The MCPS-PRS Alliance Pension Scheme and the MCPS-PRS Alliance Pension Scheme (MCPS)

Statement of Investment Principles

Given the way that the MCPS-PRS Alliance Pension Scheme (the 'Alliance Scheme') and MCPS-PRS Alliance Pension Scheme (MCPS) (the 'MCPS Scheme') are operated, the Trustees of both schemes have decided to have this single document containing their respective Statement of Investment Principles (the 'Statement').

Background information on this Statement

This Statement has been drawn up by the Trustees of the MCPS-PRS Alliance Pension Scheme (the 'Alliance Trustees') and the Trustees of the MCPS-PRS Alliance Pension Scheme (MCPS) (the 'MCPS Trustees'). For the avoidance of doubt reference to 'the Trustees' and 'their respective Scheme' refers to the Alliance Trustees in respect of the Alliance Scheme and the MCPS Trustees in respect of the MCPS Scheme.

This Statement sets out the principles governing investment decisions made by the Trustees in relation to their respective Scheme. It should be read in conjunction with the related document entitled 'Investment Arrangements' which provides further detail on how the investment decisions are implemented. The Statement is also a legal requirement of the Pensions Acts 1995 and 2004, and the Occupational Pension Schemes (Investment) Regulations 2005 (collectively referred to as the 'Pensions Acts') as amended. For the avoidance of doubt the Investment Arrangements document does not legally comprise part of the Statement.

In preparing this document the Trustees have taken into account the requirements of the Pensions Acts. In addition this Statement is designed to fulfil the spirit of the pensions industry Code of Best Practice, published in 2001. The principles set out in this Statement are also consistent with the Trustees' Statement of Funding Principles for their respective Scheme.

Contents of this Statement

The Statement covers the following principles:

1. Governance arrangements
2. Investment objectives
3. Risk management policies
4. General investment policies
5. Agreeing and reviewing this Statement

Investment Arrangements document

The following further pieces of information are covered in the Investment Arrangements document:

1. The types of investments and financial instruments that are used and the investment restrictions that apply
2. The current advisers and investment managers

1. Governance arrangements

Overview of the arrangements

The Trustees have ultimate responsibility for the management of the investment arrangements of their respective Scheme and its assets. In discharging these responsibilities, the Trustees have established clear Investment Objectives setting out what they are aiming to achieve. The Investment Objectives relate to the overall solvency position of the Schemes and are explained in more detail in the next section of this Statement. The solvency position is an assessment of the amount of assets which have been put aside to meet the liabilities of the Scheme.

The Trustees have considered a number of different governance models that could be adopted in order to best achieve their Investment Objectives and have decided to delegate the day-to-day management of the solvency position to a specialist firm. This specialist firm is known as a Solvency Manager.

Under this governance model the Trustees focus on setting the high level Investment Objectives and on deciding what types of investments are acceptable for their respective Scheme. They then delegate day-to-day responsibility for all investment decisions to the Solvency Manager. The Trustees consider that the Solvency Manager is best placed to invest the assets on their behalf. The Trustees have agreed a performance target and set of guidelines for the Solvency Manager for their respective Scheme.

Other parties involved

There are a number of parties involved in the Schemes' investment arrangements namely:

- Trustees
- Solvency Manager
- Scheme Actuary
- Investment managers
- Providers of direct investments
- Custodian (for Alliance Scheme only)
- Performance measurer (for Alliance Scheme only)

Responsibility and knowledge

The Trustees have ultimate responsibility for the management of their respective Scheme and its assets. The Trustees have agreed the overall investment objective, permissible assets/investment strategies/derivatives and guidelines for the assets. The Trustees have delegated the management of their respective Scheme's assets to the Solvency Manager. The Solvency Manager works within the framework set by the Trustees.

The Trustees confirm that all parties to whom they delegate responsibility have the appropriate knowledge and experience required to take on this role. The Trustees expect each party to carry out the duties so delegated with a view to giving effect to the principles in this Statement, so far as is reasonably practical.

