

Statement of Investment Principles

Syngenta UK Pension Fund – Retirement
Account section

September 2020

Statement of Investment Principles

Syngenta UK Pension Fund

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1 Introduction

- 1.1 Sections 1 to 8 of this document constitute the Statement of Investment Principles (Retirement Account section). The Appendices to this document are included for information only and are relevant as at September 2020.

Background

- 1.2 Under the Pensions Act 1995, subsequently amended by the Pensions Act 2004, trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by Syngenta Pensions Trustee Limited (the Trustee) of the Syngenta UK Pension Fund (the Fund) in respect of the Retirement Account section.
- 1.3 Before preparing this document, the Trustee has consulted the Employer and the Trustee will consult the Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.4 Before preparing this document, the Trustee has sought advice from the Fund's Investment Consultant and the Fund Actuary. The Trustee will review this document from time to time, and at least after every three yearly actuarial valuation. In preparing this document, the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider these requirements in any review of this document or any change in their investment policy. The Trustee will refer to this document where necessary to ensure it exercises its power of investment so as to give effect to the principles set out in it as far as is reasonable.
- 1.5 Sections 2 to 8 of this document relate to the defined benefit section of the Fund. The defined contribution (Investment Account) section of the Fund is covered under a separate Statement of Investment Principles.
- 1.6 The Trustee has considered the IGG Principles (formerly the Myners Principles) and acknowledges them as a useful guide in determining its investment policies. The Principles are reviewed from time-to-time and any amendments incorporated into updates of this document.
- 1.7 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but delegate the responsibility for selection of specific investments to appointed Investment Managers.
- 1.8 When choosing investments, the Trustee and the Investment Managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.

Fund details

- 1.9 Until 5 April 2016, Retirement Account members were contracted out via the Reference Scheme Test basis, but contracting out ceased with effect from 6 April 2016.
- 1.10 Exempt approval has been granted by the Inland Revenue under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. Since 6 April 2006, the Syngenta UK Pension Fund has been treated by HM Revenue and Customs (HMRC) as a registered pension scheme in accordance with Schedule 36 of the Finance Act 2004.

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Governance

2.1 The Trustee has ultimate responsibility for decision-making on investment matters. However, an Investment Committee handles the majority of investment matters and makes recommendations to the Trustee where decisions are required to be taken by the Trustee. Before implementing any material or strategic investment decisions, the Trustee will consult with the Employer.

The Trustee's investment responsibilities include:

- Reviewing, at least every three years and immediately after any significant change in investment policy, the content of this Statement of Investment Principles (SIP) and modifying it if deemed appropriate, in consultation with the Employer and with written advice from the Investment Consultant and the Fund Actuary
- Reviewing the suitability of the investment policy following the results of each actuarial review, and/or asset liability study in consultation with the Investment Consultant and Fund Actuary
- Assessing the quality of the performance and processes of the Investment Managers by means of regular, but no less than annual, reviews of the investment results and other information in consultation with the Investment Consultant and the Fund Actuary
- Strategically allocating the assets and the cash flow of the Fund between investment mandates
- Consulting with the Employer when reviewing investment policy issues
- Appointing (and dismissing) Investment Managers and Custodian
- Monitoring compliance with this Statement on an ongoing basis

2.2 The Trustee has delegated a number of investment responsibilities to an Investment Committee.

2.3 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's Actuary and Investment Consultant and the Trustee's other advisers where appropriate.

2.4 Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Fund. The Trustee of the Fund draws on the expertise available from consulting the Employer, and where necessary employs the skills and expertise of external advisers including the Investment Managers, Custodians, Investment Consultant, Fund Actuary and Legal Advisers.

2.5 A schedule of the respective responsibilities of each party is provided in Appendix B.

3 Objectives of the Fund

General objectives

- 3.1 The general investment objectives of the Fund are:
- To maintain a suitably diversified portfolio of secure assets of appropriate liquidity that will generate income and capital growth to meet, together with new contributions from members and the Employer, the cost of current and future benefits which the Fund provides as set out in the trust deed and rules
 - To limit the risk of assets failing to meet liabilities over the long term, in particular in relation to the scheme specific funding measure introduced by the Pensions Act 2004.
 - To control the long-term costs of the Fund by maximising the return on the assets whilst having regard to the objectives shown above.
- 3.2 The Trustee's longer-term objective is for the Fund to be fully funded on a low risk basis (liabilities valued on gilts + 0.30% pa). At this point it is expected that the Fund will be running a very low risk investment strategy that can be held over the long-term with the aim of securely meeting benefits as they fall due.
- 3.3 These investment objectives of the Fund are not framed relative to the performance of other pension funds or market indices.
- 3.4 The Trustee, and Investment Managers who have delegated discretion, exercise their powers in a manner calculated to ensure the security, quality, liquidity and profitability of the Fund. The Trustee invests the assets in a manner it believes to be appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.

