Aliaxis UK Defined Benefit Pension Scheme

Statement of Investment Principles

September 2020

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This document is the Statement of Investment Principles for the Aliaxis UK Defined Benefit Pension Scheme (the Scheme). The requirement for the Trustees of the Scheme to have such a Statement in place was introduced by the Pensions Act 1995. The Statement comprises the following sections and appendices:

Section 1: Introduction

Definitions

1.1 Throughout this document:

- "Scheme" refers to Aliaxis UK Defined Benefit Pension Scheme
- "Trustees" refers to Aliaxis UK Defined Benefit Pension Scheme Trustees
- "Company" refers to Aliaxis Holdings UK Limited

Pensions Act

1.2 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustees.

Background

1.3 Before preparing this document, the Trustees have consulted the Company and will also consult the Company before revising this document, in particular, if it relates to changes in investment policy. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

1.4 Before preparing this document, the Trustees have sought advice from the Scheme's investment consultants, Willis Towers Watson, and the Scheme Actuary. The Trustees will review this document, in consultation with the investment consultant and the Scheme Actuary, at least once a year, or sooner following an unscheduled actuarial valuation, or without delay following a significant change in investment policy. Before preparing this document the Trustees have had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustees will consider those requirements on any review of this document or any change in their investment policy. The Trustees will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

1.5 The assets are held in pooled funds. Under Section 36 of the Pensions Act, such investments are termed direct investments and are classed as retained investments. It is therefore the Trustees' policy to obtain appropriate advice regarding the suitability of such investments on a regular basis.

1.6 This document has been drafted in the light of the principles set out by the Investment Governance Group (formerly the Myners' principles).

Scheme details

1.7 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

1.8 Members of the Scheme were contracted-out of the State Second Pension under the Pensions Schemes Act 1993.

1.9 Since 6 April 2006, the Scheme has been treated by HM Revenue and Customs (HMRC) as a registered pension scheme, in accordance with Schedule 36 of the Finance Act 2004.

Financial Services and Markets Act

1.10 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers, which may include an insurance company or companies. The investment manager shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Section 2: Governance

2.1 The Trustees have ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some of these responsibilities.

2.2 Responsibility for all day-to-day investment decisions is delegated to the Scheme's investment managers. The Trustees retain direct responsibility for other investment matters which include:

- Reviewing annually, or following any significant change in investment policy, the content of this Statement of Investment Principles and for modifying it if deemed appropriate, in consultation with the investment consultant and Scheme Actuary.
- Reviewing the investment policy following the results of each actuarial review, in consultation with the investment consultant and Scheme Actuary.
- Appointing (and dismissing) investment managers.
- Assessing the quality of the performance and processes of the investment manager by means of regular, but not less than annual, reviews of the investment results and other information, in consultation with the investment consultant and Scheme Actuary.
- Consulting with the Company before amending this Statement.
- Strategically allocating the assets and the cash flow of the Scheme between investment mandates and making periodic adjustments to the portfolio allocations.
- Monitoring compliance with this Statement on an ongoing basis.
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments.

2.3 Decisions affecting the Scheme's investment strategy should be taken with appropriate advice from the Scheme Actuary and investment consultant and the Trustees' other advisers as appropriate.

2.4 The Trustees are satisfied that they have sufficient expertise and appropriate training to evaluate critically the advice they receive. The Trustees are also satisfied that they have an appropriate set of skills individually and collectively, and the right structures and processes, to carry out their role effectively.

2.5 Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees of the Scheme draw on the skills and expertise of external advisers including the investment managers, custodians, investment consultant and Scheme Actuary.

2.6 The Trustees are aware that they have the flexibility to open the contracts for actuarial services and investment advice to separate competition.

2.7 The Trustees do not consult with members when determining the investment strategy.

Section 3: Division of responsibilities

Investment managers

3.1 The investment managers' responsibilities include:

- Managing the pooled funds in which the Scheme is invested in a manner consistent with the stated objectives for those funds
- Providing the Trustees with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios
- Informing the Trustees of any material changes in the internal objectives and guidelines of any pooled funds used by the Scheme and managed by the investment manager or an associated company
- Provision to the Trustees on an annual basis, or whenever changes occur, of their policies and procedures relating to voting rights on securities, soft commission, professional standards, conflicts of interest and internal controls
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as reasonably practicable.

Professional advisors

3.2 The Trustees believe that the current arrangement (using a single advisory firm for both actuarial and investment advice) has certain advantages for the Scheme. The Trustees will continue with the current arrangement until this ceases to be appropriate.

