

Birmingham Airport Limited Pension Scheme
Statement of Investment Principles
December 2024

1. INTRODUCTION

- 1.1. Birmingham Airport Pension Trustees Limited in its capacity as Trustee of the Birmingham Airport Limited Pension Scheme (the “**Scheme**”) has prepared this Statement of Investment Principles (“the **SIP**”) to govern the investment decisions of the Scheme in order to meet its investment objective.
- 1.2. In preparing the SIP and prior to any future changes to the SIP the Trustee will obtain and consider appropriate investment advice from BlackRock, as its appointed adviser and Fiduciary Manager (the “**Manager**”). The Trustee will also consult Birmingham Airport Limited, as Principal Employer (“the **Employer**”).
- 1.3. The Trustee will review the SIP whenever there is a material change in the investment strategy. As a minimum, the Trustee will review the SIP every three years. The Trustee will notify the Manager of any material changes to the Scheme’s circumstances. Furthermore, any material changes to the Employer covenant or Scheme will trigger a strategy review, at which point the Trustee will notify the Manager.
- 1.4. The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, as amended, and the Occupational Pension Scheme (Investment) Regulations 2005, as amended.
- 1.5. The SIP will be made available on a publicly accessible website.

2. SCHEME DETAILS

- 2.1. The Scheme operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.
- 2.2. The Scheme is a defined benefits scheme. It is closed to new members and currently open to future accrual. Regular contributions are collected from active members at the employer to meet the cost of benefits accruing in the Scheme each year. Accumulated funds are held currently in a Trustee bank account and the Administrator of the Scheme is responsible for placing these assets on short term deposit.
- 2.3. The Employer and the Trustee agreed that in addition to Scheme assets invested in pooled investment vehicles and segregated accounts, the Scheme would hold assets in the form of an Asset Backed Funding Agreement (“**ABF**”). The ABF results in the Scheme being entitled to:
 - £2.0m per annum from 1 April 2013 for a period of 14.5 years;
 - The payments are due to increase by 4.0% each year;
 - The payments are contingent on the scheme not being fully funded on a Technical Provisions basis (excluding the value of the ABF)
 - A Dividend Sharing Agreement which was put in place in March 2013 as part of the ABF documentation.
 - A contribution is triggered (6%) if qualifying Company dividends exceed £20m in any one year during the lifetime of the ABF.
- 2.4. The Scheme’s Technical Provisions basis is reviewed and updated as part of each triennial actuarial valuation, with the next review due as at 31 October 2024. The Trustee and Employer recognise that if the funding position improves, funding risk within the investment strategy could be reduced and this may lead to a strengthening of the Technical Provisions basis.

3. ADDITIONAL VOLUNTARY CONTRIBUTIONS (“AVCs”)

- 3.1. The option for all Scheme members of contributing to a “money purchase” style AVC to an external provider was withdrawn in April 2006 following changes in legislation that meant that Trustee no longer had to offer this facility. However, the small number of members who were contributing to the existing arrangements in 2006 were allowed to continue and the last such AVC on a “money purchase” basis were made in 2017. Similarly, the option to pay additional contributions to purchase additional years’ service was removed from April 2006. Once again, the small number of Scheme members purchasing additional years at that time were allowed to continue and the last such member ceased buying added years in February 2013. In the case where additional contributions were received to purchase additional years’ service, these contributions were invested as per normal with the main Scheme assets. However, additional contributions received relating to money purchase AVCs were forwarded to the AVC provider(s).

3.2. With regards to the AVC providers, it is the Trustee's policy:

- 3.2.1. To give consideration to the organisation, the array and quality of investment choices being offered, the investment performance of such vehicles, as well as the level of services being offered in relation to the charges;
- 3.2.2. To offer an adequate range of investment choices to meet different return and diversification objectives of members without overcomplicating the choices;
- 3.2.3. To review from time to time (and at least once every five years) the continued suitability of an AVC providers. Where appropriate this may take the form of facilitating individual IFA reviews for AVC holders;
- 3.2.4. To consider the appropriateness of the expected return of the investment vehicles into which Scheme members have requested that their voluntary contributions be paid;
- 3.2.5. That, in normal circumstances, AVC investments for a particular member are realised at the time when benefits to or in respect of that member become payable or a transfer value becomes payable.

