Statement of Investment Principles
for the
Channel Four Television Staff Pension Plan

November 2020

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 Channel Four Television Staff Pension Plan (the "Trustees") on various matters governing decisions about the investments of the Channel Four Television Staff Pension Plan (the "Plan"). This SIP replaces the previous SIP dated March 2018.

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 Plan's investment adviser, who the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments, the need for diversification, given the circumstances of the Plan and the principles contained in this SIP.

The sponsoring Employer has been consulted on the SIP. The current investment managers of the Plan 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"), the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations") and the Pension Regulator's guidance for defined benefit pension schemes (March 2017).

The Plan's assets are held in trust by the Trustees. The investment powers of the Trustees are set out in the Plan's Trust Deed dated 1st May 2003.

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' primary objectives are that:

- the Plan should be able to meet benefit payments as they fall due; and
- the Plan's funding position (ie the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Plan. In particular, the Trustees have taken into account the funding requirements detailed in the Occupational Pensions Scheme (Scheme Funding) Regulations 2005.

The Trustees' investment objective is to target an appropriate return on the Plan's assets to meet the objectives above whilst managing and maintaining investment risk, taking into account the strength of the Employer covenant.

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

When deciding how to invest the Plan's assets, the Trustees have considered several 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 Plan's investment strategy

4.1. How was the investment strategy determined?

The Trustees, with the help of their advisers and in consultation with the Employer, undertake a review of investment strategy from time to time, considering the objectives described in Section 2 above and the risks outlined in Appendix A. This includes consideration of the broad split between growth and matching assets, as well as underlying asset class and manager arrangements.

The latest investment strategy discussions during 2019 took place as the Trustees considered the actuarial valuation as at 31 December 2018 and the desire for an appropriate split between contributions and investment returns to achieve full funding. The Trustees also considered developments in funds that provide both matching and growth characteristics.

As part of ongoing monitoring of the Plan's asset allocation versus its strategic allocation, the Trustees, following advice from their investment advisor, re-balanced the Plan's assets towards the strategic allocation in June 2020.

The Trustees also monitor the appropriateness of the Plan's interest rate and inflation hedge ratios and target interest rate and inflation hedge ratios, on a Technical Provisions basis, approximately equivalent to the Plan's funding level. In deciding the proportion of Technical Provisions to hedge, the Trustees considered the impact this would have on the Plan's risk and return, and collateral management among other factors.

4.2. What is the investment strategy?

The result of the review and subsequent discussions was that the investment strategy of the Plan should have a diversified mix of global equities, multi-asset absolute return, infrastructure, bonds, LDI and a buy-in contract with Just Retirement.

The Trustees have decided that the Plan's investment strategy (excluding the buy-in) should be based on the benchmark allocation below:

Asset class	Benchmark allocation (%)
Global equities	12.0
Equity-linked LDI	8.0
Multi-asset absolute return	10.0
Infrastructure	12.5
Absolute return bonds	18.0
Credit-linked dynamic LDI	27.0
Dynamic LDI	12.5
Total	**100.0**

The Trustees have decided to diversify the Plan's equity investments in global markets to include an allocation to emerging market equities. The Plan's absolute return bond investment combines a core corporate bond portfolio, with credit, interest rate and currency overlays to contribute towards return whilst aiding diversification.

The Trustees have decided to invest in equity-linked dynamic LDI (shown within the global equity allocation above) and credit-linked dynamic LDI as well as standard dynamic LDI. The dynamic LDI portfolio may consist of investments in both real and nominal LDI funds, as well as a residual element held in cash. The Equity-Linked Dynamic LDI portfolio combines dynamic LDI with a global equity future overlay; similarly the Credit-Linked Dynamic LDI portfolio combines dynamic LDI with credit spread exposure via credit default swaps. The Plan seeks to hedge a proportion of the interest rate and inflation exposure of its Technical Provisions, equivalent to the Plan's funding level at any point in time. This also accounts for hedging provided by the buy-in asset. The buy-in is an asset of the Scheme and provides a match for the liabilities of a group of pensioners identified by the Scheme Actuary.

