

Salvus Master Trust Governance Statement

Year Ending 31st December 2019

Introduction

This is the annual statement (“the Statement”) from the Trustees regarding the governance of the Salvus Master Trust (“the Scheme”) to demonstrate how the Scheme has complied with the required governance standards. The Trustees have prepared the Statement in accordance with the requirements of the Occupational Pension Schemes (Scheme Administration) Regulation 2016. A copy of the Statement will be added to the Salvus website <https://www.salvustrust.com>.

The Statement relates to the calendar year 1 January 2019 to 31 December 2019. The Statement includes details of developments after this time where the Trustees feel that they will help in describing the ongoing governance of the Scheme.

The Trustees of the Scheme are Roger Mattingly (Chair), Abundzu Limited (represented by Barry Parr) and Andrew Blackman.

The Scheme is an authorised DC master trust, sponsored by Salvus MT Limited.

The Trustees are legally required to act in your interests and are committed to ensuring that the Scheme meets high standards. In the reporting period and subsequent to this there has been some significant developments.

The Trustees ordinarily meet formally four times a year with meetings that cover:

- Investment - providing you with secure, appropriate and effective investments for your savings;
- Administration - the administration of the Scheme, including the collection, recording and investing of contributions, accounting and the payment of benefits;
- Accounting & legal – to ensure independent verification of the principal internal controls and financial statements, and;
- Risk and Governance - making sure that the Scheme is properly run, compliant with legislation and that no unnecessary risks are taken with your savings.

We believe that this structure enables the Trustees to distribute their workload more effectively and to maintain the efficient running of the Scheme as it expands.

Additional Trustee meetings, either in person or by conference call and/or video-link, are organised as the need arises. During the Scheme year the Trustee board held 6 formal meetings.

Significant developments

Master Trust Authorisation

The most significant event for the Scheme during the Scheme Year has been the master trust authorisation process. All master trusts were required to apply to the Pensions Regulator for authorisation if they wanted to continue to operate. The Pensions Regulator carried out a rigorous assessment of master trusts. This has included:

- Assessment that the Trustees, the Scheme Funder and the Scheme Strategist are all fit and proper persons to run a master trust;

- Assessment of a detailed business plan for the Scheme;
- Ensuring the Scheme has adequate financial reserves;
- Developing an appropriate continuity strategy. This is a high level strategy which will be adopted if there is a “triggering event” which may indicate that the Scheme cannot continue to operate;
- Ensuring that our Scheme systems and processes are robust so that the Scheme is run effectively.

Our application was submitted to the Pensions Regulator on 3 May 2019. Following our application, we received a number of questions from the Pensions Regulator. All master trusts had an interview and our Trustee board, Scheme Funder, Scheme Strategist and Administrator met with the Pensions Regulator on several occasions in person and via conference call. I am very pleased to report that our application for authorisation has been successful and was confirmed by the Determinations Panel of the Pensions Regulator on 1 November 2019.

Trustee changes

The list of Trustees in the Report and Accounts shows changes to the line-up. Following the resignation of Clark Benefit Consultants Ltd on 30 November 2018, Abundzu Limited was appointed on 1 March 2019 and following the resignation of Able Governance Ltd on 30th September 2019 Roger Mattingly was subsequently appointed on the same date. The Trustees would like to record their thanks to Clark Benefit Consultants Ltd (represented by Michael Clark) and Able Governance Ltd (represented by Nick Boyes) for their support and dedication to the Scheme members throughout their tenure as Scheme Trustees.

Scheme growth

The Scheme continues to increase in size, albeit not the number of employers using Salvus as their preferred pension scheme which has reduced from 3,010 at the start of the year to 2,953 active employers by the end of the year. The number of members has however, increased from 62,187 at the start of the year to 70,388 at the end of the year.

The assets of the Scheme have also increased significantly over the year, through a combination of regular monthly contributions, which increased in line with legislation in April 2019; individual transfers-in by members seeking to consolidate their pensions savings in a well-managed, low-cost Scheme; the acceptance of further pension funds from schemes where the defined benefit element has been taken into the Pension Protection Fund (PPF); and increases in investment markets. The total assets under management increased from £144.5m to £218.3m by the end of the Scheme year.

