Sopra Steria Retirement Benefits Scheme (the 'Scheme')
Statement of Investment Principles
September 2020

(adopted by the board of directors of the Trustee at their meeting on 23 September 2020)

This Statement of Investment Principles is produced to meet the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

INVESTMENT OBJECTIVE

The Scheme is a legally sectionalised Scheme consisting of three sections: the SMP Section, the SPP Section and the SRP Section (each a 'Section' and together 'the Sections')

Sopra Steria (Retirement Benefits Scheme) Trustees Limited (the 'Trustee') aims to invest the assets of the Scheme prudently with a view to ensuring that the benefits promised to members are provided for each Section. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to each Section's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy whilst maintaining a prudent approach to meeting the Scheme's liabilities within each Section.

STRATEGY

The Trustee has agreed to monitor the value of the Scheme's assets related to each Section versus the corresponding value of the Section's economic liabilities. These are calculated taking no advance credit for investment performance and so can be seen to be a lower risk position than the Section's technical provisions. As the economic funding level improves over time a larger proportion of the Section's assets will be invested in its Liability Matching Portfolio so as to reduce investment risk and protect the funding position. Once fully funded the Trustee expects that the investment risk will be minimal and that it is unlikely to have to request further contributions from the Principal Employer

Prior to undertaking any de-risking the Trustee will consider whether it is likely to have any impact on contributions from the Principal Employer, taking into account relevant information available to it at the time of the transaction. The Trustee has agreed that this will be a one-way process – should the funding level fall back below a trigger, assets will not automatically be switched out of the Liability Matching Portfolio. For the avoidance of doubt funding beyond the technical provisions liabilities will come from investment returns rather than cash contributions.

The current planned long-term investment strategy chosen to meet the objective above is set out in the table below, which incorporates derisking as each Section approaches full funding. The Trustee has agreed to allocate each Section's assets to three portfolios; a Growth Portfolio, a Credit Portfolio and a Liability Matching Portfolio.

At the time this strategy was adopted the long-term strategic allocation for each Section was as follows:

	70% Funding Level %	**80% Funding Level %**	**90% Funding Level %**	**100% Funding Level %**
Growth Portfolio	40.0	30.0	10.0	00.0
Credit Portfolio	27.5	25.0	22.5	20.0
Liability Matching Portfolio	32.5	45.0	67.5	80.0

Note: Funding levels are based on economic.

As at the date of this statement the SMP Section has achieved the 80% funding level and the SRP and SPP Sections have achieved the 70% funding level.

The Liability Matching Portfolio of each Section is designed to partially reflect changes in the value of the Section's liabilities and so this allocation is expected to vary over time as the value of the Section's liabilities changes. The Liability Matching Portfolio of each Section includes a range of assets which have been specifically designed to hedge ultimately up to 90% of the sensitivity of the Section's economic liabilities to interest rates and inflation. This portfolio may include fixed and index linked government and non government bonds, interest rate and inflation swaps, total return swaps, repurchase agreements and cash.

The Growth Portfolio of each Section may include equities, property, property debt, infrastructure, hedge funds, private equity, illiquid credit and active currency.

The Credit Portfolio of each Section may include corporate bonds and other credit instruments such as bank loans, emerging market debt and absolute return bond funds.
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The planned asset allocation strategy was determined with regard to:

- The actuarial characteristics of each Section, in particular the strength of the funding position, the covenant of the statutory employers and any guarantees and other contingent assets and the liability profile of the Section. The Trustee's policy is to make the assumption that equities will outperform gilts over the long term and assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in equity returns, particularly relative to each Section's liabilities, and the risk that the fund managers do not achieve the targets set.

- 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 its investment adviser when setting each Section's asset allocation, when selecting managers and when monitoring their performance.

The Trustee may tactically adjust each Section's asset allocation from the targets described in the table above to reflect factors such as investment views, market movements and implementation and governance constraints.

