YOUR PENSION PLAN
Gatwick

STATEMENT OF INVESTMENT PRINCIPLES

for the

Gatwick Airport Pension Plan

September 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 Trustee of the Gatwick Airport Pension Plan on various matters governing decisions about the investments of the Gatwick Airport Pension Plan ("the Plan").

1.2. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Aon, the Plan's investment adviser and actuaries, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Plan and the principles contained in this SIP.

Gatwick Airport Limited, the principal (and sole) employer in relation to the Plan was consulted on the SIP. A copy of the SIP has been provided to the investment managers appointed. 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 Plan's assets are held in trust by the Trustee. The investment powers of the Trustee are set out in Clause 5 of the Plan's Trust Deed dated 27 March 2019.

2. What are the Trustee's overall investment objectives?

The Trustee's objectives are that:

- the Plan should be able to meet benefit payments as they fall due; and
- that the Plan's funding position (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level.

The Trustee is aware that there are various measures of funding and has given due weight to those considered most relevant to the Plan. In particular, the Trustee has taken into account the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

3. What risks does the Trustee consider and how are these measured and managed?

When deciding how to invest the Plan's assets, the Trustee considers 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 Trustee has 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 Trustee, with the help of their advisers and in consultation with the employer, undertook a review of investment strategy in 2010, taking into account the objectives described in Section 2 above.

In late 2012/early 2013, the Trustee decided to increase the Plan's exposure to emerging markets by investing in an emerging markets multi-asset fund. This allocation was to be funded by a reduction in the allocation to equities.

In 2015, the Trustee decided to invest in a liability driven investment ("LDI") portfolio, to replace the Plan's index-linked gilt holdings.

In early 2016, the Trustee decided to further diversify the Plan's assets by investing in two private credit mandates. This allocation was to be funded by a reduction in the allocation to equities and diversified growth funds.

The investment strategy is due to be reviewed following the 2019 actuarial valuation.

4.2. What is the investment strategy?

The Trustee has agreed that the investment strategy of the Plan should be:

- 80% in "return-seeking" assets; and
- 20% in "matching" assets.

The strategic benchmark for the return-seeking assets is as follows:

	Allocation (%)
UK equities	15.625
Overseas equities	15.625
Diversified growth	43.750
Emerging market multi-asset	12.500
Private credit	12.500
Total return-seeking assets	**100.000**

The matching assets are held in a liability driven investment ("LDI") portfolio made up of the Insight LDI Enhanced Selection Longer Real Fund and the Insight Liquidity Plus Fund.

The LDI portfolio was initially invested to provide the following level of interest rate and inflation hedging, as measured by the Plan's liabilities on a technical provisions basis:

- interest: 23%
- inflation: 22%

Over time, assets have been moved from the Liquidity Plus Fund to the LDI Enhanced Selection Longer Real Fund to increase the level of interest rate and inflation hedging.

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

In setting the strategy, the Trustee considered:

- 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 need to invest assets in a manner expected to ensure their security, quality, liquidity and profitability as a whole; and
- the views of the sponsoring employer.

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

The key financial assumptions underlying the investment consultants' model, as at 31 December 2015, were as follows:

- average long-term gilt yield: 2.6% pa
- average long-term return on equities: 7.1% pa
- average long-term return on diversified growth: 6.1% pa
- average long-term return on emerging market multi-asset: 6.9% pa
- average long-term return on private credit: 5.9% pa

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 4.5% pa, diversified growth investment will outperform gilts by at least 3.5% pa, emerging market multi-asset investment will outperform gilts by at least 4.3% pa and private credit will outperform gilts by at least 3.3% pa.

5. Appointment of investment manager

5.1. How many investment managers are there?

The Trustee has decided to appoint seven managers to manage the Plan's assets.

5.2. What formal agreements are there with investment managers?

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

The Trustee has signed documentation with Alcentra Limited ("Alcentra"), BlackRock Investment Management (UK) Limited ("BlackRock"), Capital International ("Capital"), GreenOak Real Estate Advisors LLP ("GreenOak"), Insight Investment Management ("Insight") and Ruffer LLP ("Ruffer") setting out in detail the terms on which their respective portfolios are managed, including the need for suitable and appropriately diversified investment. For the purposes of this SIP, Alcentra, BlackRock, Capital, GreenOak, Insight, LGIM and Ruffer are defined as the "investment managers". Details of the investment managers and their investment benchmarks and 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. The managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

6. Appointment of a custodian

As part of the appointment of BlackRock to manage part of the Plan's diversified growth allocation, the Trustee has appointed Bank of New York Mellon (International) Limited ("BNY Mellon") as the custodian for this investment mandate.

