

Society of Radiographers Pension & Life Assurance Scheme (the 'Scheme')

Statement of Investment Principles (the 'Statement')

Scope of Statement

This Statement has been prepared in accordance with s35 and s36 of the Pensions Act 1995, as amended by s244 and s245 of the Pensions Act 2004, respectively, and the Occupational Pension Schemes (Investment) Regulations 2005.

The effective date of this Statement is September 2020. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations made and parties involved

The Trustees have consulted with the Employer prior to writing this Statement and will take the Employer's comments into account when it believes it is appropriate to do so. The Trustees will also consult with the Employer on any revision to this statement.

The Trustees are responsible for the investment strategy of the Scheme. It has obtained and considered written advice on the investment strategy appropriate for the Scheme. It has obtained advice on the preparation of this Statement and this advice was provided by Aon Solutions Ltd ('Aon Solutions ') who are authorised and regulated by the Financial Conduct Authority.

The Trustees have decided to invest the Scheme's assets in Aon 's Delegated Consulting Service ('DCS'). Management of the Scheme's assets has been delegated to Aon Investments Limited ('AIL') (the Fiduciary Manager), who are authorised and regulated by the Financial Conduct Authority. Under DCS, AIL manage the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL conducts the necessary day to day management of the funds required to meet the Trustees' objectives.

A copy of this Statement is available to the members of the Scheme.

Objective

The objective of the investment strategy is to ensure that the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise.

The balance between different kinds of investment

Under DCS the Scheme will have an allocation between two different funds as detailed in the table below. The Real Fund contains exposure to both the Managed Growth Fund and liability hedging instruments.

Investment	Objective	Return Target
Managed Growth Fund	It invests in growth assets to target 4% p.a. outperformance, after the deduction of investment management expenses.	Cash ⁽¹⁾ +4% p.a.
Real +2 Fund	<p>There are two components:</p> <ul style="list-style-type: none">• It invests in a portfolio of leveraged index linked gilt funds which are designed to match a portion of a typical pension scheme's liabilities with around 20 year duration.• It invests in the Managed Growth Fund (above) to target 2% outperformance. <p>The above returns are net of investment management costs and are expected to broadly match the Scheme's Technical Provision liabilities.</p>	Gilts ⁽²⁾ +2% p.a.

1. *The benchmark used is LIBOR.*
2. *The manager will calculate a notional benchmark which reflects the underlying gilts held to match a typical pension scheme RPI linked liabilities with around 20 year duration*

The objective of this investment strategy is to achieve an asset return over rolling three-year periods in excess of the discount rates set out in the Scheme's Statement of Funding Principles. These discount rates are calculated by reference to the yields on Fixed Government Securities appropriate to the duration of the Scheme's liabilities, being about 25 years. Specifically, the discount rates used to calculate the Scheme's Technical Provision liabilities as set out in the current Statement of Funding Principles uses the annualised yield on the FTSE Actuaries' Government Securities 20 Year Fixed Interest Yield Index rounded to the nearer 0.1% p.a. plus a margin of:

- 1.7% p.a. in respect of pre-retirement liabilities and;
- 1.2% p.a. in respect of post retirement liabilities.

Additionally, the inflation assumptions used to calculate the Scheme's Technical Provisions is the Bank of England's implied Retail Prices Index (RPI) inflation spot curve at a term of 15 years, rounded to the nearer 0.1% p.a. for RPI linked liabilities with the Consumer Prices Index (CPI) assumed to be 0.7% p.a. below the RPI assumption. In their strategy proposal to the Trustees, Aon intimated that they expected the investment strategy adopted to result in an investment return of the annualised yield on a portfolio of Index Linked Gilts designed to match the real liabilities of a typical pension scheme of 20-year duration plus 2.5% per annum over the medium term. It is against this more exacting benchmark that the Trustees will assess the performance of both the investment strategy and their appointed Investment Consultant and Manager, recognising the risks as detailed later in this Statement - in particular the strategy proposal is expected to hedge c60% of the Scheme's liabilities that arise from yield movements.

The Trustees review the investment strategy in conjunction with each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees will review the funding of the Scheme, and hence the performance of the Investment Strategy quarterly through the quarterly funding update reports prepared by the Scheme Actuary.

Additionally, the Trustees will meet with their investment adviser and scheme actuary and review investment matters, including, as appropriate, this Statement and the investment performance at least annually. The Trustees take written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

Asset allocation strategy

The Scheme's investment strategy has been established as laid out below. The Scheme's actual position relative to this asset allocation strategy is to be formally reviewed on an annual basis in order to determine whether any rebalancing is required.

Investment	Target Weight (%)
Managed Growth Fund	25.0%
Real +2 Fund	75.0%

The Actuary has estimated the duration of the Scheme's liabilities to be approximately 25 years. The asset allocation set out above is expected to hedge approximately 60% of the Scheme's funded liabilities.

Expected returns on assets

The target return of each individual investment is outlined in the above table. Broadly speaking, the objective of the Managed Growth Fund is to generate long term capital growth through investment in a diversified portfolio of assets. Similarly, the Real Fund seeks to do this to varying degrees, whilst simultaneously provided a broad match to the Scheme's movements in liabilities relating to changes in interest rates and expected inflation.

