Avis UK Pension Plan

Defined Benefit Section

Statement of Investment Principles

December 2021

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Avis UK Pension Plan (the 'Plan').

The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Plan is closed to new entrants.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustee must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Plan.

This SIP also reflects the Myners principles for institutional investment decision-making, which require Trustee Boards to act in a transparent and responsible manner.

The Trustee is responsible for all aspects of the operation of the Plan including this SIP.

In agreeing their investment strategy, the Trustee has had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Plan's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.
- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustee has taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustees' approach to investment matters within the AVC arrangements is included within this SIP.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Plan. The Trustee draws on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustee has obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and has consulted the Sponsoring Employer.

This SIP was provided to the Plan's investment managers for comment at the preparation stage and they are expected to act in line with the guidelines and constraints set out in their appointment documentation.

History and review

The Trustee will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Plan's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Plan members on request.

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Investment governance structure

The Trustee has formed a Joint Investment Committee ('JIC') comprising Trustee representatives and representatives of the Sponsoring Employer. The JIC may take decisions regarding the implementation of the Trustee's investment policy as recorded in the SIP, but may not modify the Trustee's investment policy. All decisions taken by the JIC must be ratified during a Trustee only section of a JIC meeting, excluding representatives of the Sponsoring Employer. The Trustee has agreed, and may amend from time to time, the Terms of Reference for the JIC.

All investment decisions relating to the Plan are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustee will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. The Trustee purchased a buy-in policy with Just Retirement in June 2017. For the remaining assets, the Trustee has decided to invest primarily in pooled funds. For some of these, investment management agreements and/or an insurance contract have been exchanged with the investment managers. For others, the Trustee has subscribed to a fund based on the prospectus or other governing documentation. The managers are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Plan, and appropriately diversified.

Investment strategy and objectives

The Plan's investment strategy has been agreed by the Trustee having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Plan's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy is based on an analysis of the Plan's liability profile, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustee is prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

The Trustee's primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve long-term growth sufficient to provide the benefits from the Plan.
- To achieve an appropriate balance between risk and return with regards to the cost of the Plan and the security of the benefits.

The Trustee has translated their objectives into a suitable strategic asset allocation benchmark for the Plan, details of which are included in Appendix 1.

In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the Plan's Investment Implementation Document.

The Trustee is responsible for reviewing both the Plan's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Plan's investment consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The Trustee considers the Plan's current strategic asset allocation to be consistent with the current financial position of the Plan. This assessment has been updated with reference to the Technical Provisions set out in the Plan's Statement of Funding Principles using the results of the 2020 actuarial valuation. The 'Technical provisions' is the value of the Plan's liabilities for funding purposes as at the latest available Plan-specific actuarial valuation date, being 31 March 2020.

The Trustee's policy in relation to the kinds of investments to be held

The Trustee has full regard to their investment powers as set out in Rule 4/Clause 4.1 of the Trust Deed and Rules dated 21 December 2010.

The Plan may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities
- Fixed interest and index-linked bonds
- Cash
- Property
- Private equity, debt and infrastructure funds
- Hedge funds
- Pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes
- Buy-in policies

The Trustee has considered the relevant factors of the various asset classes (including derivative instruments), these include:

- Security (or quality) of the investment
- Yield (expected long-term return)
- Spread (or volatility) of returns
- Term (or duration) of the investment
- Exchange rate risk
- Marketability/liquidity (i.e. the tradability on regulated markets)
- Taxation

The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Plan. The Plan invests (mostly) in pooled funds, other collective investment vehicles and cash. The Trustee has made the decision to invest the majority of assets in pooled funds because:

- The Plan is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustee to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

The Trustee's policy in relation to the balance between different kinds of investments

The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each asset class, each manager will maintain a diversified portfolio of securities. Further details are set out in the Plan's Investment Implementation Document.

The Trustee's policy in relation to the expected return on investments

The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach/maintain a fully funded status under the agreed assumptions.

The Trustee's policy in relation to the realisation of investments

In the event of an unexpected need to realise a major part of the assets of the portfolio, the Trustee requires the investment managers to be able to realise a proportion of the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The majority of the assets are not expected to take an undue time to liquidate.

