Amadeus Services Limited Pension & Life Assurance Plan

Statement of Investment Principles

September 2019

Contents

Glossary

AVCs	Additional Voluntary Contributions
ESG	Environmental, Social and Governance (including, but not limited to, climate change)
LDI	Liability Driven Investment
LGIM	Legal & General Investment Management Limited
M&G	M&G Investment Management Limited
Partners	Partners Group (Guernsey) Limited
Scheme	Amadeus Services Limited Pension & Life Assurance Plan
Trustee	The Trustee of the Scheme
UNPRI	United Nations Principles for Responsible Investment

1. Introduction

This statement is made in accordance with the requirements of legislation[1] and, in determining a suitable investment strategy for the Scheme, the Trustee has considered the Pension Regulator's Investment Guidance for defined benefit pension schemes.

The main body of this statement sets out the principles and policies that govern investments made by the Trustee of the Scheme. Details of the specific investment arrangements in place are set out in the Appendices.

Upon request, a copy of this statement will be made available to members, the Scheme Actuary and any investment managers used by the Trustee.

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[1] In particular, the Pensions Act 1995, the Occupational Pensions (Investment) Regulations 2005 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

2. Investment Governance Structure

Investment Advice

As required by legislation, in the preparation and maintenance of this statement and when considering the suitability of any investments, the Trustee will obtain and consider written advice from its investment adviser.

The Trustee is advised on investment matters by First Actuarial LLP. First Actuarial LLP is regulated by the Institute and Faculty of Actuaries and is qualified to provide the required advice through knowledge and practical experience of financial matters relating to pension schemes.

Legal Advice

Whenever deemed necessary, the Trustee will seek advice from its legal adviser on investment matters.

Employer Consultation

Under legislation, the ultimate responsibility for determining the investment strategy rests with the Trustee. However, the Trustee must consult with the sponsoring employer and consultation must comprise a sharing of views, not simply notification of intent.

Investment Managers

Day-to-day management of the Scheme's assets is delegated to one or more investment managers.

To ensure safekeeping of the assets, ownership and day to day control of the assets is undertaken by custodian organisations which are independent of the sponsoring employer and the investment managers. Where pooled investment vehicles are used, the custodians will typically be appointed by the investment manager.

Members' Views

The Trustee recognises that it is likely that members and beneficiaries will hold a broad range of views on ESG and other non-financial matters. Whilst the Trustee will take these views into account where possible, the Trustee does not directly take such views into account when determining the Scheme's investment strategy.

The Trustee believes that its duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due and the Trustee's Investment Objectives are designed to ensure this duty is achieved.

Conflicts of Interest

The Trustee is satisfied that the investment strategy described in this Statement meets its responsibility to invest the assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

3. Investment Beliefs

The investment beliefs stated below have been developed by the Trustee and are reflected in the Scheme's investment strategy.

Appropriate Time Horizon

In determining investment objectives and a suitable investment strategy for the Scheme, the Trustee takes into account an appropriate time horizon. The appropriate time horizon will be reviewed periodically noting the inherent uncertainties in the length of time that benefits are expected to be paid from the Scheme.

Risk versus Reward

Targeting higher levels of investment return requires increased levels of investment risk which increases the volatility of the funding position.

Asset Allocation

Long-term performance of the Scheme's assets is attributable primarily to the strategic asset allocation rather than the choice of investment managers.

Diversification

Asset diversification helps to reduce risk.

Use of Pooled Funds

Taking into account the size of the Scheme's assets, it is expected that pooled funds will typically be a more practical way of implementing the Scheme's investment strategy than establishing segregated mandates with investment managers.

Use of Active Management

Active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility. In addition, it is recognised that active management may help to mitigate the financial impact of ESG risks.

For each asset class, the Trustee will consider whether the higher fees associated with active management are justified.

ESG

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the appropriate time horizon.

Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustee when selecting and monitoring investment managers.

4. Investment Objectives and Strategy

Defined Benefit Assets – Investment Objectives

The Trustee's primary investment objectives are:

- to ensure that the assets are sufficient and available to pay members' benefits as and when they fall due;
- to generate an appropriate level of investment returns – to improve the funding position and thereby improve security for members; and
- to protect the funding position – limiting the scope for adverse investment experience reducing security for members.

