

**SHORT BROTHERS  
COMMON INVESTMENT FUND**

**STATEMENT OF  
INVESTMENT PRINCIPLES AND OBJECTIVES**

**REVISED 27 March 2024**

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## 1. OVERVIEW

- 1.1 The Short Brothers Common Investment Fund (the “CIF”) has been established as a replacement investment arrangement for the Short Brothers Pension Scheme (“SBPS”) and the Bombardier Aerospace Shorts Executive Benefits Scheme (“BASEBS”) (together, the “Participating Schemes”).

Effective 1 March 2020, in preparation for the sale of the Short Brothers PLC by Bombardier Inc. to Spirit AeroSystems Global Holdings Limited, the investments of the Participating Schemes are transferred from the Bombardier Trust (U.K.) Common Investment Fund to the CIF.

The CIF is a collective investment vehicle in which the Participating Schemes can pool their assets for greater efficiency and diversification.

The Short Brothers CIF Trustee Limited (the “CIF Trustee”) (which acts as Trustee of the CIF) is responsible for managing the CIF’s assets.

The Short Brothers Pension Trustee Limited (which acts as Trustee of the SBPS) and the Bombardier Aerospace Shorts Executive Benefits Trustee Limited (which acts as Trustee of the BASEBS) (together, the “Participating Schemes’ Trustees”) are responsible for managing the assets of their respective scheme.

- 1.2 The purpose of this statement of investment principles and objectives (the “Statement”) is to document the principles and objectives by which the CIF Trustee manages the CIF’s assets, in line with the requirements of the Pensions Act 1995 (as amended).
- 1.3 The Statement will be reviewed at least triennially or when there is a significant change in the CIF’s circumstances or where the CIF Trustee has been notified of a significant change in the statement of investment principles of any of the Participating Schemes. A copy of these statements, and any amendment thereto, is provided to the CIF Trustee.
- 1.4 The CIF is governed by the Short Brothers Common Investment Fund rules which specify the CIF Trustee’s investment powers and responsibilities that have been delegated by the Participating Schemes’ Trustees to the CIF Trustee.
- 1.5 All persons involved in the management of the CIF, including agents and advisors, shall adhere to the provisions of the Statement.
- 1.6 The CIF shall be managed in accordance with all legal requirements applicable irrespective of an indication to the contrary that may be construed from the Statement.
- 1.7 The CIF Trustee consulted the sponsoring employer of the Participating Schemes (the “Company”) and the Participating Schemes’ Trustees on the Statement and any revisions. A copy of the Statement, and any amendment thereto, is provided to the Participating Schemes’ Trustees and the Company.
- 1.8 Before approving the Statement, the CIF Trustee received and considered the written advice of its appointed investment consultant, Mercer Limited (“Mercer”).
- 1.9 The CIF is unitized into sub-funds to allow each Participating Scheme to have its own asset allocation in accordance with the Participating Scheme’s strategic asset allocation

(target weights and ranges) as set out in the Participating Scheme's statement of investment principles.

- 1.10 Specific Sub-Funds have been set-up for each Participating Scheme in order to allow schemes to hedge nominal and real interest rate risks specific to each scheme.

