

Kingston Communications Pension Scheme

Statement of Investment Principles

June 2025

Introduction

This document is the Statement of Investment Principles (the 'Statement') for the Kingston Communications Pension Scheme (the 'Scheme'). It has been drawn up by Kingston Communications (Hull) Trustees Limited as trustee of the Scheme (the 'Trustee'), taking into account the relevant legislation.

The Statement sets out the high-level objectives, principles and policies governing the investment decisions of the Trustee.

Governance arrangements

The Trustee has ultimate responsibility for the management of the Scheme and its investments, but it delegates various decisions and responsibilities to specialist advisers and service providers. The Trustee ensures that appropriate guidelines and restrictions are agreed with each party to clearly set out their responsibilities and the scope of their powers. The Trustee takes all such steps as are reasonable to satisfy itself that the parties to whom it delegates responsibilities have the appropriate knowledge and experience required to take on their role.

A key investment appointment is the Fiduciary Manager, a professional investment firm with expertise in investment and risk management for pension funds. The Fiduciary Manager provides investment advice and investment management services to the Trustee, including advice on setting the Investment Objective (defined on the following page) and preparing this Statement. Many of the details of this document are reflected in the Investment Management Agreement between the Trustee and the Fiduciary Manager.

Investment approach

The Trustee's approach to investing the Scheme's assets is to adopt a cashflow-driven investment ('CDI') strategy. The CDI strategy involves purchasing assets whose cashflows are largely contractual in nature. The CDI strategy has two objectives: firstly, to generate cashflows that are expected to allow the Scheme to meet members' benefits as they fall due; and, secondly, to reduce the risk that the Scheme's funding position deteriorates because of changes in the value of its Technical Provisions due to movements in long-term interest rate and inflation expectations.

Objectives

Long Term Objectives

The primary objective of the Trustee is to pay members' benefits in full as they fall due ('Primary Objective'). The secondary objective is to manage the funding and cash flow risks inherent in the Scheme ('Secondary Objective').

To work towards meeting this objective, the Trustees will seek to achieve full funding on its low dependency basis and, once there, maintain the position. This is expected to be achieved through a combination of Sponsor contributions, as set out in any future Recovery Plan, payments from the Central Asset Reserves and investment returns relative to the change in the value of the liabilities.

Once full funding on the Technical Provisions basis (described above) has been achieved, the Trustee will continue to seek to improve the funding position, through a combination of payments from the Central Asset Reserves (whilst in payment) and investment returns relative to the change in the value of the liabilities.

The investment risk may be adjusted over time reflecting funding level improvements and/or changes in the ability of the Sponsor to support the Scheme. These considerations will inform the Trustee's view of what is the most secure method at the time to meet the promised benefits for all members.

Investment Objectives

A performance objective known as the "Investment Objective" is set and reviewed by the Trustee, ensuring consistency with the Trustee's Long Term Objective and Statement of Funding Principles. When setting the Investment Objective the Trustee also takes into account the trade-off between expected returns and investment risk:

Investment Objective

The Trustee aims to achieve a return on the Scheme's assets of 0.75% p.a. (net of investment costs) above the return of the Liability Benchmark over a rolling 5-year period.

The Liability Benchmark return measures the change in value of the liabilities as measured on a gilts-flat basis. It is agreed between the Trustee and the Fiduciary Manager that the liability cashflows underlying the Liability Benchmark are periodically updated, such as after triennial actuarial valuations or any other substantial update in funding assumptions or change to the Scheme's expected benefit outgo.

