Statement of Investment Principles

(from September 2024)

This Statement of Investment Principles (SIP) covers the Defined Benefit (Retirement Account) and the Defined Contribution (Investment Account) Sections of the AstraZeneca Pension Fund (the Fund). This SIP also covers the Additional Voluntary Contribution arrangements (the AVCs).

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Purpose of Statement

This SIP by AstraZeneca Pensions Trustee Limited (the Trustee) sets out the principles governing investment decisions taken for the assets of the Fund to comply with the requirements of the Pensions Acts 1995 and 2004, and the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (collectively referred to as the 'Pensions Acts').

2

Advice

The Trustee has obtained written advice on the content of this SIP from its Investment Advisers and is satisfied the advisers have the knowledge and experience required by the Pensions Acts in performing this role.

3

Governance

The Trustee establishes specialist committees on both an ongoing and ad-hoc basis to deal with various issues. The Trustee has established an Investment and Monitoring Committee (the IMC) to oversee all investment matters pertaining to the Defined Benefit (DB) Section and a Defined Contribution Committee (DCC) to oversee all matters relating to the Defined Contribution (DC) Section. The IMC and DCC operate within agreed Terms of Reference.

4

Consultation

The Trustee has consulted the Company, AstraZeneca PLC, on the content of this statement.

5

Strategic Objective – Defined Benefit Section

The Trustee has agreed a Journey Plan with the Company which is part of a wider Long-Term Funding Agreement (the Funding Agreement). The Funding Agreement has the strategic objective of achieving a Long-Term Target Funding Level of 105% funding on a gilt plus 0.7% p.a. basis by 31 December 2034. In order to help achieve this objective, the Trustee has implemented an investment strategy designed to deliver a set level of return, detailed later in the section headed 'Expected Return and Risk'. Over time, the Fund is expected to gradually de-risk which will result in a corresponding reduction in the targeted expected return.

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Default Strategy – Defined Contribution Section

The objective of the DC Section is to deliver an investment strategy that meets the varied needs of the Fund's membership. This is achieved by providing suitable Default Strategies and a diverse selection of self-select investment options, supporting members in achieving their preferred retirement outcomes whilst considering members varying attitudes to risk.

The DC Section is closed to new contributions and there are two distinct Default Strategies (note that although default investment arrangements were in place when the Investment Account was open to accrual prior to July 2010, and referred to within this document, these are not default options as defined under the Investment Regulations). The Default Strategy that a member is invested in is dependent on whether the member has benefits only in the DC Section or whether the member is a DB Section Member with AVCs invested in the DC Section. Note that members may have AVCs outside of the Fund with other providers which are not listed below.

A) For DB Section members whose DC assets reflect AVCs – the Default Strategy, known as the 'Lump Sum Lifestyle', is to invest assets as follows:

Years to retirement	Funds
20+	100% Global Equity
20 to 10	Quarterly switching from 100% Global Equity to 100% Diversified
10 to 0	Quarterly switching from 100% Diversified to 40% Diversified and 60% Cash

B) For all other members, the Default Strategy, known as the 'Drawdown Lifestyle', is to invest assets as follows:

Years to retirement	Funds
40+ to 20	100% Global Equity
20 to 10	Quarterly switching from 100% Global Equity to 100% Diversified
10 to 3	100% Diversified
3 to 0	Quarterly switching from 100% Diversified to 75% Diversified and 25% Cash

Members were switched into the respective Default Strategies commencing from October 2019.

The objective of the Default Strategies is to generate returns above inflation over the long term whilst members are far from retirement, and to switch automatically and gradually to investments with a lower expected risk and return as members approach their target retirement date. The asset allocation at the target retirement date is designed to be appropriate for members taking cash or income drawdown from the Lump Sum Lifestyle and Drawdown Lifestyle respectively.

An additional lifestyle, the 'Annuity Lifestyle', is also available to members on a self-select basis. This has been designed to be appropriate for members intending to purchase an annuity.

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Investment Policy

For both the DB Section and the DC Section, it is the Trustee's policy to consider a full range of asset classes and their suitability to the overall asset allocation given their associated risks and rewards.