The Trustee's investment approach is designed to strike a balance between the above primary objectives but also considers:

- the nature and timing of benefit payments;
- expected levels of investment return on different asset classes;
- expected levels of investment return variability and, specifically, the expected level of short-term volatility of the funding position;
- the sponsoring employer's ability to withstand additional contribution requirements that may arise from volatility in the funding position; and
- the full range of available investments (within the bounds of practicality), whilst taking opportunities to improve the ESG credentials of the funds over time.

Defined Benefit Assets – Investment strategy

The Trustee has taken advice from its investment advisor to construct a portfolio of investments consistent with these objectives. In doing so, consideration is given to all matters which are believed to be financially material over the appropriate time horizon.

The Trustee does not take account of non-financial matters when determining the Scheme's investment strategy. However, the Trustee will be aware of the investment manager's approach to ESG matters when determining future changes to the investment strategy.

Defined Contribution Assets

In determining their investment objectives, the Trustee considers the investment requirements of the membership.

It is expected that the investment strategy for an individual member is likely to change over time:

- For younger members the investment priority is likely to be to achieve long-term investment growth.
- As retirement approaches, members are likely to look to reduce investment risk. The way such risk can be controlled will vary depending on whether the member intends to take benefits as an annuity, as cash or via an income drawdown product.

Whilst some members might set their own investment strategy and adjust this themselves over time, others might prefer a lifestyle strategy under which the asset allocation is automatically adjusted as retirement approaches.

4. Investment Objectives and Strategy (continued)

The Trustee's primary investment objectives are:

- **Offering an appropriate range of investment options**
  The range of funds that is offered is intended to offer sufficient investment flexibility for members of all ages.
- **Offering suitable lifestyle strategies**
  The Trustee considers the likely form of benefits that will be paid to members and determine the lifestyle strategies accordingly.
- **Offering a default investment option**
  The Trustee sets a default investment option which will be used by those members who do not select their own investment strategy.

The range of funds selected by the Trustee, along with information on the lifestyle strategies and default option are detailed in Appendix 3.

AVCs

AVCs are held separately from the Scheme's other investments and the Trustee aims to make a variety of funds available with the member choosing which funds to use. From time to time the Trustee reviews the ongoing suitability of the AVC arrangements.

Details of the current AVC arrangements are provided in Appendix 4.

5. Use of Investment Managers

Investment Manager Selection

The Trustees delegate the day to day management of the assets, including selection, retention and realisation, to professional investment managers.

When considering the suitability of an investment manager, the Trustee (in conjunction with its investment adviser), will take account of all matters which are deemed to be financially material. In particular, the Trustee will:

- ensure that the investment manager has the appropriate knowledge and experience;
- ensure that the investment manager's mandate is appropriate; and
- consider the investment manager's approach to ESG matters.

When selecting investment managers, the Trustee may also take into account matters which are not financially material such as the investment manager's administrative capabilities and the liquidity of the investments.

Where pooled investment vehicles are used, it is recognised that the mandate cannot be tailored to the Trustee's particular requirements. However, the Trustee ensures that any pooled investment vehicles used are appropriate to the circumstances of the Scheme. The Trustees are currently investigating what more they can do to address ESG risks via the selection of pooled funds.

The Trustee will normally select investment managers who are signatories to the UNPRI and who publish the results of their annual UNPRI assessment. This principle may be waived if a fund offered by a non-signatory manager is deemed to have investment characteristics which are particularly important for meeting the Trustee's investment objectives.

Manager Implementation

Assets are invested predominantly on regulated markets, as so defined in legislation. Any investments that do not trade on regulated markets are kept to a prudent level.

Use of Derivatives

The investment managers are permitted to use derivative instruments to reduce risk or for efficient portfolio management. Risk reduction would include mitigating the impact of a potential fall in markets or the implementation of currency hedging whilst efficient portfolio management would include using derivatives as a cost-effective way of gaining access to a market or as a method for generating capital and/or income with an acceptable level of risk.

Leverage

The instruments used by the investment managers of the Liability Matching Assets may result in the Liability Matching Assets being leveraged. Since these assets are closely aligned to the liabilities, the allocation to Liability Matching Assets (and any associated leverage) reduces the volatility of the Scheme's funding position and therefore reduces risk.