4 Strategic asset allocation

- 4.1 The strategic asset allocation is driven by the financial characteristics of the Fund, in particular the Fund's liabilities and the risk tolerance of the Trustee and the Employer and the Trustee's assessment of Employer covenant.
- 4.2 The Trustee seeks to achieve the Fund's investment objectives through investing in a suitably diversified mix of real and monetary assets that balances investment return against risk. The Trustee ensures that the majority of the assets are invested in regulated markets and that any allocation to unregulated markets is maintained at a prudent level.
- 4.3 In setting the investment policy, the Trustee has had regard to the influence that this will have in relation to its policy concerning compliance with the statutory funding objective under the Pensions Act 2004.
- 4.4 Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed within the Fund Actuary's funding assumptions.
- 4.5 The Trustee uses, or permits the Investment Managers to use, derivative instruments if they contribute to a reduction of risks or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk).

5 Investment Manager structure

- 5.1 The Fund employs a number of Managers to ensure adequate diversification by fund management organisation and investment style.
- 5.2 The Investment Managers have been set mandate-specific benchmarks which have clear performance objectives attached. None of the Managers has been set performance benchmarks relating to their peer group.
- 5.3 The expectation is that the Investment Managers should achieve their objectives in the majority of three year periods under consideration. It is not expected that the Managers will achieve these objectives in every three-year period. Investment Managers should, however, demonstrate that the skill they exercise in managing the portfolio and the process that they follow is consistent with these objectives given the level of risk adopted.
- 5.4 The Fund's overall benchmark and asset ranges specified are designed to ensure that the Fund's investments are adequately diversified and suitable for the Fund given its liability profile. In this regard, the Trustee has taken written advice from the Investment Consultant.
- 5.5 Routine or day-to-day asset allocation is delegated to the Investment Managers. Specific guidelines relating to the use of derivatives have been agreed with each Manager. The guidelines reflect the types of mandates established and the degrees of freedom that the Managers require to fulfil these mandates.
- 5.6 The Trustee will ensure that it holds sufficient cash to meet the likely benefit outgoings from time to time. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Fund's overall investment policy where possible.
- 5.7 The Investment Managers provide the Trustee with details of the commission payments they make on asset transactions.
- 5.8 Whilst not common practice, from time to time the Investment Managers may use soft commission arrangements to improve the service provided to their clients. However, when done so, the principal objective is to obtain best execution in respect of each transaction.

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Socially Responsible Investment (SRI), Stewardship and Sustainability

- 6.1 The Trustee recognises its responsibilities as a shareholder.
- 6.2 The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process.
- 6.3 The Trustee recognises that an investment's financial success can be influenced by a number of factors including (but not limited to) those arising from Environmental, Social and Governance (ESG) issues, including climate change and stewardship.
- 6.4 The Trustee considers these issues as part of their broader risk management processes, when reviewing and monitoring the Fund's investment strategy, which considers the Fund's Journey Plan and funding time horizon.
- 6.5 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Investment Managers (within certain guidelines and restrictions). This includes consideration of all financially material factors, including ESG-related issues where relevant.
- 6.6 The exercise of ownership rights is also an integral part of the investment management delegation. The Trustee's policy is to delegate responsibility for the stewardship activities (including voting rights and engagement activities with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings) attaching to investments to the Investment Managers. The Trustee encourages the Fund's Investment Managers to adopt the voluntary code, the UK Stewardship Code, published by the Financial Reporting Council in July 2010 and updated in September 2012 and January 2020 intended to promote shareholder activism. On an annual basis, the Investment Committee of the Trustee reviews the voting policies of the Managers.
- 6.7 The Trustee periodically reviews reports from Investment Managers to ensure that the Trustee's stated policies as outlined above are being met and explores these issues with its Investment Managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its Investment Managers.
- 6.8 At present, the Trustee does not explicitly take account of non-financial matters in Fund investments.

