

Northumbrian Water Pension Scheme

# **Statement of Investment Principles**

July 2023



# Table of Contents

**Section 1 : Introduction .....1**

**Section 2 : Division of responsibilities .....2**

**Section 3 : Objectives and long term policy .....4**

**Section 4 : Other investment policies .....6**

**Section 5 : Investment manager arrangements .....8**

**Section 6 : Risk management..... 11**

**Appendix A: IGG principles..... 14**

This page is intentionally blank

# Section 1: Introduction

## Pensions Acts

- 1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustee Directors (“the Trustees”) of Northumbrian Water Pension Trustee Limited are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles pursued by the Trustees of the Northumbrian Water Pension Scheme (“the Scheme”).
- 1.2 The Trustees have consulted Northumbrian Water Limited (“the Employer”) on the principles set out in this statement and will consult the Employer on any changes to it. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.
- 1.3 Before drawing up this statement, the Trustees have obtained and considered written advice from the Scheme's investment consultants (currently Willis Towers Watson). The Trustees will review this document regularly, more often than every three years, and without delay following a significant change in investment policy.

## Financial Services and Markets Act 2000

- 1.4 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

## Scheme details

- 1.5 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries (“Members”).
- 1.6 This Statement of Investment Principles is prepared by the Scheme's investment consultant.

## Section 2: Division of responsibilities

- 2.1 Over the course of 2023, the Trustees are undertaking the process to transfer the Scheme's assets to be managed by a fiduciary manager whose responsibilities are expected to include agreeing the asset classes suitable for the Scheme and implementing the Scheme's investment strategy. The Scheme's strategic advisor is expected to be responsible for investment strategy advice.
- 2.2 As of the date of this statement there is a transition in place of the roles and responsibilities between the Trustees, the Scheme's strategic advisor and the fiduciary manager. Whilst this transition is in place with roles and responsibilities still being determined and assets being transferred, the roles and responsibilities below reflect the existing advisory model adopted by the Scheme.
- 2.3 The Trustees have ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some of these responsibilities.

### Trustees

- 2.4 The Trustees' responsibilities include:
- Reviewing the content of this Statement regularly, in conjunction with the investment consultants and the Scheme Actuary, and modifying it if deemed appropriate.
  - Reviewing the investment policy following the results of each actuarial review and/or asset liability modelling exercise.
  - Appointing (and dismissing) investment manager(s) and custodian(s).
  - Consulting with the Employer when considering any amendment to this Statement.
  - Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.
  - Monitoring the investment managers.
  - Monitoring the level of risk within the investment strategy.
- 2.5 In line with the Investment Governance Group (IGG) Principles (see Appendix A), the Trustees have reviewed the appointment of an investment committee. The Trustees have decided to delegate certain investment strategy responsibilities to a Funding and Investment Sub-Committee with the necessary expertise and appropriate expert advice as required.

### Investment Managers

- 2.6 Each investment manager's responsibilities include:
- Discretionary management of the portfolio, including implementation (within guidelines given by the Trustees) of changes in the asset mix and selecting securities within each asset class.

- Providing the Trustees with quarterly statements of the assets together with a quarterly report on actions and future intentions, and any changes to the processes applied to the portfolio.
- Informing the Trustees of any changes in the internal objectives and guidelines of any pooled funds used by the Scheme as soon as practicable.
- The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Scheme

## Professional Advisors

- 2.7 The Trustees agree with the IGG best practice of paying particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues). The Trustees will continue with the current arrangement until this ceases to be appropriate.

## Investment Consultants

- 2.8 The investment consultants' responsibilities include:

- Participating with the Trustees in reviews of this statement.
- Advising the Trustees, as requested:
  - through consultation with the Scheme Actuary on how any changes in benefits, membership and funding position may affect the manner in which the assets should be invested
  - on how any changes at the investment manager(s) could affect the interests of the Scheme
  - on how any changes in the investment environment could either present opportunities or problems for the Scheme.
- Undertaking project work as requested, including:
  - reviews of asset allocation policy
  - reviews of the investment managers.
- Advising on the selection of new managers and/or custodians

## Scheme Actuary

- 2.9 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Scheme and advising on the appropriate contribution levels for the future.
- Liaising with the investment consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

## Section 3: Objectives and long term policy

### Objectives

- 3.1 The Trustees have the following investment objectives:
- a The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with any new contributions from members and the Employer, the cost of current and future benefits which the Scheme provides.
  - b To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter-term basis.
  - c To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown under b.
  - d To minimise the size and volatility of the deficit by investing in assets that will provide a diversified source of returns and therefore aim to provide more stable returns.

