

Royal Ordnance Pension Scheme Statement of Investment Principles as at March 2011

A. SCHEME INVESTMENT OBJECTIVE

1. The Scheme is not offered to new entrants which means that at some point in the future the Scheme will contain only pensioners. At that point, it is the Trustee's current policy to aim to:
 - Hold 80% of the assets in a portfolio of bonds that matches the expected pensioner cash flow as closely as possible. These assets are known as the Scheme's 'matching assets'. The remaining 20% of assets will be invested in assets such as equities and property. These assets are known as the Scheme's 'growth assets'. The expected return from this target 80/20 strategy is 1% above gilt returns.
 - Be at least 105% funded on a gilts + 1% actuarial basis.
2. The Trustee's policy with regard to its current investment strategy is that it aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting this investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. This was estimated by conducting an asset-liability study.
3. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.
4. The current strategy has a 50% allocation to growth assets and a 50% allocation to matching assets. This strategy will remain in force until the Scheme's funding level, as measured on a gilts + 1% basis, reaches 95%. At this point the weighting to growth assets will be reduced to 40% and the weighting to matching assets will increase to 60%. This is the first step in the Trustee's de-risking strategy which involves switching growth assets into matching assets as the Scheme's funding level improves.

The following schedule sets out the agreed funding level trigger points and corresponding strategies.

Funding Level	Growth Assets	Bandwidths
Current	50%	42.5% - 57.5%
95%	40%	34% - 46%
100%	30%	25.5% -34.5%
105%	20%	17% -23%

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Plans (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

The Trustee recognises that relative movements in investment markets may result in the Scheme's actual asset allocation diverging from its agreed strategy at any given time. For this reason a series of bandwidths have been agreed which will be used to rebalance the Scheme's actual asset allocation back to the agreed strategy. This ensures that the Scheme maintains the required risk/return profile needed to enable the Scheme to reach its funding goal.

B. STRATEGY

1. The Scheme provides predominantly defined benefits, but it also provides certain money purchase benefits related to members' additional voluntary contributions (AVCs). The remainder of this **Section B** deals with issues relating to the assets backing the Scheme's defined benefit obligations (See **Appendix 1** in respect of the assets backing the money purchase benefits.).
2. The **agreed asset allocation strategy** is set out in the table below.
3. It is the Trustee's policy to monitor the Scheme's overall asset allocation against the benchmark position at regular intervals (normally quarterly), and may decide to move assets between managers to rebalance back towards target. The actual asset allocation will diverge from the strategic asset allocation from time to time due to manager views, tactical positions, relative market performance and other factors. In particular, whilst the 10% combined allocation to private equity and infrastructure is built up, the Scheme will be underweight to these asset classes and have a balancing overweight to equities relative to the strategic target.

Asset Class	Target Weighting (%)
Growth Assets	50%
Passive Global Equity	10%
Active Overseas Equity	10%
Active UK Equity	10%
Property	10%
Infrastructure	5%
Private Equity	5%
Matching Assets	50%
Passive Index Linked Gilts	25%
Active Corporate Bonds and Fixed Interest Gilts	25%

4. The **agreed asset allocation strategy** was set following an asset liability study and with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The asset-liability study modelled the Scheme's assets and liabilities for a range of alternative asset allocation strategies.

5. When choosing the Scheme's **agreed asset allocation strategy** the Trustee considered written advice from its investment adviser and, in doing so, addressed the following:
 - The need to consider a full range of asset classes;
 - The risks and rewards of a range of alternative asset allocation strategies;
 - The suitability of each asset class; and
 - The need for appropriate diversification.
6. When choosing the Scheme's **agreed asset allocation strategy** the Trustee also consulted with the sponsoring employer.
7. Certain alternative investments, such as private equity, property and hedge funds, have characteristics that cannot be modelled. Therefore decisions about their inclusion or exclusion were made using qualitative judgement.
8. In setting the **agreed asset allocation strategy**, the Trustee, having regard to the advice of its investment advisers, has assumed that equities will outperform bonds over the long term.
9. In choosing fund managers for the Scheme, the Trustee, having regard to the advice of its investment advisers, has assumed that active fund management can add value over index returns over the long term.
10. The Trustee's policy on the expected return on the investments of the Scheme is that the Trustee expects overall the long term return on the investments held by the Scheme to exceed, except where otherwise noted in this Statement, the rate of earnings growth and the rate of price inflation assumed in the most recent actuarial valuation of the Scheme.