7 Investment Manager arrangements

- 7.1 The Fund uses many different Investment Managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.
- 7.2 To maintain alignment, Investment Managers are provided with the most recent version of this Statement of Investment Principles on an annual basis and are required to confirm the extent to which management of the assets is consistent with those policies relevant to the mandate in question. To the extent there is any misalignment between the management of assets and the relevant policies in the Statement of Investment Principles, Investment Managers are required to report this to the Trustee as part of this process. Investment Managers are asked to include written details of the extent to which management of the assets is consistent with those policies in this Statement of Investment Principles, as relevant to the mandate in question, when presenting to the Investment Committee.
- 7.3 Should the Trustee's monitoring process reveal that an Investment Manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the Investment Manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and Investment Manager's engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Investment Manager will be considered for termination.
- 7.4 For most of the Fund's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies (e.g. hedge fund strategies) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Fund's allocation to such mandates is determined in the context of the Fund's overall objectives.
- 7.5 The Trustee appoints its Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Fund's assets. When assessing an Investment Manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an Investment Manager's appointment based purely on short term performance. However, an Investment 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.
- 7.6 Investment Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. Investment Managers are also paid fees linked to investment performance in a certain number of cases and dependent on the type of mandate and normal market practice.
- 7.7 The Trustee reviews the costs incurred in managing the Fund's assets regularly, which includes the costs associated with portfolio turnover, including regular engagement with

Investment Managers on this subject and through the receipt of cost and charges reporting. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by Investment Managers) which the Trustee adheres to. The Trustee, with the help of the Investment Consultant, will monitor that the level of portfolio turnover remains appropriate in the context of the Investment Managers' strategy and the Fund's investment strategy.

8 Monitoring

- 8.1 The appointment of the Investment Managers is reviewed by the Trustee from time to time, based on the results of the Trustee's monitoring of their performance and investment process and of the Investment Managers' compliance with the requirements in the Pensions Act concerning diversification and suitability, where relevant.
- 8.2 An independent performance monitoring agency measures the Fund's and the Investment Managers' performance against objectives.
- 8.3 The Investment Committee of the Trustee holds regular meetings (normally on an annual basis) with the Investment Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund.
- 8.4 The Trustee believes that custodian services are a vital part of the management of the Fund's assets and recognises the importance of monitoring the custodial arrangements.
- 8.5 The Trustee recognises and monitors a number of risks involved in the investment of the assets of the Fund:
- *Solvency risk and mismatching risk:*
 - are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current investment policy
 - are managed through the asset allocation strategy and through ongoing triennial actuarial valuations.
 - *Investment Manager risk:*
 - is measured by the expected deviation of the prospective risk and return, as set out in the Managers' objectives
 - is managed through the diversification of the Fund's assets across a range of Investment Managers with different styles.
 - *Currency risk:*
 - is measured by the level of concentration of any one non-Sterling currency leading to the risk of an adverse influence on investment values arising from currency movements
 - is managed through the Fund's currency hedging programme.
 - *Liquidity risk:*
 - is measured by the level of cashflow required by the Fund over a specified period
 - is managed by the Plan Administrator assessing the level of cash required in light of the forecasted level of payments. In addition, upcoming investment cash flow movements and current cash holdings are reviewed at Investment Committee meetings and the projected level of illiquid assets within the Fund is monitored annually.
 - *Concentration risk:*
 - is measured by the level of concentration of assets in a single manager, strategy or asset class
 - is managed through the selection of diversified assets that show internal diversification across a range of Investment Managers.
 - *Fraud risk:*

- is measured by the level of concentration to any one investment organisation
- is managed through: (1) regular meetings with the Investment Managers, (2) reviewing each Manager's audit reports, (3) limiting the Fund's exposure to any single investment management organisation
- *Political risk:*
 - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
 - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy
- *Custodian risk:*
 - is measured by assessing the custodian's ability to settle trades on time and provide secure safekeeping of the assets under custody
 - is managed through the agreement with the third party Custodian and ongoing monitoring of the custodial arrangements. Restrictions are applied to who can authorise the transfer of cash and the account to which transfers can be made.
- *Counterparty risk:*
 - is measured through the level of concentration with any one counterparty leading to the risk of an adverse influence on investment values arising from a default on obligations
 - is managed through the Investment Manager guidelines and internal procedures as appropriate.

