

Local Government Pension Scheme Advisory Board – Advice on conflicts of interest



1 INTRODUCTION

- 1.1 We have been instructed by the Local Government Pension Scheme Advisory Board (the “**SAB**”) to provide high level advice to facilitate the publication of guidance (the “**Guidance**”) for administering authorities (“**AAs**”) in relation to potential conflicts of interest arising from the proposals outlined in the Ministry of Housing, Communities & Local Government’s (“**MHCLG**”) *“Local Government Pension Scheme (England and Wales) - Fit for the future”* consultation (the “**Consultation**”). The Consultation commenced on 14 November 2024 and closed on 16 January 2025.
- 1.2 The government’s response was published on 29 May 2025 (the “**Response**”). We have updated this advice where appropriate to account for the contents of the Response.
- 1.3 Among other things, it was proposed in the Consultation that the AAs would be required to fully delegate the implementation of investment strategy to the relevant pool company, which would be required to be an investment management company authorised and regulated by the Financial Conduct Authority (“**FCA**”).
- 1.4 AAs would also be required to take their principal advice on their investment strategy from the pool company. We anticipate that such advice will necessarily include advice on whether and how to invest in the sub-funds that exist within the pool.
- 1.5 Whilst the Response recognises the concerns of industry stakeholders, it confirms that the above proposals are intended to be implemented as consulted upon. Accordingly, the Response confirmed in relation to the above that:
 - 1.5.1 AAs would be required to delegate the implementation of their investment strategy to their asset pool;
 - 1.5.2 AAs would be required to take their principal advice on their investment strategy from their pool; and
 - 1.5.3 asset pools would be required to be investment management companies authorised by the FCA.
- 1.6 We have set out below our answers for each of the specific questions raised by the SAB in connection with the Consultation (and updated our advice where appropriate in light of the government’s Response).
- 1.7 This advice note is prepared solely for the benefit of the SAB and while intended to assist in the publication of the Guidance, should not be taken as legal advice provided to any other person.

2 QUESTIONS RAISED

To what extent, as the different pool structures are currently configured, are there potential conflicts of interest between: a) different administering authorities in the same pool; b) an individual AA and its pool; and (c) between the AAs collectively and the pool?

- 2.1 There are several different local government pension scheme (“**LGPS**”) pooling models which were in place prior to the commencement of the Consultation. A range of potential

conflicts of interest can arise in connection with these models and the potential conflicts are summarised below.

2.2 A “conflict of interest” in the context of the pooling structures would include any financial or other interests which are likely to impact on or prejudice a person or body’s exercise of its functions in connection with the investment pool or otherwise.

2.3 There are eight LGPS pools in England and Wales and these operate under two primary structural models, being the **“Joint Committee Model”** and an **“FCA-authorised company”** model (summarised below).

“Joint Committee” pool structures (being, the Northern LGPS, ACCESS and Wales Pension Partnership)

2.4 LGPS pools structured as “Joint Committees” (“Joint Committee” being otherwise known as a “Joint Governance Committee”) provide for the Pensions Committees of each AA in the pool to be represented at the Joint Committee, which is established under local government legislation. The purpose of the Joint Committee is broad ranging but includes overseeing the pool’s objectives as well as guidance and recommendations to the AAs (although the Joint Committee would not generally have authority to make binding decisions on behalf of the AAs).

2.5 The Inter Authority Agreement (“IAA”) between the pool AAs will typically define the responsibilities of the relevant participating authorities and establish the governance structure, and may include terms relating to:

- (a) the duties of the AAs in connection with the pool;
- (b) how decisions are made by the AAs (including any decisions which are “reserved matters” to the AAs);
- (c) the appointment of a ‘Host Authority’ who would act on behalf of the AAs collectively;
- (d) the AA admission and exit provisions in relation to the pool;
- (e) the requirement to execute an “operator contract” which appoints an operator of the underlying pooled investment vehicles;
- (f) the appointment of an “officers working group” who will advise the Joint Committee; and
- (g) the commitments and contributions to be made by the AAs to the pool.