## **2. ALLOCATION OF RESPONSIBILITIES**

- 2.1 The Participating Schemes' Trustees have delegated to the CIF Trustee the responsibility for the investment of the Participating Scheme's pension fund assets allocated to the CIF. The Participating Schemes' Trustees retain the responsibility to prepare and review their own statement of investment principles and to set the strategic asset allocation (target weights and ranges) appropriate to their Scheme.
- 2.2 The CIF Trustee is responsible for the management of the CIF, the management structure of each of the sub-funds, the implementation, management and monitoring of the Overlay Portfolios, the appointment or termination of investment managers (the "Investment Managers") and monitoring of investment results. The CIF Trustee reports on its activities to the Participating Schemes' Trustees. The CIF Trustee is responsible for investing the assets allocated by the Participating Schemes in the sub-funds and Overlay Portfolios in accordance with the Participating Schemes' statement of investment principles.
- 2.3 The CIF Trustee has hired Goldman Sachs Asset Management International ("GSAM") as Fiduciary Manager (the "Fiduciary Manager") of the CIF's sub-funds effective March 31, 2022. The CIF Trustee has delegated to GSAM all routine and day-to-day investment decisions and all decisions relating to the CIF's asset allocation between meetings of the CIF Trustee, including but not limited to the decision to allocate CIF's assets among the sub-funds (in accordance with each Participating Scheme's strategic target asset allocation and ranges) and among Investment Managers within each sub-fund. GSAM is also responsible for providing guidelines and instructions to the Investment Managers in accordance with the Statement (the "Investment Managers Guidelines and Instructions"). GSAM reports on its activities to the CIF Trustee and to the Participating Schemes' Trustees.
- 2.4 The Investment Managers select securities or investments in accordance with the strategies for which their services are retained, the Investment Managers Guidelines and Instructions and applicable legislation. Investment Managers report on their activities to GSAM and the CIF Trustee.
- 2.5 The CIF Trustee, jointly with the Participating Schemes, appoints one or more custodians (the "Custodians"). The role of the Custodians essentially consists of safekeeping the assets, receiving contributions, collecting income and tax reclaims on investments, executing trades in accordance with the instructions of Investment Managers or CIF Trustee, maintaining all accounts and records, reporting financial and investment activity and filing appropriate forms.
- 2.6 The CIF Trustee appoints an administrator (the "Administrator") to prepare audited financial statements.
- 2.7 The CIF Trustee may also retain the services of advisors without discretionary authority.
- 2.8 The Trustee must establish and maintain oversight of the climate related risks and opportunities which are relevant to the Scheme. Responsibility for the oversight of climate related risks and opportunities which are relevant to the scheme is ultimately held by the Trustee. The Trustee has delegated to the CIF Trustee the responsibility for ongoing

monitoring of these risks and opportunities who in term rely on input and advice from the Fiduciary Manager.

### 3. INVESTMENT RETURN AND RISK OBJECTIVES

- 3.1 The investment objective of each sub-fund is to either match or outperform the strategic benchmarks as set out below.
- 3.2 The assets of the CIF will be managed in the best interest of members and beneficiaries of the Participating Schemes in a manner calculated to optimize the security, quality, liquidity and profitability of the portfolio.
- 3.3 The objectives for each of the sub-funds are as follows:

SUB-FUNDS	STRATEGIC BENCHMARKS	Objective to outperform benchmark
Liquid Growth	A blend of underlying benchmarks as set out in the GSAM IMA which, subject to CIF Trustee approval may change from time to time	Yes
Illiquid Growth	No benchmark	N/A
SBPS LDI	Custom liability benchmark reflecting the SBPS liabilities and target hedge ratio	Yes
SB Exec LDI	Custom liability benchmark reflecting the SB Executive Scheme liabilities and target hedge ratio	No

- 3.4 The CIF Trustee has identified a number of risks that are relevant in the management of the assets of the CIF. These are as follows:
- i) the failure to achieve the investment objective of each sub-fund set out above (“active management risk”); this risk is mitigated by combining, when possible, Investment Managers of different styles within each sub-fund and in monitoring Investment Managers and sub-funds’ performance and tracking error;
  - ii) the failure to spread investment risk (“risk of lack of diversification”); this risk is mitigated by having, in each sub-fund, a suitably diversified portfolio of assets;
  - iii) the risk of a shortfall of liquid assets (“risk of liquidity”); this risk is mitigated by investing the assets of the sub-funds predominantly on regulated markets, by keeping to a prudent level the investment in assets which are not admitted to trading on regulated markets and in respect of the LDI Sub-Funds by limiting leverage and maintaining sufficient additional liquidity to meet collateral calls under a range of scenarios;
  - iv) the risk of fraud, poor advice or acts of negligence (“operational risk”); this risk is mitigated by ensuring that advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in contracts for professional services received;

- v) the risk of failure of a financial institution used as a counterparty to the transactions in the LDI Sub-Funds. This risk is reduced by limiting the transaction amount with one counterparty, selecting highly rated financial institutions, and by the frequent re-couping of the transactions (mark-to-market) or exchange of payments between the Participating Schemes and the counterparties; and
  - vi) the risk that climate change may impact the value of investments, due to its effect on natural and human systems, across geographical regions. However, due to the inherent uncertainty, the Trustees have not made explicit allowance for it when determining the investment strategy.
- 3.5 Due to the complex and interrelated nature of these risks, the CIF Trustee considers the majority of these risks in a qualitative as well as a quantitative manner as part of each review of the Statement. Some of these risks may also be modeled explicitly during the course of these reviews.
- 3.6 For greater clarity, management of the risks outlined below is the responsibility of the Participating Schemes' Trustees in setting up the strategic asset allocation and the statement of investment principles for their scheme:
- i) the risk of significant difference in the nature, duration and sensitivity of assets and liabilities values of the Participating Scheme to changes in financial and demographic factors ("mismatching risk");
  - ii) the risk of shortfall of liquid assets relative to the Participating Scheme immediate liabilities ("cash flow risk");
  - iii) the possibility of failure of the Participating Scheme sponsoring employer ("covenant risk"); and
  - iv) the risk that the Participating Scheme has insufficient assets to make provisions for 100% of its liabilities ("funding risk").