In addition to the Investment Objective, the Trustee has agreed a number of supplementary objectives (collectively, the 'Supplementary Objectives') which the Fiduciary Manager has regard to when managing the portfolio to meet the Investment Objective:

- To mitigate the interest rate and inflation exposure inherent in the Technical Provisions Liability Benchmark to the extent practicable
- To efficiently deliver cashflows which the Scheme can use to meet expected member benefits

- To favour credit-based investments that are managed on a “buy and maintain” basis to the extent that the returns available on these assets are sufficient to generate the returns necessary to achieve the agreed Investment Objective
- To avoid permanent impairments in value where possible, particularly in any investments held within the Investment Grade Credit Portfolio
- To maximise the portfolio’s weighted-average rating factor when selecting credit-based investments
- To take all practical steps to reduce costs incurred on behalf of the Scheme, where doing so does not conflict with the Investment Objective or other Supplementary Objectives

The Investment Objective and the Supplementary Objectives are specified in the guidelines to the Investment Management Agreement of the Fiduciary Manager. The Fiduciary Manager is tasked with investing the Scheme’s assets in order to achieve the Investment Objective over rolling 5-year periods whilst, at the same time, reducing short-term volatility in the funding position and the chance of large losses. The Trustee has asked the Fiduciary Manager to prioritise achieving the Investment Objective over any of the Supplementary Objectives should any conflict between the two arise or be expected to arise.

A risk guideline limit of 5% p.a. has been set for the volatility of the funding position and the Fiduciary Manager is required to monitor the realised risk levels. If the risk guideline is exceeded, the Fiduciary Manager will notify the Trustee in writing, explain why the guideline has been exceeded and confirm either that it is comfortable running the portfolio at a risk level above the guideline or the actions it proposes to reduce the risk level below the guideline.

Risks

The key risk to the Scheme is that the value of assets is insufficient relative to the value of the liabilities. This is called solvency risk and ultimately could lead to there being insufficient assets to secure all benefits.

There are many other individual risk factors which have the potential to contribute to solvency risk. Due to the complex and interrelated nature of these risks, the Trustee considers most of these in a qualitative rather than a quantitative manner.

The Trustee works with the Fiduciary Manager to regularly monitor the risks affecting the investments and to manage them where possible to avoid the accumulation of excessive risk exposures. The main risk factors affecting the Scheme are described in Appendix B, along with a summary of how each risk factor is measured and managed.

Central Asset Reserves (CARs)

The Scheme also has two tranches of investment in a Central Asset Reserve, a “Property CAR” and a “Network CAR”. Further details on both assets are included below:

The Property CAR provides the Scheme with an asset producing an annual income increasing with CPI inflation. The arrangement is designed to last for a 15-year period ending 31 March 2028. The annual income payments are dependent on the funding position of the Scheme being less than 110% (based on the Technical Provisions of the Scheme on the basis agreed at the 1 April 2010

valuation updated for financial conditions (or such other basis as agreed) and the market value of the Scheme's assets excluding the interest of the Scheme in the Property and Network CARs).

The Network CAR provides the Scheme with an asset producing an annual income increasing with CPI inflation (max 5%, min 0%). The arrangement is designed to last for a 15-year period ending 31 March 2029. The annual income payments are dependent on the funding position of the Scheme being less than 110% (based on the technical provisions of the Scheme on the basis agreed at the 1 April 2010 valuation updated for financial conditions (or such other basis as agreed) and the market value of the Scheme's assets excluding the interest of the Scheme in both the Property and Network CARs). Finally, the calculation of the funding level trigger for the Network CAR allows for the following year's coupon payment from the Property CAR).

Investment policies

Securing compliance with the duty to choose scheme investments under Section 36 of the Pensions Act

In advance of choosing or retaining any direct investments, the Trustee obtains and considers advice from the Fiduciary Manager. This advice considers the overall suitability of the investments in relation to several key investment principles.

This advice is not required or sought where the investments are selected (or retained) on behalf of the Trustee by the Fiduciary Manager, whose appointment was made considering its suitability in relation to these principles.

The kinds of investments held by the Scheme

The full range of assets, detailed targets and restrictions are agreed between the Trustee and the Fiduciary Manager and may change over time. These are recorded in the guidelines to the Investment Management Agreement between the Trustee and Fiduciary Manager.