3.3. However, if the Trustee judges that the AVC investment, or any them are no longer appropriate, it is the Trustee's policy to consider whether it is appropriate to realise those investments.

3.4. Assets in respect of members' AVCs are held with ReAssure and Aegon.

4. GOVERNANCE

- 4.1. The Trustee is responsible for ensuring the investment strategy and objective is consistent with the Scheme's funding objectives and its assessment of the employer covenant.
- 4.2. The Trustee has appointed the Manager to manage the Scheme's assets in line with the Investment Management Agreement between the Trustee and the Manager (the "IMA"). An overview of these arrangements is contained in Appendix 1.
- 4.3. The Trustee delegates the day-to-day investment decisions and asset allocation to the Manager. The Trustee retains responsibility for the strategic investment objective and oversight of the Manager.
- 4.4. The Trustee has an agreed journey plan and framework which are reviewed on an annual basis. An overview of the plan and governance is contained in Appendix 2.

5. OBJECTIVES

- 5.1. The objective of the Scheme is to invest the assets prudently with the intention to maximise the chances of delivering the required investment return to ensure that the benefits promised to members are provided. As part of the Manager selection exercise, the Trustee spent time considering its investment beliefs and restrictions, which are summarised below:
 - Active and passive management: The Trustee believes that both active and passive management can have a role in the investment portfolio. Equities and Credit allocations both have active and passive strategies within the portfolio. However, it also believes that the role of active management is limited in some regional equity markets and the majority of the Scheme's equity investments are in passive (i.e. index) strategies.
 - Asset types: The Trustee has delegated the choice over asset types, within certain parameters, to the Manager as set out in the IMA
 - LDI: the Trustee is comfortable with LDI and the instruments, leverage and counterparty risks involved. It has delegated responsibility for investment in and monitoring of these areas to the Manager.
 - Costs: the Trustee requires full transparency on costs.

- Environmental, Social and Governance (ESG) factors: These can present both a risk and opportunity. In consideration of the Trustee's ESG beliefs ESG factors are integrated into the investment decision making processes adopted and overseen by the Manager.
- Effective stewardship: The Trustee understands that good stewardship can protect and grow long-term value for the benefit of Scheme members.

6. INVESTMENT STRATEGY

- 6.1 The Trustee has reflected its investment strategy and investment objective in the IMA with the Manager whereby, within certain permitted ranges, the Manager determines an appropriate asset allocation which seeks to achieve such investment objective. In doing so the Manager takes into account the restrictions contained within the IMA, which outlines the parameters the Manager must operate within. The IMA is subject to change over time as the strategy evolves.
- 6.2 Further details of the investment strategy are set out in Appendix 1 to the SIP.

7. RISK MANAGEMENT

- 7.1. The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("**funding risk**"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:
- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("**mismatching risk**"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
 - The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("**cash flow risk**"). The asset allocation has taken into account the Scheme's liability cashflow profile from the most recent Actuarial Valuation. This should offer sufficient liquidity to meet liquidity needs. Should liquidity requirements change then the Trustee will notify the Manager and update the IMA accordingly.
 - The failure by the Manager to achieve the rate of return required to meet the investment objective ("**manager risk**"). This risk is considered by the Trustee upon the initial appointment of the Manager and on an ongoing basis thereafter (for example by regular monitoring).
 - The failure to spread investment risk ("**risk of lack of diversification**"). The Scheme's assets are invested across a range of investments representing different assets classes in order to target the Scheme's objective, as set out in the IMA. Under the terms of the IMA, the Manager is obligated to invest in a diversified portfolio of assets to achieve an efficient risk reward trade-off.
 - The possibility of failure of the Scheme's sponsoring employer ("**covenant risk**"). The Trustee considered this risk by taking external advice when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy and through regular monitoring of covenant risk.
 - The risk that exposure to overseas currencies has an adverse influence on investment values ("**currency risk**"). The Trustee considered this risk when setting the Scheme's investment strategy and this is managed risk by hedging a proportion of the overseas currency exposure.
 - The risk that environmental, social and governance ("**ESG**") considerations or other financially material considerations including climate change have an adverse effect on the performance of the Scheme assets over the relevant time horizon of the Scheme ("**ESG risks**"). The Trustee will ensure that the Manager explicitly incorporates ESG information into investment decisions when considering the appointment and de-selection of investment managers.

