Church Mission Society Pension Scheme
(“the Scheme”)

Statement of Investment Principles (the “Statement”)

1. Scope of Statement

This Statement has been prepared in accordance with:

- section 35 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.

The effective date of this Statement is 20 September 2021. The Trustee will review this Statement and the Scheme’s investment strategy at least every three years or without delay after any significant change in investment policy.

This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

2. Consultations made

The Trustee is responsible for the investment strategy of the Scheme.

The Trustee has consulted with the employer, Church Mission Society, about this Statement.

The Trustee has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by the Scheme’s Investment Adviser, Barnett Waddingham LLP who is authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to the members of the Scheme.

The day to day management of the Scheme's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. The Trustee’s objectives in relation to an investment will be clearly communicated to the investment managers appointed.

3. Objectives

The Trustee’s primary objectives are:

- “funding objective” - to ensure that the Scheme is fully funded using the assumptions that are agreed by the Trustee. Where an Actuarial Valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
- “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 ensure that the solvency position of the Scheme is expected to improve. The Trustee will take into account the strength of the employer’s covenant.

4. Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment in a manner calculated with the aim of ensuring the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes, but within the constraints set out in Appendix 1 of this document.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly in regulated markets (with investments in unregulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid excessive risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management (which includes derivative-based replication of market exposure) and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The day-to-day management of the Scheme's assets is delegated to the Scheme's Fund Managers, who are authorised and regulated by the Financial Conduct Authority or an equivalent body in their respective jurisdictions. The Trustee has signed agreements with the Fund Managers and details of the investment arrangements can be found in the appendix. The Fund Managers will exercise their investment powers with a view to giving effect to the principles contained in this statement so far as reasonably practicable. The purchase and realisation of individual investments is carried out by the Fund Managers.

The Investment Adviser to the Scheme provides advice to the Trustee (or, any Investment Sub-Committee which may be formed from time-to-time) regarding the suitability of the investment strategy for the Scheme.

5. The balance between different kinds of investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. It therefore retains responsibility for setting asset allocation. In doing so it may be advised by the Investment Committee (if formed from time-to-time) and, as required, by the Scheme's professional advisers.

The Trustee reviews its investment strategy following each formal Actuarial Valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its Investment Adviser regarding an appropriate investment strategy for the Scheme.

The asset allocation set out in Appendix I has been set after considering the triennial valuation as at 31 March 2019 and subsequently updating the liability profile of the Scheme for market conditions to June 2020 and written advice from the Investment Adviser throughout 2020 and 2021.

A broad range of available asset classes has been considered. This includes consideration of so called "alternative" asset classes (including property, infrastructure, private equity, hedge funds and structured equity).

6. Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the Actuarial Valuation of the Scheme, following which the Trustee takes advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy. The Trustee also has an agreement with the principal employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer.

In particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

It is the Trustee's policy to take professional covenant assessment advice on an ongoing basis.

The Trustee monitors on a quarterly basis the risks associated with the appointment of the Fund Managers via investment monitoring reports with reference to the out-performance target detailed in Appendix 1. The Trustee has appointed the Investment Adviser to alert it on any matters of material significance that might affect the ability of the Fund Manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

The Trustee considers the investment risks to 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 Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation and when considering the approach to selecting underlying managers and monitoring performance.

For due diligence purposes, the Scheme may operate an Investment Committee which monitors on a quarterly basis the risks arising through the selection or appointment of Fund Managers. The Investment Committee will also meet with each active Fund Manager on a regular basis. The Trustee will undertake this role directly where no Investment Committee is appointed.

7. Custody

All of the Scheme's investments in pooled funds give the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the relevant assets of the pooled fund. The Scheme's investments in segregated mandates gives the Trustee a right to the underlying assets held. The Trustee is responsible for the appointment and monitoring of the custodian of the relevant assets of the segregated mandates.

