

HCA International Limited Staff Retirement Benefit Scheme

Statement of Investment Principles – September 2020

1. Introduction

- 1.1 This Statement of Investment Principles (the “Statement”) has been prepared by the Trustee of the HCA International Limited Staff Retirement Benefit Scheme (the “Scheme”). It sets out the principles that govern the decisions about the investment of the Scheme’s assets. The Trustee will refer to this Statement when making investment decisions, to ensure that the decisions are consistent with these principles.
- 1.2 This Statement is designed to comply with the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004 (the “Act”), the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, and subsequent legislation.
- 1.3 The Scheme is a wholly-insured scheme as defined in Regulation 8 (2) of The Occupational Pension Schemes (Investment) Regulations 2005. This Statement also sets out the reasons why the Scheme is a wholly-insured scheme.
- 1.4 The Scheme’s investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (the “IPID”) which is available to Scheme members on request.
- 1.5 In preparing this Statement, the Trustee has obtained written advice from the Scheme’s Investment Consultant. The Trustee will obtain similar advice whenever it reviews this Statement. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 1.6 The Trustee’s investment powers are set out within the Scheme’s governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Scheme’s investment arrangements.
- 1.7 The Trustee will seek to maintain a good working relationship with the sponsoring employer, HCA International Limited (the “Employer”), and it will discuss any proposed changes to this Statement with the Employer. However, the Trustee’s fiduciary obligations to Scheme’s members will take precedence over the Employer’s wishes, should these ever conflict.
- 1.8 The Trustee believes that their scheme governance, investment policies and its implementation are in keeping with best practice, including the six defined contribution principles that make up the DC Code of Practice 13 issued by the Pensions Regulator in 2016.
- 1.9 The Trustee does not expect to revise this Statement frequently because it covers broad principles. The Trustee will review it at least once every three years, and without delay if there are relevant, material changes to the Scheme and/or the Employer.

2. **The Trustee**

- 2.1 The Scheme's assets are held in Trust by the Trustee and its investment powers are set out in the Scheme's Trust Deed.
- 2.2 The Trustee takes some decisions and delegates the balance. When determining which decisions to delegate, the Trustee has taken into account whether it has the appropriate training and is able to secure the necessary expert advice in order to take an informed decision. Further, the Trustee's ability to effectively execute the decision is also considered.

3. **Reasons for the wholly insured approach**

- 3.1 A wholly-insured scheme is where all the assets (excluding cash held in the Trustee's bank account) are held in one or more qualifying insurance policies.
- 3.2 The Trustee considers that a wholly-insured approach is an appropriate arrangement. This route provides lower operational costs than alternative options and provides access to a reasonable range of services including a choice of investment options.
- 3.3 The Trustee will review the continued appropriateness of the wholly-insured approach at least triennially, or immediately after any change in the investment strategy.

4. **Investment Policy**

4.1 **Objectives and Policies**

- The following encapsulates the Trustee's objectives:
 - To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
 - Offer funds which facilitate diversification and long term capital growth.
 - Offer funds that enable members to reduce risk in their investments as they approach retirement.
 - To restrict the number of funds to avoid unnecessarily complicating members' investment decisions.
- The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives.
- The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.
- The Trustee regards its duty as making available a range of investment options (pooled investment funds) sufficient to enable members to tailor their investment strategy to their own needs. A wide range of asset classes have been made available including developed market equities, emerging market equities, bonds, money market instruments, pre-retirement funds, multi-asset funds and multi-asset funds. There are both active and passively managed funds available to members depending on the type of asset class/strategies the funds invest in.

