The UK Power Networks Pension Scheme

Statement of Investment Principles – September 2019

1. Introduction - Purpose of Statement

1.1 The purpose of this Statement of Investment Principles ("the Statement") is to record the investment arrangements (and the rationale behind those arrangements) adopted by the Trustee of The UK Power Networks Pension Scheme (the "Scheme"). This Statement complies with the requirements of the Pensions Act 1995 and of the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations") made under that Act. This Statement replaces the previous Statement dated February 2017.

1.2 In preparing this Statement the Trustee has consulted the principal employer of the Scheme, UK Power Networks Holdings Limited ("the Company"), to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme's investment arrangements. The Trustee has also taken formal written advice from the Fiduciary Manager. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2. Scheme Background

2.1 The UK Power Networks Pension Scheme consists of members' benefits which have accrued under the following arrangements:

- London Electricity 1994 Retirement Plan ("LERP");
- SEEBOARD Final Salary Pension Plan ("FSPP");
- SEEBOARD Pension Investment Plan ("PIP");
- EDF Energy Pension Scheme ("EDF"); and
- New benefits accrued since inception of The UK Power Networks Pension Scheme (the "Scheme").

2.2 The benefits for former LERP members in respect of their service up to 1 March 2004 are categorised as 'final salary' from a legal perspective, as they contain a final salary underpin. However, as members are able to choose their own investment options and their retirement benefits will be based on the accumulated "money purchase" funds (unless the underpin applies), from an investment perspective these benefits can be categorised as "money purchase". For the purposes of this Statement therefore, the former LERP benefits are considered as "money purchase".

2.3 The investment policy relating to the assets backing the ongoing final salary benefits of the legacy SEEBOARD FSPP arrangement, together with the assets associated with final salary benefits accrued under the EDF pension scheme, i.e. with effect from 1 March 2004, and future final salary benefits accruing under the Scheme are described in sections 3.2, 5.2, 6 and 7.

2.4 In addition to the ongoing final salary benefits, the Scheme contains the legacy money purchase assets (including the Additional Voluntary Contributions or “AVCs”) of the LERP and PIP arrangements. The investment policy applicable to the legacy assets under the LERP and PIP pension arrangements are set out along with the policy for the AVC assets in sections 3.3, 5.3, 8 and 9.

2.5 Other sections in the Statement relate to both the legacy assets and assets relating to the benefits accrued inception of The UK Power Networks Pension Scheme.

3. Investment objectives

3.1 The Trustee is responsible for the stewardship of the Scheme’s assets. The Trustee’s objective is to invest the Scheme’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide them in their strategic management of the assets of each section of the Scheme and control of the various risks to which the each section of the Scheme is exposed.

3.2 The investment strategy is designed to underpin the objective of the Fund that being the ability to pay the benefits as they fall due.

Due to the long duration of the scheme the strategy is designed to run a degree of investment risk that is expected to be rewarded over the longer term. As a result, the strategy intends to target a relatively high return for the foreseeable future which will naturally include some volatility that will be partially mitigated by investing a diversified range of different asset classes.

The Trustee has determined that an appropriate rate of investment return to meet these objectives is 3.8% per annum in excess of the gilt yield used to determine the Scheme’s liabilities. The Trustee has engaged with its advisers to ensure that excessive risk will not be taken in achieving this level of investment return.

3.3 The Trustee’s objectives for the Defined Contribution (“DC”) Section including legacy LERP and PIP assets and Additional Voluntary Contributions (“AVCs”) assets are outlined below:

- To provide an investment strategy which seeks to deliver long term growth and protects the value of accumulated saving as each member gets closer to the normal retirement age of 65.

- To make available a range of investment options from which members can choose after considering their own risk appetite. This means offering investment choices which:

- maximise the value of members’ retirement benefits through investing in assets which will deliver real growth in the long term;
- allows the member to diversify their pension savings; and
- protects the accumulated value of their pension savings.

▪ To simplify investment choices to facilitate employee understanding and greater decision making.

4. Considerations in setting and implementing the Investment Strategy

4.1 In order to implement the chosen investment strategy the Trustee has to consider the following principal factors:

▪ The appropriate level of risk to be taken while meeting the objectives set;

▪ The construction of the investments that is expected to maximise the return (net of all costs) given the targeted level of risk;

▪ The method of monitoring the chosen investments to ensure that the objectives are met; and

▪ The chosen investments meet with any restrictions set out in the Scheme Trust Deed and Rules.

4.2 In addition, the Trustee has undertaken an analysis of the membership of the DC section to ensure the investment strategy and the choice of investments meet the needs of the types of members in this section.

