APPENDIX 1

INVESTMENT BELIEFS

1. Ethical and responsible investment considerations are central to the Board's work.

2. Our various pension schemes differ from each other and require their own approaches to risk and return.

3. Strategic asset allocation has a greater impact on our ability to meet liabilities than manager or stock selection.

4. Over the long term, achieving a higher investment return requires taking more investment risk. Taking additional risk does not guarantee a higher return.

5. The amount of investment risk taken should not give rise to potential adverse consequences that cannot be met by the sponsoring employers. However, the Trustee recognises that whilst increasing investment risk increases potential return over the longer term, it also increases the risk of a shortfall in return relative to that required to cover the scheme liabilities, as well as producing more short-term volatility in the funding positions.

6. Opportunities to capture illiquidity premia, which are frequently rewarded, are considered where appropriate.

7. Diversification reduces the volatility of returns, within and across asset classes.

8. Active fund management can generate additional return, because investor behaviour can result in market inefficiencies and opportunities for long-term investors.

9. The cost of implementation is important.

10. Good trustee governance improves the quality of investment allocation decisions.