matters of corporate governance in general and voting in particular are integral parts of the delegation of duties to the investment managers. Nevertheless, the Trustees recognise the responsibilities of shareholders as owners of capital. Accordingly, the Trustees' objective as shareholders is to achieve a high long-term return on the Open Fund's investments by the preservation and enhancement of shareholder value, which they believe good corporate governance promotes.

The Trustees have instructed, where possible, the investment managers to vote the Open Fund's shares in line with the policies set out by the National Association of Pension Funds ("NAPF") in respect of all resolutions at annual and extraordinary general meetings of companies. In cases where the investment manager feels it is not appropriate to vote in line with NAPF guidance, a case should be made to the Investment Committee for approval. Where there are votes on issues not covered by the NAPF's policy, the Trustees expect the investment managers to exercise their judgement and vote in the best interest of the Open Fund. Voting actions are reported to the Trustees on a regular basis.

In some cases (eg where the Open Fund's assets are held in pooled funds), investment managers cannot comply with the policy set out above.

The Trustees cannot usually directly influence the managers' policies on the exercise of investment rights where the Trustees hold assets in pooled funds. This is due to the nature of these investments. The Trustees understand that investment rights will be exercised by the investment managers in line with the investment managers' general policies on corporate governance, which are provided to the Trustees from time to time, taking into account the financial interests of the beneficiaries. Voting actions are reported to the Trustees on a regular basis.

7.4 What are the responsibilities of the various parties in connection with the Open Fund's investments?

Appendix C contains brief details of the respective responsibilities of the Trustees, the investment adviser, the investment managers and the custodians. Appendix C also contains a description of the basis of remuneration of the investment adviser, the investment managers and the custodians.

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

Before making any investment selection decision of their own (eg an AVC policy), 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.

7.6 AVC options

The Trustees have made available to members a choice of investment approaches which include:

- members investing in a With Profits option provided by Prudential Assurance Company;
- members investing their contributions in a variety of Unit Linked funds with Legal & General; and
- members investing their contributions in a group life policy with Scottish Life Assurance Company under which members contributions are accumulated with interest;
- the option (no longer available to new contributors) to invest in an Added Years AVC facility.

The funds available are discussed further in Appendix B.

8 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: 2.12.15

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

A.1. Defined Benefits Section

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

A.1.1 Strategic risk

This is the risk that the performance of the Open 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 Trustees will review the Open Fund's investment strategy at least every three years in light of the various risks faced by the Open Fund.

A.1.2. Inadequate long-term returns

A key objective of the Trustees is that, over the long-term, the Open Fund should have adequate resources to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Open Fund to produce an adequate long-term return.

A.1.3. Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing the investment managers, the Investment Committee undertook investment manager selection exercises on behalf of the Trustees, to satisfy themselves that the managers could meet these objectives.

The Investment Committee of the Trustees holds regular meetings with the investment managers to satisfy themselves that the managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Open Fund.

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

A.1.4. 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.

The Trustees believe that the need for the Open Fund's assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined in Section 4.2 and by the guidelines agreed with the investment managers.

A.1.5. Liquidity/marketability risk

This is the risk that the Open Fund is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Open Fund's cash flow requirements and believe that this risk is managed appropriately via the measures described in Section 6.1.

A.1.6. Currency risk

This is the risk that the value of the Open Fund's assets is affected by movements in currency exchange rates. Currency risk is managed through the manager guidelines and investment in a specialist currency hedging fund.

A.1.7. Custodian risk

This is the risk that the custodian bank does not settle trades on time or provide secure safekeeping of the Open Fund's assets. It is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate.

A.1.8. 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 manager guidelines.

A.1.9. 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.1.10. Other risks

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

- mortality risk (the risk that members live, on average, longer than expected); and
- sponsor risk (the risk that, for whatever reason, the Participating Employers are unable to support the Open Fund as anticipated). The Trustees have taken into account the strength of the employers' covenant in setting the Open Fund's investment strategy.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Open 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.1.1, A.1.2 and particularly A.1.10 will be monitored through regular actuarial valuations and reports.