The Trustee's policy in relation to financially material considerations

The Trustee takes account of identified financial material risks and opportunities, in consultation with its advisers. Such risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of the Plan's investment time horizon and objectives. The Trustee will progressively consider sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance ('ESG') considerations, including climate change, in the context of this broader risk management framework.

Correspondingly, the Trustee expects its investment managers to take into account such considerations (including climate change and other ESG considerations).

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment adviser, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.

Within the passive equity allocation, the Trustee has made an allocation to an ESG fund that explicitly takes ESG criteria into account (using both exclusions and 'tilting' of the portfolio).

The Trustee’s policy in relation to the extent to which non-financial matters are taken into account

The Trustee’s objective is that the financial interests of the Plan members is their first priority when choosing investments. The Trustee will take members’ preferences into account if it considers it practicable and appropriate to do so.

Non-financial matters may be taken into account if the Trustee has good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members’ financial interests.

Risk capacity and risk appetite

The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Plan.

Subject to their respective benchmarks and guidelines (shown in the Investment Implementation Document) investment managers are given full discretion over the choice of individual investments and are expected to maintain diversified portfolios.

The Trustee periodically satisfies itself that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee is therefore satisfied that the range of vehicles in which the Plan’s assets are invested provides adequate diversification.

The Trustee’s policy in relation to risks

The Trustee considers the main risk to be that of the assets being insufficient to meet the Plan’s liabilities as they fall due. The Trustee has assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Plan’s Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining their investment strategy, the Trustee received advice from the investment consultant as to the likely range of funding levels for strategies with differing levels of investment risk relative to the Plan’s liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 has been adopted.

Although the Trustee acknowledges that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the risks:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Plan having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Plan’s Sponsoring Employer to meet its obligations.

The Trustee manages and measure these risks on a regular basis via actuarial and Investment reviews, and in the setting of investment objectives and strategy.

The Trustee undertakes monitoring of the investment managers' performance against their targets and objectives on a regular basis.

Each fund in which the Trustee invests has a stated performance objective against which investment performance will be measured. These are shown in the Investment Implementation Document. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

The Trustee monitors the overall asset allocation. Any material deviation from the target asset allocation will be discussed with the investment consultant.

Stewardship in relation to the Plan's assets

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through its investment managers.

The Trustee's policy in relation to engagement and monitoring (including peer to peer engagement)

The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustee's policy in relation to voting rights

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

The Trustee's policy in relation to the UK Stewardship Code

The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

Investment management monitoring

The Trustee will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee with the assistance of the investment consultant.

The investment managers will provide the Trustee with quarterly statements of the assets held along with a quarterly performance report. The investment managers will also report orally on request to the Trustee.

The investment managers will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Plan as and when they occur.

The Trustee receives an independent investment performance monitoring report from the investment consultant on a quarterly basis.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

The Trustee’s policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee’s policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee’s policies**

  The Trustee has delegated the day to day management of the majority of the Plan’s assets to investment managers. The majority of the Plan’s assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

  The Trustee, in conjunction with their investment consultant, appoints their investment managers to meet specific Plan policies. They expect that their investment managers make decisions based on assessments about the financial of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan’s performance) over an appropriate time horizon.

- **How the method (and time horizon) of the evaluation of the investment manager’s performance and the remuneration for asset management services are in line with the Trustee’s investment policies**

  The Trustee expects their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

  If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee’s policies, it will make its concerns known to the investment manager and may ultimately disinvest.

  The Trustee pays their investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

Prior to agreeing a fee structure, the Trustee, in conjunction with their investment consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

  The Trustee, in conjunction with their investment consultant, has processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Plan.

  The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

  The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

  The Trustee does not in general enter into fixed long-term agreements with their investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Employer-related investments

The Trustee will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, are monitored. The Trustee has delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment managers.

Additional voluntary contributions (AVCs)

The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Plan for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustee, having taken appropriate written advice from their investment advisers.

The Trustee makes available the following investment option for the members' AVCs:

AVC provider	**Investment options**
Clerical Medical	With Profits

In selecting this range of funds offered the Trustee has taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustee's responsibilities in the selection and monitoring of the investment options offered.

The Trustee will continue to manage the AVC arrangements having taken professional advice on these matters. The Trustee will monitor the performance of AVC providers periodically.