Smarterly acquisition

On 3 April 2020 the Scheme was acquired by Smarterly; a fintech company which specialises in workplace savings. Salvus MT Ltd (a subsidiary of Smarterly) has become the Scheme Sponsor, replacing Goddard Perry Consulting Ltd, with Smarter Financial Services (Holdings) Ltd becoming a Co-Scheme Funder of the Scheme alongside Goddard Perry Consulting Ltd. This is an exciting development for the Trustees, and all involved in Salvus. This should take the Scheme to the next level in terms of the delivery of technology to members and additional functionality for employers. Please note the Scheme Trustees remain unchanged.

Scheme Investments

Contributory and Non-Contributory Section

The Scheme currently has two default arrangements, which are the Cautious Lifestyle and the Balanced Lifestyle. Generally, it is only the Cautious Lifestyle that is used for new investments.

The default investment arrangements are provided for those members who do not wish to make an active choice about their pension investment, although members can also choose to invest in it. At the end of 2019 approximately 99% of auto-enrolled members had their contributions invested in one of the default investment arrangements.

The Trustees set the investment strategy for the Scheme's default arrangements. The Trustees know that members have different attitudes to risk and different aims for their retirement savings. When choosing the investment strategy, the Trustees take into account various aspects including:

- The demographics of the Scheme membership;
- The average and range of members' pot sizes;
- Costs;
- Likely benefit choice at retirement;
- The different type of investments available and their risk profile;
- Current and future market outlook;
- Investment horizon;
- Realisation of investments; and
- Environmental, Social and Governance (ESG) factors, including climate change.

The objective of the Default Funds is to balance the investment risk against the opportunity for providing long-term investment growth. To accomplish this, the Default Funds have three distinct phases: Growth, Consolidation and Pre-Retirement.

During the Growth Stage, members will be invested in mostly stocks and shares with the aim of generating long-term growth.

In the Cautious Default Fund, 15 years before retirement members move into the Consolidation Stage and their funds will be invested in more UK bonds and gilts to protect any gains that have been made. Finally, as members reach 5 years before their retirement age, they will move into the Pre-Retirement Stage when they will be invested in more cash to protect from any sudden changes in the stock market.

In the Balanced Default Fund, instead of investing in a fund which lifestyles at target retirement age minus 15 years, this is delayed by five years and starts to lifestyle at target retirement age minus 10 years. Once again, the objective of the Balanced Default Fund is to balance the investment risk with the opportunity for providing investment long-term growth in three distinct phases, Growth, Consolidation and Pre-Retirement.

These changes from Growth to Consolidation and then Pre-Retirement are made automatically and are reviewed regularly by the Scheme Trustees.

Reviews of the default investment

The investment performance of the default investments is reviewed by the Trustees at each formal Trustee meeting. Throughout 2019 the main Trustee Board meetings reviewing the investments took place on 12 March 2019, 9 July 2019 and 10 December 2019. From the year end further meetings to consider the investments have taken place on 27 February 2020, 21 April 2020 and 13 May 2020.

In our previous Statement we told you that the Trustees had performed a fundamental review of the investment strategy of the default arrangements, with the help of our investment advisers, River and Mercantile (R&M). This involved reviewing the strategy and performance of the default arrangements in the main contributory section, in particular the extent to which returns were consistent with the arrangements' aims and objectives and Trustee policies set out in the Scheme's Statement of Investment Principles. This took place during the first half of 2017 with the review concluding in a meeting, held on 21st July 2017. Subsequently, the Trustees formally agreed at a meeting held on 21 April 2020 to undertake a new review and have decided to first refresh their Investment Adviser mandate, for which responses have been received, a presentation has taken place and decisions made. Due diligence is now ongoing prior to a formal appointment. The new Investment Adviser appointee will progress the review thereafter.