The Trustee, or any of the investment managers or its other agents, may not directly purchase or hold the ordinary shares of the Company or any other 'employer-related investments', as defined in Section 40 of the Pensions Act 1995.

The Trustee's policy is to delegate all strategic manager selection and implementation decisions to the IMC and DCC, who in turn, delegate all day-to-day decisions about the investments that fall within each mandate to the relevant investment manager, after satisfying themselves that the investment manager has the appropriate knowledge and experience for managing the investments of the Fund. The Trustee expects each investment manager to exercise the investment powers delegated to it with a view to giving effect to the principles in this statement, so far as is reasonably practical.

Defined Benefit Section

Investment strategy is reviewed on an ongoing basis. The strategy is designed to target a set level of return above that of the liabilities (as detailed in the 'Expected Return and Risk' section) with an acceptable degree of investment risk.

The Trustee has determined, based on expert advice from its Investment Advisers, a strategic mix of asset types. In setting investment strategy, a range of different asset allocations were reviewed and the relative risk/rewards and suitability of these were considered.

The Trustee adopts an investment strategy that currently targets investment of approximately 47.5% of the Fund's assets in a diversified range of return-seeking investments, including but not limited to: listed equities, credit and alpha based, manager skill strategies. These assets are classed as the 'Growth Portfolio'. The Trustee believes that the current allocation to the Growth Portfolio and the mix of assets within this portfolio are sufficient, alongside a contribution to return from the 'Cashflow Portfolio', to target the level of expected return required. The allocation to the Growth Portfolio is expected to decrease over time, as the investment strategy de-risks.

The allocation within the Growth Portfolio is managed according to a guideline risk limit, using expected tracking error as a measure of relative risk. This is discussed further in Sections 10 and 13. It is noted that both the allocation and composition of the Growth Portfolio may change in the future in order to ensure the Fund targets the required level of expected return. Further details on the construction of the Growth Portfolio are set out below:

Asset Class	Long-term benchmark allocation (% of Growth Portfolio)
Equity	35%
Credit	25%
Manager Skill	40%
Total	**100%**

Equity consists of listed equities (physical and/or synthetic).

Credit consists of corporate bonds – both investment grade and sub-investment grade.

Manager Skill captures other growth strategies which are primarily dependent on manager skill (alpha) to generate returns.

Within the Growth Portfolio, there are target benchmark allocations across asset class groups. On an ongoing basis, the Trustee considers the underlying assets in the context of the economic climate and how the Growth Portfolio is expected to behave in different economic scenarios. The allocations are monitored and managed based on expert advice from the Investment Adviser and may significantly vary from the long-term target allocation, at the Trustee's discretion, taking into account prevailing market conditions or specific Fund circumstances.

Within the investment strategy, the Trustee also targets an allocation of 7% of the Fund's assets in cashflow-generating investments. This allocation is expected to increase over time, as the investment strategy de-risks. This allocation is intended to invest predominantly in UK and overseas investment-grade credit but can also include other credit assets (as documented in the Investment Manager's Agreement). These cashflow-generating assets are classed as the 'Cashflow Portfolio'.

In order to manage total investment risk, the Trustee holds its remaining assets in a 'Liability Hedging Portfolio'. The Liability Hedging Portfolio utilises instruments which use leverage in order to provide protection in a larger notional size than the capital allocation. This Liability Hedging Portfolio consists of bonds and bond-like derivative instruments designed to match the changes in value of a proportion of the Fund's liabilities. The Trustee targets a hedge ratio of 100% (as a percentage of assets and measured on the long-term funding basis) for both interest rate and inflation hedging, allowing for the impact of any interest rate and inflation sensitivity of the Cashflow Portfolio. Hedging levels may vary from time to time and alongside collateral sufficiency metrics are measured and closely monitored. Where the hedge ratio is divergent from the target, the Trustee will not always mechanistically rebalance, but look to change the hedge over time in a price-aware manner. As the funding position improves over time, the target hedge ratio will become equivalent to targeting 100% of liabilities as measured on the long-term funding basis.

In addition, the Fund holds a Longevity Swap to help manage the risk that improved member longevity, which places an additional strain on funding levels. This swap covers a proportion of the retired population.