As part of the appointment of Insight to manage the Plan's LDI portfolio, the Trustee has appointed Northern Trust Corporation ("Northern Trust") as the custodian for this investment mandate.

BlackRock has ceased to provide various custody services internally, and BNY Mellon is BlackRock's default choice of custodian. BlackRock has confirmed that it will cover the associated custody fees.

7. Arrangements with Investment Managers

The Trustee regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives regular (typically quarterly) reports and verbal updates from its investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives and assess the investment managers over 3-year periods.

Before appointing a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee will express their expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

As the Plan is a long-term investor, there is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its investment managers, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year. The Trustee believes that this review and assessment process incentivises the investment managers to follow their engagement policy including engaging with issuers of debt or equity to improve medium to long term performance.

The Trustee shares the policies, as set out in this SIP, with the Plan's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

7.1 Environmental, Social, and Governance considerations

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance.

The Trustee has considered how social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments. The Trustee considers 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 Trustee has asked the investment managers specifically to take these issues into account.

The Trustee cannot usually directly influence the managers' policies on social, environmental and ethical factors where the Trustee holds assets in pooled funds. This is due to the nature of these investments.

The Trustee is aware of the United Nations-supported Principles for Responsible Investment. However, for the reasons set out above, these have not explicitly been taken into account or influenced and investment related decisions.

7.2 Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. In doing so, the Trustee has considered the UK Stewardship Code ("the Code") issued by the Financial Reporting Council ("FRC").

The Trustee is supportive of the Code, and the Trustee has informed the investment managers of its support for the Code.

The Trustee regularly reviews the suitability of the Plan's appointed investment managers and takes advice from its investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the investment manager and seek a more sustainable position but may look to replace the investment manager.

The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Plan's investment managers and ensure their investment managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage through its investment managers on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. The Trustee allows the investment managers to determine the appropriate method of engagement.

The Trustee will request that the investment managers transparency offered for engagements should include objectives and relevance to the Plan, method of engagement, progress, views on shortcomings and procedures around escalating unsuccessful engagements where relevant.

The Trustee will request that the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustee or the investment manager.

7.3 Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

7.4 Costs Transparency

Costs Monitoring

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets.
The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the Plan's investment managers that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what the Plan is paying the investment managers. The Trustee works with their investment adviser and investment managers to understand these costs in more detail where required. Where these costs are out of line with expectations the investment managers will be asked to explain the rationale, including why it is consistent with their strategy and the extent they expect it to continue in the future.

The Trustee will only appoint investment managers who offer full cost transparency to manage assets of the Plan.

Evaluation of Investment Managers performance and remuneration

The Trustee assess the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on a regular basis via collecting cost data in line with the CTI templates. The Trustee believes that performance related fees can offer value for money in certain asset classes. The Plan's illiquid managers remuneration includes a performance-based element whereas the liquid managers are all remunerated on a fixed fee basis.

The Trustee believes that the most effective way to ensure alignment with Trustee policies is to review the investment manager through a number of lenses (performance, fees, engagement etc.) and ultimately to retain the right to terminate the investment should there be misalignment.

Portfolio Turnover Costs

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Plan's underlying investments through the information provided by their investment managers. The portfolio turnover is monitored regularly with the assistance of the Plan's investment adviser.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends. The Trustee does not define a targeted portfolio turnover range, but where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee is supported in their cost transparency monitoring activity by their investment adviser.

8. Other matters

8.1. What is the Trustee's 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 Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements.

8.2. 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 Trustee, the investment adviser, and the investment manager. Appendix C also contains a description of the basis of remuneration of the investment adviser and the investment managers.

8.3. Does the Trustee make any investment selection decisions of its own?

Before making any investment selection decision (e.g. an AVC policy) of its own, it is the Trustee's

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

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 Trustee's policy to review its own investment selection decisions on a regular basis, based on written advice.

9. Review

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its 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.

The Trustee considers that there are a number of different types of investment risk that are important for the Plan. These include, but are not limited to:

A.1. Strategic risk

Strategic risk is the risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review, and will be monitored by the Trustee on a regular basis.