2.6 The AAs may retain decision-making powers in relation to the LGPS fund assets or alternatively they may have an outsourced model whereby the pool appoints an external fund operator. Broadly, this means that each AA may decide how assets for the relevant LGPS fund are to be invested in accordance with its agreed investment strategy and, for example, its own approach to risk tolerances.

2.7 Decisions regarding investment strategy will in all cases be reserved to the relevant AA.

FCA-authorised company (i.e. Border to Coast, Brunel, LGPS Central, Local Pensions Partnership, London CIV)

2.8 A number of the LGPS pools are established through a FCA authorised investment management company (the “IM Co”).

2.9 The AAs are sole shareholders in the IM Co and will be the clients in respect of the IM Co. The IM Co will have FCA authorisation for certain regulated activities, (such as managing investments and providing investment advice). The pool may be authorised as an AIFM (an “Alternative Investment Fund Manager”, which broadly means a regulated entity which

is responsible for portfolio management and risk management of alternative investment funds (and which may therefore operate certain collective investment vehicles).

2.10 The IM Co would be able to manage and provide investment advice in connection with the pooled assets (subject to the IM Co receiving the relevant advisory and investment management permissions from the FCA). The pools may either have internal investment teams or they may outsource to an external investment manager. In some cases the pooled structure combines both external investment management outsourced to third-party fund managers and the pool also provides in-house investment management.

2.11 In addition to its constitutional documents, the IM Co will typically be governed via a shareholders' agreement ("SHA") which sets out the various contractual rights and obligations of each of the AAs as shareholders in connection with the IM Co. The governance structure will broadly be designed to ensure both appropriate levels of independence between the AAs and the IM Co and to provide certain controls over the operation of the IM Co.

2.12 The articles of association of the IM Co would also govern the relevant requirements in relation to other aspects of the IM Co, such as director meetings and appointments.

2.13 Bearing in mind the above structures, we have set out what we consider to be the key conflicts which could arise in each case:

Conflicts between administering authorities in the same pool

2.14 We agree it is likely that certain conflicts of interest can arise between the individual AAs in the same pool. We expect these could be principally managed via the relevant governance terms in the SHA (as regards the FCA-regulated company structure) or the IAA (as regards the Joint Committee structure).

2.15 In summary, potential conflicts between the AAs in the same pool may include:

- (a) In respect of "reserved matter" decisions which may require either unanimous or super-majority vote of the AAs (under the relevant SHA or IAA document governing the particular rights and obligations of the LGPS AAs), these could lead to potential conflicts for the AAs when making voting decisions, given that each AA will inevitably have different policies and priorities when it comes to voting decisions. In particular, where a decision requires a unanimous vote, a single AA in a pool could block the decision.
- (b) There may be differing priorities in respect of the investment advice received and investment decisions made by the pool and the individual AAs. This could arise, for example, where the investment policies of each of the AAs differ (e.g. as regards non-financial factors to be taken into account when making an investment decision). AAs would potentially be able to veto decisions investment decisions that the other AAs wish to implement, for example, where such an investment requires agreement of a number of AAs.
- (c) In addition, conflicts may arise as regard any key governance changes with respect of the LGPS pool. Where amendments to the IAA or SHA are proposed, including changes to the applicable pool voting requirements and what matters are referred to as "reserved matters", for example, these could clearly lead to conflicts between each of the AAs. There are a range of subject matters covered by "reserved matters" but changes could include: amendments to the relevant voting rights / shareholdings of the AAs (which would have knock-on effects as to majority decisions); the extension or restriction of the ambit for relevant activities of the pool; the appointment of the investment advisers; amendments to the pool's business plan; and entry into contracts above a certain value.
- (d) There is also the potential for conflicts to arise where individuals act in two capacities in respect of the pool. We note, for instance, that an individual representing an AA may have duties through their appointment to the Pensions

Committee as well as any role they hold with respect to the pool (for example a chair of a pension committee who is also appointed to the Joint Committee – which would be common) and potentially any role they hold on the Full Council for the AA.

Conflicts between an AA and its pool

2.16 It would also be possible for potential conflicts of interest to arise between the AAs and the pool itself (whether or not this is structured via an FCA or non-FCA pooled structure).