Whilst not expected to be a permanent component of the investment strategy, the Trustee may also utilise option overlay strategies from time to time for effective and efficient portfolio management, in order to, for example, reduce equity market risk by protecting value if deemed necessary.

Defined Contribution Section

A range of funds covering different investment managers and asset classes is offered for the DC Section, which allows members to tailor their investment choices to fit their own needs and risk preferences.

In determining the investment arrangements for the DC Section, it is the Trustee's policy to consider:

- The overall best interests of members and beneficiaries;
- The profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- The need for secure assets of appropriate liquidity that will generate income and capital growth which, together with past contributions made by members and the Company, will provide to each member a fund at retirement with which to finance their retirement benefits;
- The need for appropriate diversification to manage investment risk within the Default Strategies made available to members, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate; and
- The need for appropriate diversification between and, where appropriate, within the investment options offered to members.

Our policy regarding **investments in illiquid assets in the Default Strategies** is set out below. Illiquid assets can't easily or quickly be sold. This policy includes illiquid assets held by any collective investment scheme (i.e. pooled fund).

The Default Strategies include an allocation to diversified growth funds (DGFs) via pooled funds, that may include an allocation to illiquid assets. This discretion is held by the appointed DGF manager, who has the expertise to determine an appropriate allocation to any illiquid assets and manages the overall liquidity of the fund. We are comfortable for this to include illiquid investments, where the manager deems appropriate, given the potential broader investment return and risks opportunities. The Trustee monitors the investments and conducts periodic reviews to ensure alignment with the Fund's objectives.

As at 30 June 2024, the exposure to the illiquid assets comprising of physical property and private market credit constituted around 6.8% of the DGF allocation. Members invested in the Drawdown Lifestyle and the Lump Sum Lifestyle, assuming respective target retirement ages of 67 and 62 for these strategies, have exposure to illiquid assets via the DGF allocation from age 47 and 42, respectively.

We will continue to consider the illiquid assets exposure as part of any review of the Default Strategies.

8 Rebalancing and Cashflow Policy

In order to control the level of investment risk for the DB Section, the Trustee monitors the allocation across the investment managers and asset class groups closely. A decision as to whether to rebalance is not a mechanistic process but is taken on a discretionary basis, on advice from the Investment Advisers.

Any regular cashflows in or out of the Fund are, in the normal course of events, directed initially to/from the collateral pool used to service margin calls from the Liability Hedging Portfolio and other derivative instruments, as a readily available source of liquidity. This policy may be reviewed at any time and the allocation between the Growth Portfolio, Cashflow Portfolio and Liability Hedging Portfolio is monitored on a regular basis. Income and repayments from the Cashflow Portfolio are directed towards the collateral pool.

In addition, the allocation within the Growth Portfolio is also closely monitored and will be changed from time to time via cashflows or a separate rebalancing exercise on advice from the Investment Advisers, depending upon market conditions and investment opportunities.

9 Pooled and Segregated investments

The Fund will typically invest in both pooled and segregated portfolios of assets, whereby the management is delegated to an investment manager under a legal contract, or defined in the policy terms of insurance products. In the case of the DB Section, there is a mix of pooled and segregated investments. The Growth Portfolio is invested solely in pooled funds, with the exception of some synthetic equity and possibly, from time to time, credit exposure gained via swaps, futures or options for efficient portfolio management purposes. The Cashflow Portfolio and Liability Hedging Portfolio are managed in segregated accounts.

The DC Section's platform provider makes available the range of investment options to members. There is no direct relationship between the Fund and the underlying managers of the DC Section investment funds. The DC Section consists of pooled funds only and therefore the Trustee has limited influence over managers' investment practices. That said, the Trustee encourages its managers to improve their practices within the parameters of the fund they are managing.

The Trustee's policy is to review its investments and to obtain investment advice about them at regular intervals. When deciding whether or not to make any new investments, the Trustee will obtain investment and, if appropriate, legal advice.

