Statement of Investment Principles for the Barnardo Staff Pension Scheme

June 2024

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Barnardo Staff Pension Scheme ("the Trustees") on various matters governing decisions about the investments of the Barnardo Staff Pension Scheme ("the Scheme"), a Defined Benefit ("DB") Scheme. This SIP replaces the previous SIP dated June 2024.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP.

The Trustees have consulted Barnardo's, in its capacity as the Scheme's sponsoring employer about the content of this document and will consult Barnardo's on changes to this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

The SIP also reflects the Trustees' response to the Investment Governance Group's principles for best practice in investment governance.

The Trustees have put together a business plan to set out what they aim to achieve for the Scheme over the medium term. This will also act as part of the Scheme's governance documentation and will be used as a basis by which the Trustees will assess themselves.

- **Appendix 1** sets out details of the respective key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustees' policy towards risk appetite, capacity, measurement and management.
- The separate **Investment Policy Implementation Document** sets out the Scheme's investment manager arrangements.

2. Scheme details

The Scheme operates for the purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. Historically these benefits were calculated on a final salary basis before being changed to a career average revalued salary basis. With effect from May 2013 the Scheme closed to future benefit accrual.

The Scheme Rules include a guarantee of pension increases in line with price inflation, subject to a maximum of either 2.5% or 5% per annum and a minimum of 0% - in other words pensions cannot be reduced in times of deflation. The liabilities of the Scheme are thus significantly influenced by the course of future price inflation.

Administration of the Scheme is managed by the Trustees, who have overall responsibility for the investment of the Scheme's assets.

3. Investment objectives

The Scheme's objectives are:

- to secure and maintain a portfolio of assets of appropriate liquidity which will generate income and capital growth to meet, together with future contributions from Barnardo's, the cost of the current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules;
- to limit the risk of the assets failing to meet the liabilities, both over the long-term and in relation to the Technical Provisions on a shorter-term basis; and
- to minimise the long-term costs of the Scheme by maximising the return on the assets while having regard to the above objectives.

4. Investment strategy

The Trustees, with the help of their advisers and in consultation with the employer, regularly review the Scheme's investment strategy, taking into account the objectives described in Section 3 above.

Until 31 March 2037 the target allocation between growth and matching assets is set out in the following table. From 31 March 2037 to 31 March 2050, the proportion in matching assets is expected to increase linearly to 85%.

Assets	Central target allocation (%)
Growth assets	40%
Matching assets	60%
Total	**100%**

The Trustees continue to make revisions to the strategies as and when it is appropriate following professional advice.

The Trustees allocate assets across various asset classes and investment managers. The details of this asset distribution are contained in the separate Investment Policy Implementation Document.

The allocation between asset classes will be reviewed over time, taking account of the funding level of the Scheme and de-risking opportunities.

The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustees will consider with its advisers whether it is appropriate to rebalance the assets, considering factors such as market conditions and future cash flows.

4.1. Required return triggers

The Trustees have put in place a trigger mechanism, whereby the target allocation to growth assets may be changed if the required investment return to reach full funding on a Technical Provisions basis by 30 November 2034 reaches certain pre-agreed levels. These triggers are not "automatic" which means that the Trustees will make any decision to change the strategic asset allocation based on the market conditions and the strength of the covenant at that time. Further detail on the triggers is set out in the IPID.

5. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

In setting the strategy the Trustees also took into account:

- the best interests of members and beneficiaries;
- the strength of the Scheme's finances;
- the strength of the covenant provided by Barnardo's; and
- the circumstances of the Scheme, including the profile of the benefit cash flows and the funding level.

The Trustees believe it is appropriate to focus on maximising the long-term return from the Scheme's assets subject to determining an appropriate level of investment risk.

The Trustees also believe it is inappropriate to be overly concerned about shorter-term fluctuations in the value of the assets, other than to the extent necessary to satisfy the Technical Provisions.

The Trustees, with the help of their advisers and in consultation with the Employer, regularly review the Scheme's investment strategy, taking into account the objectives described in Section 3.

Investment strategy reviews have included modelling the Scheme's assets and liabilities over a range of possible scenarios for future economic conditions. In setting the current strategy, the Trustees considered:

- a wide range of asset classes;
- the risks and rewards of a number of possible asset allocation options;
- the suitability of each investment within the strategy, both across asset classes and within asset classes;
- the need for appropriate diversification between different asset classes; and

- the views of Barnardo's.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value for some asset classes, especially illiquid asset classes;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5.1. Expected Investment Returns

Based on market conditions as at 31 March 2024, the Trustees consider the following to be reasonable "best estimates" of the future investment returns on the main asset classes over the yield available on gilts:

- average long-term return on return-seeking credit: 3.6%
- average long-term return on long lease property 1.8%
- average long-term return on equities: 3.0%
- average long-term return on asset backed securities: 1.8%

Thus, for example, the Trustees believe that there is a 50/50 chance that, over the long term, equity-type investment will outperform gilts by at least 3.0% pa.

6. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the Investment Policy Implementation Document.