5. Risk management and measurement

5.1 There are various risks to which any pension scheme is exposed. The Trustee has considered separately the risks to which each section of the Scheme is exposed, and has formulated the following policies on risk management.

5.2 DB section

▪ **Asset/Liability mismatch.** This risk is the primary risk upon which the Trustee focuses. An asset/liability mismatch may ultimately lead to the Scheme being unable to meet its obligations as they fall due. The Trustee takes advice from its Fiduciary Manager and Scheme Actuary to ensure the investment strategy takes due consideration of the liability profile.

▪ **Sponsor solvency.** There is a risk that the Principal Employer becomes unable to meet its future funding obligations to the Scheme. To address this risk the Trustee has appointed a Covenant Adviser to assist it monitor the ongoing financial strength of its sponsor.

▪ **Credit Risk**. The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation**.** The

Trustee limits the risk by restricting the Scheme's exposure to investments with a high credit risk and by ensuring that credit risk is well diversified across a number of counterparties.

- **Market risk**. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risk:

  1. **Interest rate risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or inflation rates. In setting the investment strategy the Trustee has taken account of the interest rate and inflation sensitivity of the liabilities and then determined the extent to which it is appropriate and possible for these sensitivities to be matched by the assets, given the overall objective of the Scheme. The Trustee will monitor the performance of the assets relative to the liabilities with particular regard to the impact of interest rates and inflation rates.

  2. **Currency risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trustee limits the risk by ensuring that only a proportion of the Scheme's investments are denominated in currencies other than in Sterling unless the currency risk is hedged.

  3. **Other price risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of other market changes (other than those arising from interest rate and currency risk) whether those changes are specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trustee seeks to reduce the impact of price risk through investing in a diverse portfolio of asset classes with due consideration to the correlation of the value of different asset classes to each other in different market conditions. The Trustee also seeks to avoid investing in asset classes where the price risk is unrewarded.

- **Risk v Return.** The Trustee recognises that, whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

- **Manager risk.** This is the risk that the Fiduciary Manager fails to achieve the benchmark rate of investment return on any particular asset class through the poor selection of underlying managers in the investment strategy. Responsibility for underlying investment manager risk has been delegated to the Fiduciary Manager. The Trustee employs an independent governance consultant to assist in the regular review of the Fiduciary Manager.

- **Concentration.** The Trustee recognises a lack of diversification of investments (either by manager or by asset class) could have a significant adverse impact upon the scheme funding level. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, the Scheme's investment exposure is obtained via pooled vehicles.

- **Governance/fraud.** The Trustee accepts that there is a risk that the Fiduciary Manager may act outside of its investment mandate. The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The Fiduciary Manager is prevented from investing in asset classes outside their mandate without the Trustee's prior consent. By utilising only pooled vehicles the safe custody of the Scheme's assets is delegated to professional custodians.

- **Liquidity.** There is a risk that investments may not be able to be liquidated in time to meet the Scheme obligations. The Trustee recognises this as a risk but also that certain illiquid investments generate a higher level of return for a similar level of risk to liquid investments. The Trustee therefore ensures that the overall strategy maintains sufficient liquid investments to meet short term cash flows.

- **Demographic risk.** Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee recognises that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustee will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

- **Custody risk.** The Trustee will assess and consider the actions of the custodian of the Scheme's assets, SEI Investments (Europe) Limited, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

  The Custodian ring fences the Scheme's assets from its own assets and those of its other clients.

Arrangements are in place to monitor the Scheme's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee receives regular reports from the Fiduciary Manager.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered, in particular whether the current risk profile remains appropriate.

5.3 DC section

- **Investment Risk.** Whilst the actual investment risk is carried by the member, the Trustee recognises the risk that low investment returns over members' working lives might result in an inadequate pension. The Trustee has made available a number of equity-based strategies which seek to maximise the real value of each member's investment when the member's retirement is far away.

  The Trustee is also aware that relative market movements in the years just prior to retirement may lead to a substantial reduction in a member's pension and tax-free cash. The Trustee has made available a diversified growth fund, a bond fund, and a cash fund, which can assist a member in reducing the volatility of their pension fund.

  For those members not wishing to actively manage the investment of their pension fund, the Scheme also provides a Lifestyle strategy, which incorporates the above considerations (i.e. the need to maximise the real value of each member's investment over their working life by investing in equities before gradually switching to lower risk bonds and cash as retirement approaches to protect the value of accumulated funds).

- **Concentration.** The Trustee recognises the risks that may arise from the lack of diversification of investments. The Trustee therefore makes available a range of investment options, to enable members to achieve a diversified holding.