#### **4. CATEGORIES OF INVESTMENTS, DIVERSIFICATION AND LIQUIDITY**

4.1 Assets can be invested in the following categories of investments and loans, in GBP or foreign currencies:

- i) insurance contracts;
- ii) money market instruments;
- iii) term deposits, guaranteed investment contracts or similar financial instruments;
- iv) bonds, coupons and residuals;
- v) non-convertible debentures, mortgages, mortgage-backed and asset-backed securities or other debt instruments;
- vi) non-convertible preferred shares;
- vii) private debt placements and debt securities of private companies;
- viii) publicly traded common stocks;
- ix) convertible debentures;
- x) convertible preferred shares;
- xi) investments or participation rights in real estate;
- xii) other private equity placements (including installment receipts) and equity securities of private companies; and
- xiii) derivative instruments described in paragraphs 4.4 and 4.5.

4.2 Assets can also be invested in mutual, pooled or other commingled funds or vehicles that invest in any or all of the categories of investments and loans described in paragraph 4.1. Assets invested in such funds or vehicles may be subjected to other investment policies and guidelines. While efforts will be made to ensure that all investments satisfy the provision of the Statement, the provisions of such policies and guidelines have priority over those of the Statement. Assets may only be invested in funds or vehicles, which provide clear visibility of the underlying investments.

4.3 The percentage of assets that can be allocated to categories of investments and loans described in paragraph 4.1 and in vehicles described in paragraph 4.2 is not specifically limited except as otherwise provided in paragraphs 4.12 and 4.13. The CIF Trustee provides limits to GSAM for each sub-fund within the IMA governing the relationship.

4.4 Investment Managers may use derivatives to contribute to a reduction of risks or cost or facilitate efficient portfolio management; amongst specific purposes, these may be used to:

- i) hedge unwanted risks;
- ii) decrease management costs;
- iii) increase current revenues;
- iv) modify the distribution of returns; or
- v) obtain or reduce exposure to various markets, currencies or commodities.

Derivatives may also be held when received as a result of holding securities.

- 4.5 The following derivative instruments may be held:
- i) rights, warrants and options whether or not they trade on recognized exchanges;
  - ii) forwards issued by recognized financial institutions;
  - iii) futures that trade on recognized exchanges; and
  - iv) swaps and repurchase agreements with a recognized financial institution.
- 4.6 Derivative products, whether or not they are traded over-the-counter, will be managed in accordance with the procedures put in place by Investment Managers to control credit risk and so as to avoid excessive risk exposure to a single counterparty and other derivative operations.
- 4.7 Lending of cash is not permitted.
- 4.8 No more than 30% of the voting shares of any corporation will be held.
- 4.9 At the time an investment is made, no more than 5% of the book value of assets will be held in any one parcel of property and no more than 10% of the book value of assets will be held in property on an aggregate basis.
- 4.10 Securities lending in accordance with a written agreement is permitted. Amongst other things, such agreement shall provide for a maximum exposure by counterparty and that at least 105% of the market value of loaned securities be maintained in cash or in readily marketable securities and marked to market at least daily.
- 4.11 No more than 10% of the book value of assets can be loaned to a single issuer and its affiliates or invested in their securities except in the case of:
- i) insurance contracts;
  - ii) commingled, pooled or mutual fund investments; or
  - iii) securities issued or guaranteed by the UK Government.
- 4.12 Within categories of investments and loans or asset classes where more than 10% of assets is invested, assets are diversified by manager, product, market and/or, where applicable by maturity and credit or industrial sector and country.
- 4.13 Liquidity is provided by maintaining sufficient levels of cash to satisfy expected short-term cash flow requirements and by making provisions for the termination of Investment Managers' contracts on short notice, when possible.
- 4.14 Investments in securities of Bombardier Inc. or any of its subsidiaries or affiliates are not allowed, except under vehicles described in paragraph 4.2.
- 4.15 Investments in securities of a private company in which Bombardier Inc. or any of its subsidiaries or affiliates has an investment are not allowed, except under vehicles described in paragraph 4.2 or if these securities are purchased by an external Investment Manager.
- 4.16 The SBPS LDI and SB Exec Sub-Funds hold investments in cash, gilts, index-linked gilts, , interest rate swaps, inflation swaps, total return swaps, repurchase and reverse