C. RISK

1. The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:
 - The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
 - The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.

- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
 - The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its advisers considered this risk when setting the Scheme’s investment strategy.
 - The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
 - The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
2. Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.
3. The Trustee’s policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:
- Performance of the overall Scheme portfolio versus its composite investment objective as measured by an independent performance measurer.
 - Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
 - Analysis of the Scheme’s assets, detailing diversification within each fund managers’ portfolio.
 - Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

D. GOVERNANCE

1. The Trustee of the Scheme is responsible for the investment of the Scheme assets within the scope of the Trustee's investment powers as provided for in the Trust Deed of the Scheme and by the Pensions Act 1995.
2. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, it is the Trustee's policy to take into account whether it has the appropriate training, knowledge and expert advice in order to take an informed decision and adhere to the restrictions imposed by the Financial Services and Markets Act 2000. The Trustee has established the following governance structure:

<p>Trustee (a company which acts through its Board of Directors)</p> <ul style="list-style-type: none"> • Set structures and processes for carrying out their role. • Select planned asset allocation strategy. • Select and monitor investment advisers and fund managers. • Select and monitor direct investments (see 3 below). • Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy 	
<p>Fund Managers</p> <ul style="list-style-type: none"> • Operate within the terms of this statement and their written contracts. • Select individual investments with regard to their suitability and diversification. • Advise Trustee on suitability of the indices in their benchmark. 	<p>Investment Adviser</p> <ul style="list-style-type: none"> • Advise on the investment of the Scheme assets, including implementation. • Advise on this statement. • Provide training where requested. • Provide reporting on fund managers, supporting Trustee in its role of monitoring fund managers every quarter.

3. The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.
4. The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' AVCs.
5. When deciding whether or not to make any new direct investments the Trustee is required by the Pensions Act 1995, Section 36 to obtain written advice. The Trustee will obtain written advice in each case and consider whether future decisions about those investments should be delegated to the fund manager(s).
6. The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries;
 - Security;
 - Quality;
 - Liquidity;
 - Profitability;
 - Nature and duration of liabilities;
 - Tradability on regulated markets;
 - Diversification; and
 - Use of derivatives.
7. The Trustee's investment adviser, as detailed in Schedule 1, has confirmed that it has the knowledge and experience required for this purpose under the Pensions Act 1995.
 8. The Trustee will review this SIP annually and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

E. IMPLEMENTATION

1. The Trustee's investment adviser, as detailed in Schedule 1, has been selected to advise the Trustee. It operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. The Adviser is paid an agreed annual fee which includes all services needed on a regular basis. Some one-off projects fall outside the annual fee and the fees for these projects are negotiated separately. This structure has been chosen to ensure that cost-effective, independent advice is received.
2. The Trustee's policy is to annually review the performance of its investment adviser.
3. The assets of the Scheme can be divided up into two parts for the purposes of this Statement:
 - The assets backing members' AVCs or any other money purchase benefits which, in each case, are linked to the value of the particular investments (see further **Appendix 1**), and;
 - The remaining assets (the "**Remaining Assets**").

4. The fund manager structure and investment objectives for each fund manager (“**mandates**”) applicable to the respective parts of the Remaining Assets for which they respectively have day to day investment management responsibility are detailed below. The current fund managers responsible for each mandate are set out in Schedule 1.

