

British and Foreign Bible Society 1972 Pension Scheme

Statement of Investment Principles

August 2020

1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the British and Foreign Bible Society 1972 Pension Scheme (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2 In preparing this statement the Trustees have consulted the British & Foreign Bible Society (“BFBS”), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees’ investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation as applicable.
- 1.4 The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.
- 1.5 The investment powers of the Trustees are set out in Clause 20 of the Definitive Trust Deed & Rules, dated 28 June 2012. This statement is consistent with those powers.
- 1.6 As a Christian mission-led organisation, BFBS favours both an ethical and an Environmental Social and Governance (ESG) approach to investment management. In exercising their investment powers under the Scheme, the Trustees will bear in mind any risks to BFBS’ reputation that might flow from their decisions.

2 Choosing Investments

- 2.1 The Trustees’ policy is to set the overall investment target for the Scheme and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their investment consultant, whom they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Scheme’s assets is delegated to one or more investment managers. The Scheme’s investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3 The Trustees review the appropriateness of the Scheme’s investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3 Investment Objectives

3.1 The Trustees' main investment objectives are:

- "funding objective" - to achieve full funding on an ongoing basis, using assumptions that contain a margin for prudence;
- "stability objective" - to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
- "security objective" - to adopt a strategy that leads to an expected improvement in the solvency position of the Scheme.

The Trustees recognise that these objectives may conflict. For example, a greater allocation to less volatile assets may give greater security, but may result in a level of contributions which the Employers may find too difficult to support. The Trustees also recognise that in resolving this conflict, it is necessary to accept some risk.

The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4 Kinds of investments to be held

4.1 The Scheme is permitted to invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Diversified growth funds;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency and high yield debt;
- Annuity policies.

5 The balance between different kinds of investments

5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1.

5.2 The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

5.3 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out the Appendix to this Statement.

5.4 From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflow requirements or any other unexpected items.

- 5.5 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6 Risks

- 6.1 The Trustees have considered the following risks with regard to the Scheme's investment policy and the Scheme's liabilities, and considered ways of managing / monitoring these risks:

Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis with the assistance of reports from their investment consultant and have meetings with the investment managers from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. The Trustees are mindful of this risk and may allow or instruct their investment managers to use derivatives to manage this risk.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).
Counterparty risk	Each investment manager is responsible for monitoring counterparty credit risk where relevant.
Risk versus the liabilities	The Trustees acknowledge that it is the relative level of the assets compared to the liabilities rather than the absolute value of the assets that determines the security of benefits for members. The Trustees monitor and review the investment strategy with respect to the liabilities. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's income are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Solvency and mismatching	Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The Trustees recognise that their choice of asset allocation is likely to have the biggest impact upon the overall performance of the Scheme's assets. The Trustees set the asset allocation having received advice from their investment consultant. The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.

Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Governance risk	Each investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material. They will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

7 Custody

- 7.1 Investment in pooled funds gives the Trustees a claim on units within funds, rather than direct ownership of the underlying assets. The investment managers of the pooled funds are each responsible for the selection, appointment and monitoring of the custodian of their fund's assets. This process minimizes the risk of the loss of an investment.

8 Expected return on investments

- 8.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, whom they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 8.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 8.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 8.4 Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

9 Realisation of investments

- 9.1 The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 9.2 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

10 Environmental, Social and Governance factors, Ethical Investing, Engagement and Voting Rights

10.1 The Trustees' policies in relation to these matters are set out in Appendix 2

11 Agreement

11.1 This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, members of the Scheme, the investment managers, the Scheme Actuary and the Scheme Auditor upon request.

Signed: Graham Cooper **Date:** 17 September 2020

On behalf of the Trustees of the British and Foreign Bible Society 1972 Pension Scheme

Appendix 1 Notes on the Scheme's investment policy in relation to the current Statement of Investment Principles dated September 2020

Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the assets:

- Baillie Gifford;
- Ruffer LLP;
- Kames Capital;
- M&G Investments; and
- Legal & General Investment Management.

The investment managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters.

The Trustees have AVC contracts with Friends Life and Prudential Assurance Company Limited for the receipt of members' Additional Voluntary Contributions.

Strategic asset allocation

The Scheme has a strategic asset allocation for invested assets as set out in the table below. The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalancing.

Funds	Benchmark Allocation
Growth Assets	
Baillie Gifford Diversified Growth Fund	
Ruffer Absolute Return Fund	60% - 70%
Kames Ethical Cautious Managed Fund	
M&G Discretionary Fund	
Protection Assets	
M&G Long Dated Corporate Bond Fund	30% - 40%
L&G Active Corporate Bond Fund	
Total	100%

Investments and disinvestments

The Scheme's cashflow requirements are expected to be partly met by the Employers' contributions, however when these are insufficient the Trustees may disinvest some of its investments. The Trustees have established a policy of disinvesting from the M&G Long Dated Corporate Bond Fund to meet cashflow requirements as they arise and the Trustees review the balance of the assets on a regular basis to determine if it would be appropriate for rebalancing action to be taken.