2.17 We consider that the main potential conflicts between an AA and the pool could be:

- (a) differing approaches between the AA and the pool in relation to investment strategies and the type of sub-fund which is being offered in respect of the pool;
- (b) potentially differing approaches between the AA and pool on investment related policies (i.e. responsible investment, stewardship and voting);
- (c) differing priorities between the AA and pool as to the pool's running costs and recruitment to the pool;
- (d) as noted above, conflicts could also arise between an individual who is a member of an AA's pension committee and that same individual being a member of the pool's joint committee; and
- (e) conflicts as to what the AA's expect in terms of investment performance as against the pool's expectations.

2.18 The AAs will inevitably have separate policies and fiduciary and public law duties to act in the best interests of the beneficiaries and participating employers which could conflict with the policies and any decisions made by the LGPS pool itself.

Conflicts between AAs collectively and the pool

2.19 The pool's own investment or operational objectives may diverge from the fiduciary duties and responsibilities of the AAs collectively. Many of the conflicts listed above would apply in these circumstances, but in summary:

- (a) Where the pool seeks to make significant changes which, for example, dilute the votes of the AAs in connection with the pool, this could lead to potential conflicts.
- (b) In addition, changes to the risk profile or investment preferences of the pool may differ from the policies of the AAs themselves.

Other potential conflicts

2.20 It is worth adding that there may be potential for conflict between the position of the relevant Joint Committee as compared to the full Council position. Each full Council (or committee appointed by the full Council) clearly plays a key role in the governance of the LGPS and the members of the full Council could potentially have different views to the Joint Committee for the pool.

3 How are any potential risks of conflicts of interest, in each of these categories, being managed through the existing governance of the pooling companies?

3.1 We consider that any potential conflicts of interest between the different LGPS pool bodies would generally be managed in a way that any other conflicts of interest would be managed in the usual course of business.

3.2 The AAs, IM Co and/or the Joint Committees are separate entities/structures which would each have discretion to manage conflicts of interest in their own way and take independent advice in connection with those conflicts.

3.3 A core aspect of managing such conflicts would be via the relevant governing documents in place for the different pooling structures (and the different bodies would each be able to seek independent legal advice as applicable in relation to these). We have summarised the main ways of managing those risks through the existing governance of the pooling companies below.

“Joint Committee” pool

IAA

3.4 In the case of the Joint Committee, the primary method for managing conflicts would be via the IAA. As noted above, the IAA will set out the relevant terms governing the rights and responsibilities of the different bodies who form the LGPS pools and would generally cover several areas (summarised below). The terms of the IAA will attempt to manage potential conflicts of interest and ensure a fair balance between the AAs themselves and between the AAs (both individually and collectively) and the pool. The IAA is likely to cover the different roles and responsibilities of the AAs including:

- (a) how the financial budget for the relevant period is set;
- (b) the appointment, termination or replacement of the “Operator” (being the operator of the pooled investment vehicle (such as an Authorised Contractual Scheme)).
- (c) agreeing the overall strategic objectives of the pool and how this will be reviewed and revised;
- (d) the relevant voting rights and vote casting requirements in the pool. Typically, certain matters would be “reserved matters” to the AAs covering, for example, key decisions in respect of the appointment and replacement of the Operator, approval of the Business Plan, amendments to the IAA and admitting new AAs, for example;
- (e) the IAA will also set out how the Joint Committee is comprised and confirm the AA representatives and voting rights those representatives hold at Joint Committee meetings (which should help achieve an appropriate balance between the AAs);
- (f) there would usually be a “Host Authority” which has a number of additional responsibilities which would be set out in the IAA. For example, being the main point of contact for the purposes of managing the pool, may require a Section 151 Officer and Monitoring Officer to undertake oversight and review of the pool and decisions of the Joint Committee (which again may be relevant to the management of any conflicts of interest which may arise); and
- (g) the IAA would also aim to set out the overall objectives of the pool and seek to ensure that any deadlocks are appropriately dealt with.