<p>Active Unconstrained UK Equity mandate To manage a portfolio of UK equities, and outperform the FTSE 350 Equally Weighted ex Investment Trust Index by 3% per annum, gross of fees, over rolling three year periods.</p>	<p>Active Bond mandate To manage a portfolio of bonds, and to outperform the composite benchmark by 1.0 % (gross of fees) annualised over rolling 3-year periods.</p> <p>Benchmark: 50 % FTSE Actuaries Over 15 yr Gilts Index. 50 % iBoxx Sterling Non-Gilt Over 10 year Index.</p>
<p>Active Property mandate To manage a portfolio comprising of direct and indirect property holdings, and to achieve a return of at least 5% per annum in real terms over the long-term.</p>	<p>Active Global Equity mandate To manage a portfolio of global equities, and outperform the MSCI World Index by 2 per cent per annum (gross of fees) over a full market cycle.</p>
<p>Passive Index-Linked Gilt mandate To passively hold a portfolio of Index Linked Gilts.</p>	

<p>Infrastructure Mandate To build and manage a portfolio of direct infrastructure and related assets targeting an Internal Rate of Return of circa 10% over the longer term.</p>
<p>Private Equity Mandate To manage a portfolio of Private Equity Investments with target benchmarks:</p> <ol style="list-style-type: none"> 1. To outperform the FTSE ALL World Index by 3-5% over a rolling 10 year period. 2. To outperform a Cambridge Associates Private Equity Fund of Funds aggregated median portfolio benchmark over the long term (7-10 year rolling periods).

<p>Passive Overseas Equity mandate To manage regional equity policy units under unit linked insurance policies issued by the policy provider as detailed in Schedule 1. The unit linked policies aim to provide returns in line with underlying benchmark indices. The weighting to each regional equity fund will be benchmarked against the FTSE All-World Index.</p>
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5. The tables set out above are a summary of the mandates and investment objectives. Further details of the mandates and investment objectives are set

out in the formal legal agreements between the Trustee and each of the fund managers.

6. Following a strategic review the Trustee has decided to fund the Scheme's investments in Infrastructure and Private Equity by progressively selling down the passively managed equity investments
7. The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). These duties include:
 - Realisation of investments;
 - Taking into account socially responsible factors; and
 - Voting and corporate governance in relation to the financial potential of the Scheme's assets.
8. The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.
9. The fund managers are normally remunerated on an ad valorem basis although the Trustee may select a performance related fee where this is both possible and deemed to best align the interests of the fund manager with the Scheme. The level of remuneration paid to fund managers is reviewed annually by the Trustee against market rates to ensure the Scheme pays a level of fee that is appropriate.
10. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. The Trustee requests an annual statement from the fund managers setting out all the costs of the investment of the Scheme's assets. It uses this statement to monitor whether the costs incurred are commensurate with the goods and services received.
11. The Trustee has appointed an agent to operate a commission recapture programme. This means that the scheme will be rebated a percentage of the brokerage commissions paid to brokers by the Scheme's investment managers where applicable. Details of the agent used are included in Schedule 1.
12. The Trustee has appointed a custodian for the Scheme's assets, other than those assets that are directly held property investments or units in insurance policies. Details of the custodian are included in Schedule 1.
13. The custodian provides safekeeping for all the Scheme's assets for which the custodian has responsibility and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions in accordance with the terms of the applicable Custody Agreement.

14. The title deeds for direct property investments are held by the solicitors advising the Trustee on the acquisition of the property in question.

F. REALISATION OF INVESTMENTS

1. Where a fund manager has been appointed, the fund manager has discretion in the timing of the realisation of the assets within that fund manager's portfolio.
2. Timing of the realisation of direct investments is determined, on a strategic basis, by the Trustee as part of the implementation of any rebalancing decision.

G. POLICY FOR SECURING COMPLIANCE WITH SECTION 36 (CHOOSING INVESTMENTS ETC.) OF THE PENSIONS ACT AND MONITORING

1. The Trustee's policy for securing compliance with Section 36 of the Pensions Act 1995, to the extent applicable, is as follows:
 - 1.1 Any applicable requirements of Section 36(2) (Diversification and suitability) are considered above.
 - 1.2 Before investing in any manner, other than in one where appropriate advice is not required under the Pensions Act, the Trustee's policy is to obtain and consider proper advice on the question whether the investment is satisfactory having regard to the matters referred to above.
 - 1.3 The Trustee's policy in relation to continued retention of investments of the Fund is set out above.
 - 1.4 The Trustee's policy is to exercise its investment powers in respect of direct investments with a view to giving effect to the principles contained in this statement so far as reasonably practicable.
2. It is the Trustee's policy to make arrangements for the investment performance of the Scheme's portfolios to be monitored and to review the results of that monitoring process periodically.