The Scheme's assets are split between three sub-portfolios: the Liability Hedging Portfolio, the Investment Grade Credit Portfolio and the Higher Yielding Credit Portfolio. The Trustee has delegated responsibility for managing these sub-portfolios to the Fiduciary Manager, including the appropriate balance between these sub-portfolios to achieve the Trustee's investment objectives.

Liability Hedging Portfolio:

The purpose of these assets is to reduce the risk that the Scheme's funding position deteriorates as a result of changes in the value of its liabilities due to movements in long-term interest rates and inflation expectations.

This requires an asset portfolio which seeks to broadly match an agreed portion of the interest rate and inflation sensitivities of the Liability Benchmark, which is known as the target hedge ratio. The Trustee has determined that the appropriate target hedge ratio for the Scheme is 100% of the liabilities measured on the Technical Provisions basis. This target hedge ratio has been provided to the Fiduciary Manager.

The Liability Hedging Portfolio assets are invested in a mixture of cash, physical gilts, leveraged gilts and swaps. The Fiduciary Manager takes into account any interest rate or inflation sensitivity arising from the Cashflow Credit Portfolio when managing the Liability Hedging Portfolio.

Investment Grade Credit Portfolio:

The purpose of these assets is to generate returns and cashflows that are expected to be used to meet members' benefits as they fall due.

The portfolio largely consists of high-quality bonds (defined as having a credit quality consistent with investment grade), including those issued by governments, government-related entities, corporates as well as high-quality securitised assets, whose return, when held-to-maturity, is known subject to default experience.

Higher Yielding Credit Portfolio:

The purpose of these assets is to generate returns and cashflows that are expected to be used to meet members' benefits as they fall due.

The portfolio largely consists of higher yielding bond-type assets such as asset backed securities, collateralised loan obligations, convertible bonds, high yield bonds, corporate loans, etc.

Performance of these assets is driven primarily by the exposure to credit related securities and the skill of the third-party manager(s) to avoid defaults.

The Scheme also holds an investment in an illiquid asset (i.e. an asset that cannot be easily sold before maturity) managed by a third-party investment manager. This investment is mature and is expected to be run off or realised over the next few years. The Fiduciary Manager aims to run-off this illiquid asset over a reasonable period of time; however, the Trustee may consider accelerated realisations to improve the liquidity of the portfolio if such realisations were consistent with the Trustee's Investment Objectives. The Fiduciary Manager is not permitted to make any new investments in illiquid assets.

The performance of the illiquid asset is expected to be driven by a combination of market returns, the illiquidity premium (the excess return investors expect when committing capital for an extended period) and the manager's skill, as these investments are typically in specialist areas.

When combined, the Liability Hedging Portfolio, Investment Grade Credit Portfolio and the Higher Yielding Credit Portfolio are intended to result in the total Scheme assets delivering returns in excess of the Liability Benchmark, as targeted in the Investment Objective.

The balance between different kinds of investments

The Trustee has set guidelines for the Fiduciary Manager which include permissible ranges for each kind of investment. The Fiduciary Manager adjusts the balance of investments in response to evolving market conditions and is responsible for ensuring that:

- The assets remain invested within the guidelines;
- The balance of assets is appropriate to achieve the Investment Objective over the long term;
- There is sufficient liquidity to meet cashflow requirements; and
- There is sufficient collateral available to manage the collateral risk of the derivative positions.

The expected return on investments

The Trustee delegates assessment of the expected return on investments to the Fiduciary Manager. This is one of the factors taken into account by the Fiduciary Manager when selecting the balance of assets to target the Investment Objective.

The realisation of investments

The Trustee delegates decisions around the realisation of investments to the Fiduciary Manager. Assets are realised as part of the rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Scheme.