Investment consultant

3.3 The role of the investment consultant is to make recommendations or give advice to the Trustees in the following areas:

- the formulation of an efficient governance structure
- the regular updating of the Statement of Investment Principles
- the development of a clear investment strategy for the Scheme
- the asset-liability modelling process
- the construction of a strategic asset allocation benchmark given the liabilities of the Scheme and the risk and return objectives of the Trustees
- the construction of an overall investment management structure that meets the objectives of the Trustees

- the selection, appointment and de-selection of appropriate investment management organisations
- the consultant's current views of the investment managers employed by the Scheme
- potential new areas or tools of investment
- commentary on investment performance and risk taken by the managers
- trustee education
- general advice in respect of the Scheme's investment activities

3.4 Fees are generally calculated by reference to the time spent on a particular assignment and the relevant charge-out rates applying to the associates who provide the services in question.

Scheme Actuary

3.5 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Scheme and advising on the appropriate contribution levels for the future
- Liaising with the investment consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme

Section 4: Objectives and long term policy

Objectives

4.1 The Trustees' primary responsibility is to manage the Scheme so that members receive their benefits as and when they fall due, by maintaining an adequate level of funding for members' benefits. The assets of the Scheme are held by the Trustees for this purpose. They consist of contributions paid by members and the Company, and the accumulated income and capital growth on these contributions.

4.2 The Trustees' fundamental investment objective is to adopt an appropriate level of risk relative to the Scheme's liabilities. The Trustees recognise the need to take some risk in order to generate a sufficient investment return over the long term to make the Scheme affordable, as measured by the contributions payable. However, the Trustees do not wish to take so much risk that the volatility of the investment returns relative to the liabilities becomes unacceptable. The Trustees will review the level of risk relative to the liabilities at least annually.

4.3 The Trustees' objectives include:

a) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of the Scheme's accrued benefits.

b) To limit the risk of the assets failing to meet the liabilities over the long term.

c) To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown under **b**.

Policy

4.4 The Trustees' policy is to seek to achieve the objectives through investing in a diversified portfolio comprising a suitable mixture of return-seeking and liability-matching assets. They recognise that the returns on return-seeking assets, while expected to be greater over the long term than those on liability-matching assets, are likely to be more volatile. A mixture across asset classes is targeted to provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk for the Trustees and ensure the security, quality, liquidity and profitability of the portfolio as a whole.

4.5 Having taken appropriate actuarial advice, the Trustees are of the opinion that the asset allocation detailed in 5.1 is appropriate in the current circumstances, but will be reviewed at least annually.

Expected return on investments

4.6 In setting the Scheme's asset allocation policy, the Trustees' aim is that the returns on investments enable the Scheme to fund the benefit provisions to members. For this purpose the Trustees have had regard to the actuarial valuation approach which is used to determine Company contributions, including in particular an expected higher return on return-seeking assets than on liability-matching assets, and to the historical rates of return earned on the various classes of assets available for investment.

4.7 The relative risks and returns of different classes of investment are reviewed at intervals by the Trustees, based in part on asset liability modelling following each actuarial valuation.

AVCs

4.8 The Scheme previously provided a facility for members to pay AVCs into the Scheme (before it closed to accrual on 31 May 2011) to enhance their benefits at retirement. Members are offered a range of funds in which to invest their accrued AVC funds. The Trustees have selected a range of Standard Life pooled funds which will provide an appropriate choice for members. The range of funds offered includes balanced managed funds, equity funds, bond funds, with-profit funds, property funds and cash deposit funds.

4.9 Members have the ability to invest their fund in any combination of the funds. No single option is expected to be sufficient to manage all of the various risks associated with AVC investment at all times. However, the above range is designed to be wide enough to enable members to manage the risks identified as they become relevant, according to each member's individual criteria and circumstances.

4.10 The Trustees' duty is to act in the members' best interests. The Trustee's primary objective in AVC provision is to ensure that the investment strategy gives members options that enable them to select appropriate funds (at different times) to meet the different risk characteristics they will face during different phases in their pre-retirement period. The Trustees have reviewed the AVC Section against the provisions of the Pensions Regulator's code of Practice no. 13 ('Governance & Administration of occupational defined contribution trust-based schemes') and have taken steps to ensure the AVC Section complies with the provisions. The Trustees will update this review at regular intervals.

4.11 Further information on the AVCs, including the current fund range and the lifestyle strategy is set out in Appendix B.