The Trustees are aware that the Plan's allocation to the various asset classes will differ to the benchmark allocation due to market movements and the impact of investing cash flows into the Plan. From time to time the Trustees will seek advice from their investment adviser about rebalancing the Plan's assets to the strategic benchmark, considering factors such as market conditions and anticipated future cash flows.

The Trustees hold all of the Plan's non-buy-in assets in pooled funds. Details of how each portfolio is invested, including the split between each of the Plan's investment managers, are provided in Appendix B.

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

In setting the strategy, the Trustees considered:

- the Plan's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Plan's cash flow requirements in order to meet benefit payments in the near to medium term;
- 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;
- the best interests of members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows, the funding level and the strength of the covenant of the sponsoring employer;
- the views of the sponsoring employer;
- 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 Plan; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of 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 rate, 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;
- in more efficient markets 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.

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

For the review of investment strategy, the Trustees have used the following assumptions for equities and bonds, correct as at 30 September 2020 unless otherwise stated:

- average long-term inflation: 2.8%
- average long-term gilt yield: 0.7%
- average long-term return on equities: 5.7%

The key financial assumption 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.

5. Appointment of investment managers

5.1. How many investment managers are there?

The Trustees have decided to appoint six managers to manage the Plan's assets (excluding the buy-in contract with Just Retirement).

5.2. What formal agreements are there with investment managers?

The Trustees have entered into an insurance policy with Legal & General Assurance (Pensions Management) Limited ("LGAPM") to manage the Plan's emerging market equity assets. The insurance policy sets out details of the terms under which the Plan's assets are managed. LGPAM delegates the investment management responsibilities for the Plan's assets to Legal & General Investment Management Limited ("LGIM").

The Trustees have signed investment management arrangements with Veritas Asset Management ("Veritas") to manage a portion of the Plan's global equity allocation, with BMO Global Asset Management plc ("BMO") to manage the Plan's dynamic LDI, equity-linked dynamic LDI, credit-linked dynamic LDI and absolute return bond allocations, with Ruffer LLP ("Ruffer") to manage the multi-asset absolute return assets and with JPMorgan Asset Management ("JPMorgan") and IFM Investors ("IFM") to manage the infrastructure allocations. These agreements set out the terms on which the assets are managed.

For the purposes of this SIP, LGIM, Veritas, BMO, JP Morgan, IFM and Ruffer are defined as the "investment managers". Details of the investment managers, their objectives their benchmarks and investment guidelines are given in Appendix B.

5.3. What do the investment managers do?

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

5.4. What are the responsibilities of the Trustees in respect of the investment managers?

The Trustees and investment managers to whom discretion has been delegated exercise their powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practical.

The Trustees have limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all of their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. The Trustees assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover on costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Other matters

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

The investment managers have discretion over the timing of realisation of investments of the Plan and in considerations relating to the liquidity of investments. When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements.

6.2. Financially material considerations and non-financial matters

The Trustees have considered how social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members. The Trustees consider that it is necessary in all circumstances to act in the best financial interests of the beneficiaries and, where this primary consideration is not prejudiced, the Trustees expect investment managers to take these issues into account.

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

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate. The Trustees do not take into account any non-financial matters (ie 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. Voting and engagement

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 attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching 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 managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' 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 is the Trustees' policy on employer-related investment?

The Trustees are aware that pension schemes are allowed to invest no more than 5% of their assets in employer-related investments, including such investments held via a collective investment scheme, and has put in place procedures to monitor the level of such investments.

6.5. What are the responsibilities of the various parties in connection with the Plan's investments?

Appendix C contains brief details of the respective responsibilities of the Trustees, the investment managers as well as the actuary and the investment adviser. Appendix C also contains a description of the basis of remuneration of the investment adviser and the investment managers as well as details of the performance assessments carried out by the Trustees.

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

Before making any investment selection decision of their own, it is the Trustees' policy to obtain written advice from their investment adviser. 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. Reporting

From time to time the Trustees will communicate with members and other parties where relevant about the Plan, its investments and its overall performance.

