

A&P Group Pension Scheme

Statement of Investment Principles

February 2024

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the A&P Group Pension Scheme (the 'Scheme') across three sections: A&P Section, Falmouth Section and Ship Repairers Section (the 'Sections').

The Scheme 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 Scheme is closed to new entrants. The Scheme is closed to future accrual.

Regulatory requirements and considerations

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

This SIP also reflects The Pensions Regulator's investment guidance for trustees running pension schemes that offer defined benefits that was issued in March 2017 and subsequently updated in September 2019.

The Trustees are responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees 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 Scheme'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 Scheme.

Responsibilities and appointments

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

Consultation

In accordance with the Act, the Trustees have obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and have consulted A&P GH 2006 Limited ('the Principal Employer') and A&P Falmouth Limited, A&P Tyne Limited and A&P Ship Repairers Limited ('the Participating Employers'). However, it should be noted that neither the Trustees (nor any investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Principal Employer to exercise any investment power.

History and review

The Trustees 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 Scheme's liabilities. Once agreed, and after consultation with the Principal Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request. This SIP is also made publicly available free of charge online:

<https://www.ap-group.co.uk/compliance>

Previous versions of this SIP are dated:

May 2021

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Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure and will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

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

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. An insurance contract has been exchanged with the platform provider and is reviewed from time-to-time to ensure that the manner in which the investment managers make investments on behalf of the Trustees are suitable for the Scheme, and appropriately diversified.

Investment strategy and objectives

The investment strategies for each section of the Scheme have been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of each section's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy is based on an analysis of the section'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 Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

The Trustees draw primary objectives are:

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

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for each section of the Scheme, details of which are included in the appendices of this SIP.

In accordance with the Financial Services & Markets Act 2000, the Trustees are 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 appendices of this SIP.

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

The Trustees consider each section's current strategic asset allocation to be consistent with their current financial position. This assessment will be updated with reference to the Technical Provisions set out in the Scheme's Statement of Funding Principles once the 31 March 2024 actuarial valuation has been completed. "Technical provisions" is the value of the Scheme's liabilities for funding purposes as at the latest available Scheme-specific actuarial valuation date, being 31 March 2021.

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

The Trustees have full regard to their investment powers as set out in Part 1, Rule 6.1 of the Trust Deed and Rules dated 9 March 2015.

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

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- 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 of assets).
- Taxation.

The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Scheme. The Scheme invests in pooled funds, other collective investment vehicles and cash. The Trustees have made the decision to invest the majority of assets in pooled funds because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustees 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 Trustees have appointed a platform provider to manage the Scheme's assets. The platform provider is regulated under the Financial Services and Markets Act 2000 and has been selected in order to effect cost and operational efficiencies in the management of the assets.

The Trustees' 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 major market each manager will maintain a diversified portfolio of securities. Full details are set out in Appendix 1 of this SIP.

The Trustees' 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 a fully funded status under the agreed assumptions.

The Trustees' policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Scheme'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 Scheme. The majority of the assets are not expected to take an undue time to liquidate.

The Trustees' policy in relation to financially material considerations

The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees review, from time to time, each investment managers' policies in respect of financially material considerations.

The Trustees' policy in relation to the extent to which non-financial matters are taken into account

The Trustees' objective is that the financial interests of the Scheme members is their first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

Non-financial matters may be taken into account if the Trustees have 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 Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark for the Scheme for each asset class and or geographic region (see Appendix 1).

Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustees' policy in relation to risks

The Trustees considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustees have 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 Scheme's Technical Provisions, and with the need to avoid undue deficit contribution rate volatility.

In determining investment strategy, the Trustees received advice from the investment consultant as to the impact these strategies may have on future funding levels and as to the investment risk they entail, relative to the liability profile of each Section. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 of this SIP has been adopted.

Although the Trustees acknowledge that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme 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 Scheme's Principal and Participating Employers to meet its obligations.