The Trustees have signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees have very limited influence over managers' investment practices where the Scheme's assets are held in pooled funds, which currently applies to all the Scheme's investments apart from the

Scheme's Liability Driven Investment (LDI) assets, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that their periodic monitoring including evaluation of the manager's performance, the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers and, as appropriate, when considering the Scheme's investment strategy more broadly.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. The Trustees will review investment managers' performance at least annually, with more frequent reviews as considered appropriate by the Trustees. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

7. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. In general, the Trustees' policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, but subject to the advice of the Trustees' investment adviser as appropriate.

8. Financially material and non-financial matters

The Trustees consider environmental, social, governance (“ESG”) factors (including but not limited to climate change) to be financially material considerations that should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members. **Within the constraints of our strategy, we will take all possible endeavours to ensure we are not investing in companies that bring harm to children.**

More generally, the Trustees consider ESG and other financially material factors in setting the Scheme’s investment strategy and the selection of investment managers. With the exception of the LDI, the Scheme’s assets are entirely invested in pooled funds and as a result the Trustees do not have the ability to exclude particular holdings or sectors, nor can the Trustees choose how the managers of pooled funds vote.

The Trustees expect all of their investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. In general, the Trustees have a preference for funds that have strong ESG credentials. However, the Trustees will consider other non-ESG focussed funds where appropriate.

The Trustees will look to invest in ESG focused funds where possible, and where such funds offer the Scheme a clear prospect of superior or at least equal performance and / or a lower or at least equal risk profile compared to equivalent funds with no specific ESG focus, or on a whole portfolio basis. Therefore, the Trustees will consider ESG focused funds first, but if no suitable ESG focused funds are available which meet these criteria, the Scheme will revert to investing in other appropriate funds with no explicit ESG focus, but always subject to the broader ESG monitoring and reporting requirements set out herein.

The Trustees seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice. The Trustees are particularly mindful of the financial risks of investing in companies that engage in activities considered to be to the detriment of children. We believe that such companies are exposed to reputational and regulatory risk, which may not be adequately priced. We also believe that investing in such companies could represent a risk to the Scheme’s covenant, as donors would likely expect the pension scheme of the Barnardos Staff Pension Scheme to avoid investing in such companies where possible. To mitigate this risk, on an annual basis the Trustees ask the pooled fund managers to confirm what exposure they have, if any, to such companies. To the extent any exposure is identified, the Trustees will ask the manager to reconsider the investment. They will also ask the investment manager to:

- confirm the rationale for investing;
- fully consider the financial, regulatory and reputational risks of investing with the company in question; and
- confirm what engagement the investment manager is undertaking with the company to improve practices.

Ultimately, if having engaged with the investment manager, the fund in question continues to invest in companies considered to be in the detriment of children, the Trustees will formally review the investment and may terminate the manager’s appointment.

The Trustees have not taken non-financially material considerations into account in setting the investment policy.

9. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have provisionally agreed that their stewardship priorities, when engaging with investment managers, are protecting children from harm and climate change.

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. In practice, the Scheme does not invest directly in equities, or any pooled funds which hold primarily listed equities and therefore the Trustees expect few, if any shareholder votes to be cast on their behalf. The Scheme's equity exposure is achieved "synthetically" through derivatives. For this synthetic equity exposure, the Scheme does not own shares in the underlying companies, nor does it have voting rights.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity, but they do engage with current and prospective investment managers on matters including ESG and stewardship. The Trustees expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries and the Trustees' stewardship priorities as noted above. The Trustees expect the managers to communicate their policies on stewardship to them from time to time, and provide them with reporting on the results of their engagement and voting activities regularly and at least once a year.

The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time they review how these are implemented in practice.

10. Monitoring and implementation of investment policy

The Trustees will receive and consider written advice from the investment managers at such intervals as the Trustees determine from time to time. The Trustees will also meet on a regular basis with the investment managers to review and discuss the operation of their portfolios, including past and future policy decisions. The Trustees will monitor the competence with which the investment managers are carrying out the responsibilities delegated to them and their compliance with this Statement.

The appointment of the investment managers will be reviewed by the Trustees from time to time, based on the results of their monitoring of performance and process.

11. Criteria for selection

The Trustees have identified the criteria by reference to which investment managers should be selected (or dismissed). These include:

- past performance;
- quality of the investment process;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;

- role suitability;
- stewardship;
- level of fees;
- reputation of the investment manager;
- familiarity with such mandates;
- service;
- reporting;
- administration;
- team proposed; and
- the quality of the individual fund managers working for the Scheme.

12. Criteria for dismissal

At the Trustees' discretion, an investment manager may be replaced if:

- the investment manager's mandate no longer fits within the Scheme's investment strategy;
- the Trustees believe that the investment manager is not capable of achieving the performance objectives in the future; or
- they fail to maintain satisfactory standards in respect of the criteria mandated in Section 11 and Appendix 1.

The SIP was approved by the Trustees of the Barnardo Staff Pension Scheme at their meeting on 26 June 2024 and signed by the Chair on 2 August 2024. An unsigned version has been uploaded here to aid in the prevention of fraud.