- The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default investment option. Details on the default investment option are set out in the IPID.
- To provide a default investment option for members who do not make their own investment decisions. More detail regarding the default investment option is provided in Section 5 of this Statement.
- To comply with all relevant legislative requirements.
- The Trustee is responsible for deciding the range of funds to offer, but has no influence on the investment aims of each fund or how the investment managers choose the underlying investments within the funds as the assets are pooled with many other investors to obtain economies of scale. Nevertheless, notwithstanding how the assets are managed, the Trustee has taken investment advice regarding the suitability of the relevant investment vehicles.
- Members' assets are invested in a long-term insurance contract. The assets underlying the insurance contract are invested via daily traded pooled funds, which hold highly liquid assets. The holdings in the funds should be realisable as required, based on either Trustee and / or member demand. The pooled funds are commingled investment vehicles, which are managed by various underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective fund managers in line with the mandates of the funds.
- The Trustee regularly obtains professional advice, monitors and reviews the suitability of the funds provided and from time to time may change the managers or investment options.

4.2 Risk

The Trustee recognises that there are a number of risks facing members of the Scheme and have taken this into consideration when determining the range of funds to offer to members.

The main risks faced by members which the Trustee has taken into account are listed below. The Trustee has considered these risks when setting the investment strategy and ultimately the choice of funds made available to members as detailed in the IPID.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.	<p>The Trustee makes available a range of funds, across various asset classes.</p> <p>The Trustee expects the long-term return on those investment options that invest predominately in equities and other growth-seeking assets (e.g. diversified growth funds) to exceed price inflation and general salary growth. In addition, an index-linked gilt fund is offered to maintain purchasing power for members looking for a lower risk alternative to equities.</p>
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	<p>Within active funds, management of many of these market risks is the responsibility of the investment manager.</p> <p>Lifestyle strategies are available, which invest in assets expected to offer positive real returns in the long term and progressively switch investments into lower risk assets as the member approaches their Target Retirement Age.</p>
	Equity, property and other price risk	The risk that market movements leads to a substantial reduction in the value of a member's savings.	The asset allocations for the default investments strategies are set with the intention of diversifying these risks to reach a level of risk deemed appropriate.
Liquidity risk		This refers to the risk of members not being able to readily realise their investments.	Members invest in a range of daily dealt and daily priced pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.

Investment Manager risk	The risk that the appointed investment managers underperform Trustee expectations, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	<p>The Trustee regularly reviews the investment managers and take professional advice as appropriate.</p> <p>The Trustee monitors the active managers' performance on a quarterly basis and compares the investment returns with the appropriate performance objective to ensure continuing acceptable performance.</p> <p>Passively managed funds are also offered to provide members with the option of avoiding active management risk.</p>
Pension Conversion risk	The risk that a member's investments will be inappropriate relative to how they take benefits from the Scheme, resulting in less favourable retirement outcomes	<p>A wide range of funds is made available to members which are deemed sufficient to enable members to invest appropriately for how they wish to take their benefits.</p> <p>The default option is a lifestyle strategy. The appropriateness of the retirement destination is reviewed as part of the triennial strategy review.</p> <p>Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.</p>
Environmental, Social and Corporate Governance ("ESG") risk	The risk that ESG factors, including climate change, have a financially material impact on the return of the Scheme's assets.	<p>The management of ESG related risks is delegated to investment managers, with oversight from the Trustee via quarterly investment monitoring reports.</p> <p>See Section 8 of this Statement for the Trustee's responsible investment and corporate governance statement.</p>

4.3 Expected Return

The funds available are expected to provide an investment return relative to the level of risk associated with each fund.

The balance between the different kinds of investments is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustee believes that the range of funds offered should provide a range of returns suitable for the membership as a whole.

4.4 Financially Material Considerations

The items set out in Section 4 of this Statement are those that the Trustee considers to be financially material considerations, in addition to those in Section 8. The financially material considerations in relation to the default investment option are provided in more detail in Section 5 below. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

5. Default Investment Option

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of DC scheme members do not make an active investment decision and are invested in the default investment option. Hence, the Trustee has made available a default investment option, the "*Target Cash Path*". The Trustee considers the default to be appropriate for a member intending to take their retirement savings as a tax-free cash lump sum in their entirety. The Trustee recognises that this will not be appropriate for all members and therefore encourages members to make their own investment decisions.