3.5 In respect of the Operator’s appointment by the relevant committee of AAs, it will be important to ensure sufficient oversight in place in respect of the Operator. The Operator would generally have responsibility for the creation and termination of the pooled vehicles and any sub-funds managed by the Operator and so this is a key part of ensuring appropriate oversight. We expect that further detail on this would be set out in the relevant Operator contract as well. Where the Operator is an FCA-authorised firm, it will also be subject to FCA regulatory requirements around conflicts of interest (as detailed in paragraphs 3.10 to 3.12 below).

3.6 Conflicts would also be managed via any associated policy documents (such as the conflicts of interest policy (see below)).

“FCA-authorised company”

SHA

- 3.7 For an FCA-authorised company structure, conflicts would similarly be managed through the main governing documents (i.e. the SHA and the articles of association), together with any associated policy documents (such as the conflicts of interest policy). In a similar way to the IAA, the SHA would typically set out the key roles and responsibilities of the AAs as shareholders in IM Co.
- 3.8 The key area in the SHA which balances conflicts of interest would be through the list of “reserved matters” that may require either unanimous or super-majority consent in order to obtain AA approval. The threshold approvals would be intended to help ensure that no AA voting rights are materially diluted in respect of key decisions and therefore support the rights of the AAs. This could cover, for example, decisions as to the appointment and removal of directors on the board of IM Co, amendments to the SHA or articles of association of IM Co, admission or removal of other AAs to the pool.
- 3.9 The SHA would generally cover other areas relating to conflict management including, for example, the number of shares held by each of the AAs; setting out the requirements as to non-executive and executive director roles (which may alternatively be set out in the articles of association); minimum quorum requirements for general meetings and voting requirements at those meetings in order to avoid any deadlock issues; whether voting rights are linked to the number of shares held; the precise composition and voting in relation to the board of directors; the process for the admission of new third-party shareholders; and entrenchment of certain rights in relation to AAs determining their own investment strategy (even though implementation of the investment strategy may be delegated to the pool itself).

Other key methods for managing conflicts for Joint Committee and FCA-regulated pool structures

Conflicts of interest policy

- 3.10 In accordance with FCA requirements, the LGPS pool itself must maintain an appropriate conflicts of interest policy. It will also be important to ensure that the AAs and any service providers have a policy in place for dealing with conflicts of interest. This is a key aspect of how conflicts are managed for these structures.
- 3.11 The policy would typically set out how conflicts would be managed, for example, through the identification of actual and potential conflicts arising; disclosure of conflicts (e.g. through a suitable register of interest); and ensuring declaration of interests are properly covered.
- 3.12 The LGPS pools will also be expected to have separate conflicts of interest policies to ensure that fiduciary responsibilities are covered. Contracts and terms of appointments should require advisers and service providers to disclose all conflicts. Typically, the decision-making process will record in the written records of a meeting any conflicts of interest and the actions taken to manage them. The conflicts policy would generally be a “live” document which adapts to the circumstances.

Meetings and decision-making

- 3.13 Both the Joint Committee and IM Co would normally have policies in place which set out the expectations for governing bodies in terms of planning and running meetings.
- 3.14 Written records of meetings should usually include records of decisions taken (and any conflicts declared relating to those decisions).

Training and knowledge

3.15 The Joint Committee and IM Co members will be expected to demonstrate they have relevant knowledge and experience and maintain any training and development records, which would often include training on identifying and managing conflicts.

4 To what extent will the pooling model proposed in Fit for the Future create further conflicts of interest between the pool and the partner AAs? Are there particular issues arising from the proposal that principal investment advice is required to be obtained from the pool?

4.1 We consider that the pooling model proposed in the Consultation may create additional risks of conflicts, or at the least it may create new ways in which conflicts can arise.

4.2 The government recognises in its Response (see paragraphs 90 to 94 of the Response) that the proposal to take principal advice on investment strategy from the pool was opposed by many respondents and notes that respondents raised concerns that the proposals could create unmanageable conflicts of interests.