8. Expected returns on assets

Over the long-term the Trustee's expectations are:

- for the "growth" assets (Diversified Growth Funds, Illiquid Multi Asset and equities), to achieve a return which at least keeps pace with inflation over the same period. The Trustee is willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;
- for the "matching" assets to be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme;
- for the assets collectively, over the long term, to achieve a return consistent with the assumptions made in the Actuarial Valuation as at 31 March 2019. This return is based on the UK government fixed income curve with a growth asset premium which decreases over time. Further details can be found in the Actuarial Report dated 13 May 2021.

Returns achieved by the Fund Managers are assessed against performance benchmarks set by the Trustee in consultation with its professional advisers and Fund Managers.

9. Realisation of investments/liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

10. Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee is aware of the policy towards corporate governance adopted by its Fund Managers and receives regular reports on the Fund Managers' activity. The Trustee (or, if formed, the Investment Committee) reviews the Fund Managers' policies on activism and the exercise of the rights on a regular basis. Further information on the Trustee's policy on voting and engagement is detailed in Appendix II to this statement.

11. Members' Views and Non-Financial Factors

The Trustee does not specifically take into account the individual views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Fund (defined as 'non-financial factors'[1] in the 2018 Regulations). However, when setting and implementing the Scheme's investment strategy the Trustee will act for the members as a whole in relation to non-financial factors.

12. Additional Voluntary Contributions ("AVC's") arrangements

Some members have previously paid AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of the AVC providers and fund options are included in the Appendix to this Statement.

13. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

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 Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

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

The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may

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

occur over a much shorter term than climate change itself. The Trustee acknowledges 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 Trustee assesses these over a rolling timeframe. The Trustee believes 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 Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

The Trustee expects 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 Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

The Scheme invests in pooled funds and segregated mandates. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

During the investment manager appointment process, the Trustee may 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. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset managers

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers. There is no predetermined terms of agreement with the investment manager providing the segregated mandate. However, in order to construct and maintain the structured equity portfolio (derivative-based replication of market exposure) the investment manager requires a predetermined term. This term is decided by the Trustee, who will monitor performance on an ongoing basis and decide whether to reinvest or not at the end of the term or prior to this.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs 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.

14. Compliance with this Statement

The Trustee may, from time-to-time, appoint an Investment Committee to monitor the Fund Managers.

The Trustee, or where formed, the Investment Committee on behalf of the Trustee, will monitor the investment strategy and Fund Managers on a quarterly basis. The Trustee will review the content of this Statement at least every three years, or sooner if there is a significant change in investment strategy.

The Fund Managers will supply the Trustee/Investment Committee with such information as the latter may reasonably require enabling them to review the Fund Managers' activity.

Name (Print)
Director
RICHARD HUBBARD
Date: 20/09/2021

Name (Print)
Director
NICK HORSFALL
Date: 20/09/2021

For and on behalf of the Church Mission Society Pension Trust Ltd

Church Mission Society Pension Scheme ("the Scheme")
Appendix I to Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy, and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement.

The details are laid out below:-

1. Asset allocation strategy

The Trustee recognises the stresses the employer could face from the future volatility of growth asset returns ("market" risk). This can lead to unexpected falls in the value of the Scheme's assets that are not mirrored by similar falls in liability values. A fall in equity markets would have a material impact on the value of the Scheme's assets and hence on the funding position. This in turn might lead to a requirement for increased contributions from the employer.

Having taken advice from the Investment Adviser, the Trustee decided to diversify the Scheme's growth assets to reduce its reliance on equities and hence reduce its exposure to equity market risk.

By diversifying the Scheme's growth assets across a wide range of asset classes whose long-term expected return is similar to that expected from equities, but whose pattern of return is expected to be different (i.e. non or lowly correlated to equities), a portfolio of assets can be constructed that is expected to deliver a broadly similar long-term return to equities, but with a lower level of risk or short-term volatility.