A further meeting took place on the 24th January 2018 which aimed to set out the route map for making these changes to the investment strategies. The Trustees approved the proposals at that meeting but had to bear in mind the impact of the changes on the administration of the Scheme. As you can see from the Charges and Transaction Costs section of this Statement, the Scheme currently has many different funds with different charging structures. This arrangement allowed Goddard Perry Consulting, the Sponsor of the Scheme, to offer different charging structures to different employers, depending on

the size of their work force and other factors. A consequence of the way that the Scheme has been set up, however, is that any fundamental change to the investment strategy creates a great deal of structural work for the administrators.

The investments of the Scheme were considered again at the meeting of the Trustees on 4th December 2018. This review focused on the fund platform provider and concluded with a recommendation by R&M that the Scheme switch away from the Aegon platform to that provided by Legal & General Investment Management ('LGIM'). The rationale for the change to LGIM was based on the availability of funds that would permit a more appropriate allocation to currency-hedged funds, which will help to manage risk in the portfolio.

Throughout 2019, the Trustees were dealing with the Pensions Regulator Master Trust Authorisation. The transition to a new investment profile was therefore put on hold until authorisation had been granted on 1 November 2019. Given the delays, the Trustees felt it was prudent to revisit the investment decisions made to ensure that these still remained appropriate. The investment strategy was discussed at Trustee meetings held on 10 December 2019 and 27 February 2020, which included presentations by the Investment Adviser, R&M. An extraordinary investment meeting took place on 21 April 2020. At this meeting the Trustees determined that their requirements for a default fund were:-

- Preferably 1 default fund, this would avoid over complexity;
- Incorporate Environmental, Social and Governance (ESG) factors, including climate change;
- Primarily passive funds to be used, mainly due to the lower charges;
- White label funds to be used for ease of administration;
- To probably target cash at Normal Retirement Date (NRD) whilst the pot sizes remain low but to make sure the default structure appropriately accommodates Freedom and Choice options ; and to meet this to
- Potentially include an active decision option 5 years prior to NRD with continuation to cash as the default.

At the 21 April 2020 Trustee meeting the Trustees completed a performance review of R&M and determined that a market review should take place to tender for investment adviser services. This invitation to tender was issued to 7 Investment Adviser firms, including R&M on 29 April 2020. A shortlist was determined from the tender submissions received with, presentations taking place during June 2020. The Trustees have now made a decision on a revised Scheme Investment Adviser and are currently carrying out due diligence prior to a formal appointment.

The current investment strategies are described in the Statement of Investment Principles ('SIP') that was last reviewed and signed by the Trustees on 6 July 2020. A copy of the SIP is included in this Statement as Appendix A.

During the course of the Scheme year to 31 December 2019 and subsequent to this, there have been a number of amendments to the SIP. These amendments have detailed the inclusion of the Utmost Life and Pensions (formerly Equitable Life) funds, fuller detail of the Spinnaker, Retirement Bridge and investment mapped funds. Furthermore, the SIP was updated to detail how the Trustees intended to take account of financially material factors and stewardship including, but not limited to, ESG factors including climate change.

Following the Shareholder Rights Directive II (SRD II), the Trustees are required to make further changes to their SIP by 1 October 2020. Post 1 October 2020 Annual Reports will also be required to include an Implementation Statement setting out how the Trustees ESG, including climate change, and stewardship policies have been followed during the year. This will include detailing the methods by which the Trustees monitor and engage with investee companies and other stakeholders in relation to their capital structure and the management of any conflicts of interest.

Ongoing investment governance

As well as reviewing the investment strategies and how they intend to change them in the near future, an important aspect of the Trustees' governance of the Scheme is to receive and consider reports on the investment performance of the funds held. R&M currently provides the Trustees with investment reports on a regular basis.

Apart from the Cash fund, all of the funds that form the default strategies are 'passively' managed. This means that the fund manager 'tracks' an index, such as the FTSE100 stocks and shares index. To track an index means to adjust the underlying investments held by the fund to match the proportion in the index. Index tracker funds are popular as they remove the need to attempt to predict which particular stocks and shares are likely to perform better than average and they reduce the cost of investing.

