Statement of Investment Principles for the Asahi Glass Fluoropolymers Pension Scheme

17 December 2021

Effective date: November 2021

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Asahi Glass Fluoropolymers Pension Scheme ("the Trustees") on various matters governing decisions about the investments of the Asahi Glass Fluoropolymers Pension Scheme ("the Scheme"), a Defined Benefit ("DB") Scheme. This SIP replaces the previous SIP dated August 2020.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Pension Regulator's guidance for defined benefit pension schemes (March 2017). The SIP also reflects the Trustees' response to the Myners voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment consultant, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustees have consulted with the employer, AGC Chemicals Europe Limited, in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- Appendix 1 sets out details of the Scheme's investment governance structure, including the key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- Appendix 2 sets out the Trustees' policy towards risk appetite, capacity, measurement and management.
- Appendix 3 sets out the Scheme's investment manager arrangements.

2. Investment objectives

The Trustees' primary objective is to ensure that the Scheme should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustees have a series of additional objectives. These are as follows:

- that the return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level. What the Trustees determine to be an appropriate level of risk is set out in Appendix 2.
- that the Scheme should be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis), with a secondary objective of being fully funded on a gilts flat basis in the longer term. The Trustees are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the employer, review the investment strategy for the Scheme on a regular basis, taking into account the objectives described in Section 2 above.

Following the last such investment review, the allocation of the Scheme's investments as at 31 October 2021 was as follows.

Asset class	Investment allocation (%)	
UK equities		**16.7**
Overseas equities		**24.4**
European equities (hedged)	2.3	
European equities (unhedged)	2.4	
North American equities (unhedged)	6.3	
Asia Pacific (ex-Japan) equities (hedged)	2.1	
Asia Pacific (ex-Japan) equities (unhedged)	2.1	
Emerging market equities	9.2	
Alternatives		**25.1**
Diversified growth	13.2	
Property	0.1	
Infrastructure	4.1	
Asset backed securities	3.9	
Long lease property	3.8	
Bonds cash and LDI		**33.8**
LDI	28.1	
Cash	1.0	
Absolute return bonds	2.7	
Inflation linked gilts	1.9	
Total		**100**

** Figures are subject to rounding and excludes cash held in the UK bank account.*

The Trustees monitor the Scheme's asset allocation on an ongoing basis.

It is the Trustees' intention to invest future net contributions (ie gross contributions less benefit payments and expenses) in diversified growth funds.

The Trustees' policy on cash is to hold sufficient cash in current or deposit accounts to ensure that foreseeable short-term cash needs for payments to Scheme members can be met without incurring cost ineffective short-term investment/disinvestment expenses. A euro account is used to manage cash flow into and from European Property.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees consider a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumption made by the Trustees in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 4.8% pa.

In setting the strategy the Trustees take into account:

- the Scheme's investment objectives;
- the Scheme's cash flow requirements to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

Some of the Trustees' key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded, such as interest rate, inflation and currency, should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive[1] management, where available, is usually better value;
- long-term environmental (including climate change), social and economic sustainability is one factor that the Trustees consider when making investment decisions;
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Scheme returns; and

[1] Passive management includes a range of rules-based portfolio construction strategies

- costs have a significant impact on long-term performance.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

The Trustees have signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The investment managers to whom discretion has been delegated will exercise their powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in the Trustees' assessment of their investment managers, the Trustees do not explicitly monitor portfolio turnover. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

It is expected that, for the foreseeable future, the Scheme's net contributions / cash flow will be negative. The Trustees have therefore, on the investment adviser's recommendation, switched a number of the Scheme's investments to distributing funds which is expected to eliminate or mitigate the Scheme's negative net cash flow position. If further cash is required for benefit payments and other outgoings the Trustees will, with input from the investment adviser, inform the investment managers of any further liquidity requirements.

7. Consideration of financially material and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice. Managers are required to be able to demonstrate how they measure the ESG performance of their funds.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees do not take into account any non-financial factors (ie factors not motivated by considerations of financial risk and return) when making investment decisions.