The advice will take into account the issues set out in the Pensions Acts and the principles contained in this SIP. The regulations require all investments to be considered by the Trustee or, to the extent delegated, by the investment managers against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability (after all fees)
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives and leverage

The Trustee is satisfied that its Investment Advisers have the knowledge and experience required by the Pensions Acts in performing this role. The Trustee has set its Investment Advisers a clear remit and set of objectives against which the Investment Advisers' performance is monitored annually, and which are consistent with the Trustee's objectives set out in this SIP.

10 Expected Return and Risk – Defined Benefit Section

In relation to the DB Section, the objective of the Trustee is to achieve an expected return on the assets of 2.0% p.a. (net of all fees and calculated on a geometric mean basis) above the return on the Liability Benchmark (a portfolio of gilts that would provide a close match to the liabilities), at a level of risk, defined by the tracking error of the investment strategy of 8% p.a. or below. Tracking error is a measure of the risk of the asset portfolio compared to the Liability Benchmark i.e. a measure of relative volatility.

The level of expected return which the Trustee will target each year is set out as part of a schedule within the Funding Agreement. The Trustee may deviate from this schedule, with agreement from the Company. In line with this, in order to facilitate more efficient de-risking, in May 2023, the Trustee and Company agreed a market-aware, funding trigger-based de-risking mechanism which overlays and operates in parallel with the Funding Agreement. Over the period to 31 December 2034, the level of expected return will gradually reduce and the investment strategy adopted will eventually target a return of 0.7% p.a. (net of all fees) in excess of the return on the Liability Benchmark.

The Trustee accepts that in order to generate excess return there is an element of risk that the assets may not perform in line with the target. The Trustee closely monitors the investment strategy and the level of expected return on a regular basis to ensure it is in line with the parameters set out in the Funding Agreement and produces a quarterly report which is sent to the Company. The Trustee also closely monitors the strength of the Company's covenant both now and how it is expected to develop in the future, through its independent covenant advisor and regular presentations from the Company, to ensure the level of investment risk being taken is appropriate.

The Trustee recognises that the returns on the assets held in the Growth Portfolio are expected to be greater over the long term than those on 'risk-free' assets (such as Gilts) held in the Liability Hedging Portfolio. However, these returns are also likely to be more volatile. In addition to traditional equity and bond assets, the Trustee allocates across a range of different strategies, including, but not limited to, Manager Skill investments. These investments typically exhibit low correlation to equity and traditional bond assets. As such, it is expected that the Fund will be less exposed to the general direction of individual markets which should provide a more balanced total return across a range of different economic scenarios.

Similarly, the Trustee recognises that the returns on the assets held in the Cashflow Portfolio are expected to be greater over the long term than those on 'risk-free' assets. The Trustee recognises that the return may exhibit some volatility relative to 'risk-free' assets but, given the 'buy and maintain' nature of the portfolio, absent significant credit defaults (in excess of prudent expectations), it expects the additional returns to be generated over the life of the assets.

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Expected Return and Risk – Defined Contribution Section

Returns for the DC assets and the risks members are exposed to will vary from member to member and will depend on the investment strategy that the member chooses to invest in (or a Default Strategy if an active choice is not made). It is our policy to monitor whether the risks that members are exposed to in the Default Strategies are suitable for the majority of the membership, as part of investment strategy reviews which are carried out periodically. Members bear the risk that they are exposed to expected returns and risks that are out of line with the way they intend to access their benefits in retirement.

The expected returns and risks that members are exposed to will also depend on the term to their selected retirement date if they choose to invest in a lifestyle strategy (or are invested in a Default Strategy if an active choice is not made). As a result, members bear the risk that they are exposed to inappropriate returns and risk should their selected retirement date not reflect the age they intend to begin accessing their benefits.

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Realisation of investments

If, having considered advice from the Investment Advisers, the Trustee believes that any investment is no longer suitable for the Fund, it will withdraw from this asset class subject to the liquidity constraints of the asset class/manager. The investment managers generally have discretion in relation to the exact timing of any disinvestments. The liquidity of the assets for the DB Section is regularly monitored as part of a wider collateral management policy.

For the DC Section, it is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

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Risk management and measurement

The Trustee recognises that the key risk to the DB Section of the Fund is that it has insufficient assets to pay benefits when they are due.