The reports received from R&M include performance test information which checks whether passive funds are tracking their benchmark effectively and whether active funds are adding value over and above their benchmark, after investment charges have been deducted. The report at the end of Q4 2019 showed that the funds in the default strategies have all performed reasonably closely in line with their respective indices over the longer term, however, the 1 year performance of the UK Equity index and Corporate Bond index have underperformed. This is not a cause for concern at the current time due to the long term nature of pension investments, however, this will be monitored closely by the Trustees.

Self-select funds

Although over 99% of auto enrolled members are in the two default strategies in the main contributory section, it is important to comment on the performance of the 'Freestyle' self-select funds that are available. Some of these funds are passively managed index-trackers, as in the default strategies, but some are actively managed. These are typically investments in markets that have the potential to reward specialist research capabilities or specific skills of the investment manager. These characteristics tend to increase the cost of investing in these funds, however, but they do have the potential to outperform the market and provide enhanced returns. Details of these funds can be found on the Salvus website: www.salvustrust.com/freestyle-fund.php.

The performance figures for these self-select funds have been disappointing compared to their own benchmark and although pensions are a long term investment it has highlighted to the Trustees that an overall review is necessary. This will therefore be included alongside the default investment fund in the review that is currently ongoing.

The performance figures for all funds are detailed in Table 1 below.

Table 1: Aegon Fund performance figures to 31 December 2019

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
Aegon BlackRock World (ex UK) Equity Index	22.6%	22.6%	9.3%	10.2%
Aegon BlackRock UK Equity Tracker	17.3%	19.2%	5.8%	6.9%
Aegon BlackRock Corporate Bond Tracker	7.7%	9.3%	2.9%	3.9%
Aegon UK Gilts All Stocks Tracker	5.7%	6.9%	2.0%	3.1%
Aegon BlackRock UK Index Linked Gilt Tracker	5.4%	6.8%	1.9%	2.9%
Aegon Cash	-0.1%	0.6%	-0.4%	0.4%

Cautious Default	18.0%	19.2%	7.3%	6.1%
Balanced Default	21.6%	19.2%	8.9%	6.1%
Aegon Balanced Passive	14.9%	15.3%	5.9%	5.8%
Aegon MI Savings High	19.0%	-	7.5%	-
Aegon MI Savings Low	13.9%	-	5.4%	-
Aegon MI Savings Medium	16.6%	-	6.6%	-
Aegon BlackRock European Equity Tracker	19.8%	19.5%	7.5%	7.8%
Aegon BlackRock Japanese Equity Tracker	11.4%	14.4%	4.8%	6.3%
Aegon BlackRock Pacific Rim Equity Tracker	12.0%	12.6%	6.5%	7.4%
Aegon BlackRock US Equity Tracker	25.9%	25.8%	11.1%	12.0%
Aegon Blackrock 50/50 Global Equity Tracker	18.4%	19.4%	7.1%	8.0%
Aegon BlackRock Emerging Mkts Equity Tracker	14.9%	15.5%	7.7%	8.6%
Aegon Distribution	11.3%	11.5%	4.0%	3.9%
Aegon Ethical	30.6%	19.2%	7.4%	6.9%
Aegon HSBC Life Islamic Global Equity Index	27.3%	28.3%	12.4%	14.4%
Aegon Legal & General Pre Retirement Fund	11.3%	-	3.5%	-
Aegon M&G Property Portfolio <i>(Closed to new investors)</i>	-7.8%	0.2%	0.6%	3.9%
Aegon M&G Recovery	7.2%	19.2%	-0.2%	6.9%
Aegon Blackrock Aquila Over 15y Corp Bond Tracker	16.6%	17.4%	5.0%	6.0%
Aegon Blackrock Aquila Over 15y UK Gilt Tracker	10.6%	12.0%	4.0%	5.1%

The Aegon fund performance has been calculated in pounds on a bid to bid basis and is net of investment charges with gross income reinvested.