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

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

Each fund in which the Trustees invest has a stated performance objective against which investment performance will be measured. These are shown in Appendix 1. 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 divergence of the actual distribution of the investments from the benchmark weighting for each fund will be monitored by the Scheme's investment managers while the divergence from the overall benchmark will be monitored by the Trustees. Any deviation from the target asset allocations will be discussed periodically with the investment consultant.

Stewardship in relation to the Scheme's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and voting, either directly or through each investment manager.

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

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to each investment manager and the Trustees expect the investment manager to use their discretion to maximise financial returns for members and others over the long term.

The Trustees recognise that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for short-term money market instruments, gilt and liability-driven investments.

The Trustees have not set out its own stewardship priorities but follow that of the investment managers.

The Trustees will engage with an investment manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the stewardship priorities identified by the Trustees from time to time.

If the Trustees find any investment manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustees' policy in relation to voting rights

The Trustees' 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. Each investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

Investment management monitoring

In addition to the stewardship activities described above, the Trustees 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 Trustees with the assistance of the investment consultant.

The Trustees access the investment managers via an investment platform and receives quarterly statements of the assets held along with a quarterly performance report from the platform provider. The investment managers will also report orally on request to the Trustee. The platform provider will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

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

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

The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

The Trustees receive 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 Trustees' policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' 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 trustees' policies**

The Trustees have delegated the day to day management of the Scheme's assets to investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the platform provider, 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 Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees also expect their investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

- **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 trustees' investment policies**

The Trustees expect 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 Trustees review 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 Trustees determine that the investment manager is no longer managing the assets in line with the Trustees policies they will make their concerns known to the investment manager and may ultimately disinvest.

The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management. The fees are detailed in Appendix 2.

Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider 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 Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustees expect 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 Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe 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 Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect 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 Trustees will not make direct investments in the Principal Employer's own securities. The amount of the Principal Employer's securities, owned by pooled investment vehicles invested in, are monitored. The Trustees have delegated the responsibility for the exercising of any voting rights attached to any Principal Employer investment held to the investment managers.

Additional voluntary contributions (AVCs)

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

The Trustees make available the following range of investment options for the members' AVCs:

Falmouth Section:

AVC provider	Investment options
Prudential	S3 Cash Pen
	Dynamic Global Equity Passive Fund
	Dynamic Growth IV Fund
	Blackrock World (ex-UK) Equity Index Fund

Ship Repairers Section:

AVC provider	Investment options
Standard Life	Pension Millennium With Profits Fund
	Pension With Profits Fund

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

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

The Trustees will continue to manage the AVC arrangements having taken professional advice on these matters.

The Trustees 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 Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultant is Buck Consultants (Administration & Investment) Limited.
- The investment managers are detailed in Appendix 1 of this SIP.
- The platform provider is Legal & General Investment Only Platform.
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Mark van den Berghen of Buck Consultants (Administration & Investment) Limited.

Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Principal 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 an investment consultant and investment managers as necessary for the good stewardship of the Scheme's assets.
- Setting objectives for the appointed investment consultant (and reviewing these at least every three years, and following any significant change to investment strategy), and reviewing the investment consultant's performance against these objectives at least annually.
- Reviewing the investment strategy as part of each triennial actuarial valuation, or asset liability modelling exercise, or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Reviewing the stewardship and voting policies of the investment managers and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.
- 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 Trustees in respect of the Scheme's equity holdings.

Investment consultant

The main responsibilities of the investment consultant include:

- Obtaining a copy of the Trustees' investment consultant objectives prior to undertaking work to ensure they understand the Trustees' requirements.
- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Principal Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of the platform provider and investment managers.
- Providing training or education on any investment related matter as and when the Trustees see fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers (held via the Platform provider)

The investment managers' liaise directly with the Platform provider and their main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the agreed guidelines and risk constraints.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Informing the Platform provider of proposed changes to any terms related to the management or administration of the funds.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

The Scheme's investment managers include those underlying Legal & General Investment Manager's 'wrapped funds' (detailed in the appendices to this SIP). For Legal & General's role as the platform provider, please see the following platform provider appointment and responsibilities.