2. Investment objectives

The Trustees' primary objective is to provide sufficient assets to pay benefits as they fall due. The Trustees have set an objective for their respective Scheme's investments in order to target this primary objective, which is called the 'Investment Objective'.

The Investment Objective is a quantifiable statement comprising a return objective and a risk statement.

- The **return objective** states the level of return on the assets relative to the liabilities that the Trustees are targeting
- The **risk statement** defines the level of confidence the Trustees have in the funding ratio (i.e. the ratio of assets to liabilities) being above a certain level over a certain defined time period

	Alliance Scheme	**MCPS Scheme**
Return Objective	The Alliance Trustees aim to achieve a return on the Alliance Scheme's assets of 2.7% p.a. in excess of the return on the Liability Benchmark. The Liability Benchmark is an estimate of the change in the net present value of the projected pension cashflows for the Alliance Scheme.	The MCPS Trustees aim to achieve a return on the MCPS Scheme's assets of 2.7% p.a. in excess of the return on the Liability Benchmark. The Liability Benchmark is an estimate of the change in the net present value of the projected pension cashflows for the MCPS Scheme.
Risk Statement	The Alliance Trustees expect that the active risk within the Portfolio will generally be below 12% per annum. Active risk is the risk that the Alliance Scheme's investments do not perform in line with the Liability Benchmark. It is defined as the standard deviation of the Investment Portfolio return relative to the return of the Liability Benchmark.	The MCPS Trustees expect that the active risk within the Portfolio will generally be below 12% per annum. Active risk is the risk that the MCPS Scheme's investments do not perform in line with the Liability Benchmark. It is defined as the standard deviation of the Investment Portfolio return relative to the return of the Liability Benchmark.

Process for setting the Investment Objectives

The Return Objective and Risk Statement have been set by the Trustees on the basis of an assessment of their respective Scheme's current position and consideration of future uncertain events. This involved looking at the Trustees' overall objectives for their respective Scheme, their respective Statement of Funding Principles and financial position (including the strength of their sponsoring employer's covenant). In addition to qualitative assessments the Trustees also used asset-liability modelling techniques. As part of this exercise a number of assumptions were made in relation to the level and timing of future contributions.

3. Risk management policies

The Trustees recognise a number of risks are involved in the investment of their respective Scheme's assets. It is the Trustees' policy to regularly monitor the risks affecting these investments, and to manage them where possible so as to avoid the accumulation of excessive risk exposure. In managing these risks the Trustees have regard to their Investment Objectives. The Trustees will work with the Solvency Manager to promptly identify any material risks, to consider how best they should be managed, to implement a solution for managing these risks and then to decide how they should be monitored in the future. The Trustees will review their risk management policy on a regular basis.

Key risk affecting the Schemes
The Trustees' key risk to the Schemes is that the value of assets is inadequate relative to the value of the liabilities. Ultimately, this could lead to there being insufficient assets to secure all benefits. This is called solvency risk.

The Trustees acknowledge that there are a number of individual risk factors which have the potential to contribute to solvency risk. Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner. The Solvency Manager helps manage these risks and also assists by providing risk analysis using quantitative modelling techniques.

Other risk factors
There are a number of other risks affecting the Schemes. Further information on these main risk factors are described in Appendix A, along with a summary of the Trustees' policy on how each risk should be managed and measured.

4. General investment policies

The Trustees have set a number of investment policies in relation to their investments. These cover:

- Types of investments considered
- Balance between investment types
- Expected return on investments
- Realisation of investments
- Use of derivatives
- Socially responsible investment & corporate governance
- Ensuring compliance with the Pensions Acts
- Fee basis for service providers

Types of investments considered
The Trustees seek to achieve their respective Scheme's Investment Objective by investing in a suitably diversified mix of assets including (but not limited to) the following investment strategies and investment types:

- Equity
- Credit
- Property
- Multi-strategy
- Macro orientated
- Cash
- High quality bonds
- Pooled Liability Driven Investment Funds
- Derivatives (for Alliance Scheme only)

In deciding the suitability of each investment strategy/type, the Trustees have considered the role of each in targeting their overall Investment Objective taking into account the associated risks and potential rewards and will continue to do so on a regular basis. This assessment has been made by the Trustees following training and advice from the Solvency Manager. It is the Trustees' policy to review the suitability of different investment strategies/types from time to time.