The Trustee 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

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

A.3. Investment manager risk

Investment manager risk is the risk that the investment managers fail to meet their investment objectives. Where assets are managed on a passive basis, the investment manager risk is largely mitigated. The Trustee also monitors the investment managers on a regular basis.

A.4. Risk from lack of diversification

Risk from lack of diversification is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet its investment objectives.

The Trustee believes that the need for the Plan's assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined and by the guidelines agreed with the investment managers.

A.5. Liquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Plan's cash flow requirements and believes that this risk is managed appropriately via the measures described in the investment policy. The Trustee is aware that the Plan's allocations to Alcentra and GreenOak are illiquid and believes the liquidity risk is mitigated by the liquid nature of the Plan's other assets.

A.6. Other risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan. Examples include:

- political risk;
- custodian risk;
- corporate governance risk;
- systematic risk;
- ESG risk;
- mortality risk (the risk that members live, on average, longer than expected); and
- sponsor risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

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. By understanding and considering each of the risks that contribute to funding risk, the Trustee believes that it has addressed and is positioned to manage this general risk.

The Trustee has appointed seven managers to manage the Plan's assets.

The Trustee's investment strategy is to have two portfolios, which are currently split:

- 80% in "return-seeking" assets; and
- 20% in "matching" assets.

Legal & General Investment Management Limited ("LGIM") manages the passively managed equities within the return-seeking portfolio.

BlackRock Investment Management (UK) Limited ("BlackRock") and Ruffer LLP ("Ruffer") manage diversified growth mandates within the return-seeking portfolio.

Capital International ("Capital") manages the emerging market multi-asset mandate within the return-seeking portfolio.

Alcentra Limited ("Alcentra") and GreenOak Real Estate Advisors LLP ("GreenOak") manage private credit mandates within the return-seeking portfolio.

Insight Investment Management ("Insight") manages the liability driven investment ("LDI") mandate as the matching portfolio.

B.1. The return-seeking portfolio

B.1.1. Equity portfolio

The Trustee has invested 31.25% of the return-seeking portfolio in the equity portfolio on a passive basis. This is managed by LGIM on a Trustee Controlled basis as the benchmark was suspended on 10 April 2013:

Asset class	**Benchmark allocation (%)**	**Benchmark index**
UK equities	50.0	FTSE All-Share Index
Overseas equities	50.0	FTSE World (Ex-UK) Index
Total	**100.0**	

LGIM's objective for the UK Equity Index Fund is to track the benchmark within +/-0.5% pa. for two years out of three and for the World ex UK Equity Index Fund to track the benchmark within +/-0.25% pa. for two years out of three.

The annual fees for these funds are as follows:

Asset class	Fees
UK equities	0.059% pa
Overseas equities	0.125% pa

B.1.2. Diversified growth

The Trustee has invested 43.75% of the return-seeking portfolio as follows:

Diversified growth portfolio	Benchmark allocation (%)	Benchmark index
BlackRock Dynamic Diversified Growth Fund	50.0	3-month Sterling LIBOR
Ruffer Total Return Fund	50.0	No formal benchmark
Total	**100.0**	

BlackRock aims to outperform the benchmark index by 3.0% pa after fees, over rolling three-year periods.

Ruffer has two objectives: not to lose money in any rolling 12-month period; and to grow the portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing cash in a reputable UK bank.

The annual fees charged by the two managers are set out below:

Manager	Fees
BlackRock	0.55% pa on first £50m 0.50% thereafter
Ruffer	0.9% pa

B.1.3. Emerging market multi-asset

The Trustee has invested 12.5% of the return-seeking portfolio as follows:

Emerging market multi-asset portfolio	Benchmark allocation (%)	Benchmark index
Capital International Emerging Markets Total Opportunities Fund	100.0	No formal benchmark
Total	**100.0**	

Capital's objective is to achieve long-term capital growth with relatively low volatility of returns and preservation of capital by investing primarily in equity, hybrid securities, bonds (both corporate and sovereign) and short-term instruments of emerging market issuers.

The annual management fee for this fund is 0.6% pa.

B.1.4. Private credit

The Trustee has made a commitment to invest £15m of the return-seeking portfolio in a private credit portfolio with Alcentra.