5.1 The Objectives of the Default Investment Option

The Trustee's objectives in relation to the default investment option, and the ways in which the Trustee seeks to achieve these, are detailed below:

- (1) To generate returns in excess of inflation during the "growth" phase of the strategy.

The default option's growth phase invests 100% of members' savings in the FL MyM Mercer Growth/Balanced Fund which is a pooled multi-asset fund that invests in a wide range of asset classes, including global equities, fixed income and alternative asset classes. These investments are expected to provide long-term growth with some protection against inflation erosion. The diversified range of assets used is expected to dampen the volatility associated with equities. The downside risk from an equity market downturn is mitigated through diversification.

- (2) To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on members' retirement outcomes. Therefore, the Trustee believes that a default investment option that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year switching period from growth seeking assets to assets designed to be lower risk relative to the targeted form of benefits.

- (3) To offer to members assets at retirement that are broadly appropriate for an individual to take their whole fund as cash.

At the selected retirement date, 100% of the member's assets will be invested in the FL MyM Mercer Cash Fund, the explicit allocation to cash is designed to assist members in taking a their benefits as a cash lump sum in their entirety at retirement.

5.2 Policies in relation to the Default Investment Option

- The default investment option manages investment and other risks throughout a member's lifetime via a strategic asset allocation consisting of equities, alternatives, bonds and money market instruments.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investments on joining, but also at any other future date.
- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Members are supported by clear communication regarding the aims of the default investment option and the access to alternative investment approaches, including two alternative lifestyle strategies targeting annuity purchase and drawdown.
- Members do not have to take their retirement benefits in line with those targeted by the default investment option; the target benefits are merely used to determine the investment strategy held pre-retirement. Further details of the other lifestyle options can be found in the Investment Policy Implementation Document (IPID).
- Assets in the default investment option are invested in a long-term insurance contract. The assets underlying the insurance contract are invested via daily traded pooled funds, which hold highly liquid assets. The holdings in the funds should be realisable as required, based on either Trustee and / or member demand. The pooled funds are commingled investment vehicles, which are managed by various underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective fund managers in line with the mandates of the funds.
- Assets in the default option are ultimately invested in a manner which aims to ensure the security, quality, liquidity, and profitability of a member's portfolio as whole.
- Assets are invested mainly on regulated markets.

5.3 Taking into account the current demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default option is appropriate. However, members' retirement patterns and membership demographics can change over time. Hence, the Trustee will monitor actual experience in these areas over time with a view of assessing the continued suitability of the Target Cash Path as the default investment option. The Trustee will review the suitability of the default investment option over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

5.4 Appendices A, B, C and D also include details of additional defaults that were created as a result of investment changes in 2016.

6. Investment Strategy

6.1 The Trustee has determined an investment strategy to meet a range of member needs taking into account the risks set out above.

6.2 More information on the investment strategy is detailed in the IPID.

7. Day-to-Day Management of the Assets

7.1 The Trustee delegates the day-to-day management of the assets to professional Investment Managers who are regulated by the Financial Conduct Authority. The Trustee has appointed a Fund Provider to provide access to investment manager funds. The Fund Provider is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

7.2 The Trustee has taken steps to satisfy themselves that the Fund Provider and underlying fund managers have the appropriate knowledge and experience for managing the Scheme's investments and they are carrying out their work competently.

7.3 The Trustee regularly reviews the continuing suitability of the Scheme's investments including the appointed Fund Provider and the funds utilised, and these may be amended from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with that targeted.

7.4 Details of the appointed Fund Provider and the funds available can be found in the IPID.

8. Responsible Investment and Corporate Governance

8.1 The Trustee believes that good stewardship can create and preserve value for companies and markets as a whole and can therefore enhance long-term portfolio performance, and is therefore in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty.

8.2 The Trustee believes that Environmental, Social and Corporate Governance ("ESG") issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Scheme's investment process.