Platform provider

The platform provider's main responsibilities include:

- Ensuring that investment of the Scheme's assets is compliant with prevailing legislation.
- Providing the Trustees with quarterly reports including any changes to their investment process.
- Attending meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.

The Scheme's platform provider is Legal & General Investment Only Platform. For Legal & General's role as an investment manager, please see the previous investment manager appointment and responsibilities.

Scheme Actuary

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

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

Compliance

The Scheme's SIP is available to members on request and is also made publicly available free of charge on the following website.

<https://www.ap-group.co.uk/compliance>

This SIP, taken as a whole with the appendices, supersedes all others and was approved by the Trustees.

Full name

Signature

Position

For and on behalf of The A&P Pension Scheme (All Sections)

Date

Full name

Signature

Position

For and on behalf of The A&P Pension Scheme (All Sections)

Date

Appendix 1 – Strategic benchmark and objectives

a) A&P Section

Scheme's target asset allocation

The Scheme's target asset allocation is tabulated below:

Asset type	Investment style	Allocation (%)
Equities	Passive	20.0
Gilts (Real & Nominal)	Passive	32.0
Corporate Bonds	Active	30.0
Buy & Maintain Credit	Active	15.0
Cash	Active	3.0

Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme's assets are invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

All funds are held on the L&G Investment Only Platform. The underlying managers are shown in the following table and includes external funds 'wrapped' by LGIM.

Underlying Manager	Fund	Benchmark index	Objective % p.a.
Royal London	UK Long Corporate Bond	Markit iBoxx GBP Non-Gilts Over 15 Years Index	Outperform the benchmark by 0.5% p.a. (net of fees) on a rolling 3 year basis
LGIM	Global Equity Fixed Weights (60:40) Index	Composite	Track respective benchmarks

Underlying Manager	Fund	Benchmark index	Objective % p.a.
	Active Corporate Bonds Over 10 Year	Markit iBoxx £ Non-Gilts Over 10 Years Index	Outperform the benchmark by 0.75% p.a. over a rolling 3 year period before fees
	Over 5 Year Index-Linked Gilts Index	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	Track the benchmark to within +/- 0.25% p.a. for 2 years out of 3
	5-15 Year Index-Linked Gilt	FTSE Actuaries UK Index Linked Gilts 5-15 Years Index	
	2040 Index-Linked Gilt	Treasury 0.625% 2040 Index Linked Gilt	
	2042 Index-Linked Gilt	Treasury 0.625% 2042 Index Linked Gilt	
	Over 15 Year Gilts Index	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	
	All Stocks Gilt Index	FTSE Actuaries UK Conventional Gilts All Stocks Index	
	Maturing Buy & Maintain Credit 2025-2029	N/A	N/A

Underlying Manager	Fund	Benchmark index	Objective % p.a.
	Maturing Buy & Maintain Credit 2030-2034		
	Sterling Liquidity Fund	SONIA	No specific target other than to provide income and liquidity

**b) Falmouth Section
Scheme's target asset allocation**

The Scheme's target asset allocation is tabulated below:

Asset type	Investment style	Allocation (%)
Equities	Passive	26.0
Emerging Market Multi-Asset	Active	12.0
Gilts (Nominal & Index-Linked)	Passive	19.0
LDI	Active	17.5
Equity Linked Bonds	Passive	5.0
Corporate Bonds	Active	4.0
Buy & Maintain Credit	Active	10.0
Cash	Active	6.5

Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme's assets are invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