The Trustee has agreed that it may not be appropriate to derisk at each funding level milestone if the funding progression to date has underperformed the projected average outcome, based on asset liability modelling provided by the Trustee's investment adviser Aon Solutions UK Limited ('Aon'). This ensures that each Section only reduces risk when it can afford to do so without impairing the long term goal of reaching full funding. Therefore, expiry dates have been added to each funding level milestone as follows, after which the corresponding derisking trigger shall be considered to be void (and, if a Section subsequently reaches the next funding level, the JIC will discuss whether derisking remains appropriate with advice from the investment adviser):

Trigger Expiry Dates	**80% Funding Level**	**90% Funding Level**	**100% Funding Level**
SRP Section	2022	2025	2035
SMP Section	[redacted]	2021	2029
SPP Section	2022	2025	2033

When choosing the Scheme's planned asset allocation strategy for each Section the Trustee considered written advice from its investment adviser and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the Principal Employer when setting this strategy.

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

[1] See regulation 2(4) of the Occupational Pension Schemes (Investment) Regulations 2005

The Trustee has agreed to monitor the strategy within each Section using rebalancing ranges of +/-5% of the Growth and Credit Portfolios based on the allocations described in the table above. The resulting ranges have been outlined in the table below.

	70% Funding Level %	80% Funding Level %	90% Funding Level %	100% Funding Level %
Growth Portfolio				
Target	40.0	30.0	10.0	0.0
Rebalancing Range	35.0 - 45.0	25.0 - 35.0	5.0 - 15.0	0.0 - 5.0
Credit Portfolio				
Target	27.5	25.0	22.5	20.0
Rebalancing Range	22.5 - 32.5	20.0 - 30.0	17.5 - 27.5	15.0 - 25.0
Liability Matching Portfolio				
Target	32.5	45.0	67.5	80.0
Rebalancing	27.5 – 37.5	40.0 – 50.0	62.5 – 72.5	75.0 – 85.0

Should a rebalancing range be exceeded, the Trustee shall discuss the need to rebalance the Section's Growth and Credit portfolios at the next available opportunity and take action as is deemed appropriate.

The Trustee has also agreed that the Liability Matching Portfolio should not be automatically rebalanced and as a result the target allocations described in the table above may vary from time to time. The Trustee may however deem it appropriate to rebalance the Liability Matching Portfolio on occasion.

RISK

As part of the first actuarial valuation since the sectionalisation of the Scheme, the Trustee will prepare a ‘Statement of Funding Principles’ which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme’s liabilities in relation to each Section as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its technical provisions liabilities in relation to each of the Sections (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level in relation to one or more of the Sections and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its investment adviser considered this mismatching risk when setting the investment strategy and have specifically structured the Scheme’s planned asset

allocation strategy in relation to each Section so as to minimise this risk as far as is practicable.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities in relation to one or more of the Sections ("cash flow risk"). The Trustee and its investment adviser will manage the Scheme's cash flows in relation to each Section taking into account the timing of future payments in relation to that Section in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its investment adviser both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its investment adviser considered this risk when setting the Scheme's investment strategy in relation to each Section and will keep it under review.
- The possibility of failure of the Scheme's statutory employers and their guarantors ("covenant risk"). The Trustee and its investment adviser considered this risk when setting investment strategy and consulted with the Principal Employer as to the suitability of the proposed strategy. The Trustee and its investment adviser will keep the strength of the covenant of the statutory employers and their guarantors under review.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of the risks facing the Scheme, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. In particular, the mismatching risk was modelled explicitly as part of the most recent investment strategy review.

Having set an investment objective which relates directly to the Scheme's liabilities in relation to each Section and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Performance versus each Section's combined benchmark as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. Aon operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those to whom it delegates. Aon is paid on a mixture of a fixed fee basis for routine tasks and a time cost basis for out of scope work it undertakes for the Scheme. This structure has been chosen to ensure that cost-effective, independent advice is received.

The fund manager structure and investment objectives for each fund manager ("mandates") are detailed in Section 1 of the Implementation Document which the Trustee has prepared in conjunction with this statement. The Implementation Document will be updated from time to time to reflect new manager appointments and does not form part of this statement.

In some cases a mandate takes the form of investment in a pooled fund managed by the manager who is responsible for taking day-to-day investment decisions within the pooled fund.

In other cases the Trustee delegates all day-to-day decisions about the investments that fall within a mandate to the relevant fund manager through a written investment management agreement ("IMA").