repurchase agreements and government bonds forwards or other type of financial instruments used to hedge nominal and real interest rate risks.

4.17 The CIF Trustee believes that the overall asset mix together with the managers' investment approach to stock selection provides a suitably diversified portfolio of assets.

4.18 The CIF Trustee monitors the distribution of investments from time to time and adjust the proportions in line with the strategic benchmarks when they consider it appropriate.

## **5. RESPONSIBLE INVESTMENT AND STEWARDSHIP**

- 5.1 The CIF Trustee believes that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment returns. It also recognizes that long term sustainability issues, particularly, but not limited to, climate change, presents risks and opportunities that increasingly may require explicit consideration.
- 5.2 For pooled vehicles, the CIF Trustee recognises that the Investment Managers have full discretion when evaluating ESG issues, exercising rights and stewardship obligations attached to the CIF’s investments as well as the degree to which they are integrated into their investment processes. This Investment Managers’ discretion includes engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure and management of actual or potential conflicts of interest and risks. The CIF Trustee is satisfied this corresponds with its responsibilities to the beneficiaries but will assess the extent to which they adhere to the stated policies on a triennial basis.
- 5.3 The CIF Trustee considers ESG factors and how each Investment Manager embeds ESG factors into its investment processes and its implementation decisions to assess the potential impact on financial performance. ESG factors are also considered when deciding on the selection, monitoring and termination of Investments Managers over the time horizon that is needed to meet the investment return and risk objectives of the CIF and the funding objectives of the Participating Schemes.
- 5.4 Investment Managers may, from time to time, be required to explain how social, environmental and ethical policies impact their investment decisions.
- 5.5 The Custodians shall exercise voting rights as directed by Investment Managers, unless otherwise directed by the Chairman of the CIF Trustee.
- 5.6 Voting rights shall be exercised in the best interests of the Participating Schemes. Where such interests are not clearly defined and on matters of special significance to the Participating Schemes, Investment Managers shall inform the Chairman of the CIF Trustee and seek direction from him as to how they should vote.
- 5.7 Investment Managers shall maintain a record of how proxies were voted and may be required to provide a report covering at least the previous 24 months of activity to the Chairman of the CIF Trustee.
- 5.8 The CIF Trustee seeks to appoint investment managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code, and from time to time the CIF Trustee reviews how these are implemented in practice.

## **6. INVESTMENT MANAGER APPOINTMENT, ENGAGEMENT AND MONITORING**

### 6.1 Aligning Investment Manager Appointments with Investment Strategy

- i) The Investment Managers are appointed by the CIF Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics.
- ii) The CIF Trustee has access to the GSAM research on Investment Managers, and their ratings of Investment Managers. The CIF Trustee utilises this research for its forward-looking assessment of an investment manager's ability to outperform over a full market cycle at an appropriate level of risk. The CIF Trustee assesses the ability of the manager to produce good future long term returns at an appropriate level of risk by evaluating the stability and growth of the Investment Manager organization, the quality and experience of the investment management team, the soundness of the investment style, portfolio construction, the consistency of performance and the complementarity of the investment manager mandate within the fund structure. The CIF Trustee will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class.
- iii) In addition, GSAM shall conduct product assessments and report any anomaly to the CIF Trustee.
- iv) If the investment objective for a particular investment manager's fund changes, the Trustee will review the fund appointment to ensure that it remains appropriate and consistent with the wider Trustee's investment objectives.
- v) Some of the Scheme's investments are made through pooled investment vehicles. Where this applies, the Trustee accepts that it has no ability to specify the risk profile and return targets of the investment manager. Such issues are taken into consideration when selecting and monitoring the investment managers to align with the overall investment strategy requirements.
- vi) Some of the Scheme's investments are managed on a segregated basis, and therefore the CIF Trustee has specified criteria in the investment manager agreements for the investment manager to be in line with the CIF Trustee's specific investment requirements.
- vii) Periodically, Investment Managers may be required to confirm compliance with the provisions of the Statement.