A working balance of cash is held within the Scheme for the imminent payment of benefits and expenses. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance, and this is monitored regularly.

Investment benchmarks and objectives

The investment benchmarks and objectives for each of the funds are given below:

Manager	Fund	Benchmark	Objectives
Baillie Gifford	Diversified Growth Fund	Bank of England Base Rate	Outperform benchmark by 3.5% p.a. net of fees over rolling 5 year periods
Ruffer	Absolute Return Fund	Bank of England Base Rate	No formal target.
Kames	Ethical Cautious Managed Fund	Investment Association Mixed Investments 20-60% peer group median	Outperform benchmark, returning top quartile performance over rolling 3 year periods
M&G	Discretionary	CAPS Pooled Pension Fund Survey Balanced Median	Outperform benchmark by 0.75% to 1.0% p.a. net of fees over rolling 3 year periods
M&G	Long Dated Corporate Bond	iBoxx Sterling Non-Gilt Over 15 year Index	Outperform benchmark by 0.8% p.a. before fees over rolling 3 year periods
Legal & General	Active Corporate Bond - All Stocks	iBoxx Sterling Non-Gilt All Stocks Index	Outperform benchmark by 0.75% p.a. before fees over rolling 3 year periods

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

The AVC arrangement is reviewed from time to time.

Fee arrangements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Fees (p.a.)
Baillie Gifford	Diversified Growth Fund	0.65%
Ruffer	Absolute Return Fund	1.22%
Kames	Ethical Cautious Managed Fund	0.60%
M&G	Discretionary Fund	0.40%
M&G	Long Dated Corporate Bond Fund	0.30%
Legal & General	Active Corporate Bond - All Stocks - Fund	0.25% + fixed fee £1,500 p.a.

Barnett Waddingham is remunerated on a time cost basis although fixed fees may be agreed with the Trustees for particular projects.

Appendix 2 Environmental, Social and Governance factors, Ethical Investing, Engagement and Voting Rights

Financial Materiality

The Trustees have received training from their investment advisors on the financial materiality of environmental, social and governance (“ESG”) issues, including climate change, within their investment strategy. The Trustees considered the research findings presented when forming their views on the financial materiality of ESG factors as they apply to the Scheme’s current investments.

The Trustees believe that environmental, social and governance (“ESG”) factors are financially material – that is, they have the potential to impact the value of the Scheme’s investments over the lifetime of the Scheme (which is expected to be greater than ten years). The Trustees appreciate that the extent and method of incorporating ESG within an investment strategy and process will differ between asset classes.

Trustees’ Policy

The Trustees’ policy on these matters, including engagement and the exercise of voting rights, is set out below. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them. The Trustees have regard to the Employers’ policy on these matters and review their approach periodically.

The Trustees believe it is not generally appropriate to take into account individual members’ views when establishing the policy on ESG issues, engagement and voting rights.

The views of the Trustees on ESG factors are considered separately for each asset class the Scheme is invested in as follows:

- **Multi-asset growth funds** – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme’s multi-asset growth fund managers. The investment managers should take ESG into account in the selection, retention, and realisation of investments as well as in the exercise of voting rights.
- **Active bonds** – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme’s active bond managers. The Trustees recognise that fixed-income assets do not include voting rights, however, they expect engagement with companies by their managers.

As an investor in pooled funds, the Trustees delegate the consideration of all financially material factors in relation to determining the underlying holdings within the pooled funds, including ESG factors, to the Scheme’s investment managers as part of their day-to-day management. The Scheme’s investment managers will ultimately act in the best interests of the Scheme’s assets to maximise returns for a given level of risk. The Trustees’ policy on appointing, monitoring and replacing the managers are as follows:

- When selecting new investments, the Trustees will request information on ESG integration credentials as part of the proposals. However, an investment manager’s excellence in this area will not necessarily take precedence over other factors, including (but not limited to) historical performance or fees.
- The Trustees monitor their investments regularly with the help of their investment consultant. If, as part of this monitoring process, any issues specifically related to the ESG factors are identified, the Trustees may request further information from the Scheme’s managers and engage with them in relation to these matters.
- If any significant ESG related issues are identified for a fund or a manager, the Trustees may choose to replace them. However, as per the appointment of funds and managers, the investment manager’s

shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.

The Trustees will also take ESG factors into account as part of determining the strategic asset allocation, and consider these factors as part of ongoing reviews of the Scheme's investments.

The Trustees will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees may use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- The Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

Policy for taking into account non-financial matters

The Trustees' preference is to go beyond considering ESG factors and take an ethical approach with respect to the Scheme's investments. However, the Trustees recognise that implementing a specific ethical investment policy for the Scheme would prove extremely difficult to effect whilst the investments are made through the medium of pooled funds. Therefore, rather than incurring the costs associated with making changes to the Scheme's existing investments, the Trustees have chosen to make the consideration and implementation of manager's engagement, ESG and ethical policies a key part of their criteria for selecting and reviewing investment managers. The Scheme does have exposure to one specifically ethical mandate via a pooled fund, details of which are set out in Appendix 1.

