

Highlands and Islands Airports Pension Scheme

Statement of Investment Principles

February 2025

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Highlands and Islands Airports Limited Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
 - the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- 1.2. In preparing this statement the Trustees have consulted Highlands & Islands Airports Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 18 of the Definitive Trust Deed & Rules, dated December 2003. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return; and
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustees consider the merits of both active and index-tracking management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile develops.

6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Stewardship risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and has developed a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

Loss of investment

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees review of the internal controls and processes of each of the investment managers from time to time.

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

Policy on environmental, social and governance (ESG) factors

- 9.1. The Trustees have considered long-term financial risks to the Scheme and believes that ESG factors, including but not limited to climate change, are financially material and therefore has a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
- 9.2. Given that the Scheme remains open to new members, the Trustees have a long-term time horizon over which it takes into account the financial materiality of ESG factors (including, but not limited to, climate change).

- 9.3. Based on research findings and their discussions the Trustees agree that ESG factors have the potential to impact the risk and/or return profile of the Scheme's investments, however, the Trustees appreciate that this impact will vary between different asset classes and be different for active and index-tracking investments.
- 9.4. When selecting new investment managers and funds, the Trustees will explore the ESG integration credentials of the candidates. However, an investment manager's excellence in this area will not necessarily take precedence over other factors, including (but not limited to) historical performance or fees.
- 9.5. The Trustees will request that any future manager presentations include an update on ESG considerations. The Trustees may also obtain further training on ESG factors from the Scheme's investment consultant to consider any future market developments or if there are any changes to their investments that require reassessment or expansion of the Trustees' policy on ESG factors.
- 9.6. The Trustees' views on how the ESG factors are taken into account for the Scheme's investments are set out below.

9.6.1. Index-tracking equity funds:

- The Trustees believe that ESG factors will be financially material to the risk-adjusted returns for equities.
- However, the Trustees accept that for index-tracking funds the investment managers are constrained to invest in line with the specified index and therefore may not be able to select, retain or realise investments based on ESG related risks and opportunities.
- The Scheme's current index-tracking manager, LGIM, is a large and long-term investor, and engages with companies (including those in the indices that the Scheme invests in) on matters including wider ESG factors and climate change on a regular basis. These engagement activities are set out under the Trustees' engagement and voting rights policy below.

9.6.2. Liability driven investment (LDI) and cash funds:

- The Trustees do not believe there is significant scope for ESG issues to improve risk-adjusted returns within the Scheme's LDI and cash holdings.

9.6.3. Actively managed funds:

- The Trustees believe that ESG factors will be financially material to the risk-adjusted returns achieved by the Scheme's diversified growth, multi-asset credit and property holdings.
- These funds are actively managed and aim to achieve their outperformance targets with managed volatility and the managers are therefore expected to consider all financially material considerations, including but not limited to ESG factors, when managing the funds.
- The Trustees are satisfied that the managers have suitable processes to consider ESG factors and take them into account, where relevant, in the selection, retention and realisation of the underlying investments within the funds.

Policy on non-financial matters

- 9.7. The Trustees do not take into account the Scheme members' and beneficiaries' views on ethical considerations, social and environmental impact, or present and future quality of life of the members and

beneficiaries of the Scheme (i.e., “non-financial matters” in the relevant regulations) in the selection, retention and realisation of investments.

10. Engagement and voting rights

- 10.1. The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.
- 10.2. As an investor in pooled funds, the Trustees currently adopt a policy of delegating the exercising of the rights (including voting rights) attached to the Scheme’s investments to the investment managers.
- 10.3. The Trustees also delegate undertaking engagement activities, which include entering into discussions with company management in an attempt to influence behaviour, to the investment managers.
- 10.4. As set out above, the Trustees recognise the importance of ESG and climate risk within their investment making framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company’s capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
- 10.5. The Trustees are firmly of the belief that ESG and climate risk considerations extend over the entirety of a company’s corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.
- 10.6. The Trustees consider it to be a part of their investments managers’ roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units. The Trustees also consider it to be part of their investment managers’ roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. Where the Trustees use pooled funds the Trustees expect the investment manager to employ the same degree of scrutiny.
- 10.7. Should an investment manager be failing in these respects, this should be captured in the Scheme’s regular performance monitoring.
- 10.8. The Scheme’s investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer’s business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustees have made the Sponsoring Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.
- 10.9. The Scheme’s investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

- 10.10. The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

11. Asset manager arrangements

Alignment of investment managers' strategy and decisions with the Trustees' policies

- 11.1. Prior to appointing the investment manager, the Trustees discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they are aligned with the Trustees' own investment aims, beliefs and constraints.
- 11.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will select another manager for the mandate.
- 11.3. The Trustees carry out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the scheme and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 11.4. In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 11.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback is provided to the investment manager.