A.2. Defined Contribution Section

The Trustees consider that there a number of different types of investment risk that are important for the Plan's Defined Contribution Section. These include, but are not limited to:

A.2.1. Risk of inadequate long-term returns

As members' benefits are crucially dependent on the investment returns achieved, it is important that investment vehicles are available which can be expected to produce adequate real returns over the longer term.

A.2.2. Risk of deterioration in investment conditions near retirement

For a given amount of money the level of pension secured for a member will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact in the benefits provided. To protect against this, the Trustees have made a lifestyle strategy, the ITB Drawdown Strategy, which targets drawdown at retirement.

A.2.3. Risk of lack of diversification and unsuitable investments

Within each fund available to members the holdings should be adequately diversified. To achieve this, the Trustees have selected funds which invest in a suitable diversified range of holdings. The Trustees' policy is to make available to members funds which, in normal circumstances, should prove easy to buy and sell.

A.2.4. Risk from excessive charges

If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive then the value of members' accounts will be reduced unnecessarily. The Trustees have, therefore, looked closely at the terms and conditions of the investment manager.

A.2.5. Investment manager risk

This is the risk that the investment manager fails to meet its investment objective. The Trustees monitor the investment manager on a regular basis.

A.2.6. Other risks

The Trustees recognise that there are other, non-investment, risks within the Defined Contribution Section. Unlike the Defined Benefit Section, these risks fall generally on the individual Defined Contribution Section members rather than on the membership generally and/or the sponsoring employer. Examples of these risks include mortality risk (the risk that insurers expect members to live longer, which increases the cost of securing a pension), and knowledge/understanding risk (the risk that members make inappropriate investment choices, given their circumstances).

Investment manager arrangements

B.1. Defined Benefits Section

The Trustees have decided to appoint a range of managers to manage the Open Fund's defined benefit assets.

Some of the managers have objectives which relate to performance before fees. However, the Trustees have ensured that the objectives are still appropriate given the level of fees paid to the managers. Further details on manager fee structures are given in section C.3.

B.1.1 Liability Driven Investment ('LDI')

The Trustees have selected Insight Investment as the manager of the LDI assets.

Insight will construct and manage a LDI Portfolio that aims to hedge a proportion of the liability cash flows against changes in interest rates and inflation expectations. The long term target for the LDI Portfolio is to hedge approximately 80% of the interest rate risk (or PV01[1]) and 86.4% of the inflation risk (or IE01[2]) of the liability cash flows.

Within the LDI Portfolio Insight has discretion in the construction of the hedge with the aim of enhancing the hedge in a risk-controlled way.

B.1.2 Global equities

UK equities

The Trustees have selected BlackRock Advisors (UK) Limited ("BlackRock") as the manager of a passive UK equities mandate. Its objective is to track the total return of the FTSE All-Share before the deduction of investment management fees over rolling three-year periods.

Overseas equities and currency hedging

The Trustees have selected BlackRock as the manager of a passive overseas equities mandate. BlackRock's objective is to track the total return of the respective indices set out in the table below before the deduction of investment management fees over rolling three-year periods. It manages the portfolio to the asset allocation benchmark set out below. BlackRock has no obligation to rebalance this portfolio.

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[1] The change net present value of a series of future cash flows resulting from a 0.01% shift in the relevant zero-coupon interest rate curve.

[2] The change in net present value of a series of future cash flows resulting from a 0.01% shift in the relevant spot inflation expectation rate.

Asset class	Benchmark allocation (%)	Benchmark index
European equities	35	FTSE All-World Europe Ex-UK
Japanese equities	25	FTSE All-World Japan
Pacific Rim equities	25	FTSE All-World Developed Asia-Pacific Ex-Japan
North America allocation:	15	
US equities		FTSE All-World USA
BlackRock Sterling Currency Hedging Fund ("SCHF")		S&P 500, adjusted for the impact of currency hedging
Total	**100**	

As highlighted in the table above, the Trustees have appointed BlackRock as the manager of a currency hedging mandate which forms part of the overseas equity portfolio. The objective of this is to maintain a hedge ratio of 60% of the value of the overseas and global equity portfolios (together referred to here as the "Total Overseas Equity Portfolio").