- The risk that a custodian defaults (“**custodian risk**”). The Growth Strategy Assets are managed primarily within pooled funds and custody-related risks in relation to underlying pooled fund investments are managed by management companies or operators of such pooled funds. Outside of the pooled fund investments, the Trustee has appointed a Scheme custodian (BNY Mellon) to manage cashflows and ensure timely settlement of trades.
- The risk that events outside the control of the Scheme have an adverse influence on investment values (“**event risk**”). The Trustee periodically reviews stress tests on the portfolio to understand the effect that extreme events could have on the Scheme’s funding level so that they are able to plan accordingly. In addition, the Scheme invests in a diversified portfolio of assets to help manage volatility.
- The risk that a counterparty fails to fulfil its side of the agreement it makes in connection with derivative transactions (“**counterparty risk**”). The Trustee has appointed the Manager to mitigate this risk by assessing the credit quality of the counterparties it transacts with, ensures appropriate counterparty diversification and that collateral payments are made where required.
- The risk of fraud, poor advice or acts of negligence (“**operational risk**”). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

7.2. The Trustee considers risk holistically across the Scheme’s portfolio and hence the Scheme’s assets are invested across a diverse range of investments. Asset classes and instruments that may be used as part of the investment strategy include, but are not limited to, the following:

- Equities – both active and passive strategies invested across different regions;
- Credit – both active and passive across the spectrum of risk including Investment Grade, High Yield, Emerging Market;
- Alternatives – these are often less liquid than other risky assets where an illiquidity premium is rewarded. These are designed to offer a diverse return stream to traditional risky assets such as equity. The Manager sought approval from the Trustee prior to investing in this asset class and is monitoring this to ensure that the allocation stays within the agreed ranges;
- Liability Driven Investments – using derivatives and physical assets via a segregated mandate; and
- Derivatives – the Manager may transact derivatives as permitted under the IMA, which includes swaps and repurchase agreements instruments.

7.3. The Trustee, with the aid of its Manager, monitors risk on both a qualitative and quantitative basis.

7.4. Implementing portfolio investments has been delegated to the Manager under the IMA.

8. RESPONSIBLE INVESTING

8.1. The Trustee has determined a set of ESG beliefs, which are detailed in Appendix 3 of this document. The Trustee recognises that ESG risks could impact the ability of the Scheme to meet its investment objectives and therefore the Trustee has considered how to evaluate and manage these risks when setting its investment strategy as set out in the following paragraphs (along with other matters).

8.2. The Trustee will ensure that the Scheme’s Manager shall, alongside other investment risks, integrate consideration of ESG risks throughout its investment decision making processes.

8.3. The Trustee has agreed that:

- the Manager, as part of its due diligence, assesses the approach of all the Scheme’s investment managers in integrating ESG risks and considerations into the selection, retention and realisation of investments, before appointing them;
- the Manager, as part of its ongoing monitoring, will review the adherence of the Scheme’s investment managers to their ESG principles and, on at least a quarterly basis, will report on key ESG metrics for the Scheme’s investment managers and aggregate these to a total portfolio level where appropriate and

possible. Within the liquid portfolio, ESG scores and carbon emissions intensity metrics are monitored within the Scheme's quarterly reports produced by the Manager;

- the Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Scheme invests in pooled funds, the Scheme's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights); and
- where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee.

8.4. The Trustee does not actively take into account non-financial matters when selecting, retaining and realising investments. Non-financial matters are defined as the views of members and beneficiaries, including (but not limited to) their ethical views, and their views relating to social and environmental impact and quality of life.

9. STEWARDSHIP

9.1. The Trustee understands that stewardship can enhance value over the long term and recognises that it has a responsibility to act as a good steward and protect and grow the long-term value of the Scheme for the benefit of the Scheme's members.

The Trustee recognises the importance of good stewardship and it expects that the Manager signs the UN PRI. The Manager has confirmed that it is a signatory of the UN PRI.

9.2. In order to be a good steward, the Trustee has the belief that the Scheme's respective stakeholders should undertake activities in relation to issues that have a material impact on the long-term value of the Scheme's investments.

9.3. The Trustee expects the Manager to ensure that the stewardship belief is appropriately implemented as far as is reasonably practicable, though the Trustee retains ultimate responsibility for the way in which each appointed manager acts as a steward of the Scheme's assets. The belief includes ensuring, to the extent possible, that the underlying or external managers exercise the Trustee's rights and duties as an investor. This should include, where appropriate, voting and engaging with underlying investee companies, as part of an effective stewardship approach that meets the Trustee's expectations. The Trustee expects that voting and engagement activities are carried out in the best financial interests of the assets being managed.

