

Aircelle Pension Scheme

Statement of Investment Principles

Investment objective

The Trustee invests the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles, and the Scheme's funding position will be formally reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme's circumstances.

The Scheme's present investment objective is to achieve a return of around 1.5% per annum above the return on long-dated fixed interest UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities).

Investment strategy

The Scheme's present strategy is to invest according to the following broad asset allocation:

Asset Class	Proportion %	Expected Return (relative to fixed interest gilts) %
Asset-Backed Securities	10.0	1.0
Absolute Return Bonds	10.0	1.5
Semi-Liquid Credit	12.5	3.5
Multi-Asset Credit	12.5	2.6
Long Lease Property	15.0	2.5
Liability Driven Investment + Cash/Collateral	40.0	0.0
Total	100.0	1.5

The expected returns shown in the above table represent long-term expectations of asset classes as a whole, determined as at 31 December 2024. Short-term returns in some asset classes may exhibit considerable variability.

The above investment strategy was derived from careful consideration of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustee considered the merits of a range of asset classes, including various "alternative assets".

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments

admitted to trading on regulated markets.

Investment mandates

The Trustee has invested in pooled funds managed by the following investment managers.

Investment Manager	Benchmark Allocation (%)	Control Ranges (%)
Legal & General Investment Management (“Legal & General”) – Asset-Backed Securities	10.0	7.5 - 12.5
Legal & General Investment Management (“Legal & General”) – Absolute Return Bonds	10.0	7.5 - 12.5
Apollo Global Management (“Apollo”)	12.5	10.0 – 15.0
M&G Investment Management (“M&G”) – Multi-Asset Credit	12.5	10.0 – 15.0
M&G Investment Management (“M&G”) – Long Lease Property	15.0	10.0 – 20.0
Legal & General Investment Management (“Legal & General”) – Liability Driven Investment and Cash*/Collateral	40.0	30.0 – 50.0

*Cash allocation includes LGIM Sterling Liquidity Fund

Apollo, Legal & General and M&G are regulated by the Financial Conduct Authority.

All decisions about the day-to-day management of the assets have been delegated to the fund manager via a written agreement. This delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments, although the Trustee will in advance explain to their investment managers what they consider to be most significant votes in line with the Scheme’s stewardship priorities;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes fund managers’ policies in the above respects into account when selecting and monitoring managers. The fund manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

In 2010 the Financial Reporting Council set out a series of seven principles known as the Stewardship Code to provide a framework for good practice for institutional investors who directly manage assets. The Trustee is supportive of the Stewardship Code and will monitor their fund managers’ compliance with the code.

The fund managers' remuneration is based upon a percentage value of the assets under management and a performance fee element where applicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the fund manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Leverage and collateral management

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's LDI portfolio.

The Trustee has a stated collateral management policy. The Trustee has agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustee will review this policy framework on a regular basis.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> The Trustee receives a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. The Scheme's investment managers are invited, in person, when deemed appropriate to present to the Trustee on their performance, strategy and risk exposures. 	<ul style="list-style-type: none"> There are significant changes made to the investment strategy. The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. The Trustee receives information from its investment advisers on the investment managers' approaches to engagement. The Trustee will engage, via its 	<ul style="list-style-type: none"> The manager has not acted in accordance with their policies and frameworks (including stewardship priorities). The manager's stewardship policies and priorities are not in line with the

	<p>investment adviser, with investment managers and/or other relevant persons about relevant matters (including the Scheme’s stewardship priorities) at least annually. The Trustee will share any agreed stewardship priorities to ensure alignment in voting and engagement activity.</p>	<p>Trustee’ policies and any priorities in this area.</p>
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Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies where appropriate. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager’s appointment and will consider terminating the arrangement.

Employer-related investments

The Trustee’s policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme’s value.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. These include the pooled vehicles available for members’ AVC contributions through arrangements with Utmost Pensions and Threadneedle. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of fund managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee’s investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser’s remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

The Trustee has established an Investment Sub-Committee to monitor the operation of the Scheme’s investment strategy, make day-to-day decisions as necessary for the smooth running of the Scheme, and make recommendations to the Trustee on overall strategy. This structure has been established in order to ensure that decisions are taken by those who have the appropriate training and expertise.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Date: May 2025

Signed: Aircelle Pension Scheme Trustee Limited on behalf of Aircelle Pension Scheme

Appendix 1: Manager Objectives

Legal & General – Asset Backed Securities

The Scheme invests in the LGIM US Securitised Credit Fund. The Fund focuses on investments of high credit quality with a bias towards Collateral Loan Obligations and Auto Asset Backed Securities. The Fund's benchmark is the Secured Overnight Financing Rate with an objective of 1.0% outperformance of this benchmark.

Legal & General – Absolute Return Bonds

The Scheme invests in the LGIM Absolute Return Bonds Fund, which operates at the lower end of the risk/return spectrum and acts as a second-tier collateral asset backing the Scheme's Liability Driven Investment mandate. The Fund's benchmark is SONIA + 1.25% p.a. (net of fees) over rolling 3-year period.

Apollo Total Return Fund – Semi Liquid Credit

The Scheme invests in the Apollo Total Return Fund. The Fund aims to achieve enhanced returns versus traditional fixed income portfolios over multi-year cycle via a flexible mandate. The objective of the fund is credit spreads of 400 - 550bps over a market cycle. The Fund utilises the best ideas from across the Apollo credit platform, from conventional liquid high yield bonds and leverage loan assets to alternative assets such as structured credit and commercial real estate debt.

