

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

Principle	Best Practice guidance
<p><b>Principle 1: Effective decision-making</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> <li>• The board has appropriate skills for, and is run in a way that facilitates, effective decision-making.</li> <li>• There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions.</li> <li>• It is good practice to have an investment subcommittee, to provide the appropriate focus and skills on investment decision-making.</li> <li>• There is an investment business plan and progress is regularly evaluated.</li> <li>• Consider remuneration of trustees.</li> <li>• Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).</li> </ul>
<p><b>Principle 2: Clear objectives</b></p> <ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmarks and objectives are in place for the funding and investment of the scheme.</li> </ul>

<b>Principle</b>	<b>Best Practice guidance</b>
<p>covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.</p>	<ul style="list-style-type: none"> <li>• Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.</li> <li>• 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.</li> <li>• Consider the strength of the sponsor covenant.</li> </ul>
<p><b>Principle 3: Risk and liabilities</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.</li> <li>• These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Trustees have a clear policy on willingness to accept underperformance due to market conditions.</li> <li>• Trustees take into account the risks associated with their liabilities valuation and management.</li> <li>• Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.</li> <li>• Trustees have a legal requirement to establish and operate internal controls.</li> <li>• Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.</li> </ul>
<p><b>Principle 4: Performance assessment</b></p> <ul style="list-style-type: none"> <li>• Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a formal policy and process for assessing individual performance of trustees and managers.</li> <li>• Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).</li> <li>• The chairman addresses the results of the performance evaluation.</li> <li>• State how performance evaluations have been conducted.</li> <li>• When selecting external advisers take into account relevant factors, including past performance and price.</li> </ul>
<p><b>Principle 5: Responsible ownership</b></p> <ul style="list-style-type: none"> <li>• Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.</li> <li>• A statement of the scheme's policy on responsible ownership should be</li> </ul>	<ul style="list-style-type: none"> <li>• Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.</li> <li>• Trustees consider the potential for engagement to add value when</li> </ul>

<b>Principle</b>	<b>Best Practice guidance</b>
<p>included in the Statement of Investment Principles.</p> <ul style="list-style-type: none"> <li>Trustees should report periodically to members on the discharge of such responsibilities.</li> </ul>	<p>formulating investment strategy and selecting investment managers.</p> <ul style="list-style-type: none"> <li>Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.</li> <li>Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.</li> </ul>
<p><b>Principle 6: Transparency and reporting</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>Trustees should provide regular communication to members in the form they consider most appropriate.</li> </ul>	<p>Reporting ensures that:</p> <ul style="list-style-type: none"> <li>the scheme operates transparently and enhances accountability to scheme members; and</li> <li>best practice provides a basis for the continuing improvement of governance standards.</li> </ul>