9.4. The Trustee has delegated monitoring of underlying or external managers to the Manager. As part of this responsibility, the Manager is expected to:

- Request voting and/or stewardship policies of the underlying or external managers.
- Enquire about underlying manager's voting activity with respect to their stated policies, where appropriate.
- Request that underlying investment managers report on an annual basis a summary of the voting actions which have been taken and any votes cast which differ from the stated voting policy of that manager.
- Provide a summary to the Trustee of the overall level of voting activity on an annual basis.

9.5. The Trustee will engage with the Manager to understand any reports which have been provided and challenge any outcomes which it feels are not in keeping with its beliefs. The Manager is expected to engage with the underlying or external managers as and when required to facilitate this. Where an underlying or external manager is not adhering to the Trustee's belief in line with the Trustee's expectations, the Trustee would expect the Manager to consider appropriate actions having regard to the long-term investment objectives of the Scheme.

10. ARRANGEMENTS WITH MANAGERS

10.1. The Trustee recognises that the arrangements with all of the managers of the Scheme are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the Manager and the underlying or external managers. In particular, the Trustee seeks to ensure that the Manager is incentivised to act in a way which generates the best long-term results for the Scheme.

- 10.2. The Trustee agrees to share the SIP with the Manager and request that the Manager reviews the SIP and confirms that the investment strategy is aligned with the Trustee's policies.
- 10.3. The Trustee's policy on arrangements with asset managers will take into account the following five considerations:
- How the arrangement with the Manager incentivises the Manager to align its investment strategy and investment decisions with the Trustee's investment policies.
 - How that arrangement incentivises the Manager to make decisions based on assessments about the medium to long-term financial and non-financial performance of issuers of debt or equity.
 - How the method and time horizon of the evaluation of the Manager's performance and the remuneration for services are in line with the Trustee's investment policies.
 - How the Trustee monitors "portfolio turnover costs" incurred by the Manager, and how they define and monitor targeted portfolio turnover or turnover range.
 - The duration of the arrangement with the Manager.
- 10.4. The Trustee recognises that there are different ways to engage with its managers including legal documentation as well as more informal arrangements such as ad hoc communication and reporting and monitoring deliverables provided by each manager.
- 10.5. The Trustee recognises that the predominant manager it has arrangements with is its Manager. The arrangement is governed by the IMA between the Trustee and the Manager. The Trustee ensures that appropriate restrictions are outlined in the IMA in order to seek to ensure that the decisions which the Manager makes are in line with the long-term interests of the Scheme. This includes, but is not limited to, setting a clear investment objective, eligible instruments, asset allocation ranges and which asset classes are in scope for active and/or passive strategies.
- 10.6. The Trustee has also ensured that the IMA (and the supplemental disclosures provided by the Manager) include conflicts of interest policies in order to avoid conflict arising from the decisions taken by the Manager as far as is reasonably practicable.
- 10.7. The Manager provides the Trustee with an annual cost transparency report. The report provides information in line with latest regulatory requirements for fiduciary managers. The cost reporting will include detail on the portfolio turnover costs which the Trustee defines as the costs incurred in buying and selling underlying securities held within each of the funds managed by the underlying managers. On a quarterly basis the Manager reports total performance net of fees so that the Trustee is able to take into account the impact of fees and costs when evaluating performance. The Trustee believes that in order to appropriately assess the performance of its managers, the net of costs performance returns should be monitored over various time periods to ensure that managers are evaluated in line with the Trustee's policies.
- 10.8. The Trustee will review the arrangements with the Manager on a regular basis, however there is no restriction on the duration of any arrangement.
- 10.9. The Trustee expects the Manager to review arrangements with the underlying or external managers which also have no restriction on duration of any arrangement. the Manager is expected to review these arrangements on an ongoing basis and take action to seek to revise any arrangements where it is understood to be in the best long-term interests of the Scheme.
- 10.10. The Manager is expected to take into consideration the Trustee's investment objective, Responsible Investing and Stewardship policies detailed in Sections 8 and 9 as well as the Trustee's ESG beliefs in Appendix 3 when selecting and/or appointing new underlying or external managers. The Manager is also expected to monitor the underlying managers or external managers and take into consideration the investments that they are permitted to make in order to seek that they are aligned with the long-term interests of the Scheme.
- 10.11. The Trustee believes that they have a governance framework in place in order to both review performance and seek to ensure that the Manager's actions are aligned with the five arrangements policies listed above. If the Trustee has reason to believe that the Manager is acting outside of the Trustee's policies, the Trustee will bring

this to the attention of the Manager as soon as is reasonably practicable and engage with the Manager so that the parties can understand such actions and seek to resolve any concerns.