### Policy

- 3.2 The Trustees are in the process of transferring the Scheme's assets to be managed by a fiduciary manager therefore the investment policy and asset allocation of the Scheme is subject to change. The SIP will be reviewed and updated once this activity is complete.
- 3.3 A full triennial valuation of the Scheme will be performed, using asset return assumptions developed by the Scheme Actuary, and considering many diversified asset classes for possible investment. The Trustees will reconsider the asset allocation of the Scheme in the light of this valuation and at other times, as deemed necessary.
- 3.4 The Trustees, alongside their investment consultant, review the Scheme's investment strategy. The investment strategy makes use of three key types of investments:
- a range of instruments that provide a broad match to changes in liability values;
  - a portfolio of secure income assets; and
  - a diversified portfolio of return-seeking assets.

The Scheme is currently transferring to a fiduciary management approach under which the asset class building blocks will change and the initial target return will be 1.5% above gilts.

- 3.5 The Trustees monitor the impact of the strategy on risk and expected return on a quarterly basis and the underlying assumptions as at 31 December 2022 were as follows:

Real returns*	Expected return** % pa
Global Equities (hedged)	4.9%
Global Equities (unhedged)	5.2%
Emerging Market Equities	5.2%



Listed Infrastructure	4.2%
Emerging Market Debt	2.6%
Diversifying Assets	4.1%
Secure Income Assets	4.2%
UK corporate bonds	2.3%
UK fixed interest gilts	1.2%
UK index linked gilts	1.5%

\*Returns relative to CPI which is assumed to be 2.6%

\*\*as at 31 December 2022, 10 year median returns on WTW's Investment Model

- 3.6 The Trustees consider that an asset allocation policy for the Scheme which corresponds to this benchmark will ensure that the assets of the Scheme include suitable investments, that those assets are appropriately diversified and that there is a reasonable expectation of meeting the objectives in 3.1.
- 3.7 Divergence from the asset allocation benchmark is permitted by the investment managers and the Trustees will review such divergence from time to time to ensure that the asset allocation remains suitable for the Scheme, whilst allowing the investment managers to seek outperformance of the benchmark.
- 3.8 The Trustees' policy is not to leverage the portfolio, other than for the purposes of risk management e.g. through the use of pooled leveraged LDI. Some short-term borrowing for settlement is allowed, but is strictly limited and for the purpose of trade settlement only (which is standard practice in investment management).

## Section 4: Other investment policies

The Trustees also face other requirements relating to investment, be they legislative or considered best practice.

### Choosing investments

- 4.1 The Trustees have appointed investment managers who are authorised under Financial Services and Markets Act 2000 to undertake investment business. After gaining (and, at most, annually reconfirming) appropriate investment advice, the Trustees have specified the asset allocation of every manager. Investment choice has been delegated to the managers subject to defined tolerances relative to their respective benchmarks.
- 4.2 In this context, investment advice is defined by Section 36 of Pensions Act 1995 (as amended).

### Socially responsible investments

- 4.3 The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustees' policy is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers.
- 4.4 Whilst it is the Trustees' preference that all companies should be run in a socially responsible way, they take the view that their primary responsibility is to act in the best financial interests of the members. The Trustee does not currently take non-financial factors into account.
- 4.5 The Trustee recognizes that financially material environmental, social and governance considerations (including climate change) ("ESG Factors") can impact the risks and opportunities associated with the Scheme's assets over the relevant time horizon for the Trustee. The Trustee considers itself to be a long-term investor.
- 4.6 The Trustee's assets are held in a range of pooled investment products. The Trustees recognise that it may not be appropriate for managers of pooled funds to directly take account of social, environmental or ethical considerations in the construction of its passive index tracking portfolios through exclusions. The Trustees aim to address the risks and opportunities associated with ESG Factors by using managers who themselves have appropriate practices in relation to ESG Factors in terms of the selection, retention and realisation of investments. It is the Trustees' policy to give discretion to these managers to pursue a policy of engagement with its investee companies.
- 4.7 With the assistance of the Trustee's investment consultants, ESG Factors are therefore taken into account where appropriate both in the selection and the ongoing monitoring of the Scheme's managers. Where an Investment Manager's processes with regard to ESG considerations are deemed insufficient by the Scheme's investment consultant, and the Investment Manager does not take steps to improve their approach, the Investment Manager's position in the portfolio may be reviewed. Through the FISC, the Trustees review managers policies on ESG Factors periodically.