6. Stewardship

The Trustee invests in pooled investment vehicles and accepts that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.

When considering the suitability of investment managers, the Trustee (in conjunction with its investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

The Trustee recognises that the membership might wish the Trustee to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustee's priority is to select investment managers which are best suited to help meet the Trustee's investment objectives. In making this assessment, the Trustee will receive advice from its investment adviser. The Trustee recognises that the investment managers' engagement policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

7. Risk Mitigation

When determining suitable investment objectives and when designing the Scheme's investment strategy, the Trustee (in conjunction with its investment adviser), will take into account all risks that are assessed to be financially material. The principal investment risks are listed in the Trustee's *Investment Risk Policy*. That Policy also provides an explanation of how the investment risks are managed.

Risk Capacity and Risk Appetite

In determining a suitable investment strategy, the Trustee considers how the volatility of the funding position is likely to be affected by changes to the asset allocation. An important consideration for the Trustee is whether a potential investment strategy is consistent with the ability of the sponsoring employer to address any future increase in deficit that may arise due to market movements.

Self-Investment Risk

Legislation imposes a restriction that no more than 5% of a pension scheme's assets may be related to the sponsoring employer. The Trustee does not hold any direct employer-related assets and any indirect exposure is expected to be less than 5% of total assets.

ESG Risks

The Trustee (in conjunction with its investment adviser) has considered the likely impact of the financially material ESG risks associated with all of the Scheme's investments and has assessed the mitigation of such risks implemented by each of the investment managers. In making this assessment, the Trustee recognises that, where pooled investment vehicles are held, the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.

Liquidity Risk

The majority of the Scheme's investments will be liquid and will be realisable for cash at relatively short notice without incurring high costs. However, the Trustee recognises that the liabilities are long-term in nature and that a modest allocation to less-liquid investments may be appropriate.

Details of the liquidity characteristics of the funds held are provided in Appendix 2.

8. Monitoring

The Trustee regularly reviews the Scheme's investments for all matters considered to be financially material over the future period for which benefits are expected to be paid from the Scheme. This includes reviewing that the assets continue to be managed in accordance with each manager's mandate and that the choice of managers remains appropriate.

Furthermore, the Trustee regularly monitors the position of the investment managers with regards to ESG matters.

The Trustee receives quarterly updates from the fund managers providing an update on performance, asset allocation decisions and ESG factors and shareholder engagement.

The Trustee meets with representatives of their investment managers every year.

The Trustee regularly considers whether fund manager performance has been in line with expectations given market conditions and whether the level of risk has been as expected.

The investment advisor also provides regular updates on the investment managers' actions regarding ESG factors and shareholder engagement.

In addition, the investment advisor regularly participates in Trustee meetings. At those meetings, the advisor provides an assessment of the ongoing suitability of the funds selected by the Trustee.

The investment adviser regularly meets with the managers of pooled funds on its approved list.

9. Future Amendments

This statement will be reviewed at least every three years and without delay after any significant change in circumstances or investment strategy.

The Trustee has consulted with the sponsoring employer as part of the work preparing this statement.

Signed. RICHARD HOWARD Date: 25/09/19

For and on behalf of the Trustee of the Amadeus Services Limited Pension & Life Assurance Plan.

Appendix 1: The Trustee's Investment Strategy – DB Section

Strategic Asset Allocation

In determining the strategic asset allocation, the Trustee views the investments as falling into two broad categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The use of Growth Assets is expected to deliver a level of investment returns deemed appropriate by the Trustee given the risk involved.

2. **Liability Matching Assets** – Assets that are expected to react to changes in market conditions in a similar way to the liabilities. The use of Liability Matching Assets is expected to protect the funding position of the Scheme.

In addition, the Trustee may hold cash. Cash will normally be held in the Trustee's bank account if it is to be used to make payments due in the short-term.

As at 30 June 2019, the split of the Scheme's assets between Growth and Liability Matching Assets was approximately 70% Growth and 30% Liability Matching. This split is not regularly rebalanced and will vary over time as market conditions change.

The Trustee will review the strategic asset allocation periodically, and at least every three years, to ensure that the investment strategy remains consistent with the Trustee's funding objectives. As part of such a review, the Trustee will consider the risks associated with the investment strategy.