- **Performance.** The Trustee realises that there is a risk that the performance of the manager may deviate from their specified benchmark, and that this risk is greater when there is active management of the assets. The Trustee currently only offers passively managed funds but may choose to include actively managed funds where it believes that active management may offer enhanced returns.

- **Governance/Fraud.** Arrangements are in place to monitor the Scheme's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee receives regular reports from the investment managers and the Fiduciary Manager. By appointing investment managers and utilising their pooled vehicles, the safe custody of the Scheme's assets is delegated to professional custodians.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered, in particular whether the current strategies and fund choices are appropriate.

6. Investment Strategy: Defined Benefits

6.1 General Policies

Having set the investment objective, the Trustee has considered its investment strategy and determined to allocate the assets into two pools – the Risk Management Pool and the Return Enhancement Pool.

- Risk Management Pool - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, corporate bonds and liability driven derivative overlays such as interest rate and inflation swaps. The Trustee will set a target, known as a hedge ratio, for the percentage of the interest rate and inflation risk in the liabilities that will be mirrored in the assets.

- Return Enhancement Pool - these investments exist in the portfolio to generate return relative to the liabilities without a requirement to closely track liability performance. Assets in this pool include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, structured credit instruments and hedge funds.

The investment objective determines the split of assets between these two components and within each component. Further details are set out in Appendix A.

6.2 Asset Allocation

The Trustee recognises the importance of asset allocation to the overall investment returns achieved. The Trustee also recognises that the asset allocation will change as a result of a range of factors, which include changes in market conditions changing the allocation to different asset types.

Following advice from the Fiduciary Manager, the Trustee has agreed a target asset allocation and this is set out in Appendix A. However, in recognition of the risks associated with asset allocation, the Trustee has given the Fiduciary Manager the power to make tactical decisions regarding asset allocation. These powers are detailed in the Fiduciary Management Agreement.

7. Strategy Implementation: Defined Benefits

7.1 Fiduciary Manager

The Trustee has appointed SEI Investments (Europe) Limited to be its Fiduciary Manager. The Fiduciary Manager is appointed to invest the Scheme's assets through:

- Selecting appropriate SEI Funds or external Funds suitable for the Scheme.
- Defining the allocations to each Fund.
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives of the Scheme.

7.2 Fiduciary Management Agreement

The Fiduciary Management Agreement sets out the scope of SEI's duties, fees, and investment restrictions together with any other relevant matters in relation to the Scheme.

The Fiduciary Manager has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

7.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk.

The Trustee understands the importance of diversification and, as such, the Fiduciary Manager is required by the Trustee to ensure the assets are properly diversified. The choice of asset classes as set out in Appendix A is designed to ensure that the Scheme's investments are diversified by type and region.

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Fiduciary Manager and the Trustee. These ranges and sets of limitations will be specified in the Fiduciary Management Agreement and may be revised from time to time where considered appropriate as circumstances change (details of the asset allocations and restrictions as at the date of this SIP are set out in Section 8). The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

7.4 Suitability

The Trustee has established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable given the Scheme's liability profile, the objectives of the Trustee, regulatory guidance and specifications in the Trust Deed.

7.5 Use of Derivatives

The Trustee has considered the use of derivatives within its investment strategy. The Trustee has determined that derivatives will not generally be allowed directly in its own name. However, it recognises these instruments play an important part reduction and efficient portfolio management, and will be used by the Fiduciary Manager within its pooled funds. These restrictions are reflected within the Fiduciary Management Agreement.

8. **Investment Strategy and Implementation: DC Section**

Given the investment risk is taken by the member the Trustee has determined that the member must first select between a ‘freestyle’ or ‘lifestyle’ option to enable the member to manage their investment risk appetite.

Once this decision has been taken the Trustee has selected a range of funds to be made available to members, which the members may select under the “freestyling” option.

The “lifestyling strategy” requires a minimum of effort and experience from the member, whilst still allowing them to benefit from a strategy which considers their broad requirements and the risks affecting their benefits. The investment strategy is linked to the member’s normal retirement age of 65.

The exact details of the funds offered and the operation of the lifestyling strategy are set out in Appendix B.

9. **Additional Voluntary Contributions (AVCs)**

9.1 Under the terms of the trust deed the Trustee is responsible for the investment of AVCs paid by members. The range of funds available is set out in Appendix B. The Trustee reviews the investment performance of the chosen providers on a regular basis and takes advice as to the providers’ continued suitability.

10. **Corporate Governance and Socially Responsible Investment**

10.1 The Trustee believes that good corporate governance and social, environmental and ethical decisions will result in better financial performance over the long term.