A Current Advisers and Investment Managers

<i>Fund Actuary:</i>	Richard Campbell FIA
<i>Investment Consultant:</i>	Willis Towers Watson Investment
<i>Equities:</i>	Coronation Global Fund Managers (Ireland) Limited Legal & General Investment Management Blue Harbour Group Sands Capital Management, LLC
<i>Bonds:</i>	Ashmore Investment Management EMLIP fund Legal & General Investment Management
<i>Macro:</i>	Bridgewater
<i>Managed futures:</i>	AHL Partners LLP and Man Investments Limited
<i>Other Hedge Funds:</i>	Blackstone Alternative Asset Management BlackRock Capital Management Davidson Kempner
<i>Reinsurance:</i>	Credit Suisse Asset Management Nephila Capital Limited
<i>Infrastructure:</i>	Global Infrastructure Partners
<i>Real Estate:</i>	Brockton Capital
<i>Infrastructure debt:</i>	Macquarie Financial Products Management Limited
<i>Private Equity:</i>	Warburg Pincus Ashmore Investment Management Special Situations fund Vårde Partners
<i>Direct Lending:</i>	HayFin Management Limited
<i>Secure Income Alternatives:</i>	Alpha Real Capital LLP Aviva Investors Global Services Limited Equitix Investment Management Limited Greencoat Capital Henley Investment Management Limited

	MedicX Advisor Limited
	Legal & General Limited
	M&G (Guernsey) Limited
<i>Buy-in policy:</i>	Phoenix Life Limited
<i>Custodian:</i>	Bank of New York Mellon
<i>Cash account:</i>	BlackRock Advisers (UK) Limited
	Goldman Sachs Asset Management International
<i>Currency management – passive:</i>	Legal & General Investment Management
<i>Overlays:</i>	Liability Driven Investment hedging programme (Overseen by Legal & General Investment Management)
<i>Performance measurer:</i>	BNY Mellon Asset Servicing
<i>Solicitors:</i>	Allen & Overy LLP
<i>Fund Auditors:</i>	KPMG
<i>Administrator:</i>	Willis Towers Watson TAS

B Division of responsibilities

Investment Managers

The Investment Managers' responsibilities include:

- For active Managers at their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class.
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios
- Informing the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Fund and managed by the Investment Manager or an associated company
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as reasonably practicable.

Custodian

The Custodian's responsibilities include:

- The safekeeping of assets of the Fund held in segregated accounts
- Processing the settlement of all transactions relating to assets in their custody
- Providing the Trustee with consolidated and individual quarterly statements of the assets and the cashflows
- Undertaking all appropriate administration relating to the Fund's assets
- Processing all dividends and tax reclaims in a timely manner
- Dealing with corporate actions.

Performance Measurer

The Performance Measurer's responsibilities include:

- Providing the Trustee with external independent performance statistics on a quarterly basis in accordance with the requirements of the Trustee.

Investment Consultant

The role of the Investment Consultant is to make recommendations or give advice to the Trustee and Investment Committee in the following areas:

- The formulation of an efficient governance structure
- The regular updating of the Statement of Investment Principles
- The development of a clear investment strategy for the Fund
- The asset-liability modelling process
- The construction of a strategic asset allocation benchmark given the liabilities of the Fund and the risk and return objectives of the Trustee
- The construction of an overall investment management structure that meets the objectives of both the Trustee and Employer
- The selection and appointment of appropriate investment management organisations
- The Consultant's current views of the Investment Managers employed by the Fund
- Potential new areas or tools of investment

- Commentary on investment performance and risk taken by the Investment Managers
- Trustee education
- General advice in respect of the Fund's investment activities.

Fees will be calculated primarily by reference to the time spent on any particular assignment. The Trustee believes that this time-based fee arrangement is suitable for professional advisors as it provides a framework for ensuring a suitable amount of attention is paid to the Fund's matters while allowing the Trustee appropriate control over fees. Where new Investment Managers are appointed, basis point fees (based on the assets invested) are charged to reflect a contribution to the cost of researching the universe of products to identify 'best in class' opportunities.