4.3 The government's view clearly remains however that:

- (a) it does not consider there to be any conflict of interest in the pools providing advice on the AAs' investment strategy. This is on the basis that pools are solely owned by the LGPS AAs, they exist to provide services in the AAs' interests and they do not stand to gain financially from partner funds taking poor quality advice;
- (b) there will be situations where AAs need to take supplementary advice or to test the advice against other sources, but these cases should be "exceptional rather than routine"; and
- (c) that the pool should be the sole source of the AA's investment advice in the "vast majority" of circumstances.

4.4 It also notes that the pools would have the option of procuring investment advice but expects that most pools would look to establish their own advisory services.

4.5 We consider that the two potential issues below regarding potential conflicts of interest remain relevant issues despite the government's views set out in its Response. Whilst we agree that the pool would be solely owned by the AAs and they would not stand to gain financially from partner funds taking poor quality advice, the issues above could still give rise to potential conflicts of interest:

- (a) A point to consider with the argument that the pool is owned by the AAs and that it exists to provide services to the AAs is that this does not mean that the views of the pool will necessarily be aligned with the views of the AAs. There will of course be a level of independence in respect of the IM Co board (given it is the IM Co and not the AAs which must carry on the regulated activity) and so the AAs will not necessarily have control of the approach of IM Co as described in the Response.

- (b) A related point is that the individual voice of one fund in the pool may be diluted where there are, for example, 15-20 individual funds within the same LGPS pool. There could therefore be potential conflicts between the participant AAs and the LGPS pool as there would not necessarily be common alignment between the individual AAs and with the pool company itself (i.e. the Response seems to assume that the AAs would act with the same mind).

4.6 We have set out below the key additional conflicts which we consider could arise in connection with this model and included some additional comments in light of the Response where appropriate.

- (a) **Conflict between the IM Co advising the AA to invest in the funds managed by the IM Co**

In our view, any conflict between IM Co and the AA as to IM Co's advice to invest in the funds managed by the IM Co is the most material new potential conflict which could arise in connection with the proposals. This may, for example, lead to:

- pressure on the AAs to invest in particular sub-funds which are managed or made available by the IM Co;
- the sub-funds may not be the most appropriate for the AA in question. This could mean that the range of sub-funds available may be more limited and the level of fees charged could potentially be higher for the particular sub-funds in the pool than other alternatives;
- the sub-funds available might not meet an AA's investment objectives (for example, a sub-fund may not meet an AA's responsible investment policy); and
- competition issues if there is a smaller range of fund options in which the AAs themselves may invest. For example, there is a potential risk that the IM Co advises the pool to invest with a narrower range of incumbent fund managers leading to potentially reduced competition between funds (and accordingly reduced competition in terms of performance and management fees, for example).

We consider that these conflict issues continue to be relevant concerns despite the views in the Response that there would be no conflicts of interest and despite the regulatory requirements applicable to the IM Co in carrying on the distinct activities of providing investment advice and managing investments. Whilst we agree that AAs would be able to take their own advice and it would be owned by the AAs as members of the pool and the pool would not stand to gain financially from poor advice, that does not necessarily mean the advice from the pool would meet AAs' own specific requirements or the sub-funds available may not meet an AA's investment objectives, for example. As noted above, whilst the pool would be owned by the LGPS AAs, we do not agree that it necessarily follows that the views of the IM Co would always be aligned with that of the AAs.

(b) **Conflict in relation to investment advice received from the IM Co**

A core part of the Consultation is for principal advice on investment strategy to be taken from or through the pool itself, rather than from an external advisor.

Currently, investment advice will usually be sought from external investment consultants and each AA may appoint their own advisors. This arrangement aims to preserve the traditional separation between the AAs and service providers so that the AAs rely on advice which would be separate from the fund in which the AAs invest. The Consultation proposal runs the potential risk of narrowing the focus of the advice received and the range of funds available on which the pool can advise.

It is worth noting, however, that the Consultation and the Response recognise that "*in exceptional circumstances AAs may wish to seek additional advice from external investment advisers to help them test the advice given to them by the pool*". Whilst a helpful acknowledgment, potential issues could arise where independent advice advises against investment in the pool sub-funds. It is currently unclear how this would be dealt with in practice.

