Principles for Investment Governance (formerly Myners) and Best Practice Guidance

Principle	Best Practice guidance
Principle 1: Effective decision-making •Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. • Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	•Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. • Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. • The board has appropriate skills for, and is run in a way that facilitates, effective decision-making. • There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions. • It is good practice to have an investment subcommittee, to provide the appropriate focus and skills on investment decision-making. • There is an investment business plan and progress is regularly evaluated. • Consider remuneration of trustees. • Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).
Principle 2: Clear objectives •Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor	•Benchmarks and objectives are in place for the funding and investment of the scheme.

Principle	Best Practice guidance
covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.	• Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation. • Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates. • Consider the strength of the sponsor covenant.
Principle 3: Risk and liabilities • In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. • These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.	• Trustees have a clear policy on willingness to accept underperformance due to market conditions. • Trustees take into account the risks associated with their liabilities valuation and management. • Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities. • Trustees have a legal requirement to establish and operate internal controls. • Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.
Principle 4: Performance assessment • Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. • Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.	•There is a formal policy and process for assessing individual performance of trustees and managers. • Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings). • The chairman addresses the results of the performance evaluation. • State how performance evaluations have been conducted. • When selecting external advisers take into account relevant factors, including past performance and price.
Principle 5: Responsible ownership • Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. • A statement of the scheme's policy on responsible ownership should be	•Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles. • Trustees consider the potential for engagement to add value when

Principle	Best Practice guidance
included in the Statement of Investment Principles. • Trustees should report periodically to members on the discharge of such responsibilities.	formulating investment strategy and selecting investment managers. • Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company. • Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.
Principle 6: Transparency and reporting • Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Trustees should provide regular communication to members in the form they consider most appropriate.	Reporting ensures that: o the scheme operates transparently and enhances accountability to scheme members; and o best practice provides a basis for the continuing improvement of governance standards.