8. Stewardship

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity but they do seek to engage with current and prospective investment managers, including on ESG and stewardship matters. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the

Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

When reviewing an existing manager's ESG and Stewardship capabilities, the Trustees rely on the assessment and scores provided by their investment adviser. Managers whose scores are low or moderate are reviewed in more detail and the reasons for those scores are typically followed up by the Trustees or by their adviser.

When appointing a new investment manager, the Trustees require the manager to be a signatory to the Principles for Responsible Investment ("PRI").

For and on behalf of the Trustees of the Asahi Glass Fluoropolymers Pension Scheme:

Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that the division of responsibility allows for efficient operation and governance of the Scheme overall. The Trustees' investment powers are set out within the Scheme's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments:
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustees with regular information concerning the management and performance of those assets held on the platform.

3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation, as agreed with the Trustees:
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustees in reviews of this SIP.

5. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustees have agreed Terms of Business with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and the platform provider receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers. The Trustees have chosen to hold their investments via an investment platform to further reduce investment management fees.

The Trustee Board includes a professional trustee who is remunerated by the sponsoring employer for his role. The other Trustees are not remunerated for their Trustee work.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Scheme. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the Scheme's employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and employer work together collaboratively.

Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Scheme in order to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their long-term objectives before attainment of those objectives is seriously impaired. The Trustees aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

The Trustees consider that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Scheme should generate an appropriate target return so that it has adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was key consideration when determining the Scheme's investment arrangements and is monitored by the Trustees on a regular basis.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual and may also undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

2.4. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. The Trustees are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income generating assets, where appropriate.

2.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

2.6. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustees when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, the Trustees ensure that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.7. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in LDI via pooled funds. The Trustees manage their exposure to credit risk by only investing in pooled funds that have well a managed collateral management process.

2.8. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustees manage the amount of currency risk by investing some of the Scheme's assets in pooled funds that hedge currency exposure.

2.9. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds or interest / inflation rate swaps via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities.

The net effect of the Trustees' approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

2.10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements as part of their assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Scheme's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Platform and investment manager arrangements

Details of the investment managers, their objectives, investment guidelines and custody arrangements are set out below.

1. Platform provider

The Trustees have selected Legal and General Assurance (Pensions Management) Limited as the Scheme's platform provider. The investment platform (the "LGIM platform") is used to hold all L&G and BMO assets.

2. Legal & General Investment Management Limited ("L&G")

The Trustees have selected L&G as the investment manager for the Scheme's equity and bond assets, which are split into the Equity Portfolio and the Bond Portfolio respectively.

The Equity Portfolio

The benchmarks for each of the funds within the Equity Portfolio are as follows:

Asset class	Benchmark holding (%)	Benchmark Index
UK equities	n/a	FTSE All Share
Overseas equities	n/a	
North America – unhedged	n/a	FTSE World North America
Europe (ex UK) – hedged	n/a	FTSE World Europe (ex UK) Hedged
Europe (ex UK) – unhedged	n/a	FTSE World Europe (ex UK)
Pacific Basin (ex-Japan) – hedged	n/a	FTSE World Developed Asia Pacific (ex-Japan) Hedged
Pacific Basin (ex-Japan) – unhedged	n/a	FTSE World Developed Asia Pacific (ex-Japan)
Emerging markets	n/a	
Global emerging markets	n/a	S&P IFC Investable Composite Emerging Markets
World emerging markets	n/a	FTSE World All Emerging
Total	**100**	

L&G's objectives in respect of the Equity Portfolio are to track, at both the individual asset class level, and at the portfolio level, the total return on the relevant benchmark index / composite benchmark within acceptable limits.

The funds are priced weekly. The funds are open-ended and are unlisted.

L&G is not required to rebalance between the Equity Portfolio asset classes in the table above.

The Bond Portfolio

The Bond Portfolio with L&G is invested as follows:

Asset class	Benchmark holding (%)	Benchmark index
UK Index-linked gilts	100	FTSE A Index-Linked (Over 5 Year) Index
Total	**100**	

The investment objective for the index linked gilts is to perform in line with the relevant index within acceptable limits.