H. POLICY ON SOCIAL, ENVIRONMENTAL OR ETHICAL INVESTMENT

1. The Trustee's policy on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is set out in this section.
2. Where the investments of the Scheme are invested in a pooled investment vehicle, it is the policy of the investment manager of the particular pooled investment vehicle (or of a particular internal fund to which policy units are

linked), on social, environmental and ethical considerations relating to the selection, retention and realisation of the assets of the relevant pooled investment vehicle or internal fund which is relevant.

3. Where the Scheme assets are not invested in a pooled investment vehicle, the Trustee has delegated to the fund manager of the portfolio in question, responsibility for taking social, environmental and ethical considerations into account when assessing the financial potential and suitability of investments in the exercise of rights attaching to the Scheme's investments delegated to that fund manager.

I. POLICY ON CORPORATE GOVERNANCE

1. The Trustee's policy on voting rights is attached as Appendix 2.
2. Unless otherwise agreed with a fund manager under the terms of the Investment Management Agreement entered into with the fund manager, the Trustee's policy is that, in respect of direct investments where there are voting rights, the fund manager should aim to exercise those voting rights in accordance with the Trustee's policy attached at Appendix 2.
3. In respect of an indirect investment, the way in which voting rights are exercised by the insurance company or other provider of a pooled investment vehicle will be a decision for that insurance company or other provider of a pooled investment vehicle.

APPENDIX 1

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

1. AVCs (apart from internally invested AVCs) are linked to the value of particular investments.
2. AVCs are invested in a range, selected by the Trustee, of pooled investment vehicles. The members then choose within the constraints of, and subject to, the Trust Deed and Rules and the restrictions from time to time imposed by the Trustee how the assets backing their AVCs are to be invested in these pooled investment vehicles and instruct the Trustee accordingly. These pooled investment vehicles are direct investments as referred to in Section C above. The expected return on AVCs will depend on the expected return appropriate to the particular pooled investment vehicle and the particular class of policy units or unit trust units in which those AVCs are invested.
3. The Trustee's policy is to offer a range of pooled investment vehicles providing different investment risk and reward profiles to meet a range of different risk, return and diversification objectives of the different members of the Fund in respect of AVC investment having regard to:
 - the differing ages;
 - the differing expectations as to time of retirement; and
 - the options available to members as to the way in which their AVC benefits are to be taken.
4. The paragraph 3 above sets out the Trustee's policy in relation to AVC benefits on:
 - the kinds of investment to be held;
 - the balance between the different kinds of investment;
 - the Trustee's policy about risk;
 - the Trustee's policy about diversification; and
 - the Trustee's policy on suitability.
5. The Trustee's policy on the realisation of the investments in the pooled investment vehicles backing AVC benefits is that, in the ordinary course of circumstances, those investments would be realised in accordance with the directions of the member concerned as to the way in which the assets backing that member's AVCs are to be invested.
6. Where all or part of the member's AVCs become payable or are to be transferred, the relevant investments will be realised in accordance with the Trust Deed.

7. It is the Trustee's policy to make arrangements for the investment performance of the pooled investment vehicles in which the member's AVCs are invested to be monitored and to review the results of that monitoring process periodically.