Arrangements with the Fiduciary Manager

The Trustee delegates various activities in relation to the Scheme's investments to the Fiduciary Manager as set out in this Statement. The Fiduciary Manager is responsible, in particular, for ensuring each underlying investment manager is aligned with the Trustee policies as set out below.

The Trustee keeps the Fiduciary Manager's performance under review, focusing on longer-term outcomes. The Trustee receives regular reports from the Fiduciary Manager, including on portfolio turnover costs incurred by the underlying investment managers. The Trustee's review process includes specific consideration of how the Fiduciary Manager has implemented the responsible investing policies and engagement activities included in this Statement.

The Trustee believes that climate change is a systemic risk that may materially affect the financial performance of the Scheme's investments. The Fiduciary Manager is responsible for assessing and integrating climate change-related risks as well as opportunities within the Scheme's portfolio. As climate change-related risks could materially affect financial performance, the Trustee expects the Fiduciary Manager to incorporate these factors into its investment decision making and specifically to:

- Maintain processes to identify, manage and effectively monitor climate-related risks and opportunities which are relevant to the Scheme and its investments over the short-, medium- and long-term; and
- Support integrated risk management and governance via regular reporting to the Trustee (at least annually) on the Fiduciary Manager's climate integration progress, climate-related metrics and/or climate scenario analysis applicable to the Scheme's portfolio.

The Fiduciary Manager's Sustainable Investment Policy describes how the Fiduciary Manager integrates sustainability throughout its investment activities. The policy is reviewed at least annually.

Although the Trustee's arrangement with the Fiduciary Manager is expected by the Trustee to be a long-term partnership, the Fiduciary 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 or where the Fiduciary Manager fails to ensure alignment between underlying investment managers and the Trustee's policies.

The Fiduciary Managers is paid using a combination of a fixed fee and an ad-valorem fee, in line with market practice, for a given scope of services which includes consideration of long-term factors, responsible investment and engagement. The Trustee reviews the costs incurred in managing the Scheme's assets annually.

Arrangements with all Investment Managers

The Trustee believes that an understanding of, and engagement with, Investment Managers' arrangements (including the Fiduciary Manager, where the Fiduciary Manager manages

investments directly) is required to ensure they are aligned with Trustee policy, including its Responsible Investment policy, particularly in relation to ESG-related risks, including those relating to climate change. In accordance with latest regulation, it is the Trustee's policy to ensure that the Fiduciary Manager, in line with their responsibilities, understands and monitors the following:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

The responsibility for monitoring these aspects day to day has been delegated to the Fiduciary Manager. They are responsible for ensuring each underlying investment manager is aligned with the Trustee policies at the time of appointment or explaining why this is not the case. They are also required to report back to the Trustee on any areas of potential divergence between Trustee policy and investment manager practice on an ongoing basis, including their own.

Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review all of the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach.

Underlying managers appointed by the Fiduciary Manager can be terminated at the Fiduciary Manager's discretion. Reasons for termination include, but are not limited to: poor performance, poor client service, client strategy development, loss of key individuals within the investment manager's organisation, M&A activity and operational constraints.

Additional Voluntary Contributions (AVC) Investments

The Trustee holds assets invested separately from the Scheme's other assets in the form of individual insurance policies securing additional benefits on a money purchase basis. These are legacy holdings for those members who had previously elected to pay Additional Voluntary Contributions.

The AVC providers are Zurich and Utmost Life.

Responsible investment

Financially material considerations over the appropriate time horizon of the investments

The Trustee believes that by being a responsible investor, the Trustee is managing investment risk, including ESG-related risks including those relating to climate change, with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non-financial matters in their investment decision-making.

When considering climate change-related risks within the portfolio, the Fiduciary Manager evaluates the following time horizons when performing climate scenario analysis:

- Short-term: 3 to 5 years
- Medium-term: 5 to 15 years
- Long-term: 15 years through to 2050

Given the profile of the Scheme's membership, and the time periods over which the assets are invested, the Trustee believes that these time periods are appropriate to evaluate the impact of climate change-related risks and opportunities within the portfolio.

