

CONTINENTAL TEVES UK EMPLOYEE
BENEFITS SCHEME
DB STATEMENT OF INVESTMENT
PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Continental Teves UK Employee Benefits Scheme (“the Scheme”) in accordance with Section 36 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited (“Mercer”), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of setting the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1. TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Determining funds and investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and disinvestment) policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

Section 3.3 describes the responsibilities of the Scheme's investment managers.

Mercer charges a fixed fee, as agreed with the Trustees. This charge covers the services of Mercer as specified within the Investment Advisory Services Agreement.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3. INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed the Scheme's investment managers.

The details of the investment managers appointed by the Trustees are set out in Appendix 3, together with the details of each manager's mandate.

In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers that will be appointed by the Trustees will be authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA or both.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

The Trustees believe that this is the most appropriate basis for remunerating managers.

3.4. SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, so far as they relate to the Scheme's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as Diversified Growth Funds and property, and a "stabilising" portfolio, comprising assets such as corporate bonds. The basis of the split between these two portfolios is that stabilising assets are held to move broadly in line with the liability sensitivities, and growth assets are held to generate returns, having regard to the overall required return objective of the Scheme's assets, which is determined by the funding objective and current funding level.

The Trustees have established a benchmark allocation to each asset class within the strategic asset allocation, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2. INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3. TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Illiquid assets, such as property and infrastructure
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4. FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate investment and funding time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors (including but not limited to climate change).

The Trustees recognise that ESG factors, including climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Scheme's assets are invested in pooled funds. The Trustees have given the investment manager full discretion when evaluating ESG issues and in exercising the rights and stewardship obligations attached to the Scheme's investments in these pooled funds. While the investment manager is encouraged to exercise these rights in accordance with the UK Corporate Governance Code and UK Stewardship Code, the Trustees accept the fact that they have very limited influence over the ESG policies and practices of the companies in which its

managers invest. The Trustees will therefore rely on the policies and judgement of its investment managers and the Trustees will review those policies with the assistance of Mercer from time to time.

The Trustees will take ESG considerations into account in the selection, retention and realisation of investments for the Scheme. The Trustees, when selecting, monitoring and realising investments, review how managers integrate ESG risks into their investing decision making, their engagement with ESG, the diversity of the manager's team, how transparent the manager is, and their alignment with other investment managers researched, along with reviewing the specific manager's voting policies and documented policies. The Trustees are able to obtain ESG ratings for the Scheme's investments from Mercer. A change in ESG rating does not mean that the fund will be removed or replaced automatically.

4.5. NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial matters are not taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) its ethical views and its views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme.

4.6. CORPORATE GOVERNANCE, VOTING POLICY AND STEWARDSHIP

In relation to the exercise of the rights (including voting rights) attached to the investments, the Trustees have delegated the decision on how to exercise voting rights to their investment managers under the terms of the investment arrangements with the managers. The Trustees expect the investment managers to exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees (having sought advice) will exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership.

The Trustees monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which, with the exception of illiquid assets, are readily realisable.
- If and when the Scheme does decide to invest in illiquid assets, this will be done after an assessment of the Scheme's future cashflow requirements to ensure that sufficient assets are readily realisable to meet all liabilities as and when they fall due.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It 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 sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For currency hedged funds the Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.

Interest and Inflation Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest and inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging.

Other Price Risk

- This is the risk that principally arises in relation to the growth portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1. INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2. INVESTMENT MANAGERS

Aligning Manager Appointments with Investment Strategy

The investment manager is appointed based on the strength of its capabilities and the perceived likelihood of the manager achieving the expected return and risk characteristics required for the asset classes in which the Scheme invests.

The Trustees will seek guidance from their investment consultant on their forward looking assessment of the manager's ability to deliver upon its stated objectives. This view will be based on a number of criteria, including but not limited to, the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular strategies that the Scheme invests in. The consultant's manager research ratings assist with due diligence and where appropriate, are used in decisions around selection, retention and realisation of manager appointments.

The Trustees will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. As the Scheme invests in pooled investment vehicles, the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then they will either seek to obtain reduced management fees or look to review the appointment.

Evaluating Investment Manager Performance

The Trustees receive investment manager performance reports on an annual basis. The Trustees review the absolute performance and relative performance against a suitable benchmark index and against the manager's stated target performance (over the relevant time period). The Trustees' focus is on long term performance. However, as noted above, they may review the appointment if:

- There are sustained periods of the manager failing to achieve its stated investment objectives.
- There is a change in the portfolio manager of a fund.
- There is a change in the underlying objectives of the investment manager.
- There is a significant change to the investment consultant's rating of the manager.