Underlying Manager	Fund	Benchmark index	Objective % p.a.
Capital	Emerging Markets Total Opportunities	N/A	The fund seeks to provide long-term growth and preservation of capital with lower volatility of returns than emerging market equities by investing in equity and fixed income securities in eligible investment countries
Ninety One	Emerging Markets Multi-Asset	50% MSCI Emerging Markets Net Return; 25% JPMorgan GBI-EM Global Diversified; 25% JPMorgan EMBI Global Diversified Index	The fund does not seek to replicate the index but it is used for risk management and performance comparison
Columbia Threadneedle	UK Equity Linked Gilt	FTSE100	The objective is to provide capital growth with some income over the long term (at least 5 years)
	Overseas Equity Linked UK Gilt	CT Overseas Equity Linked UK Inflation (GBP) (PB)	
LGIM	Global Equity Fixed Weights (60:40) Index	Composite	Track respective benchmarks
	Active Corporate Bonds Over 10 Year	Markit iBoxx £ Non-Gilts Over 10 Years Index	Outperform the benchmark by 0.75% p.a. over a rolling 3 year

Underlying Manager	Fund	Benchmark index	Objective % p.a. period before fees
	Over 5 Year Index-Linked Gilts Index	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	Track the benchmark to within +/- 0.25% p.a. for 2 years out of 3
	Over 15 Year Gilts Index	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	
	Matching Core Fixed Short Duration	Mix of gilt and swap based benchmark	Designed for pension schemes
	Matching Core Fixed Long Duration	dependent on prevailing gilt and swap yields	seeking simple access to an LDI solution to reduce funding level volatility caused by changes in interest rates and inflation.
	Matching Core Real Short Duration		
	Matching Core Real Long Duration		
	Maturing Buy & Maintain Credit 2025-2029	N/A	N/A
	Sterling Liquidity Fund	SONIA	No specific target other than to provide income and liquidity

c) Ship Repairers Section

Scheme's target asset allocation

The majority of the Ship repairers Section assets are held in insurance policies that aim to secure the future payment of member benefits. These policies are excluded from the Section's other assets detailed below.

Asset type	Investment style	Allocation (%)
Cash	Active	100.0

Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme's assets are invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

Manager	Fund	Benchmark index	Objective % p.a.
LGIM	Sterling Liquidity Fund	SONIA	No specific target other than to provide income and liquidity

Appendix 2 – Fees

Investment manager fees

Underlying Manager	Fund	Investment style	Management fee % p.a.
Capital	Emerging Markets Total Opportunities*	Active	0.630% p.a.
Ninety One	Emerging Markets Multi-Asset*		0.680% p.a.
Columbia Threadneedle	UK Equity Linked Gilt*	Passive	0.280% p.a.
	Overseas Equity Linked UK Gilt*		0.280% p.a.
Royal London	UK Long Corporate Bond*	Active	0.330% p.a.
LGIM	Active Corporate Bonds Over 10 Year		0.250% p.a.
	Global Equity Fixed Weights (60:40) Index	Passive	0.160% p.a.
	Over 5 Year Index-Linked Gilts Index		0.100% p.a.
	5-15 Year Index-Linked Gilt		
	2040 Index-Linked Gilt		
	2042 Index-Linked Gilt		
	Over 15 Year Gilts Index		

Underlying Manager	Fund	Investment style	Management fee % p.a.
	All Stocks Gilt Index		
	Matching Core Fixed Short Duration		0.240% p.a. for the first £25m 0.170% p.a. for the balance above £25m
	Matching Core Fixed Long Duration		
	Matching Core Real Short Duration		
	Matching Core Real Long Duration		
	Maturing Buy & Maintain Credit 2025-2029	Active	0.150% p.a.
	Maturing Buy & Maintain Credit 2030-2034		
	Sterling Liquidity Fund		0.125% p.a.

**The fees set out above for Legal & General Investment Only Platform. LGIM Wrapped External Manager Funds are inclusive of the 0.03% p.a. platform hosting free which is charged to meet the platform provider's administration costs from construction and on-going maintenance of these funds.*

Investment consultancy fees

The investment consultant provides agreed services on a fixed fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.