When choosing investments in a pooled fund, the Trustee and, when choosing investments under an IMA, the fund manager are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The Trustee has a duty to act in the interests of the members of the Scheme. The Trustee understands that it has an important role to play in safeguarding and enhancing the long-term value of the Scheme's assets. The Trustee acknowledges that environmental, social and governance ("ESG") considerations (including climate change) are financially material and should be integrated into investment decision making in order to identify investment opportunities and risks.

The Trustee's policy in relation to:

(a) the exercise of the rights (including voting rights) attaching to the Scheme's investments; and
(b) undertaking engagement activities in respect of the Scheme's investments

is covered in the Responsible Investment Policy which is set out in Schedule 1 to this statement.

The Trustee's policy in relation to its arrangements with asset managers is set out in Schedule 2 to this statement

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

<table>
<tr><td colspan="2">Trustee
• Sets structures and processes for carrying out its role.
• Makes decisions on the Scheme's asset allocation in relation to each Section.
• Monitors the investment adviser
• Monitors actual returns versus the Scheme's investment objectives in relation to each Section.
• Makes ongoing strategic decisions relevant to the operational principles of the Scheme's investment strategy in relation to each Section.
• Appoints the JIC
• Considers recommendations proposed by the JIC
• Appoints the investment adviser</td></tr>
<tr><td colspan="2">Joint Investment Committee (JIC)
• Makes recommendations to the Trustee Board on:
- long term investment strategy and levels of risk.
- policies regarding hedging and swaps.
• Monitors and reviews:
- investment managers and custodians appointed by the Scheme and by the Steria Pooled Investment Fund.
- major investment risks of the Scheme and levels of VaR in relation to each Section.
- the Scheme's statement of investment principles (SIP)
- the investment strategy of each Section
• Makes decisions in relation to each Section on:
- investment managers within the approved strategy in line with the strategic investment policy.
- rebalancing and allocation of contributions.
- management of the Scheme's cashflows.
• Oversees and takes advice on implementation of the investment strategy and any transition of assets between managers.
• Consults with the Principal Employer on the Scheme's investment strategy, SIP, levels of risk, funding levels and covenant strength.</td></tr>
<tr><td>Investment Adviser
• Advises on all aspects of the investment of the Scheme's assets, including implementation.
• Advises on the SIPt.
• Provides advice where required under sections 34 and 36 of the Pensions Act 1995.
• Provides required training.</td><td>Fund Managers
• When appointed under an IMA, operate within the terms of this statement and their IMA.
• Select individual investments with regard to their suitability and diversification.
• Advise the Trustee and the JIC on suitability of the indices in its benchmark and provide other ad hoc advice and views.</td></tr>
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The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under an IMA and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers under an IMA) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Admission to trading on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers appointed under IMAs**:**

- to manage the assets delegated to them under the terms of their respective IMAs and to give effect to the principles in this statement so far as is reasonably practicable;
- where appropriate, to engage with investee companies with the aim to protect and enhance the value of assets; and
- to exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Some fund managers are remunerated on an ad valorem basis whereas others are remunerated on a performance basis. An ad valorem basis means that the fee scale is tiered depending on the value of assets invested. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. When appointing fund managers, the Trustee and its investment adviser have aimed to negotiate improved and competitive fee scales.

The Trustee will review this statement at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Principal Employer over any changes to the statement.

Schedule 1: Responsible Investment Policy

1. Introduction

The assets of the Scheme are held on trust by the Sopra Steria (Retirement Benefits Scheme) Trustees Limited ("the Trustee"). Following consideration of the Trustee's core responsible investment beliefs in relation to the Plan, the Trustee's commitment to Responsible Investment ("RI") is captured in this Policy and in the Statement of Investment Principles ("SIP") to which it is scheduled and of which it forms part.

This Policy covers key aspects of the Plan's RI approach including strategy, implementation and reporting.

This Policy applies to all asset classes in which the Scheme invests depending on the degree of financial materiality with a view to fulfilling the Scheme's regulatory and fiduciary obligations.

The Scheme's principal employer is Sopra Steria Limited. The Trustee is aware of Sopra Steria Limited's ethical principles, core values and strategic vision, including its approach to climate change, and principles of sustainability and responsible business. The Trustee seeks to align its RI approach with Sopra Steria Limited's environmental, social and governance strategy and principles, so far as is practicable

2. Responsible Investment Beliefs/ Principles

The Trustee has a duty to act in the interests of the members of the Scheme. The Trustee understands that it has an important role to play in safeguarding and enhancing the long-term value of the Scheme's assets. The Trustee acknowledges that environmental, social and governance ("ESG") considerations (including climate change) are financially material and should be integrated into investment decision making in order to identify investment opportunities and risks.