11. REALISATION OF ASSETS

- 11.1. Assets can be held in pooled funds or segregated accounts. The Scheme's ability to disinvest assets for cash is subject to the redemption terms of the asset, which can range from daily to quarterly or sometimes less frequently. Any allocation of the assets to strategies with particularly long redemption timelines will be considered with the Scheme's overall cashflow requirements in mind. Investment in such assets requires prior Trustee approval.
- 11.2. The Trustee and the Manager have considered The Pensions Regulator's ("TPR") guidance on using leveraged LDI and the practical steps that trustees can take to manage risks when using leveraged LDI. The Manager has a collateral management framework in place to manage any additional cash requirements in the event of large changes in yields. The Trustee recognises that the Manager, subject to the constraints within the IMA, has authority and discretion to sell the Scheme's assets to meet recapitalisation requirements.

12. MONITORING

- 12.1. The Trustee monitors the performance and risk exposures of the portfolio on a regular basis. The Trustee receives periodic reports showing:
- Commentary over the period covering performance, macroeconomic factors and portfolio positioning,
 - Risk decomposition across the portfolio, including scenario stress tests,
 - Return attribution across the portfolio, including underlying pooled fund monitoring,
 - Estimated funding ratio change, including a summary of contributors/detractors,
 - Review of the funding level including any de-risking triggers,
 - Asset allocation summary versus the permitted ranges, and
 - Interest rate hedge ratios versus target.
- 12.2. Monitoring of the underlying investment managers' suitability is delegated to the Manager. The Manager has been delegated the responsibility for ensuring the underlying pooled fund and separately managed account investments are satisfactory and appropriate for the investment strategy.
- 12.3. The Trustee monitors the Manager on a periodic basis relative to the investment guidelines outlined in the IMA. The Trustee has engaged the services of IC Select to assist with the routine monitoring of the Manager's performance including development and implementation of investment strategy to meet the investment objectives within the parameters set and agreed with the Trustee.

Appendix 1 - Investment strategy

The investment strategy for the Scheme is to:

- Invest in a portfolio of assets to achieve an initial target return of approximately 3.0% above gilts per annum, net of fees. The Trustee has delegated the management of the Scheme's investment strategy to the Manager, who may use their discretion to deviate from this return target in order to seek to achieve the funding objective.
- Invest in a portfolio of assets which aims to hedge a proportion (the "**Target Hedge Ratio**") of the interest rate and inflation risk inherent within the Scheme's liabilities (the "**Matching Strategy**"),
- Invest in a diversified portfolio of assets (the "**Growth Strategy**") to achieve long-term asset growth with the objective of generating sufficient returns to achieve a funding level of 105% on a Gilts + 0.5% basis by December 2033,

As at the date of the SIP, the Trustee has instructed the Manager under the IMA to manage the asset allocation in such a way to aim to achieve the Investment Objective taking into account the restrictions set out in the Asset Allocation Table and Growth Strategy Permitted Ranges Table below:

Asset Allocation Table

Portfolio Strategy	Permitted Ranges	
	Minimum (%) ¹	Maximum (%) ¹
Growth Strategy	20%	80%
Liquid Assets	20%	80%
Illiquid Assets	0%	25%
Matching Strategy	20%	80%

¹ As a percentage of Total Portfolio assets by market value

Growth Strategy Liquid Assets Permitted Ranges Table

Asset Class	Minimum (%) ¹	Maximum (%) ¹
Equities	20%	80%
UK Equities	0%	15%
US Equities	0%	35%
Europe ex UK Equities	0%	20%
Asia Pacific (ex-Japan) Equities	0%	15%
Japan Equities	0%	15%
Global Small Cap Equities	0%	15%
Emerging Market Equities	0%	20%
Fixed Income	10%	60%
Global Government Bonds	0%	30%
Global Credit	0%	30%
High Yield Debt	0%	20%
Emerging Market Debt (local Currency)	0%	20%
Emerging Market Debt (hard Currency)	0%	20%
Cash	0%	30%
Other Asset Classes	0%	10%

¹ As a percentage of the Growth Strategy Liquid Assets by market value.