Fund Actuary

The Fund Actuary's responsibilities, as they relate to investment matters, include:

- Liaising with the Investment Consultant on the suitability of the Fund's investment strategy given the financial characteristics of the Fund
- Assessing the funding position of the Fund relative to the Technical Provisions and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

Administrator

The Administrator's responsibilities include:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due

Investment Committee

The Investment Committee's responsibilities include:

- Monitoring of performance, including compliance with guidelines
- Setting asset allocation that is consistent with the expected return of the portfolio set out in the Recovery Plan
- Choice of number and identity of Managers within each asset class (including active/passive decisions)
- Designing and setting Manager benchmarks and targets; Manager agreements.
- Fee structure negotiations

The Investment Committee consists of two management appointed Trustee Directors, a member selected Trustee, and a representative of The Law Debenture Pension Trust Corporation plc.

The Investment Committee is advised by the Investment Consultant. Employer representatives attend Investment Committee meetings.

C Current asset allocation and hedging programmes

Asset allocation

The asset allocation is set based on an ongoing assessment of investment strategy and further advice from the Investment Consultant. The Trustee does not target a specific asset allocation, but aims to build a portfolio with an expected return consistent with the Journey Plan and Recovery Plan adopted as part of the 2018 actuarial valuation.

Liability-hedging portfolio

This portfolio is managed by Legal & General Investment Management (LGIM) on a discretionary basis to target interest rate and inflation hedge ratios. In implementing the liability hedging strategy, LGIM will also reflect the interest rate and inflation hedging characteristics of other specified portfolios held within the Fund, including Secure Income Alternatives. In addition to holding physical bonds, the Fund employs a range of 'liability-matching' derivatives, including interest rate and inflation swaps, to hedge a proportion of the Fund's interest rate and inflation risks. It is the intention of the Trustee to increase the size of these instruments over time (conditional on market conditions) to achieve greater hedging of these risks. The Trustee has real yield triggers in place, which are monitored by LGIM, at which the Fund's interest rate and inflation target hedge ratios will be increased by the Manager. These triggers allow additional liability hedging to take place at pre-defined yield levels to reflect the belief that real interest rates will rise faster and/ or higher than currently priced into index-linked gilt yields.

Buy-in policy

In August 2019 the Fund purchased a buy-in policy with Phoenix Life Limited. In June 2020 the Fund purchased an additional buy-in policy with Phoenix Life Limited. These policies match the cash flows from specified portions of the Fund's pensioner liabilities and provides a hedge against the interest rate, inflation and longevity risks associated with the liabilities covered by each policy.

Currency hedging programme

In terms of the Fund's currency hedging programme, it is the policy of the Trustee to hedge a proportion of the Fund's overall exposure to the US Dollar, Euro and Yen. This is implemented either through investing in a manager's Sterling hedged vehicle or through a full or partial (60%) hedge of US Dollar, Euro and Yen exposures through a bespoke currency hedging overlay programme. The choice of implementation method and currency hedge ratio to be applied to any particular investment is determined on a case-by-case basis, however it is typical for:

- the Fund's long-only equity and US Dollar-denominated emerging market investments to be hedged at a 60% hedge ratio
- the Fund's hedge fund managers to be hedged at 100%
- the Fund's global bond investments to be hedged at 100%
- the Fund's Limited Partnership (eg private equity) allocations to remain unhedged (due to difficulties in hedging investments which have less predictable cash flows).

Performance measurement benchmarks

The Trustee measures the success of the Fund against two comparators: a liability proxy, and a weighted average of the benchmarks that underly each fund.

The Trustee measures the success of the Fund against a liability proxy. Changes in the value of the liabilities are estimated based on a cashflow-based model of the Fund's liabilities. The model is based on Fund-specific cashflows generated as at 31 March 2018. The benchmark is calculated by adding the liability proxy to the targeted additional return above this proxy (i.e. in 2018 this return target would be gilts + 2.8% p.a.).

The Trustee also measures the value created by the active Managers through assessing the performance of the Fund against a weighted average of the individual Managers' benchmarks.

D Current Manager mandates

Measurable objectives have been developed for the Investment Managers consistent with the achievement of the Fund's overall longer-term objectives. Their individual benchmarks and performance objectives are, in aggregate, consistent with the overall Fund benchmark.