Balance between investment types
It is the Trustees' policy to set appropriate guidelines for the Solvency Manager which control the balance between the investment types and reflects their investment objectives.

In setting these guidelines the Trustees have considered the characteristics of each of the investment types and have received training and advice from the Solvency Manager. The Trustees have also considered the need for flexibility and also overall control of risk. The Solvency Manager has been given discretion to manage the balance between the investment types of the Schemes within the guidelines set by the Trustees. The Solvency Manager considers the risk and return characteristics of each of the investment types when allocating the assets between them. The Trustees will review the balance between the investment types and guidelines from time to time.

The current guidelines are set out in the Investment Arrangements document.

Expected return on investments
The Trustees' policy in relation to expected return on investments is to invest in the assets which they believe will, over an appropriate time horizon and having a regard to the need to manage risk appropriately, achieve their respective Return Objective. When setting the investment guidelines, the Trustees have considered the expected return, and associated risk for each investment type.

The Trustees monitor the return on the different investment types on a regular basis using reporting provided by the Solvency Manager. In the case of severe underperformance the Trustees expect the Solvency Manager to review their respective investments in light of the prevailing economic conditions.

Realisation of investments
As part of the ongoing management of the Schemes, it is necessary for the Trustees to realise investments from time to time. It is the Trustees' policy to ensure that the Solvency Manager considers a number of core factors when considering the realisation of investments. These include:

- The potential future returns and risks of the investment
- The liquidity of the investment
- The ongoing appropriateness of the investment

The balance between the benefit payments and future contributions into the Schemes was considered when reviewing the need to realise investments. These considerations will be kept under review.

In light of these considerations, specific liquidity provisions have been included in the guidelines for the Solvency Manager. The Trustees have delegated decisions relating to the realisation of investments to the Solvency Manager within the agreed guidelines.

All realisations made by the Solvency Manager will be done in accordance with the terms and conditions contained in the agreements between the Solvency Manager and the Trustees. It is the Trustees' policy to review the approach taken by the Solvency Manager to realise investments from time to time.

For Alliance Scheme only: Use of derivatives
As part of the overall consideration of investments, the Alliance Trustees have agreed to use derivatives such as forwards, futures, swaps and options for risk management and for the efficient implementation of the investment strategy. The Alliance Trustees have delegated responsibility for the design and implementation of derivatives strategies to the Solvency Manager. The design and execution of derivative strategies will be subject to the guidelines contained in the agreement between the Solvency Manager and the Alliance Trustees. The Solvency Manager will use derivatives within the portfolio when it deems appropriate to do so in order to support the achievement of the Alliance Trustees' Investment Objective within the agreed guidelines.

Financially material considerations over the appropriate time horizon of the investments
The Trustees have a long-term time horizon for their portfolio and, as such, recognise that being a responsible investor should improve financial outcomes. The Trustees consider responsible investment to be the integration of environmental, social and governance (ESG) factors into investment decisions where financial risk and / or

return could be materially affected. These considerations include the potential impact of climate change.

The Trustees delegate responsibility to take account of ESG factors in investment decision-making to the Solvency Manager. This includes investments made directly by the Solvency Manager as well as those in pooled funds managed by third parties. In the latter case, the Solvency Manager is responsible for ensuring that the external investment managers appropriately incorporate ESG factors within their investment process. The Trustees monitor how the Solvency Manager incorporates ESG factors on a regular basis.