A long-term time horizon of 2050 is consistent with the UK Government's own ambitions and prevailing legislation and is also consistent with the aims of the Paris Climate Agreement.

The exercise of the rights (including voting rights) attaching to the investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's investment managers.

The Scheme follows a cashflow-driven investment strategy which is not expected to include any investments that have direct or indirect voting rights attached to them. The Trustee therefore does not expect that there will be significant voting activity for it to monitor or report on each year.

Nevertheless, the Trustee recognises that the underlying investment managers' engagement with the underlying issuers of the Scheme's investments (including the Fiduciary Manager's own engagement activities) is important to the management of the investment strategy, and the Trustee monitors these activities in this regard.

The Fiduciary Manager encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council (and the Trustee monitors the Fiduciary Manager's activity in this regard).

The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments

The Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme.

The Trustee recognises that individual members and beneficiaries may have views on non-financial matters (such as ethical views, views on social and environmental impact matters, or views on the present and future quality of life of members) and these views may have implications for the Scheme's investments. The Trustee does not pro-actively take these views into account when making investment decisions, but it does review communications of member views. The Trustee believes that the above policy of responsible investing is an appropriate reflection of the views of the membership in aggregate, given that individual members may have differing and conflicting views that cannot all be reconciled and incorporated directly.

Undertaking engagement activities in respect of the investments

The Trustee believes the integration of stewardship duties into the investment process helps them to fulfil their responsibilities. Implementing voting and engagement policies helps drive long-term value for beneficiaries. This is achieved through targeted voting and engagement, which encourages better corporate management of environmental, social and governance issues and promotes more stable capital markets and economies.

In particular, the Trustee recognises that engagement is essential for addressing and managing climate change-related risks and opportunities within the portfolio and has made the Fiduciary Manager responsible for this engagement activity.

Where assets are managed directly by the Fiduciary Manager, it engages with a wide range of companies on systemically critical climate-related issues through its own stewardship team as well as participating in collaborative engagement initiatives. Collaborative engagements enable the Fiduciary Manager to increase the scale and impact of its engagement activities and to engage with a broader range of companies on a wider range of issues. The key focus areas for climate-related engagements relate to assessing companies' actions to support achieving Net Zero emissions by 2050 and limiting global warming to 1.5°C.

Where relevant, the Trustee prefers its investment managers, where relevant, to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Fiduciary Manager's activity in this regard).

The Trustee has selected three key stewardship priorities for investment manager engagement to improve alignment with its policies as well as to enhance disclosure. The Trustee has chosen these priorities given they are linked to the UN Sustainable Development Goals and are consistent with aiming to improve the responsible investment characteristics within the portfolio whilst ultimately delivering better outcomes to the Scheme's members. The Trustee's stewardship priorities are:

- Climate Crisis
- Environmental Impact

- Human Rights

The Fiduciary Manager writes to the Trustee's investment managers reaffirming and expanding on the Trustee's policy and expectations. The Trustee expects its investment managers to incorporate these priorities into their voting (where relevant) and engagement practices and the Fiduciary Manager is responsible for monitoring each manager's disclosures to ensure alignment with these priorities.

Process for agreeing and reviewing this Statement

The Trustee has obtained written advice on the content of this statement from the Fiduciary Manager. The Trustee is satisfied that the Fiduciary Manager has the knowledge and experience required by the Pensions Act 1995 to perform this role. The Trustee has also consulted the sponsoring employer, KCH (Holdings) Limited, on the content of this Statement.

The Trustee monitors compliance with this Statement regularly and will review it at least every three years and immediately following any significant change in investment policy. At each review, further written advice from the Fiduciary Manager will be sought and consultation with the sponsoring employer will be undertaken.