Having been advised by their Investment Adviser the Trustee diversified the Scheme's growth assets by investing in two complementary diversified growth funds. This approach provides the Scheme with access to a wide range of asset classes, including equities and alternative asset classes, in a pooled fund arrangement without significantly increasing the required governance.

The Trustee has further diversified the growth portfolio by investing in two complementary illiquid multi-asset funds. This gives the Scheme access to alternative assets in private markets and is expected to offer alternative risk premiums e.g. illiquidity premium.

In order to access equity exposure with a lower risk of significant volatility and falls in value, the Trustee has implemented a segregated structured equity holding that limits the downside risk while also capping the upside potential of the holding. This has the effect of gaining equity exposure with upside potential without as significant a risk of incurring falls in the value of the holding.

The Scheme's liabilities are valued by making assumptions about future interest rates and inflation expectations. Changes in these assumptions can lead to large fluctuations in the value placed on the liabilities and hence the funding level. Following advice from the Investment Adviser, the Trustee has decided to appoint a Liability Driven Investment ("LDI") manager, alongside a portfolio of global bonds, in order to enhance the return on the Scheme's assets without reducing interest rate and inflation protection.

The Scheme invests a proportion of assets in a segregated LDI portfolio, which is designed to match the Scheme's liability cash flows. The LDI portfolio is leveraged which allows the Scheme to hedge interest rate and inflation risks without the need to reduce exposure to growth assets.

The agreed asset allocation strategy is as follows:

Proposed Fund/Asset Class	Target Weight %
Growth Assets	**45.0**
Diversified Growth Funds	20.0
Illiquid Multi Asset	10.0
Structured Equity	15.0
Matching Assets	**55.0**
Absolute Return Bond Funds	7.5
Multi Asset Credit Funds	7.5
LDI Portfolio*	40.0
Total	**100.0**

*Mixture of nominal and inflation-linked exposure, structured to provide an approximate match for the liability profile of the Scheme.

The actual allocation may vary from time-to-time due to market movements. The Trustee will typically consider the need to rebalance the assets on a quarterly basis as part of regular monitoring of the strategy.

2. Investment management arrangements

The Trustee has delegated the management of the assets to various Fund Managers. Having received written advice from the Investment Adviser on the suitability of the Fund Managers and having taken in to account such factors as the Fund Managers' organisational structure, personnel, investment philosophy, investment process, risk controls and research capabilities, the Trustee believes the appointed Fund Managers to be appropriate for the Scheme. The Trustee (via the Investment Committee in place at that time) also interviewed each of the Fund Managers before their appointment.

Details of the arrangements for each of the Fund Managers appointed are set out below.

The Trustee is supplied with performance statistics to monitor the performance of the Fund Managers by reference to the benchmarks detailed below and the associated target levels of out performance. Performance is reviewed on a quarterly basis but the Trustee recognises the need to judge the success of the Fund Managers over a reasonable period of time and has deemed that this should be a rolling three-year period.

2.1 Growth Assets

The Trustee has appointed Newton Investment Management, Schroders Investment Management Limited, Hamilton Lane (UK) Limited, Partners Group (Guernsey) Limited and River and Mercantile Derivatives to manage the growth assets for the Scheme. The assets are managed through pooled fund vehicles, except for the structured equity holding with River and Mercantile.

The target allocation for funds within the Growth Assets are as follows:

Manager/Fund	Allocation %
Newton Real Return Fund	22.22
Schroders Diversified Growth Fund	22.22

Hamilton Lane Global Private Assets Fund	11.11
Partners Group Partners Fund	11.11
River & Mercantile Structured Equity	33.33
Total	100.00

The actual allocation may vary from time-to-time due to market movements. The Trustee will typically consider the need to rebalance the assets on a quarterly basis as part of regular monitoring of the strategy.