The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments
The Trustees believe that by being a responsible investor, they are 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 Schemes. Beyond these requirements of responsible investing, the Trustees do not explicitly target any non-financial matters in their investment decision making.

The exercise of the rights (including voting rights) attaching to the investments
The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Solvency Manager encourages the Schemes' investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

Undertaking engagement activities in respect of the investments
Where relevant, the Trustees prefer their investment managers 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 Solvency 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 Trustees monitor the Solvency Manager's activity in this regard).

Arrangements with the Solvency Manager
The Trustees delegate various activities in relation to the Schemes' investments to the Solvency Manager as set out in this Statement. The Solvency Manager is responsible, in particular, for ensuring each underlying investment manager is aligned with the Trustees' policies as set out below.

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

Although the Trustees' arrangement with the Solvency Manager is expected by the Trustees to be a long-term partnership, the Solvency 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 Solvency Manager fails to ensure alignment between underlying investment managers and the Trustees' policies.

The Solvency Manager is paid using a combination of fixed and ad valorem fees (as well as a performance fee) in line with normal market practice, for a given scope of services which includes consideration of long-term factors, responsible investment and engagement. The Trustees review the costs incurred in managing the Schemes' assets annually.

Arrangements with all Investment Managers
The Trustees believe that an understanding of, and engagement with, Investment Managers' arrangements (including the Solvency Manager) is required to ensure they are aligned with Trustees' policy, including their Responsible Investment policy. In accordance with latest regulation, it is the Trustees' policy to ensure that the following are understood and monitored by the Solvency Manager:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustees' 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 Trustees' 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 Solvency Manager. They are responsible for ensuring each underlying investment manager is aligned with the Trustees' policies at the time of appointment or explaining why this is not the case. They are also required to report back to the Trustees on any areas of potential divergence between Trustees' 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 Solvency Manager, who will collate the qualitative and quantitative information required to allow the Trustees to review all of the above aspects in sufficient detail each year. The Trustees will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach.

Compliance with the Pensions Acts
The Pensions Acts distinguishes between investments which are purchased directly by the Trustees ('direct investments') and investments where management is delegated to an investment manager under a written contract. An example of the former would be the purchase of an insurance policy by the Trustees (e.g. additional voluntary contributions policies), where there is no investment management agreement.

When deciding whether to make any new direct investments, the Trustees will obtain written advice from their Solvency Manager. They will also consider whether future decisions about those investments should be delegated to an investment manager.

The Trustees' policy is to review its direct investments and to obtain written advice about them at regular intervals.

This written advice will cover the issues set out in the Pensions Acts and the principles contained in this Statement.

It is the Trustees' policy to regularly monitor and review the practices of the Solvency Manager (and, if applicable, any other investment manager appointed by the Trustees under the Pensions Acts) to ensure that the Trustees' powers of investment are being exercised in accordance with the Pensions Acts, and with a view to giving effect to the principles in this Statement as far as practicable. If the Trustees become aware that any manager is not carrying out its duties in accordance with the Pensions Acts or this Statement, they will promptly review this situation with the Solvency Manager.

Additional Voluntary Contributions (AVCs)
The Trustees have made available various investment vehicles for the investment of AVCs. The Trustees consider the following sources of risk:

- Member understanding – the risk that the Trustees do not provide clear, balanced and timely information to members to aid their understanding. The Trustees are aware that poor information could lead to members' reasonable expectations not being met
- Investment practices – the risk that the range of funds does not meet members' requirements. The range of funds is monitored for both suitability and competitiveness on an ongoing basis
- Risk of default funds, where provided, being unsuitable for the requirements of some members
- Manager risk - risk of fund managers not meeting their objectives. This risk is considered by the Trustees both upon the initial appointment of the fund manager and on an ongoing basis thereafter
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner. The AVC arrangements will be reviewed periodically to ensure the investment profile of the funds available remains consistent with the objective of the Trustees and the needs of the members.