10.2 The Trustee accepts that, since it invests in pooled funds, the policy on social, environmental and ethical considerations is set by the Fiduciary Manager and other pooled investment managers. The Trustee expects, where possible, for the managers and their delegates to take account of all financially material factors, including social, environmental and ethical factors as well as the quality of corporate governance, when selecting investments. The Trustee does not expect the managers to take account of any non-financially material factors. The managers will also exercise voting rights, on behalf of all unit holders in the various pooled funds.

10.3 In selecting and monitoring the Fiduciary Manager and other pooled investment managers, the Trustee considers the proxy voting process and socially responsible investing policies of the managers together with their activity around engagement with the management of companies in which they invest. The Fiduciary Manager has for the purpose of voting and engagement pooled their stock and bond holdings with other investors and employed a specialist ESG provider for voting and engagement services. Such engagement and exercise of voting rights is expected to take account of environmental, social and governance factors, including climate change, that may be financially material.

The DC manager has their own stewardship program. Managers will report on voting and engagement activity to the Trustee on a periodic basis and the Trustee will engage as necessary with the managers on such activity

11. Compliance with this Statement

11.1 The Trustee monitors compliance with this Statement annually.

11.2 The Fiduciary Manager has been provided with a copy of this Statement and is asked to confirm that they understand its implications.

11.3 To assist the Trustee in compliance with the Statement, the Fiduciary Manager of the Scheme will regularly prepare reports to the Trustee including:

- a valuation of all investments held for the Scheme;
- a summary of the current investment strategy for the underlying funds and a review of recent actions undertaken within the selected funds; and
- a report of the investment performance.
- a summary of engagement carried out in respect of SEI Funds in respect of environmental, social and corporate governance policies.

12. Review of this Statement

12.1 The Trustee will review this Statement at least once every three years in conjunction with the triennial actuarial valuations and following any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments, and also after consulting the Company.

12.2 Once the Statement is revised the Trustee will provide a copy to the Fiduciary Manager and other pooled investment managers.

Signed..

On behalf of the Trustee of The UK Power Networks Pension Scheme

Date: 19 SEPTEMBER 2019

APPENDIX A: Defined Benefit Section - Investment Guidelines and Restrictions

Given the investment objectives and the associated risks set out above the Trustee has determined the Scheme's high level long term investment strategy as follows:

Asset Class	Allowable Ranges
Return Enhancing Pool	65-75%
Risk Management Pool	25-35%

The target allocation for the Fiduciary Manager in terms of individual asset classes will be as follows:

Table 1

	Asset Class Equities/Alternatives/Matching	Target Allocation
Return Enhancing Pool	Global Developed Market Equities	19.0
	Global Equities – Low Volatility	5.0
	UK Equities	3.5
	Global Small Cap Equities	4.0
	Dynamic Asset Allocation	10.0
	Emerging Market Equities	3.5
	Total Equities	**45.0**
	UK Property	6.0
	Hedge Funds	6.0
	Emerging Market Debt	4.5
	High Yield Debt – GBP Hedged	3.0
	Global Real Assets[1]	3.5
	Global Credit – GBP Hedged	2.0
	Total Alternative	**25.0**
Risk Management Pool	LDI Strategy[2]	30.0
	Total Matching	**30.0**

[1] Global Real Assets are physical assets that have value due to their substance and properties and include, inter alia, precious metals, commodities, certain real estate, infrastructure, timber and agricultural land though the emphasis of the allocation will be on Infrastructure assets

[2] The Liability Driven Investment Strategy ("LDI Strategy") will include investments into collective investment funds with the objective of hedging the interest rate and inflation risk in the liabilities as described below.

The actual allocation to the different asset classes shown above will vary from the target due to changes in relative valuations and other factors such as frequency of dealing in pooled funds used in each asset class. The Trustee will determine from time to time acceptable tolerance levels around the target for each asset class within the context of the allowable ranges for each of the Return Enhancing and Risk Management Pools. To minimise transaction costs, as far as possible, cash flows into the Scheme will be used to bring the Scheme's asset allocation in line with the targets above.

The Trustee expects the above strategic asset allocation to generate a return on the Defined Benefit assets of 3.8% per annum (net of expenses) above that which would have been achieved had no investment risk been taken within the portfolio i.e. had it been solely in a portfolio of UK Government bonds matching the Scheme's liabilities.

It is recognised that over time the short-term performance may deviate significantly from the long-term target. Reporting of investment performance is therefore reviewed by the Trustee on a quarterly basis from reports prepared by the Fiduciary Manager.

In the Risk Management Pool, the Trustee has determined the following guidelines for the extent to which interest rate and inflation risk inherent in the liabilities will be covered by the assets. This is known as the Hedge Ratio.