The investment manager is remunerated by way of a fee calculated as a percentage of assets under management.

From time to time, the Trustees will review their advisers and the effectiveness of their own decision making.

Manager Turnover

The Trustees are long-term investors and are not seeking to change investment arrangements on a frequent basis. As the Trustees are invested in open-ended pooled funds, there is no set duration for the appointment of the investment manager. The Trustees will therefore retain an investment manager unless:

- there is a strategic change to the overall strategy that no longer requires exposure to a particular asset class or manager;
- the Trustees decide to terminate the mandate following a review of the manager's performance or otherwise.

Portfolio Turnover Costs

The Trustees do not actively monitor portfolio turnover costs. The investment managers' performance objectives are set net of turnover costs and therefore the managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask the manager to report on portfolio turnover costs. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager's fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Members of the Scheme may make AVCs to secure additional money purchase benefits. These are pooled and invested as part of the DC Section investment operations.

8 CODE OF BEST PRACTICE

The Trustees are aware of the recommendations of the Myners report with respect to greater transparency within their Statement. The Trustees will review their compliance in due course.

The six principles are detailed in Appendix 5.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request. This document is also available on the Company's website.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers (on request), the Scheme Auditor and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on **17 September 2020**.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's initial strategic asset allocation benchmark is set out below.

| Asset Class | Strategic Allocation |
|--|-----------------------------|
| Growth Assets | 50.0% |
| LGIM – Managed Property Fund | - |
| Schroders Life – Diversified Growth Fund | - |
| Columbia Threadneedle – Multi-Asset Fund | - |
| Nordea – Diversified Return Fund | - |
| Stabilising Assets | 50.0% |
| LGIM – Active Corporate Bond All Stocks Fund | - |
| LGIM – Core Plus Fund | - |
| Total | 100% |

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

There is currently a monthly disinvestment in place to cover regular payroll.

Where possible, one-off cash flows will be sourced from holdings as advised by Mercer, which may be based on realigning the asset allocation with the Scheme's central benchmark asset allocation as set out in Appendix 1, the estimated split between pensioners and non-pensioners, or based on views of the investment managers.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

| Manager / Fund | Benchmark | Objective | Fee (% p.a.) |
|--|--|---|---|
| Growth Assets | | | |
| LGIM Managed Property Fund | AREF/ IPD UK Quarterly All Balanced Property Fund Index | To outperform the benchmark | First £2.5m 0.55 Next £2.5m 0.50 Balance 0.45 |
| Schroders Life Diversified Growth Fund | UK CPI | To outperform the benchmark by 5.0% p.a. (net of fees) over rolling 5 year periods with lower volatility than equities | 0.75 |
| Columbia Threadneedle Multi-Asset Fund | UK Base Rate | To outperform the benchmark by 4.0% p.a. (gross of fees) over a 5-7 year period | 0.70 |
| Nordea Diversified Return Fund | LIBOR (3 month) | To outperform the benchmark by 4.0% p.a. (gross of fees) over rolling three-year periods | First £49m 0.75 Next 49m 0.70 Balance 0.65* |

*this represents the targeted Total Expense Ratio after the adjustment of any fee rebates.

STABILISING ASSETS

| Manager / Fund | Benchmark | Objective | Fee (% p.a.) |
|---|---|--|--------------|
| Stabilising Assets | | | |
| LGIM Active Corporate Bond All Stocks Fund | iBoxx Non-Gilts £ All Maturities Index | To outperform the benchmark by 0.5% p.a. (net of fees) over rolling 3 year periods | 0.20 |
| LGIM Core Plus Fund | iBoxx Non-Gilts £ All Maturities Index | To outperform the benchmark by 0.8% p.a. (net of fees) over rolling 3 year periods | 0.35 |

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the investment manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the investment manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the investment managers' organisation could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of investment managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

The investment managers' responsibilities include the following:

- Providing the Trustees on a regular basis with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions.

APPENDIX 5: GOVERNANCE – MYNERS PRINCIPLES

The six Myners principles are as follows:

Principle 1: Effective Decision Making

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.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the Fund that takes account of the Fund'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.

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.

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

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 (SIP). Trustees should report periodically to members on the discharge of such responsibilities

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 (e.g. Statement of Investment Principles, including Statement of Funding Principles; Websites / helplines (for larger schemes); and annual report and accounts).