Policy on the exercise of voting rights and engagement activities

The Trustees believe that good stewardship and positive engagement lead to improved governance and better risk-adjusted investor returns.

As an investor in pooled funds, the Trustees delegate the responsibility of exercising of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. Managers are expected to exercise voting powers with the objective of preserving and enhancing long-term stakeholder value. The Trustees also delegate undertaking engagement activities to the investment managers. The Trustees expect managers to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators, and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks. The Trustees will monitor how these delegated powers are exercised by the managers.

The Trustees assess the investment managers' approach to engagement and voting rights with the support of their investment consultant and consider these to be of a satisfactory standard. The Trustees will monitor and engage with the investment managers in relation to voting and engagement activities as follows:

- The Trustees will, with support from the investment consultant, request and review voting and engagement activities of the Scheme's investment managers periodically. In the event of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Scheme's investment managers for more information and discuss any remedial actions taken.

- The Trustees will also ask managers to attend meetings from time to time to present and discuss their engagement activities, including details of any voting rights exercised.
- When selecting and reviewing their investment managers, where appropriate and applicable, the Trustees will consider the investment managers' policies on engagement, and how those policies have been implemented.

UN Principles of Responsible Investment and UK Stewardship Code

Before considering any new mandate, the Trustees will require the manager to be a signatory to the United Nations supported Principles for Responsible Investment (PRI). At time of writing, all of the Scheme's investment managers are PRI signatories.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and expects the Scheme's investment managers to have corporate governance policies in place which comply with these principles.

Policy on stewardship

The Trustees assessed the current stewardship approach of its investment managers based on information provided by the respective managers and consider these to be of a satisfactory standard.

In general, the Trustees will monitor and engage with the investment managers in relation to stewardship activities as follows:

- The Trustees will, with support from the investment consultant, request and review the stewardship policies of the Scheme's investment managers on a regular basis. In case of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Scheme's investment managers for more information and discuss any remedial actions taken.
- The Trustees will request that any manager presentations include an update on stewardship activities.
- When selecting investment managers, where appropriate and applicable, the Trustees will consider the investment managers' policies on stewardship, and how those policies have been implemented.

The Trustees will ensure that the investment managers monitor the investee companies' capital structure as follows:

- When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
- The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognises that ESG and climate related issues are constantly evolving and so too are the products available within the investment management industry to help manage these risks.
- The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units. The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. Where the Trustees use pooled funds the Trustees expect the investment manager to employ the same degree of scrutiny.

- Through their consultation with the Principal Employer when setting this Statement of Investment Principles the Trustees have made the Principal Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

Conflicts of Interest

The Trustees will monitor actual and potential conflicts of interest in relation to their engagements as follows:

- The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, make the Trustees confident that the investment manager recommendations they make are free from conflict of interest.
- The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

Incentivising alignment with the Trustees' investment policies

The Trustees will ensure that the arrangements with the investment managers incentivise the investment managers to align their investment strategy and decisions with the Trustees' investment policies as follows:

- Prior to appointing an investment manager, the Trustees will discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the investment manager and/or the Scheme's investment consultant, and consider how they are aligned with the Trustees' own investment aims, beliefs and constraints.
- When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees will also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they may use another manager for the mandate.
- The Trustees carry out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints. The Trustees will monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated.
- Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager from time to time as deemed appropriate.

Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustees will ensure that the arrangements with the investment managers incentivise the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term as follows:

- The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk

may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.

- When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expects this to be sufficient to ensure an appropriate alignment of interests.
- The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Method and time horizon for assessing performance

The Trustees will ensure that the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for investment management services are in line with the Trustees' investment policies as follows:

- Trustees monitor the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.
- The Scheme invests solely in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Scheme's investment managers are contained in the Fee agreements section mentioned above in Appendix 1.
- The Trustees believe that this fee structure enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- The Trustees ask the Scheme's investment consultant to assess if the investment management fee is in line with the market when the manager is selected, and the appropriateness of the investment management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

The Trustees will monitor "portfolio turnover costs" incurred by the investment managers, and consider the portfolio turnover as follows:

- The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the half-yearly investment monitoring process.
- During the investment manager appointment process, the Trustees will consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangements with investment managers

The durations of the arrangements with the investment managers are open-ended rather than being subject to a fixed duration contract. The Scheme has had holdings with M&G since February 1996, Legal & General since March 2001 and Baillie Gifford since January 2011. The Scheme has had both Kames and Ruffer as its investment managers since December 2018.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Appendix 3 Strategic objectives

Investment consultants

Strategic objectives
Provide high quality, clearly communicated advice in a timely fashion.
Advise on the design of the investment strategy such that it is consistent with the Trustees' Aims, Beliefs and Constraints (ABCs).
Assist the Trustees in selecting and reviewing managers and/or funds, taking into account the Scheme's policy on ethical investing.
Arrange the implementation of asset transfers and management of cashflow in an efficient manner.
Advise the Trustees of any actions required to ensure compliance with regulations.