Signed on behalf of the Kingston Communications (Hull) Trustees Limited as trustee of Kingston Communications Pension Scheme:

Signed: _____

Name: _____

Date: _____

Appendix A: Investment responsibilities of different parties

The division of investment responsibilities for the Scheme is set out below. This list is not meant to be exhaustive.

Trustee

The Trustee has ultimate responsibility for decision-making on investment matters. The Trustee's investment responsibilities include:

- Deciding on an appropriate governance structure for the management of the Scheme including the role of advisers and other third parties
- Setting appropriate investment objectives, following advice from the Fiduciary Manager and Scheme Actuary
- Agreeing the range of investment types to be used to achieve the investment objectives, taking account of the need to manage risks
- Agreeing the policies for governing investment manager arrangements
- Monitoring the appropriateness of the Fiduciary Manager
- Reviewing the content of this Statement at least every three years and following any significant change in investment strategy
- Modifying this Statement, if deemed appropriate, in consultation with the Principal Employer and with written advice from the Fiduciary Manager
- Monitoring compliance with this Statement on an ongoing basis
- Identifying Trustee training needs

Fiduciary Manager

The Fiduciary Manager's role includes providing investment advice to the Trustee and investment management of the assets. A summary of the duties that fall into each category are shown below:

Fiduciary Manager – investment advice:

- Advice on setting the Investment Objective
- Risk modelling (including asset-liability analysis)
- Asset class, investment manager and risk reporting
- Advice and monitoring of any direct investments
- Trustee investment training and education
- Advice relating to investment governance and compliance
- Advice on this Statement
- Advice relating to potential conflicts of interest, including their own

Fiduciary Manager – investment management:

- Designing and implementing investment solutions appropriate to the investment objective for the Scheme, which has been set by the Trustee
- Appointing and removing investment managers

- Investment manager mandate definition and negotiation
- Designing and executing derivative strategies for and on behalf of the Trustee
- Portfolio monitoring, including checking consistency of investment manager arrangements with Trustee policies
- Adhering to and monitoring against the Trustee's Responsible Investment policy, including monitoring and reporting regularly on stewardship activities and total portfolio costs
- Appointing transition managers for and on behalf of the Trustee
- Advice relating to potential conflicts of interest, including their own
- Ongoing management of the assets delegated to them within the terms of their agreement with the Trustee
- Complying with this Statement

Scheme Actuary

The key aspects of the Scheme Actuary's role that have a bearing on investment decisions include:

- Liaising with the Fiduciary Manager on the suitability of the Scheme's Investment Objective given the liabilities of the Scheme
- Ensuring consistency between the Statement of Funding Principles and the Trustee's Investment Objectives and investment strategy
- Assessing the funding ratio of the Scheme by performing valuations and advising on the appropriate contribution levels
- Providing data to enable decisions about hedging liability risks to be taken and implemented
- Estimating the cashflows of the Scheme, to be used in the calculation of the value of liabilities on at least a triennial basis, or more frequently as required
- Advice relating to potential conflicts of interest, including their own

Investment managers

The investment managers' responsibilities include:

- Managing the assets delegated to them within the terms of their agreement
- Providing regular reports on their performance, including any agreed benchmark and performance targets
- Providing reports at least annually on portfolio turnover and costs, including their remuneration
- Instructing their custodian on corporate governance and voting issues, including issues relating to Responsible Investment
- Where relevant, providing information at least annually on how they are incentivised to consider both financial and non-financial risks over the medium to long term, including but not limited to detailing their engagement activities with investee companies
- Ensure that they are complying with the requirements applicable to them in this Statement. In particular, when investing the assets delegated to them they must be invested in the best

interests of members and beneficiaries. Their powers of investments must be exercised so as to ensure the security, quality, liquidity and profitability of the portfolio as a whole

Providers of direct investments

Investments held directly by the Scheme are held in the form of units in pooled funds, insurance policies or other contractual arrangements. The responsibilities of the providers are set out in the legal documentation for each investment. There is then usually an agreement between the provider and an organisation which manages the assets underlying the direct investment on a day-to-day basis. This agreement sets out the responsibilities of this organisation to the provider