Private credit portfolio	Benchmark allocation (%)	Benchmark index
Clareant European Direct Lending Fund II	100.0	No formal benchmark
Total	**100.0**	

Alcentra's objective for the Clareant European Direct Lending Fund II is to seek a return of 8-10% pa (after fees) (in Euro terms, but generally hedged against Sterling).

The Trustee has made a commitment to invest £15m of the return-seeking portfolio in a private credit portfolio with GreenOak.

Private credit portfolio	Benchmark allocation (%)	Benchmark index
GreenOak UK Debt Fund II	100.0	No formal benchmark
Total	**100.0**	

GreenOak's objective is to seek a return of 7-9% (after fees) over the period of the investment.

The annual fees charged by the two managers are set out below:

Manager	Fees
Alcentra	1.0% pa on called equity amounts
GreenOak	1.0% pa on called equity amounts

In addition, Alcentra charges a performance fee of 10% of profits above 5% pa (in Sterling terms). GreenOak charges a performance fee as 20% of any net profit, in excess of the IRR hurdle rate of 7.5% pa.

B.2. The matching portfolio

The Trustee has invested the matching portfolio as follows:

Asset class	Benchmark allocation (%)	Benchmark index
Liability driven investment ("LDI")	100.0	No formal benchmark
Total	**100.0**	

This portfolio includes the Insight LDI Enhanced Selection Longer Real Fund which has no formal benchmark, and the Insight Liquidity Plus Fund with a benchmark of GBP 7-day LIBID. The investment objective of the LDI Enhanced Selection Longer Real Fund is to provide a vehicle that will provide a hedge against real rate liabilities by the investment manager's use of a number of hedging assets.

The Plan invests in the Insight Liquidity Plus Fund (a cash fund) to help manage the overall level of hedging and to meet any collateral required for the investment in the Enhanced Selection Longer Real Fund. The objective of the Liquidity Plus Fund is to generate a return of GBP 7-day LIBID + 0.10% pa, gross of fees.

The annual fee for the LDI Enhanced Selection Longer Real Fund is 0.10% pa, based on liabilities hedged. The annual fee for the Liquidity Plus Fund is 0.10% pa.

The Trustee intends to increase the Plan's interest rate and inflation hedging over time by allocating more of the portfolio to the LDI fund using cash from the Liquidity Plus Fund.

B.3. Rebalancing between portfolios

Any cash flows into the Plan will be invested in such a way to bring the allocation of the Plan closer to the strategic benchmark.

Should the Trustee need to disinvest assets it will do so in such a way as to move the asset allocation towards the strategic benchmark.

The Trustee will monitor the allocation to the different investment managers at least annually and consider rebalancing if the allocations diverge significantly from the strategic benchmark. The Trustee notes that the allocation to Alcentra and GreenOak cannot be changed due to the illiquid nature of these assets.

There is no automatic rebalancing between the seven managers.

B.4. Additional Voluntary Contributions (“AVCs”)

The Trustee has selected Aviva Life and Pensions UK Limited as the Plan’s money purchase AVC provider.

C.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service.

C.1.1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy (e.g. any asset liability modelling exercise);
- if required, the policy for rebalancing between asset classes and investment managers;
- appointing (and, when necessary, dismissing) the investment managers, the actuary and investment consultants;
- monitoring the exercise of the investment powers that it has delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on socially responsible investment issues;
- formulating a policy on voting rights;
- 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 are responsible for:

- managing their respective portfolios, within the guidelines agreed with the Trustee;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

C.1.3. Actuary and investment consultant

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

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the way the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustee in reviews of this SIP.

C.2. Mandates given to advisers and investment managers

The Trustee has in place signed agreements with each of the Plan's advisers and the investment managers. These provide details of the specific arrangements agreed by the Trustee with each party.

C.3. Fee structures

The Trustee recognises 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 Trustee has agreed Terms of Business with the Plan's actuarial and investment advisers, under which charges for an agreed schedule of service are calculated on a fixed fee basis with fees for additional work outside of the agreed schedule 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 Trustee to be reasonable when compared with those of other similar providers.

Alcentra and GreenOak charge fees based on the level of funds invested with each manager and not based on the total amount committed to the funds by the Plan.

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

C.4. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there is sufficient resource to support its investment responsibilities. The Trustee Directors, both individually and as a whole, believes that they have sufficient expertise and appropriate training to carry out their role effectively.

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