### 6.2 Incentivising Investment Managers to Consider Long-Term Financial and Non-Financial Performance

- i) The CIF Trustee also considers how each investment manager embeds ESG into its investment process and how the Investment Manager's responsible investment philosophy aligns with the CIF Trustee's beliefs around responsible investment. This includes the Investment Manager's policy on voting and engagement (where relevant). The CIF Trustee will use this assessment in decisions around selection, retention and termination of investment manager appointments where applicable.
- ii) The Investment Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the CIF Trustee is dissatisfied, then they will consider replacing the Investment Manager.

### 6.3 Investment Manager Monitoring, including evaluating Performance and Remuneration

- i) Securities held in segregated accounts and regularly traded at a public exchange shall be valued at closing market value unless the CIF Trustee agrees another valuation basis after consulting with the Participating Schemes.
- ii) Where possible, investment in pooled funds shall be valued according to unit values published by the Investment Manager or the fund's administrator.
- iii) Investments that are not publicly traded will generally be valued at least quarterly by the Custodians. In the case of private placements, valuations can be made less frequently but at least annually and may require the contribution of the Investment Managers. Such valuations will give consideration, where applicable, to bid and offer prices, prices paid for comparable publicly traded investments and previous transaction prices. Other valuation techniques such as discounted cash flow or independent asset appraisal values may also be used.
- iv) To evaluate performance, the CIF Trustee receives, and considers, investment performance reports produced on a monthly basis by GSAM which present performance information for the previous month, three months, year-to-date, one-year and three year periods for the Participating Schemes and CIF sub-funds. The CIF Trustee reviews absolute performance and relative performance against a suitable index used as a benchmark and compares it to the CIF sub-funds' and Investment Managers' performance targets (over the relevant time period). The CIF Trustee's focus is primarily on long-term performance, but short-term performance is also reviewed on a regular basis.
- v) Investment Managers may be required to meet with the CIF Trustee from time to time.

### 6.4 Portfolio Turnover Costs

- i) The CIF Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In the future, the CIF Trustee may ask investment managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same investment manager fund, or relative to the investment manager's specific portfolio turnover range in the investment guidelines or prospectus.

### 6.5 Investment Manager Turnover

- i) The CIF Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.
- ii) The CIF Trustee will retain an investment manager unless there is a change to the overall investment strategy that no longer requires exposure to that asset class or investment manager, or the investment manager appointment has been reviewed and the CIF Trustee is no longer confident that the investment manager can achieve their performance objective. For portfolios managed on a segregated basis, the Trustee may terminate an investment manager's appointment by providing notice as detailed in the Investment Management Agreement.

## **7. CONFLICTS OF INTEREST**

- 7.1 Directors of the CIF Trustee, employees of GSAM and Investment Managers (“the Persons with Discretionary Authority”) may not exercise their powers in respect of the CIF in their own interest nor may they place themselves in a situation of conflict between their personal interests and those of the CIF.
- 7.2 Persons with Discretionary Authority shall, without delay, notify the Chairman of the CIF Trustee in writing of any interest they have in an enterprise that is susceptible of causing their personal interest to conflict with the duties of their office, and of any rights, other than those arising from the Participating Schemes, they may have in or may invoke against the CIF, specifying, where such is the case, the nature and value of the rights.
- 7.3 The Chairman of the CIF Trustee shall keep a register in which every interest or right notified to it pursuant to paragraph 7.2 is recorded and shall advise the CIF Trustee of such interest or right.
- 7.4 The Chairman of the CIF Trustee shall ensure that a person who notifies an interest or a right pursuant to paragraph 7.3 does not influence a decision in which such a person has a personal interest or right.
- 7.5 Failure to comply with the procedures described in paragraphs 7.1 to 7.4 shall not by itself invalidate any decision, contract or other matter pertaining to the CIF.
- 7.6 Investment Managers shall act in accordance with the provision of the Code of Ethics and Standards of Professional Conduct of CFA Institute or equivalent, the Investment Managers Guidelines and Instructions, the Statement of Investment Principles and Objectives and guidelines specified from time to time by the CIF Trustee.