The Default Fund returns are shown net of 0.5% charge, including the Salvus charges.

Retirement Bridge

Retirement Bridge is a product to enable members (after the age of 55) to remain invested in the Scheme, while taking some or all of their tax-free cash and then, if they wish, drawing down an income from the remainder of their pensions savings. This is the Scheme's feature to enable members to take full advantage of pension freedoms. There are very few members who use this facility at present, but numbers are likely to grow, and the Trustees have a duty to monitor these funds.

When a member chooses Retirement Bridge the pension fund is invested in target-dated funds managed by Alliance Bernstein. These invest the member's pot in a fund that corresponds to their date of birth. The fund is made up of a collection of growth assets, such as equities, and income-producing assets, such as fixed income gilts, that is adjusted on a lifestyle basis as the member approaches age 75.

The objective of the strategy is to produce a sustainable income at a level similar to that of a typical joint-life, level annuity, but one that is expected to grow over time. The reward of an increasing income in retirement does come with some risk, however. Alliance Bernstein constantly monitors the risk profile of the funds and prudently manages the income that is paid out with a pay-out percentage rate set each year. The drawdown rate is not guaranteed to increase each year, but they aim to maintain the drawdown rate between a range of 90% and 102.5% of the annuity benchmark rate.

The performance of the target-dated funds has been encouraging during 2019. The different 'vintage' of funds have different asset allocations and have all produced a positive return against their benchmark.

The Trustees receive regular performance figures from Alliance Bernstein for consideration at each Trustee meeting.

Table 2: Retirement Bridge Fund performance to 31 December 2019

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
1948 Retirement Bridge	11.2%	6.4%	13.3%	-0.4%
1950 Retirement Bridge	11.8%	6.9%	14.3%	1.3%
1951 Retirement Bridge	12.2%	7.1%	14.8%	0.7%
1953 Retirement Bridge	12.9%	7.1%	15.5%	1.2%
1954 Retirement Bridge	13.0%	7.5%	15.6%	1.2%
1958 Retirement Bridge	13.0%	9.0%	15.7%	2.2%
2026–2028 Retirement Bridge*	11.6%	-	-	-
2032–2034 Retirement Bridge*	14.4%	-	-	-
2035-2037 Retirement Bridge*	15.2%	-	-	-
2038-2040 Retirement Bridge*	17.0%	-	-	-
Global Equities Benchmark comparison	22.7%	-	-	-
Cash Benchmark comparison	0.8%	-	-	-

** The Global Equity and Cash performance has been shown for comparison purpose and is not the Scheme benchmark*

Fund performance is net of fees.

All performance for periods over a year is annualised (% per year)

Spinnaker section

Spinnaker was the original master trust that was set up to accept the defined contribution funds from pension schemes entering the Pension Protection Fund (PPF). Occupational pension schemes which are mostly defined benefit in structure may be eligible for the PPF if the employer sponsor of the scheme fails for whatever reason. At that time there may also be Defined Contribution elements which the PPF cannot directly receive and manage and these have been transferred into the Spinnaker section.

This section has its own default arrangement which uses the Aegon BlackRock 50/50 Equity and Bond Tracker fund or the Cash fund. This is different from the main section in view of the larger pension pot sizes that have been transferred by the PPF and the probability of members taking an annuity at retirement. The Trustees reviewed the strategy and performance of the default arrangements including the extent to which returns were consistent with the Trustees' aims and objectives when the Spinnaker scheme merged with Salvus on 3rd February 2017, in particular the extent to which returns were consistent with the arrangements' aims and objectives and Trustee policies set out in the Scheme's Statement of Investment Principles. A formal review is included in the investment work that was formally approved at a meeting on 21 April 2020. Further information is detailed above.

The actual investment performance of the Aegon BlackRock 50/50 Equity and Bond Tracker has been strong over the 12 months to December 2019 albeit performing behind its benchmark. As with the main

Salvus section, however, the performance of the funds in the Spinnaker default strategy over the 3- and 5-year periods has been very positive.