Fee basis for service providers
The Trustees use a range of fee arrangements which may include performance related fees, fees as a percentage of the assets managed and fixed fees. The Trustees delegate the consideration of suitable fee bases to the Solvency Manager. The Solvency Manager considers a range of factors, including the level of the fees offered and the alignment of interests that the fees give with the Trustees' objectives.

5. Agreeing and reviewing this Statement

Advice received

The Trustees have obtained written advice on the content of this statement from their Solvency Manager. They will also take written advice on any future major changes to this Statement.

The Trustees are satisfied that the Solvency Manager has the knowledge and experience required by the Pensions Acts to perform this role.

Consultation

The Trustees have consulted the Principal Employer, PRS for Music Limited, on the content of this Statement and will consult with them on future changes.

Compliance and review

The Trustees will monitor compliance with this Statement regularly and in any event will review this Statement at least every three years and also following any significant change in investment policy.

Effective date: 30th September 2020

Signed on behalf of the Trustees of the MCPS-PRS Alliance Pension Scheme

Signed: _____ Dated: 28 September 2020

Name: Wayne Phelan

Signed on behalf of the Trustees of the MCPS-PRS Alliance Pension Scheme (MCPS)

Signed: _____ Dated: 28 September 2020

Name: Wayne Phelan

APPENDIX A – Investment responsibilities of different parties

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

Trustees

The Trustees have ultimate responsibility for decision-making on investment matters. The Trustees' investment responsibilities include:

- Deciding on an appropriate governance structure for the management of their respective Scheme including the role of advisers and other third parties
- Setting appropriate investment objectives, following advice from the Solvency 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 Solvency Manager
- Monitoring their respective Scheme's compliance with the pensions industry's Code of Best Practice
- 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 Solvency Manager
- Monitoring compliance with this Statement on an ongoing basis

Solvency Manager

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

Solvency 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 the AVC arrangements and other direct investments
- Trustees 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
- For Alliance Scheme only, custodian selection and monitoring

Solvency Manager – investment management

- Designing and implementing investment solutions appropriate to the investment objective for the Schemes, which has been set by the Trustees
- Appointing and removing investment managers
- Investment manager mandate definition and negotiation
- Designing and executing derivative strategies for and on behalf of the Alliance Trustees
- Portfolio monitoring, including checking consistency of investment manager arrangements with Trustee policies
- Appointing transition managers for and on behalf of the Trustees
- 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 Trustees

Scheme Actuary

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

- Liaising with the Solvency Manager on the suitability of the Schemes' Investment Objective given the liabilities of the Schemes
- Ensuring consistency between the Statement of Funding Principles and the Trustees' Investment Objectives and investment strategy
- Assessing the funding ratio of the Schemes 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 Schemes, to be used in the calculation of the value of liabilities
- 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
- For the Alliance Scheme only, instructing the custodian on corporate governance and voting issues, including issues relating to Socially 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 portfolios as a whole

Providers of direct investments

Investments held directly by the Schemes are held in the form of units in pooled funds. The responsibilities of the providers are set out in the funds documentation. 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.

Custodian (for Alliance Scheme only)

The Custodian's responsibilities include:

- The safekeeping of assets of the Scheme
- Processing the settlement of all transactions
- Providing the Trustees with statements of the assets and cash flows
- Undertaking all appropriate administration relating to the Scheme's assets
- Processing all dividends and tax reclaims in a timely manner
- Dealing with corporate actions

The performance measurer (for Alliance Scheme only)

The performance measurer provides an independent calculation of the performance of the Scheme's assets as a whole.

APPENDIX B – Further information on the additional risk factors

The table below provides some further detail on the major individual risk factors affecting the solvency risk. This includes a summary of what each of the risks are as well as the Trustees' policy on how each risk is measured and managed.

For all of these risks, the Trustees receive updates and advice from the Solvency Manager.