Investment Strategy Implementation

The Trustee has selected funds managed by LGIM, M&G and Partners to implement the Scheme's investment strategy. Investments in the funds managed by LGIM and M&G are made via the LGIM investment platform whilst the funds managed by Partners will be held directly with that manager.

Further details of the investment strategy and the funds used are provided below.

Design of the Growth Asset Portfolio

The structure of the Scheme's Growth Assets has been designed to offer diversification across a range of underlying asset classes and to achieve this by combining investment managers with different asset management styles.

The strategic allocation for the Scheme's Growth Assets is expected to be fully implemented by November 2019 and is as follows:

Appendix 1: The Trustee's Investment Strategy – DB Section (continued)

Pooled Fund	Allocation of the Growth Assets
M&G Total Return Credit Fund (via LGIM)	29%
LGIM Dynamic Diversified Fund	29%
LGIM UK Equity Index Fund	11%
LGIM World (ex UK) Equity Index Fund	13%
Partners Fund	18%
Total Growth Assets	**100%**

Note that at the time of writing the allocation to the Partners Fund is currently being held in the LGIM Dynamic Diversified Fund and is yet to be transferred.

The allocation of the Growth Assets is not automatically rebalanced but will be monitored and rebalanced at the discretion of the Trustee.

Design of the Liability Matching Portfolio

The Scheme's Liability Matching Assets are invested in leveraged LDI funds managed by LGIM. The LGIM funds used are:

- LGIM Matching Core Fixed Long Fund
- LGIM Matching Core Fixed Short Fund
- LGIM Matching Core Real Long Fund
- LGIM Matching Core Real Short Fund

LDI Leverage Management Policy

In an environment of rising yields, leverage increases, and if the leverage of a LGIM LDI fund breaches the upper threshold, LGIM will require a recapitalisation to lower the leverage of the relevant fund. This will ensure that leverage within the LDI funds remains within a permissible range. The Trustee decide where such payments should be taken from. The Trustee has provided LGIM with authority to use the following funds to recapitalise any LDI funds in the following order:

1. M&G Total Return Credit Fund
2. LGIM Dynamic Diversified Fund
3. LGIM UK Equity Index Fund
4. LGIM World (ex UK) Equity Index Fund

In an environment of falling yields, leverage falls, and if the leverage of a LGIM LDI fund falls below a minimum threshold, LGIM will make a cash payment from the relevant fund to raise the leverage. This will ensure that leverage within the LDI funds remains within a permissible range. The Trustee decide how such payments shall be invested. The has provided LGIM with authority to invest any such cash proceeds in the M&G Total Return Credit Fund.

Appendix 1: The Trustee's Investment Strategy – DB Section (continued)

Cashflow Management Policy

Any investments or disinvestments will be made at the discretion of the Trustee, but the Trustee will maintain a *Cashflow Management Policy* which will record how such payments should be structured. The *Cashflow Management Policy* will be designed to ensure the allocation of the Scheme's assets remains closely aligned with the strategy described in this statement.

To ensure the Scheme operates efficiently, the Trustee may share the *Cashflow Management Policy* with the individual(s) responsible for processing payments from the Scheme.

The *Cashflow Management Policy* will be reviewed from time-to-time by the Trustee and, as a minimum, at least every three years in line with a review of this statement. Given that the *Cashflow Management Policy* is designed to keep the Scheme's asset allocation aligned with the investment strategy and investment principles described in this statement, the sponsoring employer is satisfied that the *Cashflow Management Policy* can be amended by the Trustee without consulting the sponsoring employer.

Long-Term Journey Plan and Short-Term Triggers

The Trustee has determined a long-term funding target which is to be fully funded on the Self-Sufficiency basis. For this purpose, Self-Sufficiency is used to describe a valuation approach which is consistent with the Trustee's Statement of Funding Principles but with a discount rate determined as the yield on gilts + 0.5% per annum.

Under the Trustee's Long-Term Journey Plan, when full funding on the Self-Sufficiency basis has been achieved, the objective is to have implemented the following asset allocation:

- 13% Semi-Liquid Funds
- 7% Diversified Growth Funds
- 35% Diversified Credit Funds
- 45% Liability Matching Funds (including LDI where appropriate)

The target allocation to Liability Matching Funds will be structured to fully match (as far as is possible) the sensitivity of the Self-Sufficiency liabilities to changes in both the expectations of future interest rates and expectations of future inflation.