Responsibilities, decision-making and fees

Appendix 1

The Trustees have decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Scheme's governing documentation.

1. Trustees

The Trustees of the Scheme are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- reviewing the investment policy following the results of each valuation, and/or any asset liability modelling exercise;
- setting the policy for rebalancing between asset classes;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change and those more specific to the Scheme, such as investment in companies whose activities are considered to be to the detriment of children);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- assessing the quality of the performance and processes of the investment managers by reviewing the performance statistics and by regular meetings with the investment managers;
- monitoring levels of shareholdings and notifying relevant authorities if and when the Scheme's aggregate interest in any company exceeds the disclosable level;
- monitoring the security and efficiency of the Custodian;
- communicating with members as appropriate on investment matters;
- reviewing annually the content of this SIP and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

A sub-group of the Trustees, namely the Investment and Finance Committee ("IFC") are usually tasked with considering specific investment matters. Any decisions regarding the Scheme's investments remain the responsibility of the Trustees.

2. Investment managers

The investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- providing the Trustees with quarterly statements of the assets along with a quarterly report on the results of the past investment strategy and the recommended future policy, and any changes to the processes applied to the portfolios;
- providing the information necessary to calculate performance statistics;
- instructing the Custodian in respect of any corporate governance activity;
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so; and
- investing cash in a suitably risk-controlled manner consistent with the provisions set out in the investment management agreement as agreed with the Trustees.

3. Custodian

The Custodian is responsible for:

- arranging the safekeeping of the assets within the Scheme's investment portfolio for which it is responsible;
- providing the Trustees with regular statements of the assets, cash flows and corporate actions;
- undertaking all appropriate administration normally undertaken by custodians relating to the portfolio's assets;
- processing all dividends and tax reclaims in a timely manner;
- dealing with corporate actions; and
- investing cash in a suitable low risk manner consistent with the provisions set out in the investment management agreement as agreed with the Trustees.

4. Investment adviser

The investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position and sponsor covenant may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations);
- presentation and interpretation of investment performance measurement results; and
- participating with the Trustees in reviews of this SIP.

5. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The fee structures which the Trustees have adopted reflect the Trustees' understanding of industry practice in each area. However, the Trustees recognise that as circumstances change, it may be necessary to review the basis of one or more fee arrangements, and that for the provision of a specific service, a different fee arrangement may be more appropriate than the existing standard one.

The Trustees have agreed terms of business with the Scheme's Actuary, under which charges are calculated on either a "fixed fee" or "time-cost" basis.

The Trustees have agreed terms of business with the Scheme's Investment Consultant, under which charges are calculated on either a "fixed fee" or "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management, and performance-related fees are also payable on some of the funds. The fee rates are consistent with the managers' standard terms for institutional clients and are considered by the Trustees to be competitive when compared with those of other similar investment managers.

Other charges arise from transaction costs within the portfolios held on behalf of the Scheme. The managers have clearly set out how transaction costs and commission rates affect the Scheme. The managers do not use "soft commission" arrangements.

The Custodian receives fees calculated by reference to the market value of assets under management and also on the number of transactions undertaken by the Custodian on behalf of the Scheme. The total fees charged by the Custodian are subject to a minimum fee. The fee rates are consistent with the Custodian's standard terms for institutional clients and are considered to be competitive when compared with those of other similar custodians.

6. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

Policy towards risk, risk measurement and risk management

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

The choice of the strategic allocation benchmark, the performance targets and the restrictions are designed to ensure that the Scheme's investments are adequately diversified. Within each asset category in each portfolio, the investment manager concerned is responsible for appropriate diversification.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from their investment adviser, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis.

4. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments. The administrators estimate the monthly benefit outgo and liaise with the investment managers to ensure that sufficient cash balances are available.

5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as poor treatment of children (investment in which could have a detrimental impact on Barnardo's covenant), climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds and private credit via pooled funds. The Trustees manage its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

The Scheme is also exposed to credit risk within the LDI Portfolio, in the form of the government bonds that it holds, and the counterparties with which it trades. Credit risk in relation to counterparties is diversified as the investment manager agreement sets out restrictions on the maximum exposure to any individual counterparty.

7. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustees manage the amount of currency risk for some of the funds in which it invests through currency hedging arrangements implemented by the investment managers.

8. Interest rate and inflation risks

The Scheme's assets are subject to interest rate and inflation risks because some of the Scheme's assets are held in bonds, via pooled funds and within the segregated LDI Portfolio. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

9. Other investment risks

- position risk – addressed through appropriate restrictions on the investment managers;
- political risk – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries;
- custodian risk – addressed through the agreement with the Custodian and ongoing monitoring of the custodial arrangements. Restrictions are applied to who can authorise the transfer of cash and the account to which transfers can be made;
- additional collateral calls – addressed through the guidelines followed by the investment managers with respect to collateral management;
- roll risk – addressed through the guidelines followed by the investment managers with respect to rolling swap and repo contracts; and
- regulatory risk – addressed through ISDA Master Agreements and Credit Support Annexes on derivative contracts which, as far as possible, future-proofs against future changes in regulatory environment.

10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.