Socially responsible investments

4.12 The Trustees will generally take account of financially material considerations, over the length of time that the Trustees consider is needed for the funding of benefits by the investments of the Scheme. This may include (but is not necessarily limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change.

4.13 In practice, the majority of the Scheme's assets are already invested in government securities and bulk annuities. Therefore, ESG considerations are only expected to impact a minority of the portfolio.

4.14 The Scheme's return-seeking portfolio in invested in the Towers Watson Investment Management (TWIM) Core Diversified Fund. The Trustees understand that financially material ESG considerations form a part of active decisions taken as part of the management of this mandate. This includes decisions both at the overall fund level (e.g. when TWIM are considering which underlying managers and strategies to allocate to), and also at an underlying sub-manager level (e.g. which securities to buy and sell, and stewardship). TWIM has also appointed Hermes Equity Ownership Services to provide an engagement overlay, whereby Hermes advise the underlying sub-managers in relation to engagement and voting. The Trustees monitor TWIM in this regard from time to time.

4.15 The investment managers' policies on investment and voting practices can be provided on request.

Rights attaching to investments

4.16 The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

Realisation of assets

4.17 The majority of stocks held by the Scheme's investment managers are quoted on major stock markets and may be realised quickly if required.

Section 5: Asset allocation guidelines

Asset allocation

5.1 This Section relates to the main Scheme assets only and not the AVC arrangements. The Scheme's investment strategy is currently broadly as follows:

Total portfolio	Approximate asset allocation (%)
Return-seeking assets	**15**
TWIM[1] Core Diversified Fund (CDF)	15
Matching assets	**85**
LGIM[2] LDI[3] portfolio	45
Just[4] Buy-in policies	40
Total	**100**

1. Towers Watson Investment Management
2. Legal and General Investment Management
3. Liability Driven Investment
4. Just Retirement Limited

This table assumes that the buy-in policies comprise 40% of total assets, with the remaining 60% split between the CDF and the LDI in line with 5.2 below.

5.2 The Trustees have deemed that a strategic asset allocation of 25% invested in return-seeking assets and 75% invested in liability matching assets (excluding the buy-in policies) is appropriate for the Scheme's objectives. This is summarised in the following table:

Non-insured portfolio	Approximate asset allocation (%)	Control ranges (%)
Return-seeking assets	**25**	**15 – 35**
TWIM Core Diversified Fund	25	
Matching assets	**75**	**65 – 85**
LGIM LDI portfolio	75	
Total	**100**	

5.3 The actual asset allocation would normally be expected to lie within the ranges set out in 5.2 above. Should it materially move outside of these ranges, the Trustees will consider what action is necessary to rebalance the portfolio, if any.

5.4 It is the intention of the Trustees to review the asset allocation of the Scheme every three years following each actuarial valuation. In addition, the Trustees will monitor the position on an annual basis.

5.5 The Trustees have agreed to the use of certain leveraged funds within the LDI holding managed by LGIM. Leverage is used on a controlled basis for risk management purposes. Some short-term borrowing for settlement is allowed, but is strictly limited and for the purpose of trade settlement only (which is standard practice in investment management).

Buy-in Policies

5.6 **Project Zeus**: The Trustees invested in a bulk annuity contract (buy-in) on 30 November 2016 to match the liabilities in respect of 30 pensioner members and their contingent dependants, with increases in retirement. The 30 pensioners insured were those with the highest annual pension amounts as at 1 April 2016. Only half of the liability for the pensioner with the highest pension was insured.

The buy-in was secured in a contract with Just Retirement Ltd ("Just") and is held in the Trustees' name. The premium paid to Just was £35.5m, equal to the value of the insured liabilities on a gilts-flat basis, and represented around 1/6th of Scheme liabilities at the date of transaction.

Project Apollo: The Trustees successfully completed a second buy-in transaction with Just on 13 December 2017 to match the liabilities of the remaining 323 uninsured pensioner members (based on membership as at 30 September 2017), as well as the other half of the liability for the pensioner with the highest pension. The premium paid to Just was £51.7m and the value of these insured liabilities on a gilts-flat basis was £55.9m, representing a £4.2m gain to the Scheme on a gilts-flat basis.

The Trustees remain responsible for paying all benefits under the Scheme. The contracts provide a matching payment stream to the Trustees for the tranches of pensions in payment described above.

LDI portfolio

5.7 The LDI portfolio has been designed to broadly hedge 95% of the impact of changes in interest rates and inflation on the Scheme's self-sufficiency liabilities. The liability proxy will be reviewed periodically, expected to be in conjunction with the Scheme's triennial valuation, or sooner in the event of a significant change in the membership profile. The liability proxy was last refreshed in March 2020.