APPENDIX 2

CORPORATE GOVERNANCE AND SHAREHOLDER ACTIVISM

GENERAL

1. As the Trustee is charged with acting in the financial interests of the beneficiaries of the Scheme, actions likely to promote the economic interests of shareholders will be supported, while those likely to be detrimental to them will be opposed.
2. Day to day corporate governance issues are delegated to the appointed investment managers who are expected to act in accordance with the general policies established by the Trustee unless in their judgement the value of the investment will be impaired.
3. The Trustee has established guidelines for voting policy. The Trustee has concluded that voting activity for foreign securities is not normally likely to provide an economic benefit relative to the size of the individual investments. The scope of the Scheme's voting activity will therefore normally be restricted to UK securities. Investment Managers should nevertheless vote in all cases overseas where they believe that the value of the investment might be enhanced.
4. The Trustee supports the principle of shareholder activism and requires investment managers to have an explicit strategy, elucidating the circumstances in which they will intervene in a company; the approach they will use in doing so; and how they measure the effectiveness of this strategy. However, managers should act only where there is a reasonable expectation of such activity enhancing the value of the Scheme's investment.
5. The Trustee permits Investment Managers to vote in accordance with their own policies providing:
 - they have notified the Trustee of any differences in policy;
 - where their own policy is to generally vote in accordance with the Combined Code and NAPF standards; and
 - the Trustee has agreed that the Investment Manager can vote in accordance with their own policy.

VOTING POLICY FOR UK EQUITIES

CHAIRMAN/CHIEF EXECUTIVE-DIVISION OF ROLES

In general, oppose the election of one individual combining both roles.

DIRECTORS' CONTRACTS

Where rolling contracts of longer than one year are still in place, these should be curtailed, preferably without compensation to the executive, although contractual terms may mitigate against this. Vote in favour of rolling contracts of one year's term and fixed contracts up to two years in length with subsequent reductions to 12 month rolling periods. Vote against remuneration policies where two year rolling contracts are still employed and where no commitment has been given to their immediate review. Adopt same policy vis-à-vis non-executive directors who have sanctioned the contracts.

REMUNERATION

The Combined Code recommends Remuneration Committees composed entirely of *independent* non-executives as the solution to executive directors "fixing their own pay".

Support the Combined Code; it is not practical for shareholders to examine individual remuneration packages. The remedy, if executive remuneration is considered particularly excessive, is to vote against the re-election of the non-executives on the Committee.

LONG TERM INCENTIVE SCHEMES (LTIPS) FOR DIRECTORS

LTIP's, like remuneration generally, are a matter for the *independent* non-executive directors. Therefore, unless the proposals appear particularly egregious, they should be supported.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Vote against re-election of non-independent, non-executive directors where they comprise a majority of the non-executives. If companies do not identify which non-executives are considered to be independent, assume that none of them are.

DIRECTORS AGED OVER 70

Vote in favour of the re-election of non-executive or executive directors over 70, unless there is another reason not to do so; this would probably mean voting *against* where most of the non-executives as a group or executives as a "group" were over 70.

TAKEOVER BIDS

Takeover bids do not usually involve a vote at a general meeting. Considering bids is part of the day-to-day responsibility of the appointed investment manager and remains within its discretion. Questions of public interest are the preserve of Government and the Competition Commission.

PRE-EMPTION RIGHTS

To give flexibility to management, the issue of shares (other than to existing owners), of up to 5% of the existing shares, is generally considered acceptable by both the NAPF and the Association of British Insurers (ABI). We support this consensus.

DIVIDENDS

Second guessing the Trustee on the question of the level of the distribution is not recommended. Other than in very exceptional cases, the vote should be in favour of the Trustee's recommendation.

MARKET PURCHASES OF OWN SHARES

Buying shares in the market (and cancelling them) can be an efficient way of returning excess capital to shareholders. This is not considered contentious. Vote in favour.

POLITICAL DONATIONS

Vote against donations to one party. Where the proposal is to make donations to the two (or three) main parties, it will be referred to the Trustee for a case-by-case decision.

APPROVAL OF REPORT AND ACCOUNTS

Only vote against after consultation with the Trustee; otherwise vote in favour.

AUDITORS RE-APPOINTMENT AND REMUNERATION

Vote in favour of the resolutions unless there are exceptional circumstances.

ENVIRONMENTAL AND HUMAN RIGHTS ISSUES

Support management providing that it appears to be acting in shareholders' interests.