Appendix B: Risk factors

Risk factor	What is the risk?	How is the risk measured?	How is the risk managed?
Economic (or market) risk	Economic, financial or political conditions cause the return on investments to be worse than expected, reducing the chance of meeting the investment return objective	The Fiduciary Manager monitors the economic exposures and assesses the economic outlook and regularly reports the position to the Trustee	The assets are spread across a range of different investments in a highly diversified portfolio that manages downside risks and reduces the chance of large losses in stress situations
Investment manager risk	The investment managers fail to meet their performance expectations	The Fiduciary Manager monitors manager performance relative to suitable benchmarks and peers and regularly reports the position to the Trustee	Rigorous investment and operational due diligence is performed upon manager appointment and close monitoring is performed thereafter
Interest rate and inflation risk	The value of the Scheme's liabilities rises due to either or both of the interest rate falling or the inflation rate rising	The Fiduciary Manager monitors any mismatch between the interest rate and inflation sensitivities of the assets relative to the Liability Benchmark and regularly reports the position to the Trustee	The Liability Benchmark is designed to reflect the sensitivity of the liabilities to interest rate and inflation risk. The Liability Hedging Portfolio is designed to match an agreed portion of these sensitivities
Currency risk	Loss arising from the falling value of overseas investments due to strengthening Sterling	The Fiduciary Manager monitors the currency risk and regularly reports the position to the Trustee	Where investments are not denominated in Sterling and currency exposure is not desired as part of the thesis, currency derivatives are used to remove currency risk
Concentration risk	Underperformance in a section of the investments has an overly large adverse impact on the total portfolio return	The Fiduciary Manager monitors the portfolio concentration and reports the position to the Trustee as needed	The Fiduciary Manager operates to guidelines that ensure assets are spread across a range of investments
Credit risk	The risk of loss arising from the default of expected cashflows	The Fiduciary Manager monitors the credit risk and regularly reports the position to the Trustee	This Fiduciary Manager operates within guidelines which set out diversification and credit limits
Liquidity risk	There is a shortfall in liquid assets relative to the Scheme's immediate cashflow requirements	The Fiduciary Manager monitors the cashflow needs and reports the position to the Trustee as needed	The Fiduciary Manager operates to guidelines that ensure assets are spread across a range of investments
Operational risk	Loss arising as a result of fraud, acts of negligence or lack of suitable processes	The Fiduciary Manager monitors the operational procedures of the collective investment schemes and bank counterparties and reports the position to the Trustee as needed	The Fiduciary Manager undertakes due diligence to identify the operational risks associated with each service provider. The Trustee ensures that all advisers and third-party service providers are suitably qualified and experienced. Suitable liability and compensation clauses are included in all contracts for professional services
Demographic risk	The mortality assumptions used to value the Scheme's liabilities strengthen, resulting in an increase in the value of the liabilities	Regular updates on changes in demographic assumptions are provided by the Scheme Actuary	The Trustee make an allowance for this risk by setting prudent actuarial assumptions
Sponsor risk	The sponsoring employer makes insufficient contributions to support payment of the Scheme benefits, leading to greater reliance on investment returns	Assessment of the ability and willingness of the sponsor to support the continuation of the Scheme and make good any current / future deficit	Sponsor risk has been taken into account when agreeing a suitable Recovery Plan and investment objective
ESG (including climate change risk)	The potential for non-financial factors to adversely impact the value of the assets or overall funding position	The Fiduciary Manager measures ESG risk based on the materiality of potential impact on each investment and distinguishes between high and low focus positions. ESG issues are quantified in the risk register	The Fiduciary Manager monitors the portfolio regularly to ensure ESG risks are being appropriately considered in ongoing investment decisions. The Trustee reviews ESG risks on a quarterly basis