M&G – Multi-Asset Credit

The Scheme invests in the Total Return Credit Investment (TRCI) Fund. M&G's performance objective is to maximise total return by investing in a range of debt and debt-like assets to construct a diversified credit mandate. Their performance objective is to outperform the return of the 1 month SONIA Index by 3.0-5.0% per annum (gross of fees) over a rolling three year basis.

M&G – Long Lease Property

The performance objective of the Secured Property Income Fund is to deliver an average net equity Internal Rate of Return ("IRR") to investors of 1.5% over UK gilts of equivalent duration, over the medium to long-term.

Legal & General – Liability Driven Investment ("LDI")

The Scheme invests an LDI mandate using a combination of Legal & General's Matching Core pooled fund range, each of which is based on a cashflow profile for a typical pension scheme. Legal & General's performance objective is to provide returns similar to the cashflow profile for a typical pension scheme by investing in a combination of swap and gilt instruments. The Fund also implements an automatic switching service whereby Legal & General have discretion to switch between swaps and gilts on a monthly basis if they determine there is a long-term benefit of doing so.

Legal & General will utilise leverage (typically 2 times) in order to help hedge a greater proportion of the Scheme's liabilities. The target split between Funds, as well as the proposed level of interest rate and inflation hedging, is expected to move over time as a result of market movements. The Trustee will monitor this on a quarterly basis.

The Scheme will utilise other Legal & General funds for the purposes of holding sufficient collateral to back the LDI exposure. This will typically be Cash and higher quality credit

funds with a short-duration as outlined in the collateral management policy in appendix 4.

Appendix 2: Manager Fee Structure

Legal & General – Asset Backed Securities

The Scheme will incur an investment management fee of 0.125% p.a. for the duration of the fund holding. This was discounted from 0.25%.

Legal & General – Absolute Return Bonds

The Scheme will incur an investment management fee of 0.25% p.a.

Legal & General – Sterling Liquidity Fund

The Scheme will incur an investment management fee of 0.125% p.a.

Apollo – Total Return Fund – Semi Liquid Credit

The Scheme will incur management fees of 0.675% p.a. This includes a discount of 0.10% p.a. as the Trustee has elected for a 2-year hard lock on the Scheme's investment.

M&G - Total Return Credit Investment Fund

The Scheme will incur an investment management fee of 0.50% p.a.

M&G - Secured Property Income Fund

The Scheme will incur an investment management fee of 0.50% p.a.

Legal & General – Matching Core Funds

The Scheme will incur an investment management fee of 0.24% p.a. on the first £25m of assets, and 0.17% p.a. on all assets above £25m.

Appendix 3 – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme’s position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> • Selecting an investment objective that is achievable and is consistent with the Scheme’s funding basis and the sponsoring company’s covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> • Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> • When developing the Scheme’s investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to their investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme’s assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge both directly and indirectly interest rate and inflation risk where it is deemed appropriate and affordable to so.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.

Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where practicable and affordable to do so.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. A track record of using engagement and any voting rights to manage ESG factors 2. ESG specific reporting 3. UN PRI Signatory 4. UK Stewardship Code signatory The Trustee monitors the manager on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge currency risk where possible on all assets that deliver a return through contractual income. Hedge currency risk where possible for non-contractual return generating assets, with the exception of any active manager strategies that chose not to hedge currency exposures.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters such as reputational risks or others as deemed appropriate are taken into account in the selection, retention or realisation of investments.

Appendix 4

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • The Trustee invests in pooled funds which are aligned to the strategic objective. It is recognised that due to the nature of pooled funds, there is not scope for these funds to be specifically tailored to the policies of the Trustee.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee reviews the investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers’ engagement and voting activity on an annual basis as part of the Implementation Statement for the Trustee report and accounts. This will first be conducted for the Scheme Accounts dated 31 December 2020. By doing this, it indirectly incentivises the investment managers to make decisions based on non-financial information.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews the performance of all the Scheme’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years. • Quarterly investment performance reports are produced documenting the performance of each of the Scheme’s investment managers. • Investment manager fees are reviewed periodically to ensure that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The investment managers are incentivised to minimise costs as they are measured on a net of cost basis. • Where relevant, portfolio turnover costs are considered periodically.
<p>The duration of the Scheme’s arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> ○ For closed ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or

	<p>lock-in is in line with the Trustee's objectives and Scheme's liquidity requirements.</p> <ul style="list-style-type: none"> ○ For open ended funds, the duration is flexible, and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy - How the Trustee expect investment managers to vote on their behalf	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. • The Trustee, via its investment advisers, will engage with managers about 'relevant matters' (including the Scheme's stewardship priorities) at least annually.
Collateral Management Policy	<ul style="list-style-type: none"> • The Trustee aims to maintain a minimum of 50% of LDI assets in liquid funds across the entire portfolio. • The current collateral waterfall in place to meet collateral calls from the Scheme's LDI manager (LGIM) is set in the order below: <ol style="list-style-type: none"> 1. Cash 2. Asset Backed Securities 3. Absolute Return Bonds • The M&G TRCI fund may also be used as collateral, if required. The Trustee recognises that this fund is managed separately from the LDI manager, and the assets will need to be sourced externally.