(c) **Investment policy conflicts**

The Consultation notes that the investment strategy of the pool would be set by each of the AAs, who would themselves set high-level investment objectives and strategic asset allocation requirements (if applicable). The implementation of those objectives and strategy would then be delegated to the pool itself.

Potential conflict issues could arise here where, for example, the responsible investment policies of the individual AAs differ substantially from the consolidated position of the pool or of the individual AAs. The Response notes at paragraph 65 that some respondents were concerned about the potential tension between the AAs having different ESG and responsible investment policies and pools seeking to minimise the number of products they offered.

It is currently unclear how this would be managed in practice. As there would be a formal separation between the formulation and implementation of the investment strategy as part of the Consultation proposals, it is unclear, for example, how conflicts between the responsible investment policies of the AAs and the investment pool would be managed in practice. The Response notes that the government does not expect to see bespoke arrangements for each AA's ESG requirements and it expects a common approach on this should be established. It recognises, however that this will not always be possible where there are divergent or conflicting stances between AAs in a pool and the pools may accordingly need to consider alternative options, for example by offering more than one ESG standard (but it notes that it does not expect to see bespoke arrangements for each AA).

5 Are there effective governance models or lessons to be drawn from other financial institutions whereby a fiduciary manager works with an association of principals?

- 5.1 We have considered a number of arrangements that have similarities with the structures proposed in the Consultation i.e. a trustee company with a subsidiary company providing in-house investment management advice for pooled investment. For the purposes of this advice, which will be adapted for publicly available guidance, we have anonymised these arrangements.
- 5.2 Given the unique nature of the LGPS pooling and investment structure, directly mapping across the comparator governance practices is unlikely to be feasible in practice. However, they provide useful models that might be adapted to suit the specific requirements of the LGPS and AAs.
- 5.3 Many of the features identified are common to each of the comparator schemes, however we have highlighted in section 5.4 below certain of those features for each scheme to avoid excessive repetition.

Summary

- 5.4 We have summarised below the key lessons to be drawn from other financial institutions whereby a fiduciary manager works with an association of principals.

Conflicts of interest generally	In practice, conflicts of interest are unavoidable in a pension scheme context. When they do arise, it is incumbent upon those charged with the management of the scheme to ensure that there are proper structures, policies and procedures in place to manage and monitor those conflicts to ensure members' interests and benefits are protected.
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Governance models from not for profit sector schemes	<p>The arrangements proposed in the Consultation give rise to potential (or at the very least, perceived) conflicts of interest. Therefore, the AAs need to ensure they can adequately address this in their governance framework (noting there are currently different structures in place). Lessons can be taken from a number of comparable not for profit sector schemes:</p> <ul style="list-style-type: none"> ▪ Scheme A: Supplement in-house investment advice with external advice when required. ▪ Scheme B: Agree and document clear delineation of roles and responsibilities. ▪ Scheme C: Implement and adhere to a conflicts of interest policy. ▪ Master Trusts: Independent trustees who are not affiliated with advisers and service providers.
Key guiding principles	<ul style="list-style-type: none"> ▪ Agree to full transparency between advisors and AAs at the outset, ensuring clear roles and responsibilities are defined for all parties. ▪ Monitor investment advisor and/or manager performance against defined, appropriate goals and targets. ▪ Ensure the advisor/manager also has an appropriate conflicts of interest policy in place. ▪ Recognise that managing conflicts is not a one-time process – the procedure to identify, manage and monitor conflicts needs to evolve over time as and when circumstances change.

Summary

5.5 We have set out below some key examples from other models which have some similarities with the proposed pool structure in the Consultation.