The Trustee regularly monitors the Scheme's funding position on the Self-Sufficiency measure under First Actuarial's *f1rstflight* software. The Trustee has agreed that if this funding level reaches pre-determined triggers, a proportion of Scheme's assets will be switched from Growth Assets to Liability Matching Assets or to lower-risk Growth Assets.

Further details on the Trustee's Long-Term Journey Plan and Short-Term Triggers are provided in the *f1rstflight* de-risking framework document dated July 2019.

Appendix 2: Fund Details – DB Section

This Appendix provides a summary of the funds selected by the Trustee's to implement the Scheme's investment strategy. The details provided below were correct as at September 2019.

The following points should be noted:

- AMC – the Annual Management Charge applicable to each fund represents the fee payable to the fund manager.
- Additional expenses – these are third party costs associated with the operation of a fund such as fees paid to the administrator, the custodian and the auditor and the costs associated with the use of third-party funds where these are used. The level of the additional expenses may vary over time.
- Legal Structure – an explanation of the different types of fund legal structures is provided in the Trustee's *Investment Risk Policy* document.
- T = Trade Date.

M&G Total Return Credit Fund (via LGIM)		
Objective	The fund aims to provide investors with attractive returns from capital and income from a diversified pool of debt and debt like assets, including but not limited to, debt instruments with a fixed, variable or floating rate coupon.	
Legal Structure	Unit-linked insurance policy	
Trading Frequency	Daily	
Notice Period	T-1	
Settlement Period	T+2	
Fee	AMC:	0.33% p.a. (includes LGIM platform fee)
	Additional Expenses (approx.):	0.15% p.a.

Appendix 2: Fund Details – DB Section (continued)

LGIM Dynamic Diversified Fund		
Objective	The LGIM Dynamic Diversified Fund aims to provide long-term investment growth through dynamic exposure to a diversified range of asset classes. The long-term expected rate of return is the Bank of England Base Rate +4.5% per annum over a full market cycle.	
Legal Structure	Unit-linked insurance policy	
Trading Frequency	Weekly	
Notice Period	T-2	
Settlement Period	Up to T+3	
Fee	AMC:	Up to 0.50% p.a.
	Additional expenses:	0.01% p.a.

LGIM UK Equity Index Fund		
Objective	To replicate the performance of the FTSE All-Share Index to within +/- 0.25% p.a. for two years out of three.	
Legal Structure	Unit-linked insurance policy	
Trading Frequency	Weekly	
Notice Period	T-2	
Settlement Period	Up to T+3	
Fee	AMC:	Up to 0.10% p.a.
	Additional expenses:	0.00% p.a.

Appendix 2: Fund Details – DB Section (continued)

LGIM World (ex UK) Equity Index Fund		
Objective	To replicate the performance of the FTSE World (ex UK) Index (less withholding tax if applicable) to within +/-0.5% p.a. for two years out of three.	
Legal Structure	Unit-linked insurance policy	
Trading Frequency	Weekly	
Notice Period	T-2	
Settlement Period	Up to T+3	
Fee	AMC:	Up to 0.22% p.a.
	Additional expenses:	0.00% p.a.

Partners Fund	
Objective	The Fund aims to deliver 8-12% pa over a full economic cycle.
Legal Structure	Unit Trust
Trading Frequency	Monthly
Notice Period	1 Month and 1 business day
Settlement Period	24 business days
Fee*	1.5% of NAV plus unfunded commitments plus performance fee of 12.5% over a high watermark

Appendix 2: Fund Details – DB Section (continued)

LGIM Matching Core Funds		
Objective	To provide liability hedging based on the liability cashflows of a typical UK pension scheme.	
Legal Structure	Unit-linked insurance policy	
Trading Frequency	Weekly	
Notice Period	T-2	
Settlement Period	Up to T+3	
Fee	AMC:	Up to 0.24% p.a.
	Additional expenses:	0.05% p.a.

Appendix 3: The Trustee's Investment Strategy – DC Section

Stand-Alone Fund Range

Members of the DC Section can choose from the following range of funds in their desired proportions. All are offered by Legal & General Investment Management (LGIM).