8.3 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustee's policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers.

8.4 The investment managers who are registered with the FCA are expected to act in accordance with their own corporate governance policies and current best practice, as well as comply with the UK Corporate Governance Code and UK Stewardship Code, including public disclosure of compliance via an external website. The Trustee encourages best practice in terms of activism.

8.5 Given the fact that the Scheme invests in a wholly-insured arrangement with investments in pooled vehicles, the Trustee accepts that its ability to influence the underlying investment managers' consideration of ESG matters when investing, is limited.

8.6 Currently, member views on financial and non-financial matters are not taken into consideration in the selection, retention and realisation of assets.

8.7 However, the Trustee welcomes member views, and members have a range of methods of making their views known.

9. **Implementation and Engagement Policy**

9.1 **Aligning Manager Investments Strategy and Decisions with Trustee's policies**

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. These characteristics will differ for each asset class so appointing a single manager is unlikely to be the most appropriate approach.

The Trustee will seek guidance from the Investment Consultant, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme offers to its members. The Investment Consultant's manager research ratings assist with due diligence and are used in decisions around selection, retention and realisation of manager appointments. The manager ratings are incorporated into the Trustee's monitoring reports

The Trustee will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

As the Trustee invests in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustee's policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.

The underlying investment managers are made aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to review the appointment. The process for assessing satisfaction with the managers is set out in Section 9.3.

9.2 **Encouraging Long-Term Focus and Consideration of Social and Environmental Issues**

The Trustee will also consider the Investment Consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee can regularly review the decisions made by the managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long term performance over the medium to long term.

The Trustee reviews an annual stewardship monitoring report, which includes details of voting and engagement activities associate with each of the funds invested in. The Trustee can challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the scheme.

The Trustee reviews the investment managers' compliance against the UK Stewardship Code on an annual basis.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.

9.3 **Evaluating Investment Manager Performance**

The Trustee focuses on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. All funds are open-ended and therefore there is no set duration for manager appointments. The Trustee is responsible for the selection, appointment, monitoring and removal of the investment managers.

The Trustee may review a manager's appointment if:

- There are sustained periods of underperformance, adopting a trigger based review;
- There is a change in the portfolio manager or the team responsible;
- There is a decline in the quality of service provided, decline in the quality of reporting and/or climate related disclosures to the Trustee;
- There is a change in the underlying objectives or process of the investment manager;
- There is a downgrade to the Investment Consultant's rating of the manager.

The investment manager is remunerated by way of a fee calculated as a percentage of assets under management. The levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members.

9.4 **Portfolio Turnover Costs**

The Trustee considers portfolio turnover costs indirectly through consideration of transaction cost data as part of the annual value for money assessment. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover cost. It may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

9.5 **Manager Turnover**

The Trustee believes that the investment managers have the necessary expertise and frameworks in place to effectively manage and monitor investments in line with the above areas. This does not mean that all investment managers will have the same principles with regard to ESG and climate change, as these will specifically relate to the mandate of the investment fund which they are managing.

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. The Trustee will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

10. Compliance with this Statement

- 10.1 The Trustee will monitor compliance with this Statement annually, or immediately after any change in strategy.
- 10.2 In particular, it will obtain written confirmation from the Fund Provider that it has given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

11. Review of this Statement

- 11.1 The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy.
- 11.2 Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed on behalf of the Trustee of the HCA International Staff Retirement Benefit Scheme.

Signed: Ian Eggleiden Date: 24 September 2020

Name: Ian Eggleiden

Appendix A – Statement of Investment Principles – BlackRock (30:70) Currency Hedged Global Equity Index Fund, Default Option

In April 2018 the Department for Work and Pensions (“DWP”) amended the Occupational Pension Schemes (Charges and Governance) Regulations 2015, effective from 6 April 2018. In particular, the DWP’s guidance in association with new regulations clarified the government’s policy in relation to default investment arrangements in the receiving scheme when a member with self-select funds is mapped into new funds which most closely reflect their original choice. This applies when mapping member savings between arrangements but also to in-scheme changes.