SCHEDULE 1

APPOINTED INVESTMENT MANAGERS, AGENTS, ADVISORS & CUSTODIANS

INVESTMENT MANAGERS

Below are details of the current investment managers, including their benchmarks and performance targets.

<p>Standard Life Investments LTD To manage a portfolio of UK equities, and outperform the FTSE 350 Equally Weighted ex Investment Trust Index by 3% per annum, gross of fees, over rolling three year periods.</p>	<p>BlackRock Investment Management (UK) LTD 1. To manage a portfolio of bonds, and to outperform the composite benchmark by 1.0 % (gross of fees) annualised over rolling 3-year periods. Benchmark: 50 % FTSE Actuaries Over 15 yr Gilts Index. 50 % iBoxx Sterling Non-Gilt Over 10 year Index. 2. To passively hold a portfolio of Index Linked Gilts.</p>
<p>CB Richard Ellis To manage a portfolio comprising of direct and indirect property holdings, and to achieve a return of at least 5% per annum in real terms over the long-term.</p>	<p>MFS To manage a portfolio of global equities, and outperform the MSCI World Index by 2 per cent per annum (gross of fees) over a full market cycle.</p>

<p>Innisfree To manage a portfolio of direct infrastructure investments and to deliver an Internal Rate of Return of 10-12% per annum and a cash yield to investors of 7% per annum after accounting for management fees and fund expenses over the life of the fund.</p>
<p>Macquarie To manage a portfolio of direct infrastructure investments and to deliver an Internal Rate of Return in the mid-teens (13-17% per annum) and a cash yield to investors of high single digits (7-9% per annum) after accounting for management fees and fund expenses over the life of the fund.</p>
<p>RREEF To manage a portfolio of direct infrastructure investments and to deliver an Internal Rate of Return of around 10% per annum and a cash yield to investors of high single digits (6-8% per annum) after accounting for management fees and fund expenses over the life of the fund.</p>

BAPFIM

To manage a portfolio of Private Equity Investments with target benchmarks:

1. To outperform the FTSE ALL World Index by 3-5% over a rolling 10 year period.
2. To outperform a Cambridge Associates Private Equity Fund of Funds aggregated median portfolio benchmark over the long term (7-10 year rolling periods).

State Street Global Advisers (SSgA)

To manage regional equity policy units under unit linked insurance policies issued by the policy provider as detailed in Schedule 1. The unit linked policies aim to provide returns in line with underlying benchmark indices. The weighting to each regional equity fund will be benchmarked against the FTSE All-World Index.

COMMISSION RECAPTURE AGENTS

The Scheme currently uses BNY ConvergeEx – LJR Recapture Services as its agent to operate a commission recapture programme.

CUSTODIAN

The Scheme currently uses Northern Trust as custodian of the Scheme's assets.

INVESTMENT ADVISOR

The Trustee has appointed Aon Hewitt Ltd as investment adviser to the Scheme.

Glencora Senior of BAE Systems Pension Fund Investment Management attends meetings of the Trustee in person or through delegated party attendance and provides additional advice to the Trustee.

POLICY PROVIDER

The policy provider providing the unit linked policies as managed by State Street Global Advisers is Managed Pension Funds Limited.

PERFORMANCE MEASURER

The Scheme currently uses BNY Mellon Asset Servicing as an independent performance measurer for the Scheme's assets.

Amendment Log	Date
Corporate Governance and Shareholder Activism policy set.	February 2004
The agreed asset allocation strategy was updated.	September 2009
Strategic Currency allocation reduced to 1%. All dates removed (where appropriate) from document contents. Strategic Target split between Growth and Matching assets. Update of SSgA benchmark following complete disinvestment from UK Equities as at 25 January 2010.	April 2010
SSGA benchmark amended and BankInvest replaced by MFS	September 2010
Monies with Record were disinvested with subsequent change in the strategic benchmark.	January 2011
Update entity of advisor to Aon Hewitt Limited	February 2011
ILG's transferred from SSgA to BlackRock	March 2011