The Trustees recognise that when investing in pooled funds, they have no rights attaching to the underlying investments. The Trustees' policy is that the exercising of rights (including

voting rights) attaching to investments will be the responsibility of the pooled fund Investment Manager. However, where appropriate, the Trustees will retain responsibility for the rights attaching to pooled fund units, which are exercised by the Trustees in the best financial interests of the Scheme. The Trustees expect managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.

## Liquidity and realisation of investments

- 4.8 The Scheme's administrator (currently Hymans Robertson) estimate the benefit payments and other ongoing costs to the Scheme on a regular basis and ensures that sufficient cash is available to meet these payments.
- 4.9 The Trustees' policy is that there should be sufficient secure investments in liquid or readily-realiseable assets to meet cash flow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy.

## The IGG Principles

- 4.10 The Trustees have reviewed their compliance with the IGG Principles (as stated in Appendix A and Appendix B).
- 4.11 The Trustees comply with the IGG Principles, but have decided that it is inappropriate to be remunerated for the additional responsibilities as Trustees of the Scheme.

## Section 5: Investment manager arrangements

- 5.1 The Trustees considered the use of both passive and active investment management when reviewing the Scheme's strategy. The resultant use of active and passive management is formed following consideration of the efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment manager fees on future expected returns net of fees.

### Investment manager structure

- 5.2 The assets are divided between a number of investment managers to reduce the risks associated with one investment manager having responsibility for all of the Scheme's assets.
- 5.3 The investment managers have regard to the:
- need for diversification of investments, so far as appropriate to the circumstances of the Scheme; and to the
  - suitability to the Scheme of both the asset classes proposed and also the particular assets proposed within those classes.
- 5.4 The investment managers may use pooled vehicles to help with diversification.
- 5.5 The Trustees have considered the guidelines and restrictions of each of the mandates in which the Scheme invests and are comfortable with them.

### Manager monitoring

- 5.6 Whilst the Trustees are not involved in the investment managers' day to day method of operation and so cannot directly influence attainment of the performance target, they will assess performance and review appointments. Measurable objectives have been developed for each investment manager, consistent with the Scheme's longer term objectives and an acceptable level of risk.
- 5.7 The manager structure is set out and considered on a quarterly basis within the Scheme's performance monitoring documentation.
- 5.8 These investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.
- 5.9 The Trustees recognise that the active managers' performance may be volatile and that they will not always achieve their target. Nonetheless, the managers should demonstrate that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.
- 5.10 The Scheme uses many different managers and mandates to implement its investment policies. The Trustees ensure that, in aggregate, the portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational

Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

- 5.11 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles and the Trustees' policy on sustainable investment on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question. For pooled funds, managers are asked to confirm whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the manager's approach to sustainable investment, and the Trustees' policies.
- 5.12 Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. For pooled funds, if a fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustees' policies, the Trustees will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the manager (or pooled fund) will be terminated and replaced.
- 5.13 For most of the Scheme's investments, the Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustees invest in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.
- 5.14 The Trustees appoints their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- 5.15 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustees' view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures are therefore only used in a limited number of cases.
- 5.16 The Trustees review the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

## Fee structures

5.17 The Trustees have agreed fees with each manager based on the value of assets in their respective portfolios. These fees are consistent with each manager's stated fee scale. Details of the fee structures are included in the Investment Management Agreements.

5.18 Advisors' fees are paid on either an hourly, retainer or a project basis.

## Manager monitoring

5.19 The appointment of the investment managers will be reviewed by the Trustees based on the results of their monitoring of performance and investment process and of the managers' compliance with the requirements of the Pensions Act 1995 (as amended). The investment managers have been made aware of the requirements within this Statement and the Trustees will monitor the extent to which they give effect to the investment principles set out in it. The Trustees will provide the investment managers with any material amendment to or replacement of this Statement.

## Section 6: Risk management

6.1 The Trustees recognise a number of risks involved in the investment of the assets of the Scheme.

6.2 Solvency risk and mismatching risk

- are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities under current and alternative investment policies
- are managed through assessing the progress of the actual growth of the assets relative to liabilities under current and alternative investment policies.
- these risks are considered on a quarterly basis as part of the Scheme's investment monitoring programme

6.3 Manager risk

- is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy
- is managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment manager as well as a number of qualitative factors supporting the manager's investment process.

6.4 Liquidity risk

- is measured by the level of cash flow required by the Scheme over a specified period
- is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

6.5 Currency risk

- is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.
- is managed by reducing the translation risk of investing overseas by hedging a proportion of the overseas investments' currency translation risk for those overseas currencies that can be hedged efficiently.
- the Trustees use a passive currency overlay manager to hedge a proportion of overseas currency exposure. The level of the hedge is reviewed periodically.
- some of the Scheme's investment managers operate currency hedging within their investment portfolios.