A summary of the Trustee's core ESG beliefs are;

<u>Environmental beliefs:</u>

- The Trustee believes the risks posed by climate change will have an impact on the Scheme's investments over the Plan's time horizon.
- The Trustee recognises that it can practically prepare for climate change and that it has a duty to do so, by helping tackle climate change (e.g. by reducing the Scheme's portfolio's climate footprint).

<u>Social beliefs:</u>

- The Trustee believes that the Scheme's investment portfolio should create social value when this is aligned with maximising financial value.

<u>Governance beliefs:</u>

- The Trustee believes that poorly governed companies are more likely to underperform and that good stewardship can lead to better risk-adjusted returns.

3. Responsible Investment Approach

The Trustee expects the Scheme's investment managers (whether they manage pooled funds in which the Scheme invests directly or segregated funds under investment management agreements) to take account of ESG considerations (including climate change) in the selection, retention and realisation of investments. Any decision should not seek to apply personal, ethical or moral judgements that are not based on the financial interests of the investors concerned (including the Scheme and its beneficiaries).

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme’s assets and liabilities.
- As part of ongoing monitoring of the Scheme's investment managers (including the managers of pooled funds in which the Scheme invests), the Trustee will use ESG ratings information provided by its investment adviser, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a quarterly basis.
- The Trustee will request all of the Scheme's investment managers to provide their responsible investment policies, on a periodic basis. Should the Scheme look to appoint a new manager, the Trustee will request this information as part of the selection process. All responses will be reviewed and monitored with input from the Scheme’s investment adviser.
- The Trustee will meet with each investment manager periodically to discuss how it integrates ESG into its investment decision making process and examples of its stewardship activities. The Trustee will also monitor any promised corrective actions from the investment manager against completion over time.

4. Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to seek to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme’s appointed investment managers and takes advice from the Investment Adviser regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee expects, the Trustee undertakes to engage with the manager and to seek a more sustainable position but may also look to replace the manager.

The Trustee reviews the stewardship activities of the Scheme’s investment managers on an annual basis, covering both engagement and voting actions. The

Trustee will review the extent to which the the investment strategies, decisions policies and practices of the Scheme's investment managers are aligned with the Trustee's policies. The Trustee will seek to ensure that the managers, or other third parties, use their influence to act consistently with the Trustee's policies and objectives as a responsible institutional investor. This will include voting and – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability and positive change.

The Trustee will engage with the investment managers as necessary for more information, with a view to ensuring that robust active ownership behaviours, reflective of their stewardship and engagement policies, are being carried out. This will take the form of annual reporting in the form of implementation statements to be produced from 2021 onwards, which will be made available to members on request

The Trustee has completed a survey with its Investment Adviser to identify key areas of concern around corporate stewardship and will subject its investment managers to scrutiny accordingly. It is the expectation of the Trustee that the Scheme's asset managers will prioritize and actively monitor for these areas of concern within the investments, providing transparency on engagement and voting actions with respect to mitigating these concerns as appropriate consistently with long term asset return objectives.

Transparency on voting actions should include details of occasions when: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of the asset manager or (where relevant, in the case of a segregated mandate) of the Trustee.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including its performance, strategy, risks, social and environmental impact, corporate governance, capital structure and management of actual or potential conflicts of interest. Where such a concern is identified, the Trustee will engage with the Investment Adviser to consider the methods by which, and the circumstances under which, they would monitor and engage with an investment manager and/or other stakeholders.

In practice, a large portion of the Scheme's assets are held in pooled fund vehicles and therefore engagement with any issuer of debt or equity in which any such vehicle invests is a matter for the investment manager concerned. However the Trustee holds the investment managers of pooled fund vehicles to account in accordance with the policies outlines above.

5. Initiatives and Industry Collaboration

The Trustee recognises that collaboration and support of initiatives is a powerful tool to influence behaviour. The members of the Trustee's Joint Investment Committee are members of Aon's Responsible Investment Network, which provides access to regular updates on Responsible Investment market innovations and developments, Responsible Investment focused events, and research / focus groups for discussion of key issues concerning sustainable finance and Responsible Investment.