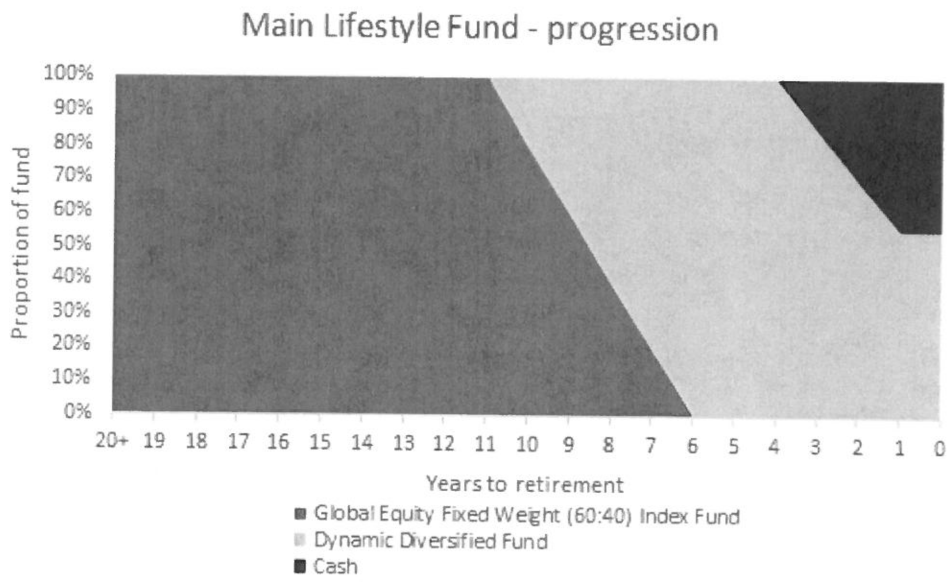
- UK Equity Index Fund
- Global Equity (ex UK) Fixed Weights Equity Index Fund
- Global Equity Fixed Weights (60:40) Index Fund
- Ethical UK Equity Index Fund
- Dynamic Diversified Fund
- AAA-AA-A Corporate Bond All Stocks Index Fund
- Over 15 Year Gilts Index Fund
- Over 5 Year Index-Linked Gilts Index Fund
- Sterling Liquidity Fund
- Cash Fund

Lifestyle Strategy (Default)

Members can also select a pre-determined combination of funds dependent on the time period to Normal Retirement Date (or an alternative date as selected by the member). This is known as the Main Lifestyle Fund.

Member holdings will be automatically switched by the Plan's Administrator, according to the progression shown below.

Members who do not make a decision are enrolled into the Main Lifestyle Fund by default.

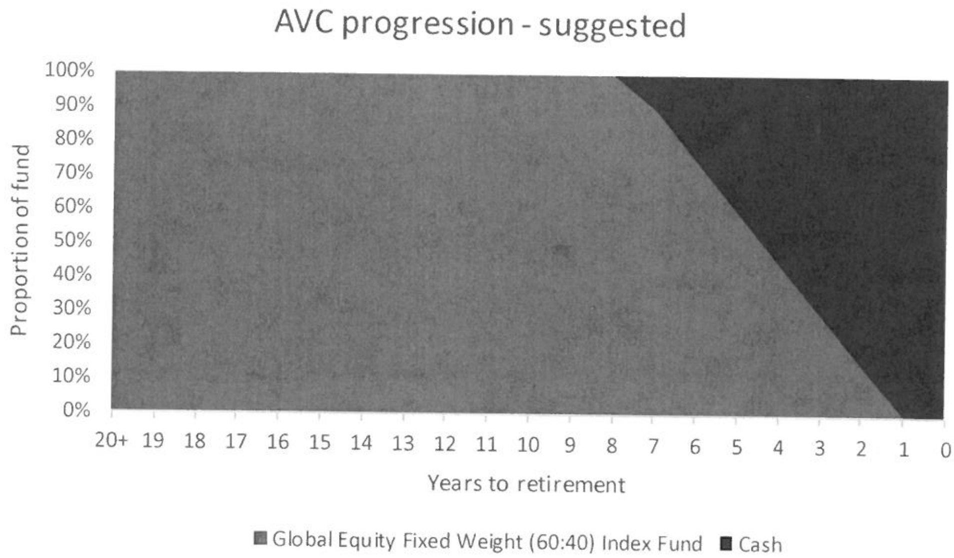


Appendix 4: The Trustee's Investment Strategy – AVC Section

The Trustee has appointed LGIM to manage the Additional Voluntary Contributions.