Members are directed to seek independent financial advice when considering their AVC arrangements.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

Trustee

The Trustee's primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment managers.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Plan's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the investment consultant.
- Assessing the processes and the performance of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustee in respect of the Plan's equity holdings.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustee in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustee.
- Advising the Trustee on the selection and review of the investment managers.
- Providing training or education on any investment related matter as and when the Trustee sees fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Providing the Trustee with quarterly reports and a review of the investment performance of their portfolio.
- Meetings with the Trustee as and when required.
- Informing the Trustee of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Custodians

The custodians' responsibilities include the safe-keeping of the Plan's assets in respect of which they are responsible.

- The custodianship arrangements are those operated by the investment managers for all clients investing in their pooled funds.

Administrators

- The administrator's primary responsibilities are the day to day administration of the Plan and the submission of specified statutory documentation, as delegated by the Trustee.
- The Plan's administrator is XPS Administration.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Plan's investment strategy given the financial characteristics of the Plan.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan's funding level and therefore the appropriate level of contributions in order to aid the Trustee in balancing short-term and long-term investment objectives.

  The Scheme Actuary is Richard Campbell of Willis Towers Watson.

Compliance

Signed on behalf of Avis Pension Trustees Limited:	
Full name	Claire Hook
Signature	C.H.
Date	08/02/2022

Appendix 1 – Strategic benchmark and objectives

Plan's target asset allocation

The Plan's target asset allocation (for the assets excluding the buy-in policy) is tabulated below:

Asset Class	Benchmark Index	Target Allocation %
UK Equity	FTSE All Share (5% Capped)	3.8
Overseas Equity	Composite	8.6
Global Minimum Volatility Equity	MSCI World Minimum Volatility	5.9
Global ESG Equity	Solactive L&G ESG Global Markets Index – GBP Hedged	6.1
Unlisted Infrastructure	N/A	6.1
Listed Infrastructure	FTSE MFG Core Infrastructure	6.1
Private Debt	N/A	11.6
Multi Sector Credit	LIBOR +3-5%	12.2
UK Bonds	iBoxx £ Non-Gilts All Maturities Index	11.6
LDI	Market iBoxx Real / Fixed Long	28.0
Total		**100.0**

The overseas equity benchmark composite index is composed of: 23.2% FTSE Developed North America – GBP Hedged, 7.6% FTSE Developed Europe (ex UK), 23.2% FTSE Developed Europe (ex UK) – GBP Hedged, 16.2% FTSE Japan – GBP Hedged, 14.2% FTSE Developed Asia Pacific (ex Japan), 15.6% S&P/IFCI Composite Global Emerging Markets.

AvisUK Pension Plan

Investment Implementation Document

October 2021

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This document sets out the Strategic Benchmark and Objectives adopted by the Trustee of the Avis UK Pension Plan and should be read in conjunction with the Statement of Investment Principles dated October 2021.

Strategic Benchmark and Objectives

Plan’s target asset allocation:

The strategic target asset allocation for the Plan is set out below, followed by the investment managers’ underlying benchmarks.

Asset Class	Benchmark Index	Target Allocation %
UK Equity	FTSE All Share (5% Capped)	4.5
Overseas Equity	Composite	12.6
Global Minimum Volatility Equity	MSCI World Minimum Volatility	7.3
Unlisted Infrastructure	N/A	6.1
Listed Infrastructure	FTSE MFG Core Infrastructure	6.1
Private Debt	N/A	11.6
Multi Asset Credit	LIBOR +3-5%	12.2
UK Corporate Bonds	iBoxx £ Non-Gilts All Maturities Index	11.6
LDI	Market iBoxx Real / Fixed Long	28.0
Total		**100.0**

The overseas equity benchmark composite index is composed of: 0.80% FTSE Developed North America, 2.35% FTSE Developed North America – GBP Hedged, 0.80% FTSE Developed Europe (ex UK), 2.35% FTSE Developed Europe (ex UK) – GBP Hedged, 0.80% FTSE Japan, 2.30% FTSE Japan – GBP Hedged, 1.60% FTSE Developed Asia Pacific (ex Japan), 1.60% S&P/IFCI Composite Global Emerging Markets.

The Trustee agreed a phased approach to implementing this strategy, that is expected to be largely complete by July 2022.