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.

Approved by the Trustees of the Channel Four Television Staff Pension Plan on 4 January 2021

Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Plan 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 long term 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 Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk, or "VaR"), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

The Trustees consider that there are several different types of investment risk that need to be considered. These include, but are not limited to:

A.1 Strategic risk

This is a risk that the Plan's assets and liabilities perform differently in different financial and economic conditions. The risk has been taken into account in the Trustees' investment strategy review and actuarial valuation and will be monitored by the Trustees on a regular basis.

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

A.2. Inadequate long-term returns

The Trustees need to ensure that over the long term the Plan has adequate resources to meet its liabilities. A part of this is to ensure that the Plan obtains an adequate return in excess of price and wage inflation. The Trustees therefore invest the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by the Trustees on a regular basis.

A.3. Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, BMO makes use, within its LDI funds, of derivative and gilt repos contracts and this fund is used by the Trustee to match efficiently a portion of the Plan's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

A.4. Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing each investment manager, the Trustees receive written advice from a suitably qualified individual and will typically undertake an appropriate selection exercise. The Trustees monitor the investment managers on a regular basis.

A.5. Custodian risk

This is the risk that the custodians fail in one or more of their duties in particular safeguarding the Plan's investments. The Trustees are aware that the investment managers review the custodians and the services they provide from time to time.

A.6. Risk from lack of diversification

This is the risk that failure of a particular investment, or general poor performance of a given investment type, could have a material adverse impact on the Trustees' ability to meet their investment objectives.

The Trustees believe that the Plan's assets should be adequately diversified between different asset classes and within each asset class. Such diversification is implicit in the investment mandate given to the investment managers. The Trustees seek to achieve diversification by investing in a range of pooled funds.

The Trustees regularly monitor the assets held in the Plan to ensure that an appropriate level of diversification is maintained.

A.7. Illiquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Plan's cash flow requirements and believe that the risk is managed by maintaining an appropriate degree of liquidity across the Plan's investments, and via measures described by Section 6.1.

A.8. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan'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 investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

A.9. Credit risk

This is the risk that a borrower will cause a financial loss for the other party by failing to meet required payments for a contractual obligation. The Plan invests in pooled funds and is therefore directly

exposed to credit risk in relation to the solvency of the investment managers and custodians of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled arrangements being ring-fenced, the regulatory environments in which the Plan's investment managers operate and diversification of the Plan's investments amongst a number of different pooled arrangements.

The Plan is exposed to indirect credit risk most predominantly in the BMO global absolute return bond fund, but there may also be indirect exposure via the Ruffer multi-asset absolute return fund. Indirect credit risk has been mitigated by only investing in pooled funds that have a diversified exposure to different bond issuers and that have a limited exposure to bonds that are classified as below "investment grade" by the manager or rating agencies.

A.10. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value.

The Trustees believe that equity risk is a rewarded investment risk, over the long term.

The Trustees consider exposure to equity risk in the context of the Plan's overall investment strategy and believe that the level of exposure to this risk is appropriate.

A.11. Collateral adequacy risk

The Plan is invested in leveraged liability driven investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustees when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Plan's interest rate and inflation hedging could be reduced and that the Plan's funding level could suffer subsequently as a result. In order to manage this risk, the Trustees ensure that the Plan has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

A.12. Currency risk

This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in exchange rates. Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of its investments are held in overseas markets. The Trustees consider the indirect exposure to foreign currencies in the context of the overall investment strategy and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, some of the Plan's pooled funds are accessed via a Sterling share class. Therefore, the Plan is not subject to direct currency risk from these funds. The Plan's assets that are exposed to indirect currency risk are the L&G overseas and emerging markets and Veritas global equity portfolios, as well as the Ruffer multi-asset absolute return portfolio.

The Plan invests in infrastructure with JP Morgan and IFM via USD share classes which subject the Plan to direct currency exposure. The Trustees discussed the possibility of hedging the currency risk associated with the infrastructure investments. However, it was agreed that the investment should remain unhedged as the exposure to currency is small in the context of the Plan. Furthermore,

exposure to a basket of currencies provides some diversification benefits and ultimately the cost of currency hedging reduces expected returns.