Risk factor	What is the risk?	How is this measured?	How is this managed?
Interest rate risk	The interest rate used to value the Scheme's liabilities falls. This would result in an increase in the value of the liabilities.	The Trustees monitor the mismatch between the exposure of the assets and the exposure of the liabilities to interest rates as part of the regular monitoring process.	The Trustees delegate management of this risk to the Solvency Manager. The Solvency Manager manages this risk by investing in certain assets, and using hedging techniques for and on behalf of the Trustees, which help to mitigate this risk.
Inflation risk	Inflation is higher than expected, causing the value of members' pensions to be greater than expected. This would lead to the value of the liabilities being greater than expected.	The Trustees regularly monitor the portfolio to assess the mismatch between the exposure of the assets and the exposure of the liabilities to inflation.	The Trustees delegate management of this risk to the Solvency Manager. The Solvency Manager manages this risk by investing in certain assets, and uses hedging techniques for and on behalf of the Trustees, which help to mitigate this risk.
Demographic risk	The value of liabilities increases due to members living longer than expected.	The Trustees receive regular updates on changes in demographics from the Scheme Actuary.	The Trustees acknowledge that readily-tradable instruments to hedge this type of risk do not currently exist and therefore this risk cannot be fully mitigated. The Trustees make an allowance for this

			risk in setting the actuarial assumptions.
Economic risk	That economic and financial conditions cause the return on investments to be worse than expected. In this situation it may be hard to find investments that will achieve the investment return objective.	The Trustees regularly monitor the portfolio in the context of the changing economic climate.	The Solvency Manager invests the assets across a range of different types of investments to help reduce the impact of this risk.
Sponsor risk	The Principal Employer does not/cannot make sufficient contributions to support the payment of the Scheme benefits. This may lead to a greater reliance on investment returns to pay for the benefits.	The Trustees consider the ability and willingness of the sponsor to support the continuation of the Scheme and make good any current / future deficit. The Trustees also periodically review a number of key factors, including sponsor covenant, size of deficit etc relative to a number of metrics.	Sponsor risk has been taken into account when agreeing a suitable investment objective. If there is a significant change in the sponsor covenant the Trustees will review their investment objective.
Concentration risk	The failure to spread investment risk. This may be caused by investing in too narrow a range of investments, or investments that are affected by markets in a similar way.	The Trustees monitor the portfolio regularly to identify where assets are concentrated.	The Solvency Manager ensures assets are spread across a range of investments. The Trustees have set investment guidelines for the Solvency Manager to ensure assets are not concentrated.
Liquidity risk	There is a shortfall in liquid assets relative to the Scheme's immediate cashflow requirements.	The Trustees monitor the level of cashflow required on a regular basis.	The Trustees have set guidelines to limit the total value of assets invested in illiquid assets.

Investment manager risk	The investment managers fail to beat their investment benchmark.	The Solvency Manager monitors the actual deviation of returns relative to the manager's benchmark for and on behalf of the Trustees.	The Solvency Manager reviews the investment managers as part of their assessment process.
Solvency Manager risk	The Solvency Manager fails to meet its objectives.	The Trustees monitor the performance of the portfolio against the investment objective of the Trustees.	The Trustees carried out an extensive selection process ahead of appointing the Solvency Manager. The Trustees ensure that the Solvency Manager is suitably qualified and experienced to perform their role.
Operational risk	The risk of loss as a result of fraud, poor advice, acts of negligence or lack of suitable processes.	The Solvency Manager undertakes due diligence on investment managers and the custodian for and on behalf of the Trustees	The Trustees discuss the Solvency Manager's process as part of their overall review process The Trustees ensure that all advisers and third party service providers are suitably qualified and experienced.
Political risk	The risk of loss resulting from political intervention (e.g. changes in policy) or through political instability.	The Solvency Manager monitors the concentration of investments by countries/regions for and on behalf of the Trustees.	The Trustees have set guidelines within which the Solvency Manager can invest. This ensures the Scheme's assets are spread across a range of different types of investments.