AVC investors are free to select from stand-alone funds and a lifestyle approach is also available.

Member holdings will be automatically switched by the Plan's Administrator, according to the progression shown below.



Amadeus Services Limited Pension & Life Assurance Plan

Addendum to the Statement of Investment Principles

Original Statement dated: September 2019

Date of Addendum: August 2020

Purpose of the Addendum

This Addendum is made in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and it updates the Statement of Investment Principles to record how the Scheme complies with the EU Shareholder Rights Directive (SRD II) which comes into effect on 1 October 2020.

Investment Manager Arrangements

Compatibility of Pooled Funds with the Trustee's Investment Strategy

When selecting a pooled fund, the Trustee considers various factors, including:

- the assets that will be held within that fund and whether the asset allocation of the fund is expected to change over time;
- the risks associated with the fund along with the return that is expected;
- the fund's objective (as stated by the fund's investment manager) and whether the objective is consistent with the performance that the Trustee expects from that fund;
- the fund's fee structure to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the fund in a way that differs from the expectations of the Trustee.
- how frequently underlying investments within the fund are expected to be traded by the investment manager;
- how financially material considerations[1] (including ESG factors) over the appropriate time horizon[2] are taken into account by the investment manager;
- the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund; and
- the investment manager's policy in relation to undertaking engagement activities in respect of the investments held within the pooled fund*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG matters. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

After analysing the above characteristics for a fund, the Trustee identifies how that fund would fit within their overall investment strategy for the Plan and how the fund is expected to help the Trustee meet their investment objectives.

Duration of Investment Manager Arrangements

The Trustee normally expects that pooled funds will be held for several years.

However, as part of the periodic strategic asset allocation reviews (which take place at least every three years), the Trustee will review whether the ongoing use of each fund remains consistent with their investment strategy.

The Trustee regularly monitors the financial and non-financial performance of the pooled funds held and details of this monitoring process is set out below. If the Trustee becomes concerned about the ongoing suitability of a pooled fund, they may reduce exposure to it or disinvest entirely. Such action is expected to be infrequent.

Monitoring Pooled Funds

The Trustee regularly assesses the performance of each fund held and this monitoring includes an assessment of whether the investment manager continues to operate the fund in a manner that is consistent with the factors used by the Trustee to select the fund (as listed above).

When assessing the performance of a fund, the Trustee does not usually place too much emphasis on short-term performance although they will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

The Trustee expects the investment managers of pooled funds to invest for the medium to long term and they expect investment managers to engage with issuers of debt or equity with a view to improving performance over this time frame.

If it is identified that a fund is not being operated in a manner consistent with the factors used by the Trustee to select the fund, or that the investment manager is not engaging with issuers of debt or equity, the Trustee may look to replace that fund. However, in the first instance, the Trustee would normally expect their investment adviser to raise the Trustee's concerns with the investment manager. Thereafter, the Trustee, in conjunction with its investment adviser, would monitor the performance of the fund to assess whether the situation improves.

Portfolio Turnover

The Trustee is aware of the requirement to monitor portfolio turnover costs (the costs incurred as a result of the buying, selling, lending or borrowing of investments).

When selecting a pooled fund, the Trustee will consider how the investment manager defines and measures:

- the targeted portfolio turnover (the frequency within which the assets of the fund are expected to be bought or sold); and
- turnover range (the minimum and maximum frequency within which the assets of the fund are expected to be bought or sold).

At least annually, the Trustee, in conjunction with its investment adviser, will consider the transaction costs incurred on each pooled fund. As part of this analysis, the Trustee will consider whether the incurred turnover costs have been in line with expectations.

The Trustee will take the above information on portfolio turnover into account when assessing the ongoing suitability of each pooled fund.

[1] *"financially material considerations" includes (but is not limited to) environmental, social and governance considerations (including but not limited to climate change), which the trustees of the trust scheme consider financially material*

[2] *"appropriate time horizon" means the length of time that the trustees of a trust scheme consider is needed for the funding of future benefits by the investments of the scheme*