## 6.6 Custodial risk

- is measured by assessing the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody
- is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- is addressed through some investments in pooled vehicles, with the investment managers responsible for selection of suitable custodians. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.

## 6.7 Political risk

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
- is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

## 6.8 Sponsor risk

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit
- is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

## 6.9 Derivatives risk

- derivatives are used by managers within some of the pooled funds for investment efficiency and by the Scheme (e.g. for currency hedging) to manage certain risks.
- risks involved with using derivatives are managed by the investment managers as deemed appropriate.

## 6.10 Transition risk

- when transitioning (selling and buying) assets either to pay for members' benefits, pay fees, invest contributions, rebalance the portfolio, amend the investment strategy or for any other reason, there is a risk that the funds are not moved as intended or not at the right time.
- in order to manage these risks the Trustees seek the input of their investment consultant and Scheme administrators to help manage cash flow movements. The Trustees also consider the use of a dedicated transition manager for any significant portfolio changes, where appropriate.



- 6.11 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target.
- 6.12 The Trustees continue to monitor these risks.

## Appendix A: IGG principles

In 2000, the Government commissioned Paul Myners to investigate the factors which were distorting the investment decision-making of UK institutions. As a result of this review, it was recommended that UK defined-benefit pension funds adopt investment principles (now called the IGG Principles) as best practice. These investment principles have since been amended and are detailed as follows:

Principle	Best practice guidance
<p>The high level principles represent best practice throughout the industry in investment decision-making and governance. It is expected that trust boards will report against these on a voluntary 'comply or explain' basis.</p> <p><b>Principle 1: Effective decision-making</b></p> <ul style="list-style-type: none"> <li>Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.</li> <li>Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	<p>Best practice guidance is intended to help trustees to apply the principles effectively. Trustees are not expected to implement every element of best practice. Rather trustees may use best practice examples where appropriate to help demonstrate whether compliance has been achieved.</p> <ul style="list-style-type: none"> <li>The board has appropriate skills for, and is run in a way that facilitates, effective decision-making.</li> <li>There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions.</li> <li>It is good practice to have an investment subcommittee, to provide the appropriate focus and skills on investment decision-making.</li> <li>There is an investment business plan and progress is regularly evaluated.</li> <li>Consider remuneration of trustees.</li> <li>Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).</li> </ul>
<p><b>Principle 2: Clear objectives</b></p> <ul style="list-style-type: none"> <li>Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarks and objectives are in place for the funding and investment of the scheme.</li> <li>Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.</li> <li>Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.</li> <li>Consider the strength of the sponsor covenant.</li> </ul>
<p><b>Principle 3: Risk and liabilities</b></p> <ul style="list-style-type: none"> <li>In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.</li> <li>These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.</li> </ul>	<ul style="list-style-type: none"> <li>Trustees have a clear policy on willingness to accept underperformance due to market conditions.</li> <li>Trustees take into account the risks associated with their liabilities valuation and management.</li> <li>Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.</li> <li>Trustees have a legal requirement to establish and operate internal controls.</li> <li>Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.</li> </ul>
<p><b>Principle 4: Performance assessment</b></p> <ul style="list-style-type: none"> <li>Trustees should arrange for the formal measurement of the</li> </ul>	<ul style="list-style-type: none"> <li>There is a formal policy and process for assessing individual performance of trustees and managers.</li> </ul>

---

<p>performance of the investments, investment managers and advisers.</p> <ul style="list-style-type: none"> <li>Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.</li> </ul>	<ul style="list-style-type: none"> <li>Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).</li> <li>The chairman addresses the results of the performance evaluation.</li> <li>State how performance evaluations have been conducted.</li> <li>When selecting external advisers take into account relevant factors, including past performance and price.</li> </ul>
<p><b>Principle 5: Responsible ownership</b></p> <ul style="list-style-type: none"> <li>Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.</li> <li>A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.</li> <li>Trustees should report periodically to members on the discharge of such responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.</li> <li>Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.</li> <li>Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.</li> <li>Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.</li> </ul>
<p><b>Principle 6: Transparency and reporting</b></p> <ul style="list-style-type: none"> <li>Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.</li> <li>Trustees should provide regular communication to members in the form they consider most appropriate.</li> </ul>	<p>Reporting ensures that:</p> <ul style="list-style-type: none"> <li>the scheme operates transparently and enhances accountability to scheme members; and</li> <li>best practice provides a basis for the continuing improvement of governance standards.</li> </ul>

---