A.13. Interest rate and inflation risk

The Plan's assets are subject to interest rate and inflation risk because some of the Plan's assets are held in bonds and bond-like instruments via pooled funds. However, the interest rate and inflation exposure of the Plan's assets (including the buy-in) hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

In addition to the interest rate exposure from the Plan's LDI portfolio, there is a small interest rate risk arising from the BMO bond portfolio. The Ruffer multi-asset absolute return fund may also have sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns due to the investment approach of this fund.

A.14. Sponsor risk

This is the risk, for whatever reason, that the sponsoring Employer is unable to support the Plan as anticipated. The Trustees have taken into account the strength of the Employer's covenant in setting the Plan's investment strategy.

A.15. Other risks

The Trustees recognise that there are other non-investment risks faced by the Plan and take these into consideration as far as practical in setting the Plan's investment arrangements. For example, mortality risk, which is the risk that members live, on average, longer than expected. The Plan's buy-in transfers this risk from the Plan to an insurer for a number of pensioners.

Some of the above risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. In the investment strategy reviews of the Plan, the Trustees consider how these risks, in particular the investment risks, impact the Plan's short and medium term funding position.

B.1. Split between the Plan's investment managers

Details of the Trustees' strategic benchmark and the recommended split between each of the Plan's investment managers (excluding the buy-in policy) are shown in the table below:

Manager	Asset class	Active / Passive	Benchmark %
LGIM	Emerging market equities	Passive	4.0
Veritas	Global equities	Active	8.0
BMO	Equity-linked dynamic LDI	Active	8.0
-	***Total equity allocation***		***20.0***
Ruffer	Multi-asset absolute return	Active	10.0
-	***Total absolute return allocation***		***10.0***
JP Morgan	Infrastructure	Active	6.25
IFM	Infrastructure	Active	6.25
-	***Total infrastructure allocation***		***12.5***
BMO	Absolute return bonds	Active	18.0
BMO	Credit-linked LDI	Active	27.0
BMO	Dynamic LDI (including Sterling Liquidity Fund)	Active	12.5
	TOTAL		**100.0**

The Trustees are aware that the Plan's allocation to the various asset classes, managers and portfolios will differ from the benchmark allocation due to market movements and the impact of investing cash flows into the Plan.

Further details of the benchmark, performance objective and investment guidelines for each manager are provided in the sections below.

B.1.1. Legal & General Investment Management

LGIM has a mandate to manage a portion of the Plan's equity holdings according to the benchmark below:

Asset class	Benchmark allocation (%)	Benchmark index
Emerging market equities	100	S&P/IFCI Composite Global Emerging Markets Index
Total	**100**	

The objective set by the Trustees for the fund is to match the return of the benchmark index (assuming appropriate index performance in each asset class), before allowing for investment management fees, over rolling three-year periods.

B.1.2. Veritas Asset Management

Veritas has a mandate to manage a portion of the Plan's global equity holdings according to the benchmark below:

Asset class	Benchmark allocation (%)	Benchmark index
Global equities	100	MSCI World
Total	**100**	

The objective set by the Trustees is to outperform the benchmark index by 3% per annum (after fees) over rolling three to five year periods.

B.1.3. Ruffer LLP

Ruffer has a mandate to manage the Plan's multi-asset absolute return portfolio according to the benchmark below:

Asset class	Benchmark allocation (%)	Benchmark index
Multi-asset absolute return	100	3 month Sterling Libor
Total	**100**	

Ruffer's objective is to grow the portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing the cash value of the portfolio in a reputable United Kingdom bank. The Trustees measure Ruffer's performance against three month Sterling Libor.

B.1.4. JPMorgan

JPMorgan has a mandate to manage part of the Plan's infrastructure allocation according to the benchmark below:

Asset class	Benchmark allocation (%)	Benchmark index
Infrastructure	100	Absolute return objective
Total	**100**	

JPMorgan has a target portfolio return of 8-12% pa (before any relevant taxes but after fees) over a horizon of five to seven years, in local currency terms. JPMorgan also targets a distribution yield (ie income) of 5-7% pa.