The fund is priced weekly. The fund is open-ended and is unlisted.

Collateral funds

To help manage the collateral for the Scheme's LDI funds, the following funds have been added to the LGIM platform.

Fund	Objective
LGIM Sterling Liquidity Fund	To provide diversified exposure and a competitive return in relation to 7 Day LIBID
LGIM Absolute Return Bond Fund	To exceed the ICE BofA Sterling 3-Month Deposit Offered Rate Constant Maturity Index by 1.50% pa over a rolling three-year basis (before fees)
LGIM Diversified Fund	To provide long-term investment growth through exposure to a diversified range of asset classes

3. BMO Global Asset Management ("BMO")

BMO is the investment manager for the Scheme's liability driven investment portfolio which is invested via BMO's Real Dynamic LDI Fund and Nominal Dynamic LDI Fund which are designed to help manage the Scheme's overall level of protection (hedging) against changes in interest rates and inflation expectations. The Trustees also hold investments in BMO's Liquidity Fund and Absolute Return Bond Fund. BMO's objectives for each fund are as follows:

Fund	Objective
Real Dynamic LDI Fund	Provide a hedge against real rate liabilities (ie nominal and inflation risks inherent in the liabilities) through the investment manager's use of a number of hedging assets.
Nominal Dynamic Fund	Provide a hedge against nominal rate liabilities (ie nominal risks inherent in the liabilities) by the investment manager's use of a number of hedging assets.
Absolute Return Bond Fund	Provide a vehicle that will maintain high levels of liquidity, preserve capital with a return objective of LIBOR + 3% gross of fees.
Sterling Liquidity Fund	Provide a vehicle that will maintain high levels of liquidity, preserve capital and generate a return in line with the GBP 7-Day LIBID.

The funds are priced daily. The funds are open-ended and are unlisted.

4. Newton Investment Management Limited ("Newton")

The Trustees have selected Newton as one the Scheme's diversified growth investment managers.

The target return of the Newton Real Return Fund is 1-month LIBOR + 4% pa before fees (ie cash plus 4%), over rolling five-year periods.

The fund is priced weekly. The fund is open-ended and is unlisted.

5. Schroder Investment Management ("Schroders")

The Trustees have selected Schroders as the investment manager for the Scheme's European Property Portfolio.

The selected Schroders European property fund, (the Schroder Continental European Fund II) aims to produce an internal rate of return of 8%-10% pa over the long-term, net of fees and costs.

The fund is priced quarterly. The fund is close-ended and is unlisted.

6. Baillie Gifford & Co Limited ("Baillie Gifford")

The Trustees have selected Baillie Gifford as one the Scheme's diversified growth investment managers.

The objective of the Baillie Gifford Multi-Asset Growth Fund is to deliver 3.5% pa ahead of UK base rates (net of fees) over rolling five year periods.

The fund is priced daily. The fund is open-ended and is unlisted.

7. J.P. Morgan Investment Management Inc ("JPMorgan")

The Trustees have selected JPMorgan as an investment manager for the Scheme's infrastructure investment.

The selected JPMorgan Infrastructure Investments Fund has a target return of 8%-12% pa (in dollar terms) over a five to seven-year period.

The fund is priced quarterly. The fund is denominated in US dollars on an un-hedged basis.

8. M&G Investment Management Limited ("M&G")

The Trustees have selected M&G as an investment manager for the Scheme's asset backed security investment and long lease property investment.

The selected M&G Credit Opportunity Fund has an investment objective to generate a net income of approximately 3-Month LIBOR plus 1-3% pa. The fund is valued monthly.

The selected M&G Secured Property Income Fund has an informal investment objective to outperform RPI by 4% pa (gross of fees) over the medium to long term. The fund operates a quarterly "vintage" process, whereby commitments from investors who subscribed for units in earlier vintages must be fully drawn before later vintages. Monthly redemptions are available subject to one month's notice.