The currency hedging is managed in the Sterling Currency Hedging Portfolio via the BlackRock Sterling Currency Hedging Fund ("SCHF"). The SCHF targets an allocation of approximately 15% of the Total Overseas Equity Portfolio.

Global equities

The Trustees have selected two global equity managers:

- Investec Asset Management's objective is to outperform the total return of the MSCI World Gross by 3%-5% pa before the deduction of investment management fees, over rolling three-year periods.
- Longview Partners' objective is to produce a positive absolute return of 8-10% pa after the deduction of investment management fees, over a typical three- to five-year investment cycle.

B.1.3. Property

The Trustees have selected Fletcher King as the manager of the UK property portfolio. Fletcher King's objective is to outperform the IPD Property Index after the deduction of investment management fees.

The Trustees have selected Schroder Investment Management ("Schroder") as the manager of the European property portfolio. Schroders' objective is to generate an internal rate of return of 8-10% pa after the deduction of investment management fees over the 12 year life of the fund.

B.1.4. Diversified growth funds

The Trustees have selected two diversified growth fund managers:

- Ruffer LLP's objective is to achieve a consistent return significantly greater than could reasonably be expected from the alternative of depositing the cash value of the Portfolio in a reputable United Kingdom bank (after the deduction of fees) and to preserve capital over rolling 12-month periods.

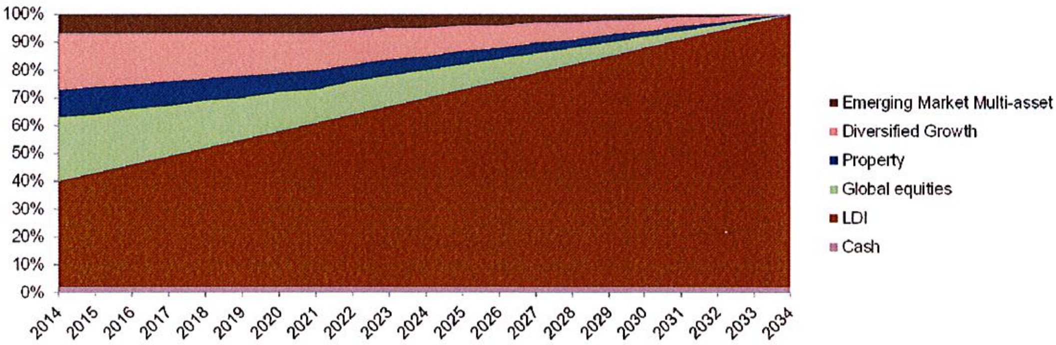
- GMO LLP's objective is to outperform the OECD G7 Consumer Price Index by 5.0% pa after fees, over a market cycle.

B.1.5. Emerging market multi-asset fund

The Trustees have appointed Capital International as manager of an emerging market multi-asset fund. Capital International manages the fund on an absolute return basis, aiming to achieve a return of 10% pa over a full market cycle.

B.1.6. The de-risking plan

The chart below shows the de-risking plan based on the Open Fund's investment objectives and a 20 year time horizon:



The de-risking plan assumes a strategic benchmark allocation as at 31 March 2014 of 60% growth assets (comprising equities, property, diversified growth and emerging market multi-asset) and 40% matching assets (LDI and cash) which evolves over 20 years to a strategic benchmark allocation of 100% matching assets (LDI and cash) by 31 March 2034.

The de-risking mechanism has been designed such that the progress of the assets relative to the Open Fund's technical provisions is formally assessed as at 31 March each year. As well as assessing the position as at 31 March each year, the progress of the Open Fund's assets versus the technical provisions will be assessed on a daily basis to determine whether the required level of annual outperformance has been achieved before the annual March review.

