Statement of Investment Principles for the Pension and Assurance Scheme for Lay Employees of the Methodist Church

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Methodist Lay Employees' Pension Trust Limited ("the Trustee") on various matters governing decisions about the investments of the Pension and Assurance Scheme for Lay Employees of the Methodist Church ("the Scheme"), a Defined Benefit ("DB") Scheme.

This SIP replaces the previous SIP dated 9 June 2022.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), and the Occupational Pension Schemes (Investment) Regulations 2005.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustee has consulted with the relevant employers in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

This SIP contains the information required by legislation and also considers the Pension Regulator's guidance on investments.

- **Appendix 1** sets out details of the respective key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out the Scheme's investment manager arrangements.

2. Investment objectives

The Trustee's primary objective is to ensure that the Scheme should be able to meet benefit payments as they fall due. A secondary objective is that the Scheme should be fully funded (ie the asset value should be at least equal to the value of its liabilities). The Trustee is aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

The Trustee's investment objective is to maximise the return on the Scheme's assets whilst managing and maintaining investment risk at an appropriate level, and taking into account the primary objective.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employers, reviews the investment strategy regularly , taking into account the objectives described in Section 2 above.

The result of the most recent review was that the Trustee agreed that the investment strategy of the Scheme should be based on the allocation below.

Asset class	Strategic allocation (%)
Corporate bonds	45.0
Liability Driven Investments ("LDI") and Cash	55.0
Total	**100.0**

The Trustee monitors the overall asset allocation. Details of any benchmark allocations to which the investment managers have been instructed to manage their portfolios are set out in Appendix 3. If material deviations from the strategic allocation occur the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

The Trustee currently targets interest rate and inflation hedging levels of broadly 100% of liabilities on a Gilts + 0.25% pa liability basis.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee takes an integrated approach when assessing risk and reviewing the investment strategy. In particular it takes account of: the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that the Trustee manages investment risk is via diversification, ensuring it receives professional written advice prior to making any material investment decision, and its ongoing monitoring and oversight of the investments. For the Scheme, investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Appendix 2.

The Trustee considered a wide range of asset classes, and the expected returns and risks associated with those asset classes. Financial assumptions about long-term asset returns are made by the Trustee, after discussions with its investment adviser. The key assumptions for expected returns above gilts are as follows:

Asset class	Expected excess return over gilts (% pa)
Corporate bonds	1.2

Asset class	Expected excess return over gilts (% pa)
Dynamic LDI	0.4

* Assumptions as at 31 December 2022

In setting the strategy the Trustee also took into account:

- That the assets of the Scheme must be invested in the best interests of its members and beneficiaries and, in the case of a potential conflict of interests, in the sole interests of members and beneficiaries;
- their investment objectives, including the target return required to meet these;
- Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005 (as amended);
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the sponsors covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- any other considerations which the Trustee considers financially material over the time horizon that the Trustee considers is needed for the funding of future benefits by the investments of the Scheme;
- the Trustee's investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes; and
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

The Trustee also consider other factors that it believes to be financially material over time horizons relevant to the funding of the Scheme, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- The Trustee's beliefs about ESG factors (including climate change) are documented in more depth in its Responsible Investment policy document;

- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are either authorised or (where applicable) not required to be authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee has limited influence over managers' investment practices because all of the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices within the parameters of the fund or mandate they are managing.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone. If a manager is not meeting its performance objectives the Trustee will consider alternative arrangements.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments. When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements.

7. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. The Trustee recognises that it has an important influence on the Scheme's approach to ESG, ethics, and other financially material considerations through its investment strategy and manager selection decisions. The Trustee has formulated a Responsible Investment Policy which describes its approach in this area in more detail. The Trustee believes that this Policy is consistent with the views of members and will not be financially detrimental to the Scheme.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as an integral part of their investment processes. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and regularly reviews how its managers are taking account of these issues in practice.

The Trustee also takes into account some non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

The Trustee believes that Scheme members would support action in respect of these factors and does not expect taking account of these factors to pose a risk of material financial detriment to the assets of the Scheme. Where exposure is deemed material, assets exposed to the following factors are excluded:

- Nuclear weapons
- Cluster munitions

Where exposure is deemed material, the following factors are considered strong grounds for exclusion from investment:

- Alcohol
- Tobacco
- Gambling
- Pornography

- Arms and firms supplying military and security services

Where adverse exposure is material, the following factors are considered grounds for engagement and possible exclusion:

- Human rights (including caste discrimination)
- Children's issues
- Farm animal welfare
- Health and nutrition within the food and beverages industry
- Prison management
- Violence in media
- Issues related to Israel & Palestine

However, responsibility for the selection of individual assets is delegated to the Scheme's investment managers and the Trustee accepts that it may not be possible to find investment funds for all asset classes which take into account all factors which the Trustee consider important, or which exclude all investments which the Trustee would prefer to avoid. In this situation the Trustee adopts a pragmatic approach, seeking to find investment funds in which the allocations to such holdings are not material – with analysis being conducted before any new investment. The Trustee has limited influence over managers' investment practices, other than Epworth Investment Management Limited ("Epworth"), in this area but it encourages its managers to improve their practices where appropriate.