The Trustee accepts that in order to generate the excess return over the Liability Benchmark, there is an element of risk that the assets might not return in line with the return target. The risk is defined by the expected tracking error of the strategy (a relative risk metric that measures the risk of the investment strategy deviating from the Fund liability benchmark) which:

- Has a guideline limit of 8% p.a. which if exceeded would be reviewed by the IMC and remedial action considered.

The Trustee recognises that the key risk for the DC Section of the Fund is that members will have an income that does not meet their expectations.

The Trustee has identified a number of investment or investment-related risks and delegates the management or oversight of these risks to the IMC and DCC.

To assist in monitoring these risks, the Trustee receives verbal reports from a representative of the IMC and DCC at each Trustee meeting, along with minutes of every meeting and has access to all meeting papers of the various sub-committees.

The risks considered include but are not limited to:

Risk	Description	How is it managed?	Section
Asset pricing	The risk that the value of a financial asset falls over time.	Value of the Fund's assets are monitored on a regular basis, comparing asset performance relative to a variety of suitable benchmarks. The Trustee invests in a diverse mix of underlying holdings and securities to reduce the concentration in individual risk factors that might affect the asset pricing in certain market conditions.	Both
Interest rate	The risk that the value of future liability cash flows or of a financial asset will fluctuate because of changes in market interest rates.	Impact of changing interest rates is monitored through regular reporting. The Trustee implements a high level of interest rate hedging, particularly within its Liability Hedging Portfolio, to ensure the funding impact of interest rate movements is significantly mitigated.	DB
Inflation	The risk that the value of future liability cashflows or a financial asset will fluctuate because of changes in expectation of future inflation.	Impact of changing inflation expectations are monitored through regular reporting. The Trustee implements a high level of inflation hedging, particularly within its Liability Hedging Portfolio, to ensure the funding impact of changes in inflation expectations is significantly mitigated.	DB

Risk	Description	How is it managed?	Section
Longevity	The risk that mortality experience does not sufficiently match that assumed in the valuation of Fund liabilities, thus leading to a shortfall in assets relative to liabilities.	The Fund holds a Longevity Swap to help manage the risk that improved member longevity places an additional strain on funding levels. This swap covers a proportion of the retired population.	DB
Liquidity	The risk of a shortfall of liquid assets required to meet the Fund's immediate liabilities or that core financial transactions, such as investing or disinvesting member investments, may not be processed promptly due to lack of liquidity in investments.	For DB investments, the Trustee and its advisers monitors the Fund's cashflows and the liquidity terms of the investment managers, and a collateral management policy is in place that is regularly reviewed to cover derivatives' positions. For DC investments, daily traded pooled funds are used.	Both
Currency	The risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.	This is managed, where applicable, within the investment manager mandates by using GBP currency hedged share classes. From time to time, a currency hedging programme may be put in place by the Trustee if the individual managers cannot facilitate such a hedge. The Trustee considers the argument for hedging that overseas currency exposure on a case-by-case basis.	Both
Credit	The risk that the issuer of a bond defaults on their obligations.	The Trustee and its advisers monitor the allocation to bond issuers through regular reporting. The Trustee invests across a variety of credit asset types and issuers to significantly reduce the exposure to individual default risks.	Both
Counterparty	The risk that the other party in an investment, credit or trading transaction (typically a bank) defaults on its contractual obligations.	This risk is primarily addressed through appointing a specialist investment manager who diversifies exposure across multiple counterparties and negotiates specialist legal contracts (GMRAs and ISDAs) with counterparties which conform to best practice. Furthermore, positions are marked to market and collateralised daily to protect against counterparty default.	DB

