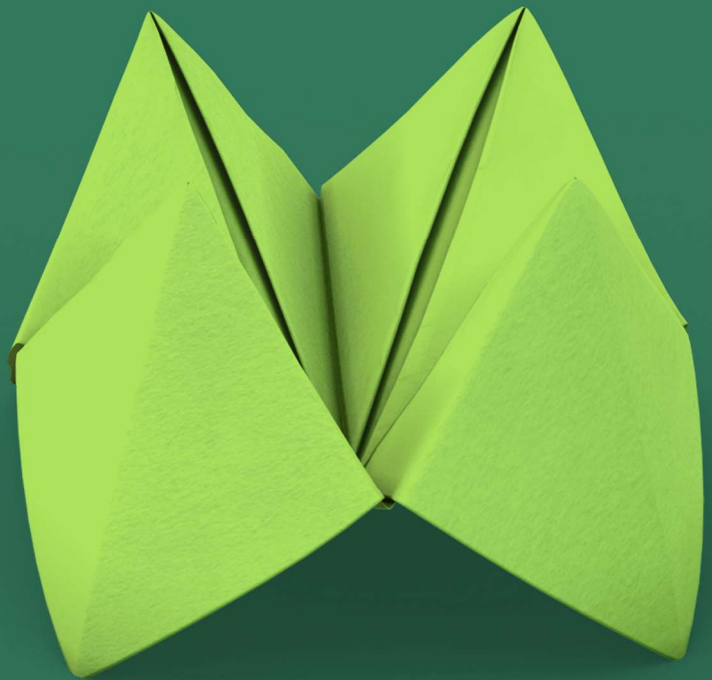


The Royal College of Surgeons Edinburgh Retirement Benefits Scheme (“the Scheme”)

Statement of Investment Principles

1 September 2023



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Contents

Section	Title	Page
1	Executive Summary.....	3
2	Investment Objectives	4
3	Choosing Investments	5
4	Default arrangement MK30.....	6
5	Investment Responsibilities	7
6	Additional Considerations	9
7	Risks	10
8	Relationship with Investment Managers	11
9	Compliance.....	13

Signatory of:



1 Executive Summary

This statement is issued by the Trustees of the Scheme (“the Trustees”) to comply with the Pensions Act 1995, s 35 and The Occupational Pension Schemes (Investment) Regulations 2005.

Review

The statement will be maintained and from time to time reviewed. A special review may be undertaken at any time if the Trustees think that there has been a significant change in investment policy or any other circumstances affecting the Scheme.

Advice

The Trustees have obtained and considered written advice on the content of this statement from a person they consider to be qualified by their ability in and practical experience of financial matters and with the appropriate knowledge and experience of the management of the investments of such schemes to give the advice.

Consultation

The Trustees have consulted the Scheme’s sponsoring employer about the content of this statement.

Investment powers

The Scheme is governed by its Trust Deed and Rules which set out all of the benefits in detail and specifies the Trustee investment powers. This statement is consistent with those powers. The Scheme is contributory and provides money purchase benefits on retirement.

Wholly-insured scheme

The Scheme holds two investment sections; the MK30 section and the P000046205 section.

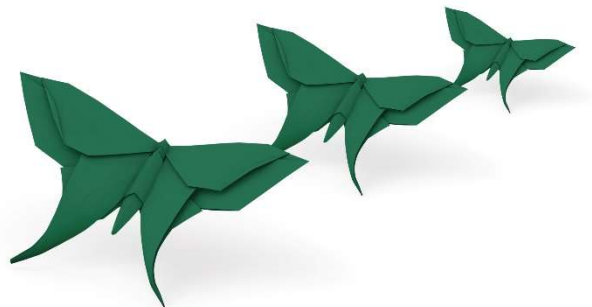
The reasons for the scheme being a wholly insured scheme are to ensure the members benefit fully from the valuable guaranteed annuity rates in the MK30 section and to provide appropriate and proportionate operating efficiencies and administration to support the deferred members of the P000046205 section.



2 Investment Objectives

The Trustee's main investment objective in respect of the MK30 section is noted in the Default SIP later in this statement.

The Trustee's main investment objective in respect of the P000046205 section is to provide members with access to an appropriate range of investment options having regard to the Scheme's membership profile and the variety of ways that members can take benefits in retirement.



3 Choosing Investments

Process for choosing investments

The MK30 section of the Scheme is a single investment arrangement, invested in With-Profits, in order to benefit from the guaranteed annuity rates that are significantly higher than the current open market annuity rates.

In respect of the P000046205 section the Trustees have regard to the Scheme's investment objective above when selecting member self-select funds. The Trustees recognise that members will have different risk appetites and will access their retirement account at different times. Accordingly, the Trustees consider the likely investment needs of the members as a whole while balancing the level of risk and charging structure of appropriate funds. In setting a default investment fund, the Trustees acknowledge that members will have different needs and it is not possible to design a default fund that is suitable for all members.