8. Exercise of investment rights

The Trustee recognises its responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of the Scheme's members.

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not generally monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee understands these reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council. The Trustee is supportive of the recommendations made by the UK Stewardship Code.

All of the Scheme's publicly-held shares are managed by Epworth, and the Trustee is able to engage with Epworth on its voting policies should it have a strong view on a particular issue. The Trustee cannot usually directly influence the policies of the Scheme's other investment managers.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers, details them within its Responsible Investment Policy document, and also outlines its more general expectations in relation to ESG factors, voting and engagement.

If its monitoring identifies areas of concern, the Trustee will engage with the relevant manager to encourage improvements. The Trustee will set objectives and target dates for each formal engagement, review progress, and have an escalation process which it will follow if progress is unsatisfactory.

SIP signed for and on behalf of the Trustee of the Scheme:

Signed: (for CCPTL)

Date: 25 July 2023

Responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- setting the investment strategy, in consultation with the employers;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- likewise formulating a policy in relation to non-financial matters;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on socially responsible investment issues;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employers when reviewing the SIP.

The Trustee has delegated consideration of certain investment matters to the Joint Investment Committee, the role of which is to advise the Trustee on investment matters. Any decisions remain the responsibility of the Trustee.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;

- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

4. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. See Section 5 of the SIP. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the Scheme's employers

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employers' perspectives. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employers, the Trustee believes that better outcomes will generally be achieved if the Trustee and employers work together collaboratively.

Policy towards risk

Appendix 2

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee aims is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective of the Trustee is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was key consideration when determining the Scheme's investment arrangements.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives.
Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis.

2.4. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income distributing share classes where appropriate.

2.5. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Scheme is also subject to credit risk via pooled LDI funds that make use of bonds and derivative instruments including (but not limited to) interest rate and inflation swaps and repurchase agreements.

The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and predominantly invests in bonds that are classified as "investment grade". The Trustee believes that this credit risk is suitably managed by the fund managers who regularly review counterparties, diversify their exposure to them, and operate strict collateralisation procedures where relevant.

2.6. Currency risk

The majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is no longer subject to currency risk because it holds no investments in overseas markets.

2.7. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and interest rate swaps, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

2.8. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors (including climate change and ethics) are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on their behalf. It regularly reviews how these risks are being managed in practice.

2.9. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.10. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsors are unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

Investment manager arrangements

Appendix 3

Details of the investment managers, their objectives, and investment guidelines are set out below.

1. Columbia Threadneedle ("CT") – Dynamic LDI

The Trustee has selected CT as the investment manager for the Scheme's Dynamic LDI portfolio. The Scheme invests in CT's range of Dynamic LDI Funds.

Fund name	Objective	Benchmark
Nominal Dynamic LDI	To provide a hedge against nominal rate liabilities by the use of a number of hedging assets.	A typical pension fund's liability profile as determined by BMO
Real Dynamic LDI	To provide a hedge against real rate liabilities (ie nominal and inflation risks inherent in the liabilities) by the Manager's use of a number of hedging assets.	A typical pension fund's liability profile as determined by BMO
Sterling Liquidity Fund	To maintain high levels of liquidity and generate a return in line with money market rates.	1 week SONIA

The CT Dynamic LDI funds and CT Sterling Liquidity Fund are daily dealing, open ended and unlisted.

2. AXA Investment Managers

The Trustee has selected AxA Investment Managers ("AXA") as the investment manager for the Scheme's Corporate Bond portfolio. The Scheme invests in the AXA Sterling Buy & Maintain Credit Fund which from 13 June 2022 onwards will be known as the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund (the "Fund").

Asset class	Objective	Benchmark / reference universe
Sterling Buy & Maintain Credit	To capture the beta of the sterling credit market and provide investors with a better risk-adjusted yield and superior returns to the market, over a full cycle. The Fund will also (from 13 June 2022 onwards) have an explicit objective to keep its Weighted Average Carbon Intensity (WACI) lower than the Fund's carbon	ICE Bank of America Merrill Lynch Sterling Non-Gilt Index

emissions benchmark (which is based on an initial lower WACI than the reference universe, reducing further each year).

The AXA Sterling Buy & Maintain Credit fund is daily dealing, open ended and listed.

3. Additional Voluntary Contributions

The Trustee has selected Aegon as the Scheme's money purchase AVC provider. Aegon offers members a choice of funds in which to invest their AVCs:

- Aegon High Equity With-Profits Fund (now closed)
- Scottish Equitable BlackRock Aquila 50/50 Global Equity Index Fund
- Scottish Equitable BlackRock Aquila Over 15 Years Corporate Bond Index Fund
- Active Cash Fund (closed to all investments except existing regular contributions)
- Cash Fund
- Ethical (Equity Fund)
- Ethical Cautious Fund
- Scottish Equitable Kames Ethical Corporate Bond Fund

The Trustee has selected the Ethical Cautious Fund as the default option. The Trustee will review performance of the AVC fund selection on a regular basis.