5.8 The Trustees have delegated authority of the design of the LDI portfolio to the LDI investment manager (currently LGIM). That is, LGIM have discretion to choose the specific funds in which the Scheme is invested. LGIM will select appropriate funds in order to meet the objectives set by the Trustees, as defined in 5.7.

5.9 The Scheme's liability matching asset allocation as at 1 September 2020 is as follows:

LDI portfolio	Allocation (as % of LDI assets)
Unleveraged Fixed funds	61%
Leveraged Fixed funds	0%
Unleveraged Real funds	23%
Leveraged Real funds	15%
Sterling Liquidity Fund (cash)	1%
Total	**100%**

Diversification

5.10 The Scheme's strategic asset allocation (see 5.1 above) is designed to ensure that the Scheme's investments are adequately diversified by asset class, avoiding excess reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. These investments consist predominantly of investments admitted to trading on regulated markets. Since the Scheme is invested in pooled funds, the Trustees cannot influence directly the concentration of investments at a stock selection level. However, the managers' internal guidelines are designed to achieve a suitable level of diversification.

Suitability

5.11 The Trustees have taken advice from the Scheme Actuary and the investment consultant to ensure that the asset allocation specified above is suitable for the Scheme given its liability profile.

Liquidity

5.12 The Trustees, together with the Scheme's administrators, will ensure that they hold sufficient cash to meet the likely benefit outflows from time to time. The Trustees' policy is that there should be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy.

5.13 The Trustees' policy is that funds will be disinvested from the LGIM LDI portfolio in order to meet benefit outflows when necessary. The Scheme's administrators will need to request the required amount from LGIM. LGIM will update the LDI portfolio to release cash whilst maintaining the desired hedge ratio.

Use of derivatives

5.14 The Scheme does not utilise derivatives directly, although some of the pooled funds in which the Scheme is invested may use derivatives to control risk (for example in managing overseas currency exposures) or for efficient portfolio management.

Section 6: Investment manager arrangements

6.1 This Section relates to the main Scheme assets only and not the buy-ins or AVC arrangements. The Trustees are currently using passive management for the majority of the Scheme's assets, although active management is used for elements of the portfolio, either to improve expected returns or to capture diversifying sources of return. The balance was agreed following consideration of the relative levels of risk involved, set against the efficiency, liquidity and level of transaction costs likely to prevail within each market, allowing for investment manager fees.

Manager structure

6.2 The Scheme's return-seeking assets are invested in the TWIM Core Diversified Fund. This Fund invests in a range of asset classes across equities, credit and real assets, including exposure to a range of diversifying strategies which have a low correlation to more traditional return-seeking assets (particularly equities and corporate debt), and hence improves the overall risk/return profile of the Scheme's assets.

6.3 The Scheme's matching assets are invested in an LDI portfolio with LGIM. This portfolio is invested in a range of funds which provide exposure to changes in interest rate and inflation expectations. The degree of inflation exposure and the shape of the cashflows provided by this portfolio are designed to be similar to those of the liabilities. LGIM have complete discretion in how to design the portfolio to best meet the Trustees' hedging objectives, as set out in 5.8.

6.4 The percentage allocations stated above represent target allocations. Actual allocations will vary over time.

6.5 The Trustees have selected Standard Life as the provider for members' AVC investments. Standard Life's appointment will also be kept under regular review.

Performance objectives

6.6 The performance objectives of the various pooled funds in which the Scheme's assets are invested are set out below:

Fund	Objective
TWIM Core Diversified Fund	To deliver a return of Cash + 3%-4% pa net of fees, with around half the volatility of equities
LGIM LDI portfolio	To hedge 95% of the impact of changes in interest rates and inflation on the Scheme'sliabiltiy benchmark, as defined in the Investment Manager Agreement.

6.7 Whilst the Trustees are not involved in the investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance objectives, they will assess how the funds perform relative to their objectives on an annual basis, with interim monitoring quarterly.

Manager monitoring

6.8 The Scheme uses the above managers and mandates to implement its investment policies. The Trustees ensure that, in aggregate, their portfolio is consistent with the policies set out in this Statement. The Trustees will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with their policies. Where segregated mandates are used, the Trustees will use their discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustees' policies.

6.9 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies.