The Trustee may deviate from the long-term policy on a tactical basis where appropriate.

Investment Manager Asset Allocation Targets

LGIM passively manages UK and overseas equity investments on behalf of the Plan. The target allocation and control ranges set for LGIM are as follows:

Fund	Benchmark Index	Target Allocation %	Control Range ±%
UK Equity (5% Capped) Passive [1]	FTSE All Share (5% Capped)	18.7	2.00
North America Equity Index	FTSE Developed North America	3.2	0.50
North America Equity Index – GBP Hedged	FTSE Developed North America – GBP Hedged	9.6	1.00
Europe (ex UK) Equity Index	FTSE Developed Europe (ex UK)	3.2	0.50
Europe (ex UK) Equity Index – GBP Hedged	FTSE Developed Europe (ex UK) – GBP Hedged	9.6	1.00
Japan Equity Index	FTSE Japan	3.2	0.50
Japan Equity Index – GBP Hedged	FTSE Japan – GBP Hedged	9.6	1.00
Asia Pacific (ex Japan) Developed Equity Index	FTSE Developed Asia Pacific (ex Japan)	6.4	0.50
Global Emerging Markets Equity Index	S&P/IFCI Composite Global Emerging Markets	6.4	0.50
MSCI World Minimum Volatility Index	MSCI World Minimum Volatility	30.0	3.00
Total		**100.00**	**-**

[1] The LGIM UK Equity (5% Capped) Passive Fund aims to restrict the weighting in each individual stock whose weight is above 5% of the index to 5% of the index. All remaining UK stocks are managed in proportion to their weightings in the FTSE All Share Index.

LGIM also manages the following mandates in separate sub-policies:

- a passive listed infrastructure mandate which includes the LGIM Infrastructure Equity MFG Fund (currency hedged). The Infrastructure Equity MFG Fund tracks a global infrastructure equity index created by Magellan Financial Group (“MFG”).

- a passively managed LDI mandate which includes the LGIM Matching Core Real Long Duration Fund and the LGIM Matching Core Fixed Long Duration Fund.

- A cash mandate which includes the LGIM Sterling Liquidity Fund for investment in short-term cash.

RLAM actively manages sterling fixed income investments on behalf of the Plan in the UK Corporate Bond Fund.

M&G actively manages multi-sector credit investments on behalf of the Plan. The mandate is invested in the M&G Alpha Opportunities Fund and the M&G Total Return Credit Investment Fund.

Barings actively manages investments in credit assets that are not traded on public markets, in the Barings European Private Loan Fund II.

JP Morgan actively manages investments in unlisted infrastructure that are not traded on public markets, in the JP Morgan Infrastructure Investments Fund.

Pemberton actively manages investments in credit assets that are not traded on public markets. The mandate is invested in the Pemberton Mid-Market Debt Fund III.

Investment Manager Performance Targets

LGIM aims to track the respective benchmark index for each asset class, before fees, within a target tracking error (”TTE”) for two years out of three. The TTEs for each fund are detailed below:

Fund	Benchmark Index	TTE ±%
UK Equity (5% Capped) Passive	FTSE All Share (5% Capped)	0.25
North America Equity Index	FTSE Developed North America	0.50
North America Equity Index – GBP Hedged	FTSE Developed North America – GBP Hedged	0.50
Europe (ex UK) Equity Index	FTSE Developed Europe (ex UK)	0.50
Europe (ex UK) Equity Index – GBP Hedged	FTSE Developed Europe (ex UK) – GBP Hedged	0.50
Japan Equity Index	FTSE Japan	0.50
Japan Equity Index – GBP Hedged	FTSE Japan – GBP Hedged	0.50
Asia Pacific (ex Japan) Developed Equity Index	FTSE Developed Asia Pacific (ex Japan)	0.75
Global Emerging Markets Equity Index	S&P/IFCI Composite Global Emerging Markets	1.50
MSCI World Minimum Volatility Index	MSCI World Minimum Volatility	0.75

LGIM’s objective for the LGIM Infrastructure Equity MFG Fund is to provide diversified exposure to global listed infrastructure investments by producing a return broadly comparable to the FTSE MFG Core Infrastructure Index. There is no target tracking error.