If the required level of outperformance has been achieved then the next de-risking switch will be implemented as soon as possible, which could lead to the termination of an investment manager's mandate for the Open Fund.

B.1.7. Departing employers

The Trustees have decided that the assets backing the orphan liabilities should be invested using a "matching" approach, rather than in line with the rest of the assets.

The Trustees have selected BlackRock to manage the matching portfolio. To date, an approximate approach has been adopted, whereby a combination of pooled funds of index-linked gilts of suitable duration has been selected to broadly match the liabilities.

B.1.8. Custodians

The Trustees have appointed JP Morgan Chase as the global custodian.

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

As part of a review of its services, BlackRock took the decision to exit direct client custody provision. The aspect of custody services affected related primarily to the general handling of cash and record keeping for the units held by the Scheme in BlackRock's pooled funds The Trustee agreed to directly appoint the Bank of New York Mellon as its custodian for its BlackRock pooled fund unit holdings, which was BlackRock's preferred approach. The custody fees for Bank of New York Mellon in relation to the assets managed by BlackRock (and any additional assets added in future as part of the existing BlackRock agreement) are paid by BlackRock.

B.1.9. Additional Voluntary Contributions ("AVCs")

The Trustees have selected Prudential, Legal & General and Royal London (formerly known as Scottish Life Assurance) as the Open Fund's money purchase AVC providers. The funds available to members are set out below. The default strategy for AVC members is the ITB Cash Strategy.

Prudential

- Prudential With Profits Fund;

Legal & General

- L&G Global Equity Fixed Weights (50:50) Index Fund;
- L&G Ethical Global Equity Index Fund;
- L&G Pension HSBC Amanah Fund;
- L&G Pension Standard Life Global Absolute Return Strategies Fund;
- L&G AAA-AA-A Corporate Bond (Over 15 Years) Fund;
- L&G Over 5 Year Index-Linked Gilts Index Fund;
- L&G Over 15 Year Gilts Index Fund;
- L&G Cash Fund;
- Passive Multi-Asset Strategy;
- ITB Drawdown Strategy
- ITB Cash Strategy; and
- ITB Annuity Strategy.

Royal London

- Royal London Crest Money Purchase;

Detailed information on these funds is provided to members on the ITB Pension Funds website www.itb-online.co.uk.

B.2. Defined Contribution Section

The Trustees have selected Legal & General as the investment platform for the Defined Contribution Section.

B.2.1. Current fund range

The table below outlines the funds available to members of the Open Fund.

Manager	Fund name	Benchmark	Target
L&G	Global Equity Fixed Weights (50:50) Index Fund	Composite of 50/50 distribution between UK and overseas	To track the benchmark
L&G	Ethical Global Equity Index Fund	FTSE4Good Global Equity Index	To track the benchmark to within +/- 0.50% pa for two years in three
HSBC	Amanah Fund	Dow Jones Islamic Titans 100 Index	To track the benchmark
Standard Life	Global Absolute Return Strategies Fund	6 Month £ LIBOR	To outperform the benchmark by 5% pa (gross) over rolling three year periods
L&G	Passive Multi-Asset Strategy	Composite of underlying funds	To track the benchmark
L&G	AAA-AA-A Corporate Bond (Over 15 Years) Fund	iBoxx £ Non Gilts (ex BBB) Over 15 year Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Over 5 Year Index-Linked Gilts Index Fund	FT A Index-linked gilts (Over 5 year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Over 15 Year Gilts Index Fund	FT A gilts (Over 15 year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Cash Fund	7 Day LIBID	To match the CAPS Pooled Pension Fund median.

B.2.2. Default option

The Open Fund also has three lifestyle strategies and the default investment option is a lifestyle strategy which targets income drawdown at retirement. The default option provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches.