Risk	Description	How is it managed?	Section
Covenant	The risk that the Company does not meet one or more of its financial obligations to the Fund now or in the future.	The Trustee and its advisers consider this risk when setting and reviewing investment strategy and regularly consult with the Company as to the suitability of the investment strategy. The Trustee receives regular presentations from the Company on its financial results and other matters of importance and also employs an independent, specialist covenant adviser to provide regular assessments of the strength of the covenant.	Both
Manager	The risk that the investment managers fail to achieve the rate of investment return assumed by the Trustee.	This risk is considered by the Trustee and its advisers both upon the initial appointment of the investment managers and on an ongoing basis thereafter via monitoring reports and access to an independent manager ratings database.	Both
Diversification	The risk that the Fund's Growth Portfolio is overly concentrated in a limited number of holdings.	The Trustee and its advisers consider this risk when setting and reviewing the Fund's investment strategy and when selecting investment managers. For the DB Section holdings, a limit is applied to ensure that no single investment manager in the Growth Portfolio manages more than 10% of total Fund assets.	Both
Political	The risk of an adverse influence on asset values from political intervention.	This is managed by diversification of investments across many countries/geographic regions.	Both
Operational, custodian and adviser risk	The risk of fraud, poor advice or acts of negligence.	The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced. The Trustee also appoints a global custodian to provide consolidated reporting and accounting services. These risks are also addressed by ongoing monitoring of advisers and custodian services.	Both
Environmental, social and governance (ESG) risks	The risk that factors such as environmental (including climate change), social and governance issues, adversely affect the value of the Fund's assets.	ESG risks are monitored and managed as part of the Trustee's overall investment strategy. The Trustee's detailed policy on this is set out in the Responsible Investment, Sustainability and Corporate Governance Policy.	Both
Fund selection	The risk of the funds in the DC Section being unsuitable for the requirements of members.	The Trustee and its adviser have selected a diverse range of funds that members may invest in and regularly review the fund choices provided.	DC

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Responsible Investment, Sustainability and Corporate Governance Policy

The Trustee regularly reviews its position on responsible investment, sustainability and corporate governance while continuing to have regard to the task of achieving its return objective and managing investment risk for the DB Section and ensuring an appropriate fund choice and default arrangements are available to members of the DC Section.

The Trustee supports the goals of the Paris Climate Agreement to limit global warming to +1.5°C above pre-industrial levels and is committed to transitioning the Fund's investment strategy to be consistent with net zero greenhouse gas emissions by 2045. In addition, as an interim target, the Trustee is also committed to a global carbon emissions reduction target of 50% from its asset portfolio (relative to a baseline year of 2020) by 2030. This commitment is a part of a more detailed policy which is being applied to all investments and is set out in a separate policy document.

In addition, the Trustee also has in place a Climate Change Governance Framework, which came into effect on 1 October 2021. This has been prepared in accordance with the Task Force for Climate-Related Financial Disclosures (TCFD) regulations. The terms of this Framework are detailed in another separate policy document.

The Trustee does not as a matter of course, consider matters that are purely non-financial in nature (e.g. matters relating to ethical and other views of individual members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

The Trustee has delegated to the investment managers the exercise of rights attached 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. Where applicable and material, the Trustee expects the managers to undertake voting and engagement in line with its stewardship policies, considering the long-term financial interests of investors.

The Trustee has selected three key stewardship priorities for investment manager engagement, in order to improve alignment with its policies as well as enhance disclosure. The priorities are linked to the UN Sustainable Development Goals with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members. The Trustee's stewardship priorities are:

Climate Crisis	Environmental Impact	Human Rights

On behalf of the Trustee, the Investment Advisers have written 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 practices and the Investment Advisers will monitor manager disclosures to ensure alignment against them.

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Arrangements with all Investment Managers

The Trustee believes that an understanding of, and engagement with, investment managers is required to ensure they are aligned with the Trustee's policy, including the Responsible Investment, Sustainability and Corporate Governance Policy. It is the Trustee's policy to ensure that the following are understood and monitored:

- 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 Trustee has limited influence over managers' investment practices for the Fund's assets that are held in pooled funds, but it encourages its managers to improve their practices within the parameters of the fund they are managing.

The Trustee's view is that 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 their fund. However, in practice, for pooled funds, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers to make decisions based on assessments of the longer-term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). The Trustee assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager 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. If a manager is not meeting its performance objectives, the Trustee will consider alternative arrangements.

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

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in the Trustee's assessment of the investment managers, the Trustee does not explicitly monitor portfolio turnover. The Trustee expects its Investment Advisers to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

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Frequency of review

The Trustee will review this statement at least every three years and immediately following any significant change in investment policy. The Trustee will consult with the Company and take investment advice when revising the statement.