The objective of the LGIM Matching Core Real Long Duration Fund is to track the Markit iBoxx Real Long Index and the objective of the LGIM Matching Core Fixed Long Duration Fund is to track the Markit iBoxx Fixed Long Index.

M&G has a performance objective for the Alpha Opportunities Fund which is a target return of one month LIBOR +3-5% p.a., gross of fees over a cycle. The target for the Total Return Credit Investment Fund is the same.

RLAM has a performance objective which is to outperform its benchmark (Markit iBoxx GBP Non Gilts index) by 0.50%% p.a. on a rolling 3-year basis, net of fees.

Barings European Private Loan Fund II targets a return net of fees of 7.0% to 8.0% p.a. in GBP terms.

JP Morgan Infrastructure Investments Fund targets a return net of fees of 8.0% to 12.0% p.a.

Pemberton Mid-Market Debt Fund III targets a return net of fees of 7.1% to 7.6% p.a. in GBP terms.

Fees

Investment manager fees

Manager	Fund	AMC % p.a.
LGIM [1]	UK Equity (5% Capped) Passive	0.11 for the first £10m; 0.085 for the next £10m; 0.07 for the next £30m; 0.06 for the balance over £50m
	North America Equity Index	0.20 for the first £1m; 0.175 for the next £1.5m; 0.15 for the next £7.5m; 0.125 for the next £20m; 0.10 for the £20m; 0.08 for the balance over £50m
	North America Equity Index – GBP Hedged	0.225 for the first £1m; 0.20 for the next £1.5m; 0.175 for the next £7.5m; 0.15 for the next £20m; 0.125 for the next £20m; 0.105 for the balance over £50m
	Europe (ex UK) Equity Index	0.25 for the first £1m; 0.225 for the next £1.5m; 0.20 for the next £7.5m; 0.175 for the next £20m; 0.15 for the next £20m; 0.125 for the balance over £50m
	Europe (ex UK) Equity Index – GBP Hedged	0.275 for the first £1m; 0.25 for the next £1.5m; 0.225 for the next £7.5m; 0.20 for the next £20m; 0.175 for the next £20m; 0.15 for the balance over £50m
	Japan Equity Index	0.225 for the first £1m; 0.20 for the next £1.5m; 0.175 for the next £7.5m; 0.15 for the next £20m; 0.125 for the next £20m; 0.10 for the balance over £50m
	Japan Equity Index – GBP Hedged	0.25 for the first £1m; 0.225 for the next £1.5m; 0.20 for the next £7.5m; 0.175 for the next £20m; 0.15 for the next £20m; 0.125 for the balance over £50m
	Asia Pacific (ex Japan) Developed Equity Index	0.275 for the first £1m; 0.25 for the next £1.5m; 0.225 for the next £7.5m; 0.20 for the next £20m; 0.175 for the next £20m; 0.15 for the balance over £50m
	Global Emerging Markets Equity Index	0.45 for the first £5m; 0.35 for the next £5m; 0.30 for balance over £10m
	MSCI World Minimum Volatility Index	0.25 for the first £5m; 0.225 for the next £10m; 0.20 for the next £35m; 0.175 for the balance over £50m
	Infrastructure Equity MFG – GBP Hedged	0.560 for all investments
	LDI – Matching Core Fixed Long	0.24 for the first £25m; 0.17 for the balance over £25m
	LDI – Matching Core Real Long	0.24 for the first £25m; 0.17 for the balance over £25m
	Sterling Liquidity Fund	0.125 for the first £5m; 0.10 for the next £5m; 0.075 for the next £20m; 0.05 for the balance over £30m
M&G	Alpha Opportunities	0.350
	Total Return Credit Investment	0.450

	Fund	
RLAM	UK Corporate Bond	0.300
Barings	European Private Loan Fund II	0.950
JP Morgan	Infrastructure Investments Fund	0.950 p.a. plus a performance fee of 15% of any outperformance over the hurdle return of 7% p.a.
Pemberton	Mid-Market Debt Fund III	1.000 for the first €75m; 0.950 for the next €125m; 0.900 for the next €150m; 0.850 for the balance over €350m. Plus a performance fee of 10% on any outperformance over 5% p.a..

Investment consultancy fees

The Investment Consultant is remunerated on a time cost basis, which is considered the most appropriate basis as the services required fluctuate year on year. The basis of remuneration is kept under review.