The Scheme made a number of in-scheme changes to members’ investment options in 2016. As part of these exercises and consistent with investment consultancy and legal advice, previous self-select funds were mapped across to new funds without members’ consent. The Trustee has received further legal opinion that, as a result of the aforementioned mapping, new default funds were created.

The first of these funds impacted was the BlackRock (30:70) Currency Hedged Global Equity Index Fund.

A.2 Aims, Objectives and Policies

The aims of the BlackRock (30:70) Currency Hedged Global Equity Index Fund, and the ways in which the Trustee seeks to achieve long term capital growth are detailed below:

The fund invests primarily in equities, both in the UK and overseas markets. The fund has approximately 30% invested in the shares of UK companies. 60% is invested in overseas companies split between North America, Europe ex-UK and the Far East with the currency exposure hedged back to Sterling. The remaining 10% is invested in emerging markets equities. The fund aims to provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world

A.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The BlackRock (30:70) Currency Hedged Global Equity Index Fund invests in a diversified range of equity securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The BlackRock (30:70) Currency Hedged Global Equity Index Fund is considered appropriate for members wishing to grow their savings, and the Trustee believes that is it appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The BlackRock (30:70) Currency Hedged Global Equity Index Fund is a diversified range of equity securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the BlackRock (30:70) Currency Hedged Global Equity Index Fund on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the BlackRock (30:70) Currency Hedged Global Equity Index Fund on a quarterly basis.
Currency Risk	The fund is invested in UK and overseas securities with the developed overseas currency exposure hedged back to Sterling. Members are able to select appropriate options for their risk appetite.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	The underlying holdings within the fund are liquid quoted assets.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 8 of this Statement.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections A.2 and A.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

A.4 Members Interests

The BlackRock (30:70) Currency Hedged Global Equity Index Fund is designed to meet its objective as outlined in section A.2.

In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.

Appendix B – Statement of Investment Principles – Mercer Diversified Growth Fund, Default Option

In April 2018 the Department for Work and Pensions ("DWP") amended the Occupational Pension Schemes (Charges and Governance) Regulations 2015, effective from 6 April 2018. In particular, the DWP's guidance in association with new regulations clarified the government's policy in relation to default investment arrangements in the receiving scheme when a member with self-select funds is mapped into new funds which most closely reflect their original choice. This applies when mapping member savings between arrangements but also to in-scheme changes.

The Scheme made a number of in-scheme changes to members' investment options in 2016. As part of these exercises and consistent with investment consultancy and legal advice, previous self-select funds were mapped across to new funds without members' consent. The Trustee has received further legal opinion that, as a result of the aforementioned mapping, new default funds were created.

The second of these funds impacted was the Mercer Diversified Growth Fund.

B.2 Aims, Objectives and Policies

The aims of the Mercer Diversified Growth Fund, and the ways in which the Trustee seeks to achieve these aims, are stated below:

The fund invests in a broad range of asset classes focusing on passively managed instruments. The aim is to achieve returns of Cash +3.5% p.a. over the long term with reduced volatility when compared to global equity markets.

B.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Diversified Growth Fund invests in a diversified range of securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Diversified Growth Fund is considered appropriate for members wishing to grow their savings, and the Trustee believes that is it appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Diversified Growth Fund is a diversified range of equity securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Diversified Growth Fund on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Diversified Growth Fund on a quarterly basis.
Currency Risk	The fund is invested in UK and overseas securities with the developed overseas currency exposure hedged back to Sterling. Members are able to select appropriate options for their risk appetite.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.

Risk	How it is managed	How it is measured
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	The underlying holdings within the fund are liquid quoted assets.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustees' policy on ESG risks is set out in Section 8 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections B.2 and B.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

B.4 Members Interests

The Mercer Diversified Growth Fund is designed to meet its objective as outlined in section B.2.