B.1.5. IFM

IFM also has a mandate to manage part of the Plan's infrastructure allocation according to the benchmark below:

Asset class	Benchmark allocation (%)	Benchmark index
Infrastructure	100	Absolute return objective
Total	**100**	

IFM has a target portfolio return of 10% pa (after fees) over the long-term, in local currency terms.

B.1.6. BMO Global Asset Management

BMO has a mandate to manage the Plan's absolute return bond portfolio according to the benchmark below:

Asset class	Benchmark allocation (%)	Benchmark index
Absolute return bonds	100	3 Month LIBOR
Total	**100**	

BMO's formal objective is to deliver an absolute return irrespective of bond market direction; however for performance measurement purposes, the Trustees measure BMO against the objective to outperform the prescribed benchmark return by at least 3.0% pa. before investment management fees over rolling three-year periods.

The Trustees have also selected BMO to invest the Plan's various LDI portfolios.

The equity-linked dynamic LDI portfolio consists of investments in the BMO Equity-Linked Nominal Dynamic LDI Fund in order to hedge against changes in interest rates whilst providing exposure to equities via futures.

The credit-linked dynamic LDI portfolio consists of an investment in the BMO Credit-Linked Real Dynamic LDI Fund in order to hedge against changes in interest rates and inflation whilst providing exposure to credit spreads as a source of return. Credit exposure is achieved via credit default swaps.

The dynamic LDI portfolio consists of investments in the BMO Nominal Dynamic LDI Fund and the BMO Sterling Liquidity Fund in order to achieve the Plan's required levels of interest rate and inflation protection, when allowing for the interest rate and inflation hedging already achieved by the equity and credit-linked dynamic LDI portfolios. The BMO Real and Nominal Dynamic LDI Funds invest in a range of hedging assets to protect against movements in real rates and nominal rates, respectively.

BMO reports all of the dynamic LDI (including equity and credit-linked) funds against both gilt-based and swap-based comparators.

The Sterling Liquidity Fund aims to maintain high levels of liquidity, preserve capital and generate a return in line with the GBP 7-day LIBID.

B.2. Rebalancing between managers

The Trustees will periodically review the allocation of the Plan's assets between the six investment managers and, on the advice of their investment advisers, may rebalance of the portfolios. This may take the form of using future cash flows (whether positive or negative) to rebalance the desired asset class or through purchase or sale of assets.

B.3. Day-to-day investment responsibilities

The investment managers are responsible for the day-to-day investment management of the Plan's assets and are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

B.4. Additional Voluntary Contributions ("AVCs")

The Trustees have selected Aviva (previously known as Friends Life) as the Plan's AVC provider. The Plan also has some members that have AVCs with Equitable Life.

C.1. Responsibilities and investment decision-making structure

The Trustees believe that decisions should be taken and monitored by individuals and organisations with the necessary skills, knowledge and resources.

The Trustees have decided therefore on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, their own level of expertise and resource and their view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Plan's governing documentation.

C.1.1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- setting the investment strategy, in consultation with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy (eg any asset liability modelling exercise);
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing, monitoring, reviewing and dismissing the investment managers, custodians, investment advisers, actuary and other advisers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act and the Regulations;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

C.1.2. Investment managers

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

- managing their respective portfolio of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager arrangements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;

- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act and the Regulations insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

C.1.3. Investment adviser

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

- advising on how material changes within the Plan'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 selection, and review, of the investment managers and custodian, incorporating its assessment of the nature and effectiveness of the managers' approach to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustees in reviews of this SIP.

C.2. Fee structures

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

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

The investment managers receive fees calculated by reference to the market value of assets under management. 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. See Section 5 of the SIP.

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 Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

C.3. 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.

The Trustees' policy is to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. In addition, the Trustees will also carry out periodically an assessment of their own effectiveness as a decision-making body and will decide how this may then be reported to members. See Section 5 of the SIP.

C.4. Working with the Plan's employer

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