Risks arising from the investments and risk management

The Trustees measure and manage the credit risk, market risk and liability mismatching risk of the Scheme's investments on a regular basis. In the case of market risk, the Trustees make distinction between risks that arise from, currency exposure, interest rate and inflation exposure, and other pricing risks.

Measurement of each of the risks is detailed in ongoing reporting provided by AIL. The methods the Trustees employ for managing each risk is set out below.

Credit risk

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The manager carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of a pooled manager.

Indirect credit risk arises in relation to exposure to underlying bond pooled investment vehicles. This risk is mitigated through the underlying exposures on aggregate basis being predominantly investment grade credit securities, and by funds holding a diverse portfolio of investments with exposure to a range of issues and issuers.

Cash is held within financial institutions which are at least investment grade credit rated.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. AIL may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions.

Interest rate and inflation risk

Interest rate and inflation risk is the risk that the fair value or future cash flows of a financial asset, primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds, will fluctuate because of changes in market interest rates.

The Scheme is subject to interest rate and inflation risk because some of the Scheme's investments are held in gilt derivatives, through pooled vehicles, and cash. These investments are held in order to mitigate the impact of interest rate and inflation changes on the Scheme's liabilities. The Scheme also has some exposure to bond pooled investment vehicles as part of its diversified return seeking growth portfolio.

Liability mismatching risk

Liability mismatching risk is the risk that changes in the value placed on the Scheme's liabilities are not matched by appropriate changes in the value of the Scheme's assets.

The Scheme's investment strategy is determined through discussion with the Scheme actuary in relation to the actuarial valuation and recovery plan. The investment consultant and Actuary work

closely to agree the required level of expected return above the discount rate and appropriate levels of liability hedging that broadly reflects the Scheme's liability profile.

Other price risk

The Trustees define other price risk as the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises principally in relation to the Scheme's return seeking assets which are held in pooled vehicles, investing in turn in a diversified range of pooled vehicles including, but not limited to, equities, fixed income, debt, property, infrastructure, hedge funds and other asset classes.

Realisation of investments and liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

In setting the Scheme's investment strategy, the Trustees primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Environmental, Social, and Governance ("ESG") considerations

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The Trustees considers these risks by taking advice from its investment adviser.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"^[1]).

^[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Stewardship Policy

The Trustees recognise the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees receive and reviews annual reports on stewardship activity carried out by the Fiduciary Manager, these reports include detailed voting and engagement information from underlying managers.

As part of the Fiduciary Manager's management of the Scheme's assets, the Trustees expect the Fiduciary Manager to:

- ☞ Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- ☞ Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- ☞ Report to the Trustees on its ESG activities as required.

As part of the Fiduciary Manager's management of the Scheme's assets, the Trustees expect the Fiduciary Manager to:

- ☞ Ensure that (where appropriate) underlying managers exercise the trustee's voting rights in relation to the Scheme's assets; and
- ☞ Report to the Trustees on stewardship activity by underlying managers as required.

The Trustees will engage with their Fiduciary Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of either the Trustees or the asset manager.

Where voting is concerned we would expect our underlying managers, to recall stock lending procedures, as necessary, in order to carry out reflective voting actions.

The Trustees may engage with their Fiduciary Manager, who in turn is able to engage with underlying managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Arrangements with asset managers

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the underlying managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that their fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive at least quarterly reports, and verbal updates, from the Fiduciary Manager on various items including performance of the Fiduciary Manager's funds. The Trustees focuses on

longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the Fiduciary Manager over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their Fiduciary Manager, which supports the Trustees in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Fiduciary Manager and request that they review and confirm whether their approach is in alignment with the trustees' policies. The Trustees delegate the ongoing monitoring of underlying managers to the Fiduciary Manager. The Fiduciary Manager monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying managers:

- ☞ make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- ☞ engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with their policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment. The Trustees believe that having appropriate governing documentation, setting clear expectations to the fiduciary manager, and regular monitoring of the fiduciary manager's performance and investment strategy, is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the fiduciary manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the fiduciary manager but could ultimately replace the fiduciary manager where this is deemed necessary.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying managers that the Fiduciary Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Monitoring

The Trustees are aware of the importance of monitoring the fiduciary manager's total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from the Fiduciary Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- ☞ the total amount of investment costs incurred by the Scheme;
- ☞ the fees paid to the Fiduciary Manager;
- ☞ the fees paid to the underlying managers appointed by the Fiduciary Manager;
- ☞ the amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Fiduciary Manager;
- ☞ the Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying managers appointed by the Fiduciary Manager;

- ☞ any charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- ☞ the impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Fiduciary Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the Fiduciary Manager in two key cost areas:

- ☞ the ability of the Fiduciary Manager to negotiate reduced annual management charges with the appointed underlying managers;
- ☞ the ability of the Fiduciary Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying managers and achieve efficiencies where possible.

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective.

The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the asset manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Signed by John Burton, Chair of the Trustees, on 28/9/20 on behalf of the Trustees of the Scheme and signed by Richard Evans on 25/9/20 on behalf of the Sponsor of the Scheme (The Society and College of Radiographers) following consultation with the Sponsor.