Table 3: Spinnaker Fund performance figures

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
Aegon BlackRock 50/50 Equity and Bond Tracker fund	18.4%	19.4%	7.1%	8.0%
Aegon Cash Fund	-0.1%	0.6%	-0.4%	0.4%

The Aegon fund performance has been calculated in pounds on a bid to bid basis and is net of investment charges with gross income reinvested.

Utmost Life and Pensions

In addition to the investments outlined above, there are a number of legacy Utmost Life and Pensions (formerly Equitable Life) investments held within Salvus at the year end. These were inherited from a number of participating employers and former schemes that were assigned to Salvus. These investments included with-profits and unit linked funds.

The monies were being held within Equitable Life until 1 January 2020, at which time a monetary uplift was added to the with profit policy values. They then became unit linked and transferred to Utmost Life and Pensions at this date. Throughout this process the policies remained assigned to Salvus.

Following the move to Utmost the Trustees lodged an instruction for the monies to be moved to Salvus. Post year end this move to Salvus has now been completed and monies are no longer held with Utmost. The Utmost monies were invested in the funds as selected by the transferring scheme trustees. These being the Cautious Lifestyle (default fund), Balanced Lifestyle (default fund) and Cash Fund (default fund – Spinnaker section).

Table 4: Equitable Life Fund performance figures to 31 December 2019

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
Money market	0.3%	0.6%	0.43%	0.4%

Performance figures are calculated on a bid to bid basis and shown in Pounds Sterling.

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	5 Year Performance Fund (%)	3 Year Performance Benchmark (%)
Clerical Medical with-profit	10.8%	6.9%	5.3%	3.9%

The table above shows how the unsmoothed return on assets compared with the relevant Bond returns (FTSE Actuaries British Govt All Stocks TR index). The figures are gross of tax and do not take into account any charges or deductions.

Members of the Equitable with-profits funds had an initial sum assured (guaranteed minimum sum) and this has been increased by the addition of annual bonuses and a terminal bonus. The size of bonuses depended on fund performance, the costs of the insurance business, and the need to smooth bonuses between good and poor years. The declared bonus for the Equitable With Profits fund during 2019 was 2.0%.

Investment Mapped Funds

During 2014 a transfer took place from an existing occupational scheme to the Salvus non contributory section. The funds that these members were invested in was replicated within Salvus. This being the Aegon Balanced Passive Fund then 5 years prior to NRD moving to a combination of the over 15 year gilt and cash funds. Due to the way the legislation is written, if member funds were invested without consent, as in this case, the receiving self-select funds are classed as a default fund for investment and reporting purposes and are required to be reviewed every three years. These funds have therefore been included as part of the overall Scheme review that took place during the first half of 2017 with the review concluding in a meeting, held on 21st July 2017. These funds are included in the comprehensive investment review which was formally approved at a meeting on 21 April 2020, detailed above. R&M report on these funds as part of their regular governance reporting. The Trustees confirm that these funds are within the Charge Cap and that the Statement of Investment Principles (SIP) details this default arrangement.

M&G Property Fund

The M&G Property Fund is available to members under the self select fund range. On 4 December 2019 M&G suspended dealing on this fund. The fund is still being actively managed but it means that instructions to buy or sell units in this fund will not be accepted. M&G will monitor this suspension on a monthly basis.

As a result of this suspension HS Admin, on behalf of the Trustees, have contacted all affected members to inform them of the position. In addition, those members who are making ongoing contributions were requested to provide an instruction on an alternative fund choice. A small number of these members have not responded, this has meant that the Trustees have redirected these ongoing contributions to cash until either the gated fund reopens or the affected members exercise their own choice for investing these contributions. This course of action by the Trustees has resulted in this cash holding becoming a default arrangement and therefore subject to certain legal requirements.

The Trustees can therefore confirm that the alternative fund being used is within the Charge Cap and that the Statement of Investment Principles (SIP) details this default arrangement. This fund is included in the comprehensive investment review which was formally approved at a meeting on 21 April 2020, detailed above.

Value for Members

When assessing the charges and transaction costs which are payable by members, the Trustees need to think about whether the investments, options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market.