The Manager will use its discretion to determine the proportion of the fixed and real Liability Cashflows to hedge, taking into account the Total Portfolio Investment Objective and the Target Hedge Ratio Table below.

Target Hedge Ratio Table

	Target Hedge Ratio
Interest Rate Hedge Ratio	At the Manager's discretion subject to Minimum Interest Rate Hedge Ratio as per the Journey Management Threshold Levels Table set out in Annex 2
Inflation Hedge Ratio	At the Manager's discretion subject to Minimum Inflation Hedge Ratio as per the Journey Management Threshold Levels Table set out in Annex 2

The Manager will use reasonable endeavours to monitor the Matching Strategy in accordance with the Matching Strategy Review Frequency Table. Where the Manager's periodic review shows that the Interest Rate Hedge Ratio or Inflation Hedge Ratio is outside of the Hedge Ratio Tolerance, the Manager will rebalance the portfolio to bring the

hedge ratios back within tolerance. For the avoidance of doubt, the Manager has discretion to tactically adjust the hedge ratio within these tolerances.

The Target Hedge Ratios will evolve through time based on the Journey Plan as detailed in Annex 2.

Matching Strategy Review Frequency Table

Matching Strategy Review Frequency
At least Monthly

Appendix 2 – Journey Plan

The **Journey Plan** defines how the strategy will evolve over time to target the investment objective. As part of this process the Manager will rely on certain assumptions to determine the expected return across the portfolio of assets relative to the Scheme's liabilities. The Trustees recognise that this is not an exact science and will constantly evolve, hence assumptions will be reviewed from time to time and updates will be factored in where appropriate.

The Trustee's investment objective is for the Manager to manage the investment portfolio in order to target a 105% funding level on a Gilts + 0.5% basis by December 2033.

The journey management funding ratio thresholds and associated levels of hedging are set out in the table below.

Journey Management Thresholds Levels Table*

Asset Class	Trigger 1	Trigger 2	Trigger 3	Trigger 4	Trigger 5	Trigger 6
Funding Ratio Threshold Level		88%	98%	102%	105%	106%
Minimum Interest Rate Hedge Ratio	68%	78%	90%	96%	100%	101%
Minimum Inflation Hedge Ratio	68%	78%	90%	96%	100%	101%

*As a percentage of liabilities valued on a gilts + 0.5% basis.

The Manager has discretion to adjust the hedge ratio above the minimum amount specified at each Threshold.

The Funding Ratio Threshold Level calculates the value of liabilities using a Gilts + 0.5% discount rate which uses the Manager's pricing source.

Appendix 3 – ESG beliefs

The Trustees have determined the following beliefs in relation to Environmental, Social and Governance (“ESG”) consideration.

- The Trustee’s primary objective is to ensure member benefits are paid in full and in a timely manner. Whilst not the Trustee’s primary consideration, the Trustees believe that investing responsibly and taking into account ESG considerations may positively impact scheme returns as the long-term sustainability of business models is improved.
- The Trustees believe that the Scheme’s investment managers and Manager should implement appropriate policies with respect to the incorporation of ESG factors into investment decisions wherever it is reasonably expected that doing so will add value to the Scheme’s investment strategy.
- The Trustees have not directly sought member views on ESG. They believe that the members’ primary concern is to receive pension payments in full and on time. However, on a secondary level, the Trustees believe members would expect them to invest in a responsible manner to achieve this.
- The Trustees’ key themes with regards to ESG are climate change and the reduction of carbon emissions and social factors such as human rights. Diversity, equity and inclusion are also important considerations for the Trustees.
- The Scheme’s Manager is responsible for assessing and monitoring the investment managers with regards to ESG considerations, though the Trustees retain oversight of and ultimate responsibility for this.
- The Trustees work with the Manager to identify areas of training required in relation to ESG and seek thought leadership from the Manager.
- The Trustees do not currently communicate specific ESG updates to members but may seek to do so as part of wider newsletter communications when the Trustees believe such updates would be of relevance to members.