6.10 Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

6.11 For the Scheme's return-seeking investments, the Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

6.12 The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

6.13 It is expected that a review meeting will be held with each manager around once each year, as appropriate.

Manager Fees

6.14 The investment managers are paid ad valorem fees based on the market value of the assets under management. Fees were taken into consideration when reviewing and appointing the managers.

6.15 The Trustees review the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate. Neither manager uses soft commissions in the management of the Scheme's assets.

Section 7: Risk management

7.1 The Trustees recognise a number of risks involved in the investment of the assets of the Scheme and will continue to monitor these risks, making investment adjustments as appropriate.

- Solvency risk, mismatching risk
  - are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies
  - are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk
  - is measured by the expected deviation of the prospective risk and return, as set out in the manager(s)' objectives, relative to the investment policy
  - is managed by the selection of a passive manager and by monitoring the actual deviation of returns relative to the objective and factors supporting the manager(s)' investment process.
- Liquidity risk
  - is measured by the level of cashflow required by the 'Scheme' over a specified period
  - is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Currency risk
  - is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values
  - is managed by reducing the translation risk of investing overseas by hedging a proportion of the overseas investments' currency translation risk for those overseas currencies that can be hedged efficiently.
- Custodial risk
  - addressed through investment in pooled vehicles, with the investment managers responsible for selection of suitable custodians. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- Political risk
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention

  - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

- Sponsor risk
  - is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit
  - is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

7.2 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target.

7.3 The Trustees continue to monitor these risks.

7.4 The Trustees also recognise that conflicts of interest can arise wherever agents (such as advisers, investment managers and the Trustees themselves) are acting on behalf of the ultimate beneficiaries. The Trustees seek to identify where conflicts or potential conflicts exist, put in place processes for managing these conflicts, and ensure they are taken into account when making investment decisions.

Appendix A: Current advisers

Scheme Actuary	Guy Gregory, Willis Towers Watson
Investment consultant	Willis Towers Watson
Investment managers:	Legal & General Investment Management Ltd Towers Watson Investment Management Ltd
Bulk annuity provider:	Just Retirement Ltd
Administrator:	Capita Hartshead Ltd
Solicitors:	CMS Cameron McKenna LLP
Scheme auditors:	Mazars LLP

Appendix B: Additional Voluntary Contributions ("AVCs")

AVC fund range

The Trustees have appointed Standard Life as the provider of AVC services and selected the following range of Standard Life funds:

Fund name	Asset class	Investment Style	Benchmark
SL BlackRock Managed (50:50) Global Equity Pension Fund	Equity	Passive	50% FTSE All Share, 16.7% FTSE All World USA, 16.7% FTSE All World Dev Europe ex UK, 8.3% FTSE All World Japan, 8.3% FTSE All World Dev Asia Pacific ex Japan
Standard Life Deposit and Treasury Pension Fund	Cash	Active*	n/a
Standard Life Managed Pension Fund	Multi asset	Active	n/a (performance measured against the ABI (Pension) Mixed Investment 40-85% Shares Sector)
SL BlackRock Aquila Connect Over 15 Year Gilt Pension Fund	Bonds	Passive	FTSE UK Gilts Over 15 Years Index
SL BlackRock UK Equity Tracker Pension Fund	Equity (UK)	Passive	FTSE All Share Index
SL BlackRock Aquila Connect World (Ex-UK) Equity Pension Fund	Equity (Overseas)	Passive	FTSE All-world developed Ex-UK Index
Pension 2 With Profits 2 Fund	With-profits **	Passive	n/a
SL BlackRock Aquila Co Over 5Yr Index Linked Gilt Pension Fund	Bonds	Passive	FTSE UK Gilts Index-Linked Over 5 Years Index
SL Pension Long Corporate Bond fund	Bonds	Active*	n/a (performance measured against the ABI (Pension) Sterling Long Bond Sector)

*Although technically an 'actively managed fund', the investment characteristics are those of a passive, low risk investment
**Members can no longer choose to invest in the with-profits fund. However, those invested in this fund before 2010 were allowed to retain their investment in this fund.

All of the funds are managed by Standard Life and incur a 1.0% pa annual management charge.

AVC investment options

Self-select

Members are able to 'Self-select' and choose the particular funds they wish to be invested in.

Lifestyle

Alternatively they can select the 'Lifestyle' strategy which is invested as follows:

Member's age	Investment strategy
More than 5 years below target retirement age	100% in the SL BlackRock Managed (50:50) Global Equity Pension Fund
Within 5 years of target retirement age	Smooth transition to…
At target retirement age	100% in the Standard Life Deposit and Treasury Pension Fund