The benchmark and target performance for each of the funds are as follows:

Manager/Fund	Performance measurement Benchmark	Benchmark Outperformance Target	Expected Tracking Error
Newton Real Return Fund	1 Month LIBOR	To outperform the benchmark by 4% pa (gross of fees) over rolling three to five year periods	One half to two thirds the volatility of equity markets or approximately 9 to 12% pa
Schroders Diversified Growth Fund	Retail Price Inflation	To outperform the benchmark by 5% pa (net of fees) over rolling five year periods	Two thirds the volatility of equity markets or approximately 12% pa
Hamilton Lane Global Private Assets Fund	No formal benchmark, absolute return	10-12% p.a. (net of fees) over a five year period	N/A
Partners Group Partners Fund	No formal benchmark, absolute return	8-12% p.a. (net of fees) over five years and greater	N/A
River & Mercantile Structured Equity	MSCI World	Based on market conditions at time of implementation	N/A

2.2 Matching Assets

The Trustee has appointed M&G Investment Management to manage multi asset credit investments for the Scheme. The assets are managed through pooled fund vehicles and the investment is structured as an insurance policy with Prudential Pensions Ltd who delegate the investment management to M&G.

The Trustee has appointed PIMCO Investment Management to manage absolute return bond investments for the Scheme. PIMCO is majority owned by Allianz SE and the assets are managed through pooled fund vehicles.

The Trustee has appointed River and Mercantile Derivatives to manage the segregated LDI mandate. River and Mercantile Derivatives is a division of River and Mercantile Investments Limited. The assets will be invested in a segregated mandate and held in custody with Caceis Investment Solutions. The portfolio will be structured to provide an approximate match for the Scheme's liability profile.

The target allocation and permitted ranges within the Matching Assets are as follows:

Fund	Allocation %

PIMCO Dynamic Bond Fund	13.64
M&G Alpha Opportunities Fund	13.64
River & Mercantile LDI	72.73
Total	100.00

The actual allocation may vary from time-to-time due to market movements. The Trustee will typically consider the need to rebalance the assets on a quarterly basis as part of regular monitoring of the strategy.

The benchmark and target performance for each of the above funds are as follows:

Fund	Benchmark	Performance Target
PIMCO Dynamic Bond Fund	3 Month LIBOR	Benchmark plus 3-4% (net) p.a. over a market cycle
M&G Alpha Opportunities Fund	1 Month LIBOR	Benchmark plus 3% (net) over a rolling 3 year period.
River & Mercantile Segregated LDI	N/A	Provide liability hedging by offering interest rate/inflation protection which replicates the liability profile of the Scheme

2.3 Re-balancing arrangements

The Trustee regularly monitors the allocation between Growth Assets and Matching Assets and has discretion to rebalance the allocations back to target.

The Trustee also regularly monitors the allocation within the Growth Assets and within the Matching Assets and has discretion to rebalance the allocations back to target.

2.4 Working cash balance

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Trustee's administrator.

3. Additional Voluntary Contributions (AVCs)

The option for members of the Scheme to make AVCs was removed with effect from 31 March 2009.

AVCs paid prior to 31 March 2009 by members of the Scheme are not invested in the same way as the rest of the Scheme's assets but in three alternative arrangements, details of which are as follows:

- Clerical Medical Investment Group Ltd - paid into an account to which gross interest is added.
- Scottish Equitable plc - paid into either a with-profits fund or unit-linked funds. Funds may be switched between the two investment routes
- Equitable Life Assurance Society - paid into either a with-profits fund or unit-linked funds. Funds may be switched between the two investment routes.

Appendix II to Statement of Investment Principles

This Appendix sets out further detail in relation to the Trustee's policy on voting and engagement activities, and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer. This is likely to be not less than five years from the date of this Statement of Investment Principles.

The Trustee has elected to invest the Scheme's assets through pooled funds and segregated mandates. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee, and the managers of the underlying funds, takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

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

- The Trustee will obtain periodic 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 Trustee will 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
- Through their investment consultant the Trustee 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.

The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. 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 Trustee is 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 Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers 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 managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustee also considers 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.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has 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 Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee, investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.