Monitoring of investments

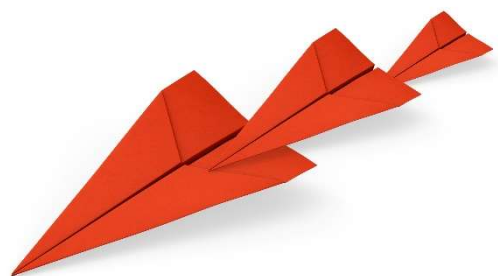
The Trustees periodically monitor both the return and the risk of each member fund against agreed investment objectives. Funds, including the default fund, are periodically reviewed by the Trustees.



4 Default arrangement MK30

This Statement sets down the principles governing decisions about investments of assets of section MK30. It has been prepared to comply with the Occupational Pension Schemes (Investment) Regulations 2005, as amended.

All active members are invested in the default fund which is the Scottish Widows With Profits Fund. Bonuses are declared annually and are added to the policies to increase the level of guaranteed benefits. The rate of bonus added will reflect the performance of the fund's assets, after allowance for expenses and a smoothing adjustment. Terminal Bonus may also apply.



5 Investment Responsibilities

The Trustees

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustees. Therefore, the Trustees are responsible for setting the investment objectives and determining the strategy to achieve those objectives. In doing so, the Trustees consider the advice of professional advisers who they consider to be suitably qualified and experienced for this role. Their duties and responsibilities include but are not limited to:

–	Regular approval of this Statement and monitoring compliance with this Statement.
–	Appointment, removal (where applicable) and review of its investment managers or investment adviser.
–	Assessment of the investment risks applicable to the Default Fund.

OBJECTIVES

The aims and objectives of the default strategy are intended to ensure that assets are invested in the best interests of members of the MK30 section of the Scheme. The Trustees' primary objective is to decide on an investment strategy which:

–	is appropriate to members of the Scheme, taking account of the demographics of the membership
–	will deliver long term returns in real terms.

INVESTMENT MANAGEMENT

The Default Fund is managed by Scottish Widows. They are authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulation Authority and their pension and investment products are covered by the Financial Services Compensation Scheme.

Scottish Widows are responsible for the Fund's stock selection, asset allocation and the exercise of any voting rights.

INVESTMENT STRATEGY

The Trustees consider that continued investment in the Scottish Widows With Profits Fund remains suitable for the membership of the Scheme. This conclusion has been reached based on the following:

The Fund aims to maximise long term returns for members.

The smoothing adjustments provide a level of stability in the annual growth of the members' funds.

Past performance demonstrates acceptable returns (particularly given the levels of volatility experienced in both equity and bond markets in recent years).

Any member invested in the Default Fund who wishes to take further control of their fund can access a full transfer value (subject to any Market Value Reductions applicable).

The Scottish Widows packaged product provides a value for money solution with access to their pensions, administration and investment expertise.

Scottish Widows are a financially strong, stable and well-capitalised business.

EXPECTED RETURN ON INVESTMENTS

The Trustees have regard to the relative investment return (net of fees) and the risk associated with each asset class. The Trustees are familiar with the long-run relationships that exist between the returns from different asset classes and have noted the different expected risk/return characteristics of the different asset classes.

In particular, equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from corporate bonds, fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns.

The Scottish Widows With Profits Fund invests across the main asset classes including equities, fixed interest, property, absolute return and cash. They regularly review the asset mix of the fund and their aim is to:

- Target the best long-term performance
- Ensure the with profits fund can always meet its guarantees.

In order to meet these aims, the Scottish Widows With-Profits Committee acts as an advisor to the board of Scottish Widows Limited. Consideration is given to how much of the fund can be invested in each asset type and risk is managed by setting appropriate ranges for each asset class.

REALISATION OF INVESTMENTS

The Default Fund investments can generally be readily realised when necessary. Market Value Reductions can be applied on transfers from the fund to ensure that the transfer value accurately reflects the underlying value of the member's benefits in the Fund.

6 Additional Considerations

Financially Material Considerations

As the Scheme invests in a pooled fund, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the Fund invests. However, the Trustees do expect the investment manager to take account of financially material considerations.

The investment manager is responsible for the exercise of any rights (including voting rights) attached to the Scheme's investments.

The Directors of Scottish Widows are responsible for setting the Fund's overall investment strategy, including the asset allocation and range of permitted asset classes which the fund may invest in. The Principles and Practices of Financial Management ("PPFM") outlines high level statements of the standards Scottish Widows will follow in the management of the Fund.

In addition, the investment managers review companies in which they invest and use collaborative engagement when there is an opportunity to improve or change the way a company is run or is behaving. For example, they may encourage the adoption of more environmentally friendly policies or advocate for improvements to be made to a company's corporate governance.

When considering the suitability of an investment, the Trustees have a fiduciary responsibility to act in the best interests of the Scheme members, although they have neither sought, nor taken into account, the members' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will keep this policy under review going forward.

The Trustees accept that the Default Fund is subject to the investment manager's own policy on socially responsible investment. Having reviewed the PPFM and assessed Scottish Widows' approach to integrating environmental, social and governance within their investments, the Trustees are satisfied that this corresponds with their responsibilities to the Scheme members.