In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.

Appendix C – Statement of Investment Principles – Mercer Pre-Retirement Fund, Default Option

In April 2018 the Department for Work and Pensions ("DWP") amended the Occupational Pension Schemes (Charges and Governance) Regulations 2015, effective from 6 April 2018. In particular, the DWP's guidance in association with new regulations clarified the government's policy in relation to default investment arrangements in the receiving scheme when a member with self-select funds is mapped into new funds which most closely reflect their original choice. This applies when mapping member savings between arrangements but also to in-scheme changes.

The Scheme made a number of in-scheme changes to members' investment options in 2016. As part of these exercises and consistent with investment consultancy and legal advice, previous self-select funds were mapped across to new funds without members' consent. The Trustee has received further legal opinion that, as a result of the aforementioned mapping, new default funds were created.

The third of these funds impacted was the Mercer Pre-Retirement Fund.

C.2 Aims, Objectives and Policies

The aims of the Mercer Pre-Retirement fund, and the ways in which the Trustee seeks to achieve these aims, are stated below:

The fund aims to match ongoing changes in annuity prices, so invests in assets that reflect the investments underlying a typical non-inflation linked pension annuity product.

C.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Pre-Retirement Fund invests in a diversified range of equity securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Pre-Retirement Fund is considered appropriate for members wishing to grow their savings, and the Trustee believes that is it appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Pre-Retirement Fund is a diversified range of equity securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Global Equity strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Pre-Retirement Fund on a quarterly basis.

Risk	How it is managed	How it is measured
Currency Risk	The fund is invested in UK and overseas securities with the developed overseas currency exposure hedged back to Sterling. Members are able to select appropriate options for their risk appetite.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	The underlying holdings within the fund are liquid quoted assets.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustees' policy on ESG risks is set out in Section 8 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections C.2 and C.3 are in relation to what the Trustee consider 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

C.4 Members Interests

The Mercer Pre-Retirement Fund is designed to meet its objective as outlined in section C.2.

In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.

Appendix D – Statement of Investment Principles – Mercer Growth Fund, Default Option

In April 2018 the Department for Work and Pensions ("DWP") amended the Occupational Pension Schemes (Charges and Governance) Regulations 2015, effective from 6 April 2018. In particular, the DWP's guidance in association with new regulations clarified the government's policy in relation to default investment arrangements in the receiving scheme when a member with self-select funds is mapped into new funds which most closely reflect their original choice. This applies when mapping member savings between arrangements but also to in-scheme changes.

The Scheme made a number of in-scheme changes to members' investment options in 2016. As part of these exercises and consistent with investment consultancy and legal advice, previous self-select funds were mapped across to new funds without members' consent. The Trustee has received further legal opinion that, as a result of the aforementioned mapping, new default funds were created.

The fourth of these funds impacted was the Mercer Growth Fund.

D.2 Aims, Objectives and Policies

The aims of the Mercer Growth Fund, and the ways in which the Trustee seeks to achieve these aims, are stated below:

The fund aims to produce moderate to high levels of long-term capital growth. It will operate on a fund of funds basis.

D.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Growth Fund invests in a diversified range of equity securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Growth Fund is considered appropriate for members wishing to grow their savings, and the Trustee believes that is it appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.

Risk	How it is managed	How it is measured
Market Risk	The Mercer Growth Fund is a diversified range of equity securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Growth Fund on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Growth Fund on a quarterly basis.
Currency Risk	The fund is invested in UK and overseas securities with the developed overseas currency exposure hedged back to Sterling. Members are able to select appropriate options for their risk appetite.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	The underlying holdings within the fund are liquid quoted assets.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustees' policy on ESG risks is set out in Section 8 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections D.2 and D.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

D.4 Members Interests

The Mercer Growth Fund is designed to meet its objective as outlined in section D.2.

In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.