Table 2

Risk	Hedge Ratio	
	Minimum	Maximum[1]
Interest Rate Risk (effective % of assets, duration adjusted, to match liability risk)	40%	50%
Inflation Rate Risk (effective % of assets, duration adjusted to match liability risk)	40%	50%

[1] The Trustee has agreed with the Sponsor that the hedge ratio may be increased to the maximum level shown. The Trustee will take account of market conditions and other factors in determining the appropriate level of hedging between the minimum and maximum.

Appendix B: Defined Contribution Section – Investment Guidelines

Assets in respect of members' money purchase benefits and additional voluntary contributions are invested separately from the defined benefit assets.

The Trustee has decided that the following options should be available to members for their money purchase contributions and also to all members for any additional voluntary contributions they wish to make:

Provider	Fund
Aegon	Aegon BlackRock Aquila Life (50:50) Global Equity Index Fund [1] Aegon Aquila Life Over 5 Year Index Linked Gilts Index Fund [1] Aegon BlackRock Market Advantage Fund [1] Aegon BlackRock Cash Fund [1]
Equitable Life	With Profits[2] Managed Fund[2]
Prudential	With Profits [2]

[1] *Available to existing and new contributors*
[2] *No longer available for future contributions*

The Trustee undertakes regular reviews on the suitability of these arrangements. The Fiduciary Manager provides quarterly reports to the Trustee in respect of the funds available to new contributors.

The Trustee has an insurance contract with Scottish Equitable Plc (trading as Aegon).

The Trustee also provides a lifestyle strategy where member's assets are invested according to the period from retirement. The current lifestyle strategy is as follows:

Age at 1 April	Aquila Life (50:50) Global Equity Fund	Aquila Life Market Advantage Fund	Aquila Life Cash Fund
54 or lower	100%	0%	0%
55	90%	10%	0%
56	80%	20%	0%
57	70%	30%	0%
58	60%	40%	0%
59	50%	50%	0%
60	40%	50%	10%
61	25%	50%	25%
62	15%	35%	50%
63	5%	20%	75%
64 or more	0%	0%	100%

Appendix C: Responsibilities of Trustee and its advisers

Trustee

The Trustee of the Scheme is responsible for, amongst other things:

i. Determining the investment objectives of the Scheme and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Fiduciary Manager.

iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Fiduciary Manager.

v. Assessing the performance and appropriateness of the DC Section Investment Managers by means of regular reviews of the investment results and other information.

vi. Assessing the ongoing effectiveness of the Fiduciary Manager by reviewing the investment reports provided by the Fiduciary Manager, the performance achieved the Fiduciary Manager and any material changes reported by the Fiduciary Manager in relation to their investment process, and strategy and by meeting with the Fiduciary Manager at least half yearly.

vii. Consulting with the Principal Employer when reviewing investment policy issues.

viii. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

ix. Advising the Fiduciary Manager of any changes to Scheme benefits and significant changes in membership.

x. Monitoring the compliance of the Fiduciary Manager with the relevant investment and strategic guidelines.

xi. Monitoring the quality and strength of the employer covenant to assess the level of risk the Trustee can take from time to time.

Fiduciary Manager

The Fiduciary Manager will be responsible for, amongst other things:

i. Participating with the Trustee in reviews of this SIP.

ii. Provision of advice and recommendations to the Trustee to allow an investment strategy to be established and agreed taking account of the Scheme's funding strategy and the Trustee's risk tolerance,

iii. Advising the Trustee how any changes within the Scheme's benefits, membership and funding position may affect the investment strategy and the manner in which the assets should be invested.

iv. Advising the Trustee of any changes in the DC Section's Investment Managers that could affect the interests of the Scheme.

v. Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme.

vi. At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.

vii. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

- A report of the strategy followed during the quarter.
- The rationale behind past and future strategy.
- A full valuation of the assets and a performance summary.
- A performance summary of the DC Section Managers.

viii. Informing the Trustee immediately of:

- Any breach of this SIP that has come to their attention.
- Any serious breach of internal operating procedures.
- Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
- Any breach of investment restrictions agreed between the Trustee and the Investment Managers from time to time.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Fiduciary Manager on the suitability of the Scheme's investment strategy.

ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iv. Advising the Trustee, and the Fiduciary Manager of any changes to contribution levels and funding level.

Custodian

The Custodian will be responsible for, amongst other things:

i. Safe-keeping and administration of all the directly held assets.

ii. Collecting income from assets and transferring it to the Trustee.

iii. Processing all tax reclaims in a timely manner.

iv. Reconciling records of assets.