Investment managers' decision making and engagement in relation to medium to long-term performance of issuers

- 11.6. The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. However, they are aware that the need to change the current trajectory of climate change is great. The Trustees recognise that the potential for change in value as a result of ESG and climate risk, may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.
- 11.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this approach to be sufficient to ensure an appropriate alignment of interests.
- 11.8. The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Evaluation of investment managers' performance and remuneration

- 11.9. Trustees monitor the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.
- 11.10. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. There are no performance-related fee arrangements, which the Trustees believe can unintentionally incentivise short-termism or undesirable risk management. Details of the fee structures for the Scheme's investment managers are contained in Appendix 1.
- 11.11. The Trustees believe that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 11.12. The Trustees ask the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are reviewed annually.

Monitoring portfolio turnover and associated costs

- 11.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.
- 11.14. During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.
- 11.15. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of investment manager arrangements

- 11.16. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 11.17. The suitability of the Scheme's asset allocation and its alignment with the Trustees' investment aims, beliefs and constraints is assessed every three years, or when changes dictate that it is appropriate to do so more frequently. As part of this review the Trustees assess the ongoing appropriateness of the investment managers and the specific funds used.
- 11.18. For closed ended funds, the Scheme reviews the appointment with the investment manager as the manager releases new iterations of the funds (which the Trustees may consider further investment into) and at, or just prior to, maturity of the closed-ended fund.

12. Agreement

- 12.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Note on investment policy of the Scheme as at February 2025 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances, taking into account changes in the liability profile.

Portfolio	Asset class	Allocation (%)
Growth portfolio	Equities	27.0
	LGIM Future World Global Equity Index Fund	13.5
	LGIM Future World Global Equity Index Fund – GBP Hedged	13.5
	Diversified Growth Fund (DGF)*	27.0
	Baillie Gifford Diversified Growth Fund	27.0
	Multi-Asset Credit	18.0
	CQS Credit Multi Asset Fund	9.0
	Baring Global High Yield Credit Strategies Fund	9.0
	Liability-driven investment (LDI)*	28.0
Protection portfolio	Columbia Threadneedle Leveraged Gilt Funds	28.0
Total		100

**In light of discussion around the actuarial valuation, the Trustees agreed with the Company to implement some interim tactical changes to the Scheme's strategy aimed at reducing risk in the run up to the actuarial valuation on 31 December 2024. In particular:*

- To increase the interest rate and inflation hedging to 90% of assets through a greater allocation to LDI;*
- To fund the increased allocation to LDI by reducing the allocation to the Baillie Gifford Diversified Growth Fund;*

Therefore, the Scheme will deviate from its strategic asset allocation outlined above until the 31 December 2024 actuarial valuation has been finalised. The Trustees will then undertake a longer-term review of the funding and investment strategy and update the SIP if required.

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme:

1. Legal & General Investment Management (LGIM) (equity);
2. Baillie Gifford (DGF)
3. CQS (MAC)
4. Barings Asset Management (MAC)
5. Columbia Threadneedle (LDI)

The Trustees also have AVC contracts with The Prudential Assurance Company Limited (Prudential) for the receipt of members' Additional Voluntary Contributions (AVCs).

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each investment manager and AVC provider are given below:

Investment manager	Fund	Benchmark	Objective
LGIM	LGIM Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	Track the benchmark gross of fees with a low tracking error
	LGIM Future World Global Equity Index Fund – GBP Hedged	Solactive L&G ESG Global Markets Index - GBP Hedged	Track the benchmark gross of fees with a low tracking error
Baillie Gifford	Diversified Growth Fund	UK base-rate	+3.5% p.a. (net of fees) over 5-year rolling periods and risk less than 10% p.a.
CQS	Credit Multi Asset Fund	Informally 50% global high yield, 50% loans	LIBOR +4-5% p.a. (net of fees)
Barings	Global High Yield Credit Strategies Fund	3 Month LIBOR	+5% p.a. (net of fees)
Columbia Threadneedle	Regular Profile Leveraged Gilt Funds	The liability profile of a "typical" pension fund	To provide a hedge against inflation-linked and fixed liabilities

The Scheme also has an AVC arrangement in place with Prudential. The details of which are summarised below.

