Belfast International Airport Limited Final Salary Pension Plan

Statement of Investment Principles

as required by the Pensions Act 1995 and the Pension Act 2004

December 2021

The Trustees confirm that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustees have considered written advice from the Investment Advisor prior to the preparation of this Statement and have consulted Belfast International Airport Limited, the Principal Employer, before agreeing this Statement and the investment strategy outlined in this document.

All day-to-day investment management decisions have been delegated to the Investment Managers, where the Investment Managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify and any self-investment.

This Statement of Investment Principles will be reviewed at least every three years, or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate, and following consultation with the Principal Employer.

1. Introduction

The Trustees of the Belfast International Airport Limited Final Salary Pension Plan ("the Plan") have drawn up this Statement of Investment Principles ("the Statement") to comply with the Pensions (Northern Ireland) Order 1995 (the Order), as amended by the Pensions Act 2004 and Occupational Pension Schemes (Investment) Regulations 2005. As required under the Order, the Trustees have obtained written advice from Deloitte Total Reward and Benefits Limited ("Deloitte").

The Trustees' investment responsibilities are governed by the Plan's Trust Deed. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their investment consultants. The day-to-day management of the assets of the Plan is delegated to professional investment managers, each of whom is authorised and regulated by the Financial Conduct Authority.

2. Investment Objectives

The Trustees' overall investment policy is guided by the following objectives:

- To seek to ensure that the Plan will be able to meet all its future benefit obligations as they fall due.
- To control the volatility of the Plan's funding level and Belfast International Airport Limited's (the "Sponsor") required contribution rate to the Plan.

The objectives highlight the need to balance meeting the obligations of the Plan while paying due regard to the pension cost to the Sponsor.

To achieve these objectives, the Trustees reconsider the appropriateness of the Plan's investment strategy following the results of each actuarial valuation and at other times as required. The Trustees decide on an appropriate investment strategy which is estimated to produce the required investment return whilst managing the risks outlined in section 3.

3. Risk Measurement and Management

There are various risks to which any pension scheme is exposed. The Trustees have identified the following risks:

- There may be a mismatch between the Plan's assets and the Plan's liabilities.
- There may be a shortfall of readily available liquid assets to pay pension and lump sum benefits in the short term ("cashflow risk"). There is a risk in holding assets that cannot easily be sold or which must be sold in unfavourable market conditions should the need arise.
- Inadequate diversification across asset classes or by holding excessive amounts in any one investment ("concentration risk"). The failure or underperformance of any of the investments could jeopardise the Trustees' ability to meet the objective if they constituted a significant proportion of the assets.
- Exposures to exchange rate movements when investing in overseas assets as all liabilities are in sterling ("currency risk").

- The impact of changes in market gilt and corporate bond yields on the value of the Plan's assets relative to the present value of the Plan's liabilities ("interest rate risk").
- The impact of changes to inflation expectations on the expected size of the Plan's future liability cashflows and the present value of the Plan's liabilities ("inflation risk").
- The possibility of failure of the Sponsor.
- Stock market failure. This is considered as a "catastrophe risk" that any pension scheme investing in the real economy accepts as an exposure. It is not practical to mitigate this risk at an acceptable cost.

The Trustees have implemented the following measures to manage the risks associated with the investments:

- The Plan's asset allocation will be reviewed periodically by the Trustees and their advisors to assess whether it remains appropriate for managing the risks listed above. The impact of these risks on the level and volatility of the Plan's funding level and the Sponsor's contribution rate is taken into consideration.
- The current strategy is diversified across various asset classes and within equities, across different regions.
- The agreements with the investment managers include guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan in the light of the objectives set by the Trustees. The terms of the agreements do not allow the investment managers to take or omit to take any action which, to their knowledge, would prejudice the tax status of the Plan.
- The Trustees have incorporated an affordable amount of interest rate hedging and inflation hedging into the current investment strategy.
- The majority of the Plan's allocation to overseas equities is currency hedged.
- In terms of investment manager risk, the Trustees have a preference for passive management, only appointing active managers when investing in asset classes where manager skill is expected to add value.

The Trustees recognise that, as the Plan is invested in a range of pooled funds, there is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds. Similarly, the Trustees recognise that BlackRock will undertake stock lending within its passive funds to enhance the overall return of the funds.

4. Investment Strategy

The Trustees consider the appropriateness of the Plan's investment strategy following the results of each actuarial valuation and at other times as required.

The Trustees most recently carried out an investment strategy review in May 2019. As a result of this review, on advice from their investment consultant, Deloitte, and having consulted the Sponsor, the Trustees agreed to implement the following investment strategy.

Asset class	Strategy
Global Equities	25%
Leveraged LDI Portfolio	30%
Buy & Maintain Corporate Bonds	25%
Property	5%
Ground Rents	15%
Total	**100%**

The investment strategy uses equities as the main source of return but includes a small allocation to illiquid investments to incorporate a degree of diversification and to provide access to an illiquidity premium. The strategy also includes inflation and interest rate hedging of the Plan's liabilities through investments in corporate bonds and a leveraged LDI portfolio.