Non-Financially Material Considerations

The Trustees have not considered non-financially material matters in the investment process.

Stewardship

The Trustees policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should take account, where it believes appropriate, of social, environment and governance factors in the exercise of such rights. The Trustees have reviewed the investment managers voting policies and decided that they are appropriate. The Trustees will continue to monitor this going forward.

The Trustees delegate primary responsibility for corporate engagement activities to Scottish Widows. They engage with companies in which they invest on their performance, strategy, capital structure, management of actual and potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and Scottish Widows published corporate governance policies. The policies comply with these principles.

7 Risks

The Trustees are aware and seek to take account of a number of risks in relation to the Default Arrangement's investments. The Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. The key risks and the policies are outlined below.

Concentration Risk

This is managed through the diversification of the Default Fund holdings across a range of different asset classes and underlying securities.

Market Risk

Most of the underlying financial assets in the component funds are transacted on a regulated market. Markets provide transparency, liquidity, efficiency and regulation to ensure investors achieve a fair price for their assets.

Liquidity Risk

The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Default Fund invests in assets that are generally invested in quoted markets and are as readily realisable.

Currency Risk

The Default Fund may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Scottish Widows are responsible for mitigating this risk, where appropriate.

Contractual Risk

The Default Fund includes guaranteed annuity rates applicable on the members attaining normal retirement age. Any risk that these contractual entitlements will not be met is managed by Scottish Widows.

8 Relationship with Investment Managers

The Trustees will continue to review the investment manager in relation to key aspects focussing on: how the investment manager is remunerated, how the Trustees review and monitor the performance of the investment manager and the duration of the arrangements with the investment manager.

The Trustees will incorporate their expectations on ESG and climate change into the selection and review process for investment managers to ensure that they understand the extent to which ESG is incorporated into the Manager's investment philosophy and process.

The Trustees require their investment managers to have integrated ESG factors as part of their investment analysis and decision-making process. As the Scheme invests in a pooled fund, the Trustees have limited influence over the decisions taken by the investment managers but do monitor ESG factors.

Incentivising Investment Managers

The Default Fund invests in a pooled fund and therefore the Trustees are limited in their scope to influence the investment managers to align their investment strategies with the Trustees' investment policies. The Trustees acknowledge that there may be circumstances where the Manager cannot fully align their strategy and decisions to the policies of all their investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

Assessing Medium to Long-Term Performance of Investments

Performance in the medium to long-term can be improved where the Investment Managers make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and where they engage with issuers of debt or equity. The Trustees have reviewed how the investment manager makes decisions based on the long-term sustainability of the companies in which they invest, their own ESG policies and their approach to climate related risks and disclosures.

The Trustees have no concerns; however, should they, these will be raised with the investment manager.

Monitoring Performance and Remuneration

The Trustees periodically monitor the Scottish Widows performance. When assessing the performance, the Trustees consider (amongst other factors):

- Financial performance
- Where applicable, how well the investment manager is aligned with the SIP and the Trustee's investment policies
- The quality of service provided, including the quality of reporting and disclosure available.

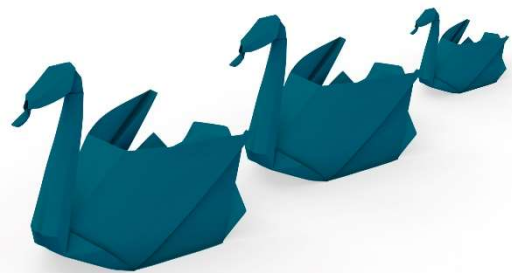
Monitoring Portfolio Turnover and Costs

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in the Default Fund performance.

Being a conventional with profits fund, no explicit charging is available. The annual charge applied by Scottish Widows to the Default Fund is implicit in the declared bonus rate. Details of transaction costs are however available and the Trustees will continue to monitor ongoing transaction costs and will challenge these with Scottish Widows should these costs be deemed excessive.

Duration of Arrangements with Investment Manager

The Trustees have no specific arrangements in place with the investment managers in relation to the duration of investment in their funds. Given that the members invested in the Default Fund are entitled to guaranteed annuity rates, the Trustees do not anticipate that any amendments will be made to the Default Fund in the short term but will keep this under review going forward.



9 Compliance

The Trustees confirm that they have received and considered written advice from AIS on the establishment and implementation of their investment strategy.

Copies of this Statement and any subsequent amendments will be uploaded to a publicly available website.

Signed on behalf of Dalriada Trustees Limited

Signed:

Date of Signing:

Dalriada. A better way

Belfast

Linen Loft
27-37 Adelaide Street
Belfast
BT2 8FE

Birmingham

Edmund House
12-22 Newhall Street
Birmingham
B3 3AS

Bristol

Castlemead
Lower Castle Street
Bristol
BS1 3AG

Glasgow

The Culzean Building
36 Renfield Street
Glasgow
G2 1LU

Leeds

Princes Exchange
Princes Square
Leeds
LS1 4HY

London

46 New Broad Street
London
EC2M 1JH

Manchester

St James Tower
7 Charlotte Street
Manchester
M1 4DZ