Until 15 years prior to each member's selected retirement age, the lifestyle strategy invests in:

- 50% in L&G's Global Equity Fixed Weights 50:50 Index Fund;
- 17% in Standard Life's Global Absolute Return Strategies Fund; and

- 33% in the Passive Multi-Asset Strategy.

Fifteen years prior to each member's selected retirement age, automatic monthly switches commence.

The investment split at each member's target retirement age would be as follows:

- 50% in the Passive Multi-Asset Strategy; and
- 25% in Standard Life's Global Absolute Return Strategies Fund; and
- 25% in the L&G Cash fund.

The table below outlines how the proportion of portfolio holdings changes in the 15 years up to retirement under the strategy.

Years to Retirement	Global Equities (50/50) (%)	Multi-Asset (%)	Diversified Growth (%)	Cash (%)
15 or more	50.00	33.33	16.67	0.00
14	47.50	35.00	17.50	0.00
13	45.00	36.70	18.30	0.00
12	42.50	38.30	19.20	0.00
11	40.00	40.00	20.00	0.00
10	37.50	41.70	20.80	0.00
9	35.00	43.30	21.70	0.00
8	32.50	45.00	22.50	0.00
7	30.00	46.70	23.30	0.00
6	27.50	48.30	24.20	0.00
5	25.00	50.00	25.00	0.00
4	20.00	50.00	25.00	5.00
3	15.00	50.00	25.00	10.00
2	10.00	50.00	25.00	15.00
1	5.00	50.00	25.00	20.00
0	0.00	50.00	25.00	25.00

C.1. Responsibilities and investment decision-making structure

The Trustees have decided on the following division of responsibilities and decision-making for the Open 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 Open 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 are responsible 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 (eg any asset liability modelling exercise);
- appointing (and, when necessary, dismissing) the actuary; and
- consulting with the Participating Employers when reviewing investment policy issues.

The Trustees have formulated a forward-looking business plan that provides further information on the processes and structure in place governing the Open 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);
- appointing and dismissing Fund Managers, AVC Providers, Custodians, performance measurement service providers and 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; and
- approving transfers of assets between Fund Managers and/or Custodians.

The Investment Committee shall generally monitor the performance of the Investment Managers in relation to the Portfolios under their 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 Fund Manager;

- hold regular meetings with each of the Fund Managers 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 Fund Managers);

- monitor regularly the performance, service and credit risk of AVC Providers and hold meetings as necessary with them;

- 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;

- 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.

C.1.3. Investment manager

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

- for active managers at their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting securities within each asset class;

- for the passive manager, 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 their portfolios;

- informing the Trustees of any material changes in the internal objectives and guidelines of any pooled funds used by the 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.1.3. Custodians

The Fund invests using both directly owned, segregated assets which are in the custody of a global custodian appointed by the Trustees and in a range of pooled funds, each of which has its own custodian. The custodians' responsibilities include:

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

C.1.4. Investment consultant

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

- advising on the formulation of an efficient governance structure, particularly in the light of the Myners Report;
- advising on the regular updating of the Statement of Investment Principles;
- advising on the development of a clear investment strategy for the Open Fund and on the construction of a strategic asset allocation benchmark, given the liabilities of the Open 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 management organisations;
- providing the consultant's current views of the investment managers employed by the Open 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 Open Fund's investment activities, as requested.

C.1.5 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 Fund.

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

The Trustees have in place signed agreements with each of the Open Fund's advisers, most of the Open Fund's investment managers and the custodians. These provide details of the specific arrangements agreed by the Trustees with each party.

For some of the investment managers, there is no signed investment management agreement in place, for example where the investment is in a pooled fund and the manager has no discretionary powers in respect of the mandate. In such cases, the pooled fund is governed by a prospectus, setting out the terms for investors. In most of these cases, the Trustee has negotiated specific terms that are set out in a sideletter.

C.3. Fee structures

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

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

The investment managers receive base fees calculated by reference to the market value of assets under management. Fletcher King is paid an annual retainer fee. The fee rates are believed to be consistent with the managers' 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 Open Fund. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.