5. Manager Structure

5.1. Investment Managers

The day-to-day management of the assets is the responsibility of the appointed investment managers. The current investment policy has the assets invested in a range of authorised unit trusts and other pooled investment vehicles managed by Schroders Investment Management Limited ("Schroders"), Standard Life Investments Limited ("Standard Life"), Insight Investment Management Limited ("Insight") and BlackRock Advisors (UK) Limited ("BlackRock"). Each of the investment managers is authorised and regulated by the Financial Conduct Authority. As required by the Financial Services & Markets Act, the Trustees entered into signed Agreements with all managers. These Agreements provide important protections for the Plan itself and for the Trustees. They also set out the terms on which the assets are managed; the investment briefs, guidelines, and restrictions under which the investment managers work. Copies of the Agreements are available for inspection from the Trustees.

The table below summarises the strategic split of the Plan's assets between asset classes and the four different investment managers according to the current investment policy.

Investment Manager		Allocation	
BlackRock		25%	
	Global Equities		*25%*
Schroders		5%	
	Property		*5%*
Insight		55%	
	Leveraged LDI Portfolio		*30%*
	Buy and Maintain Corporate Bonds		*25%*
Standard Life		15%	
	Ground Rents		*15%*
Total		**100%**	

In selecting investment managers, the Trustees take all reasonable steps to satisfy themselves that the relevant parties have the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently and complying with the relevant pensions and investment regulations.

The custody of the underlying assets is undertaken by professional custodians, appointed by the relevant fund managers.

The total assets are sub-divided into 4 portfolios which are outlined below. The Trustees will review the split across the four sub portfolios and the overall asset mix at least annually.

Manager	Fund	Benchmark allocation	Benchmark index
BlackRock	Aquila Life Currency Hedged European Equity Index Fund	25%	FTSE All World Developed Europe Ex UK TR 95% Net Hedged to GBP Index
BlackRock	Aquila Life Currency Hedged Japan Equity Index Fund		FTSE Developed - Japan 95% Net Hedged to GBP
BlackRock	Aquila Life Currency Hedged Pac Rim Equity Index Fund		FTSE All World Developed Asia Pacific Ex Japan 95% NET HEDGED TO GBP

BlackRock	Aquila Life Currency Hedged US Equity Index Fund		FTSE Developed - United States Net TR 95% Hedged to GBP Index
BlackRock	Aquila Life UK Equity Index Fund		FTSE All-Share TR Index
BlackRock	iShares Emerging Markets Index Fund		MSCI Emerging Markets Index (Net)
Schroders	UK Property Fund	5%	AREF/IPD UK Quarterly Property Fund Index – All Balanced Property Fund Index Weighted Average
Insight	Buy and Maintain Corporate Bond Portfolio	25%	
Insight	Leveraged LDI Portfolio	30%	
Insight	Liquidity Cash Plus	-	
Standard Life	Ground Rents	15%	RPI + 2.5% p.a.
Total		100%	

The Plan aims to hedge 70% of its interest rate and inflation risk arising from its liabilities.

The Plan's global equity portfolio with BlackRock is passively managed and has the performance objective to achieve a return consistent with the return of their respective benchmarks.

The Trustees, with guidance from their Investment Advisor, have chosen to invest in open-ended pooled funds. For open-ended pooled funds the Trustees' policy is to enter arrangements with no fixed end date. Currently there are no closed-ended investments. However, in this case the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Plan's open-ended investments are dealt on a daily, monthly, and quarterly basis. The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustees may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Plan's asset allocation over time.

5.2. Investment Manager Fees

The table below summarises the investment manager fees payable in respect of the Plan's investments.

Manager	Mandate	Fee Structure
BlackRock	Global Equity Portfolio	0.22% p.a.
Schroders	UK Property Fund	0.70% p.a.
Insight	Buy & Maintain Corporate Bonds	0.15% p.a. Additional costs: 0.06% p.a.
Insight	Leveraged LDI Portfolio	0.10% p.a. (of exposure value) Additional costs: 0.06% p.a.
Insight	Liquidity Cash Plus	0.10% p.a.
Standard Life	Ground Rents Fund	0.50% p.a. Additional costs: 0.04% p.a.

The fees charged by BlackRock are subject to a minimum fee of £15,000 p.a. calculated in arrears at the end of each calendar quarter. If a quarter of the minimum fee is greater than the fee due for the quarter, then the Plan will be liable to pay the shortfall.

The Trustees also review the fees charged by its investment managers on an annual basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Plan's size and complexity.