Scheme A

- 5.6 The trustee of Scheme A (the “**Scheme A Trustee**”) is responsible for the overall management of Scheme A, with half of the directors being employer-nominated and appointed, and the other half nominated and elected on behalf of the members.
- 5.7 While the Scheme A Trustee has overall responsibility for the various scheme functions, there are a number of subsidiary companies, committees and sub-committees to which the Scheme A Trustee delegates. Administration of the Scheme A is vested in a wholly owned subsidiary of the trustee company and it has a range of governance and investment functions.
- 5.8 The Scheme A Trustee’s investment manager provides comprehensive investment management and fiduciary services to the Scheme A Trustee and is authorised and regulated by the FCA. This is a wholly owned subsidiary of the Scheme A Trustee and is responsible for managing the assets of Scheme A on behalf of the members.
- 5.9 Funds relating to DB pensions in Scheme A are pooled together, managed and invested in-house by Scheme A’s investment team. According to publicly available information, this is supplemented by external partner involvement where appropriate, thereby ensuring

“efficient and effective oversight of its investments.” Investment decisions are also based on and adhere to a set of ‘Investment Beliefs’.

5.10 We understand the Scheme A Trustee and Investment Manager boards run concurrently and have identical membership and report directly to the Trustee. The Boards are composed of two members of the leadership team, along with seven non-executive directors, three of which are independent non-executive directors. There are a number of subsidiary committees which support the Trustee and Investment Manager, including separate Risk Audit and Governance committee, Enterprise Risk, Asset Management committees which should help to provide a significant level of oversight and help to manage conflicts.

5.11 We consider governance structures such as this can assist in managing any potential conflicts of interest arising.

Scheme B

5.12 The trustee of Scheme B (the **“Scheme B Trustee”**) is responsible for running Scheme B in accordance with its governing trust deed and rules.

5.13 Mirroring the Scheme A structure, a wholly owned subsidiary of the Scheme B Trustee is responsible for managing the scheme’s assets and is the principal investment manager and investment advisor to Scheme B. It is also authorised and regulated by the FCA. The Scheme B corporate governance framework is detailed in a policy document, which includes having in place the following arrangements (for the purposes of investment governance):

- (a) **Investment Board:** Oversees investment strategy and management, ensuring compliance with regulatory and fiduciary responsibilities
- (b) **Investment Management and Advisory Agreement:** Allocation of responsibilities between the Scheme B Trustee, the investment manager and the investment committee are clearly delineated, as set out and agreed in an accompanying terms of reference.
- (c) **Investment Committee:** Supports the Scheme B Trustee by reviewing investment decisions and monitoring performance.
- (d) a **Statement of Investment Principles:** Statutory requirement that sets out investment principles and long-term investment policy of Scheme B. Guides investment strategy, risk management, and expected returns.

Scheme C

5.14 The board of the trustee of Scheme C (the **“Scheme C Trustee”**) comprises eight trustee-directors, four being member-elected individuals and four appointed by the trustees themselves.

5.15 The principal investment advisor to Scheme C is again, a subsidiary company of the trustee, with the investment management function outsourced to external investment managers. Within the Scheme C Trustee governance structure, there is a management committee and an investment sub-committee. The management committee is responsible for determining the investment policy and overseeing the execution of the investment strategy. The investment sub-committee is tasked with overseeing the development of the investment objectives, policies and strategy of Scheme C, which is subject to the management committee’s approval. Day-to-day investment decisions are delegated to the investment managers subject to specific guidelines. All investment decisions are made after consideration of the internal investment advisor’s advice.

5.16 A conflicts of interest policy is in place, which sets out principles for identifying, managing and monitoring any actual or potential conflicts which may arise in the conduct of Scheme

C's business and decision-making processes. The policy is reviewed regularly, and any conflicts must be declared at the commencement of meetings.

Master Trust structures

- 5.17 In master trusts, the majority of trustees on the board must be non-affiliated independent of the advisers and service providers. Master trust provider appointed trustees would be expected to consider the impact of any business-related decisions which may have an impact on the scheme and their role as trustee.
- 5.18 Independent professional trustee boards are conducive to an effective and efficient governance framework. Many defined benefit master trusts also benefit from a partnership approach between a common trustee, investment manager and investment adviser. Such an approach can enable shorter communication lines and improved information sharing, which in turn allows time for adapting and responding quickly when required. Within this structure, well-defined delegation of roles and responsibilities remain of paramount importance and can reduce the complexity and time of transition between mandates

Burges Salmon LLP

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