The Trustee expects the Scheme's investment managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.

6. Disclosure and Reporting

The Trustee requires transparency and disclosure from the Scheme's investment managers, including reporting on voting and engagement progress and success.

This Policy is available to all members on request.

7. Commitment

The Trustee acknowledges that the Scheme's approach to Responsible Investment will need to evolve over time, both due to the changing landscape with respect to ESG issues as well as broader industry and regulatory developments. The Trustee is committed to making ongoing improvements to the Scheme's approach and the processes that underpin the delivery of this Policy to ensure that it remains relevant.

The Policy will be reviewed as part of any strategic review of the Scheme's investment objectives and management of risk, or as required in response to changing regulations or broader governance issue.

Schedule 2: Policy in relation to the Scheme's arrangements with asset managers

The Trustee's policy in relation to the Scheme's arrangements with asset managers is captured in this Policy and in the Statement of Investment Principles ("SIP") to which it is scheduled and of which it forms part.

Incentivisation of alignment with the Trustee's policies

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies.

Where the Scheme invests in funds that are regularly assessed by the Trustee's Investment Adviser, the Trustee uses conclusions drawn from this assessment on at least an annual basis to determine whether the fund and investment manager remain suitable. This process is supported by an annual letter of advice from the Trustee's Investment Adviser under sections 34 and 36 of the Pensions Act 1995.

The Trustee receives at least quarterly reports and verbal updates from the Investment Adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the investment managers over the long term.

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

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers.

The Trustee believes that having appropriate governing documentation, setting out clear expectations for the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, should incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial performance.

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

Duration of arrangements

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years. Where the Scheme invests in closed ended vehicles (such as infrastructure funds), the duration may be defined by the nature of the vehicles and their underlying investments.

Remuneration and monitoring of portfolio turnover and other costs

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

The Trustee commissions from its Investment Adviser with support from external analysts annual cost transparency reports covering all underlying investments and asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying investment managers. The Trustee works with the Investment Adviser and investment managers to understand these costs in greater detail where required.

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with the Scheme's underlying investments through the information provided by the investment managers to the Trustee's Investment Manager and external analysts. With the assistance of the Investment Adviser the Trustee will monitor annually the frequency within which the assets of the Scheme are bought or sold compared with the expected frequency or the minimum and maximum frequency. The Trustee expects this work to be completed over the monitoring year in question. Where appropriate the Trustee may undertake analysis over longer or shorter periods should it deem this to be appropriate for the mandate in question.
The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across different types of investment mandates. A high level of transaction costs may be acceptable if consistent with the type of investment mandate and historic trends. Where the Trustee's monitoring identifies a lack of consistency, the matter will be raised with the investment manager concerned and the mandate may be reviewed.

The Trustee is supported in cost transparency monitoring activity by the Investment Adviser and external analysts.

Aon is paid on a mixture of a fixed fee basis for routine tasks and a time cost basis for out of scope work they undertake for the Plan. This structure has been chosen to ensure that cost-effective, independent advice is received.

Evaluation of performance and remuneration

The Trustee assesses the performance of its investment managers on a quarterly basis and their remuneration on at least an annual basis via collecting cost data in line with the CTI templates. Investment managers' performance targets are typically set on a longer-term basis, for example over rolling three year periods, with a view to avoiding an excessive focus on the short term.

The Trustee assesses the value for money received from its asset managers on a regular basis by benchmarking the Scheme's asset managers relative to the wider market. This enables the Trustee to have a detailed understanding of the Scheme's overall costs (regardless of net of fees performance) and to identify opportunities to challenge an outlier among the Scheme's asset managers.

The Trustee assesses how its asset managers are remunerated as part of the appointment process. The Trustee considers the asset class, performance objective and the fee proposal as part of its decision. The Trustee also reviews the remuneration of its existing managers to ensure consistency with its remuneration policy.

Ongoing reporting

The Trustee will provide reporting on the implementation of the Scheme's cost transparency policy to the Scheme's members via the Engagement Policy Implementation Statement in the Scheme's Trustee Report and Accounts each year starting with those for the year ended 31 December 2020. This will include a comprehensive breakdown of the Plan's costs by investment manager and cost type.