The Trustees review investment manager costs and charges (including portfolio turnover costs incurred as a result of buying, selling, lending, or borrowing of investments) annually as well as the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustees monitor the portfolio turnover (the frequency that assets are bought and sold) in the context of what the Trustees expect to be reasonable given the nature of each mandate. By also monitoring performance net of all costs, investment managers are incentivised to consider the impact of portfolio turnover on investment performance.

The Trustees invest in passively managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/selling or stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

5.3. Monitoring

In addition to performance measures, the Trustees will review the engagement activity of the investment managers to ensure that active engagement is taking place where possible to influence positive change in relation to Environmental, Social and Governance factors, including climate change (together referred to as “ESG factors”) within investee companies. The Trustees will also monitor the voting activity of the Investment Managers to ensure votes are being used and are aligned to their policy on ESG detailed in Section 7 below.

The remuneration of the investment managers is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and replace the investment managers if net of fees investment performance and ESG practices are not in line with the Trustees’ expectations and views. This incentivises the investment manager to act responsibly.

The Trustees believe that along with the Investment Managers’ stewardship policies, which are detailed in Section 7 of this document, the objectives of the funds are aligned with the medium- and long-term views of the Trustees.

6. Cashflow Management

Any new money received into the Plan is to be invested in such a way as to bring the allocation closer the benchmark allocation.

The Trustees will review the allocation across the sub-portfolios from time to time and consider whether the investment/disinvestment policy as set out above remains relevant.

7. Policy on Environment, Social and Governance (ESG) factors and Stewardship

The Investment Managers are responsible for managing the Plan’s investments in accordance with the management agreements in place with the Trustees. The Trustees have requested that the Investment Managers have the financial interests of the Plan members as their first priority when choosing investments and the Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager.

The Trustees acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Plan’s investments and the likelihood that the Plan’s objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Plan’s membership been consulted on such issues.

As part of the selection, retention and realisation of the Plan’s investments, the Trustees, in consultation with their investment advisor, have reviewed the ESG and stewardship policies of the Investment Managers and are comfortable that these policies are consistent with their views. In particular, the Trustees note the following:

- The Trustees' policy is to invest in pooled investment vehicles. It is the investment manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.
- The Investment Managers have clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.
- The Plan's investments are predominantly passively managed where the Investment Managers are restricted in the choice of underlying assets to invest in. As such, stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration.
- The Trustees note that the Investment Managers have clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the Investment Manager has demonstrated how it acts on these policies. For example, the Investment Managers have voted on company proposals covering climate risk, political donations, gender diversity on company boards, board independence issues and remuneration policies.

The Trustees' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Plan's interests in the investments, having regard to appropriate advice. The Trustees expect the investment managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

The Trustees expect the Plan's investment managers to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustee will review this on an annual basis in line with its monitoring policy mentioned above.

If the Trustees believe that the Plan's Investment Managers are no longer acting in accordance with the Trustees' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:

- engage with the Investment Managers in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustees' policies and views.

These statements are made noting that the Plan's assets are invested in pooled funds and as such, the Trustees are restricted in their ability to directly influence its Investment Manager on the ESG policies and practices of the companies in which the pooled funds invest. The remuneration of the Investment Managers is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and replace an investment manager if net of fees investment performance and ESG practices are not in line with the Trustees' expectations and views.

The Trustees believe that these steps will incentivise the Investment Managers to align their actions with the Trustees' policies and also for them to act responsibly.

8. Additional Voluntary Contributions (AVCs)

The Plan provides members with a facility to pay AVCs to enhance their benefits at retirement. Members are offered a range of funds in which to invest their AVC payments. The Trustees' objective is to provide a range of funds which will provide a suitable long-term return for members, consistent with members' reasonable expectations, which are held separately from the rest of the assets of the Plan.

9. Compliance with this statement

The Trustees, together with the investment managers, Schroders, Standard Life, Insight and BlackRock, and Deloitte, the consultants, (each of whom have been appointed by the Trustees), each have duties to perform to ensure compliance with this Statement. These are:

The Trustees will monitor compliance with this statement regularly on the advice of Deloitte and will record compliance with it at each Trustees' meeting.

Schroders Investment Management Limited, Standard Life Investments Limited, Insight Investment Management Limited, and BlackRock Advisors Limited, the investment managers, will prepare quarterly reports to the Trustees including:

- valuation of all investments held for the Plan;
- records of all transactions together with a cash reconciliation;
- a review of the recent actions undertaken on behalf of the Plan together with a summary of their current stated policy;

on request, written confirmation that the principles contained in this Statement have been followed so far as reasonably practicable and that the managers have had regard for the need for diversification and the suitability of investments to the Plan.

Deloitte, the investment consultants, will provide the advice needed to allow us to review and update this Statement at least every three years (or following any material change to the investment arrangements of the Plan).

Peter Mark .... Date: 6 December 2021

Sharon McIlween .... Date: 6 December 2021

Signed on behalf of the Trustees of the Belfast International Airport Limited Final Salary Pension Plan.

Last updated: December 2021