Default investment strategy	Prudential Dynamic Growth Lifestyle strategy targeting cash
Self-select lifestyle strategies	Prudential Dynamic Growth Lifestyle targeting retirement options Prudential Dynamic Growth Lifestyle targeting annuity Prudential Dynamic Growth Lifestyle targeting drawdown
Self-select funds	Prudential S3 Global Equity Prudential S3 Overseas Equity Index Prudential S3 International Equity Prudential S3 Index-Linked Prudential S3 All Stocks Corporate Bond Prudential Dynamic Global Equity Passive Prudential S3 UK Equity Index Prudential S3 Long Term Growth Index Prudential S3 Long-Term Bond Prudential Deposit Fund (Only available to existing investors) Prudential S3 Baillie Gifford UK Equity Core Prudential S3 North America Equity Index Prudential S3 UK Equity Prudential S3 Cash Prudential With-Profits Cash Accumulation Fund Prudential Positive Impact Prudential S3 Fixed Interest Prudential S3 Discretionary Prudential S3 Long-Term Gilt Passive Pen Prudential Dynamic Growth V Prudential Dynamic Growth IV Prudential Dynamic Growth II BlackRock Aquila UK Equity Index

In addition to the above:

- Certain current AVC members at the present continue to be invested in the Prudential With-Profits Fund (Trustees don't make this available to any member who doesn't already invest in this Fund), and the Prudential Deposit Fund (Prudential no longer make this available other than to members who already have AVC investments in this Fund).
- Members may request the Trustees make available any of the additional investment funds available from Prudential in which they would wish to invest.

Further details on the funds available to members is shown on the following page.

AVC provider	Fund	Benchmark	Objective
Prudential	Global Equity Fund	Custom benchmark	Outperform the benchmark by 1.0% a year gross of fees on a rolling three-year basis
	Overseas Equity Index Fund	Mix of FTSE and MSCI Regional Indices	Meet benchmark gross of fees
	International Equity Fund	Custom benchmark	Outperform the benchmark by 1.0% a year gross of fees on a rolling three-year basis
	Index-linked Fund	iBoxx UK Gilt Inflation-Linked Over 5 Year Index	Outperform the benchmark by 0.75% a year gross of fees on a rolling three-year basis
	All Stocks Corporate Bond	iBoxx Sterling Non-Gilts Index	Outperform the benchmark by 0.80% a year gross of fees on a rolling three-year basis
	Dynamic Global Equity Passive	Custom benchmark	Long-term growth through investing in a diversified range of assets
	UK Equity Index Fund	FTSE All-Share Index	Meet the benchmark gross of fees on a rolling three-year basis
	UK Equity Fund	FTSE All-Share Index	Outperform the benchmark by 0.75% - 1.0% a year gross of fees on a rolling three-year basis
	North America Equity Index	FTSE World North America Index	Meet the benchmark gross of fees on a rolling three-year basis
	Long Term Growth Index Fund	Mix of FTSE and MSCI Regional Indices	Meet the benchmark gross of fees
	Baillie Gifford UK Equity Core Fund	FTSE All-Share Index + 1%	Meet the benchmark net of fees on a rolling five-year basis
	Positive Impact Fund	MSCI ACWI Index	Outperform the benchmark net of fees on a rolling five-year basis

Fixed Interest Fund	iBoxx Sterling Gilts Index	Outperform the benchmark by 0.75% a year gross of fees on a rolling three-year basis
Discretionary Fund	Custom benchmark	Outperform the benchmark by 1.15% - 1.40% a year gross of fees on a rolling three-year basis
Long-Term Gilt Passive Fund	iBoxx Sterling Gilts 15+ Index	Match the performance of the benchmark as closely as possible
BlackRock Aquila UK Equity Index Fund	FTSE All-Share Index	Provide a return in line with benchmark
With-Profits Cash Accumulation Fund*	ABI UK – Mixed Investment 20% - 60% Shares Sector Average – Pension Funds	Offer competitive long-term returns
Deposit Fund*	Bank of England Base Rate	Provide a return in line with benchmark
Dynamic Growth IV Fund	Custom benchmark	Long-term growth through investing in a diversified range of assets
Dynamic growth II Fund	Custom benchmark	Long-term growth through investing in a diversified range of assets
Dynamic Growth V Fund	Custom benchmark	Long-term growth through investing in a diversified range of assets
Long-Term Bond Fund	50% iBoxx Sterling Gilts 15+ Index and 50% iBoxx Sterling Over 15 Years Non-Gilts Index	Match the performance of the benchmark as closely as possible
Cash Fund	SONIA 1 Week	Perform in line with the benchmark gross of fees on a rolling three-year basis

* Only available to existing investors

The default investment strategy and the self-select lifestyle strategies make use of the funds highlighted in yellow above – these funds are not available on a standalone basis to members.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time. The next review is scheduled for 2025.

3. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.