There is no objective legal definition of “good value” and so the process of determining good value for members is not wholly objective and requires the Trustees to exercise their judgement following a detailed assessment. In doing so, the Trustees have been guided by TPR’s value for members guide.

In order to make the assessment the Trustees considered:

- Whether benefits provided are relevant and valued by members;
- Whether the scope and quality of each service provides good value for the costs and charges incurred by the member; and
- Whether services to members have been performed effectively over the past year and whether it is believed services will continue to perform effectively.
- Comparison against other schemes in the market, where that information is available;
- The risks associated with the benefits.

The following sections include the Trustees thinking about the value to be placed on key aspects of the Scheme. This underpinned the Trustees’ assessment of the value being provided to members.

Charges and Transaction Costs

An important aspect of assessing value is to consider the costs incurred by the members as a result of being a member of the Scheme. The costs associated with saving for retirement via a pension scheme are a combination of clear, published, charges and more opaque 'transaction' costs that are not as easy to identify. The sum of these costs can have a significant impact on a member's pension savings over the long term and Trustees are obliged to discover and publish this information and make a comparison with the costs of other pension schemes as part of their assessment of value for members.

As the Scheme is being used as a Qualifying Scheme for automatic enrolment purposes, the statutory charge cap on defined contribution (DC) schemes limits the charge that can be imposed on members who are invested in the default strategy.

The charges made to save within the Scheme are comprised of three elements:

- Member charges, that includes the Annual Management Charge (AMC) and depends on which fund are used and the deal offered to the employer;
- Transaction charges incurred when contributions are invested; and
- Frictional charges on the invested fund.

Table 5 below lists the different member charges that apply to different groups of members within the Scheme (excluding Ex Spinnaker employers/members). The information given in the table relates to the headline 'member' charges that are deducted from members' funds to cover the cost of administration, investing, audit, marketing and governing the Scheme. The charge that applies is determined by the contractual agreements in place with the members' employer. Note that the numbers of employers and members in this table are as at 31 December 2019 and relate to active employers only.

Table 5: Member charges

Member charge	Number of employers whose members pay the level of charge	Total members
0.29%	37	5,438
0.34%	4	641
0.44%	606	8,146
0.45%	1	43
0.49%	14	1,318
0.50%	98	2,930
0.60%	313	4,455
0.65%	435	7,450
0.75%	412	16,496
0.49% + £1 per member per month	11	235
0.60% + £0.83p per member per month	925	10,083
Total	2,856	57,235

Over 99% of the overall membership are invested in the default strategy funds.

Details of the funds available and the level of charges applicable to these are as given in Table 6:

Table 6: Charges for Freestyle funds

Fund Name	Level of Charge Annual Management Charge (AMC) (Percentage per annum)
Balanced Passive	0.23%
Aegon BlackRock 50/50 Global Equity Tracker	0.45%

Aegon BlackRock Corporate Bond Tracker	0.29%
Aegon BlackRock Corporate Bond Tracker	0.34%
Aegon BlackRock Corporate Bond Tracker	0.44%
Aegon BlackRock Corporate Bond Tracker	0.45%
Aegon BlackRock Corporate Bond Tracker	0.49%
Aegon BlackRock Corporate Bond Tracker	0.60%
Aegon BlackRock Corporate Bond Tracker	0.65%
Aegon BlackRock Corporate Bond Tracker	0.75%
Aegon BlackRock European Equity Tracker	0.75%
Aegon BlackRock Japanese Equity Tracker	0.75%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.29%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.34%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.44%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.50%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.60%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.65%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.75%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.34%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.44%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.45%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.50%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.60%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.65%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.75%
Aegon BlackRock Pacific Rim Equity Tracker	0.75%
Aegon BlackRock UK Equity Tracker	0.29%
Aegon BlackRock UK Equity Tracker	0.34%
Aegon BlackRock UK Equity Tracker	0.44%
Aegon BlackRock UK Equity Tracker	0.45%
Aegon BlackRock UK Equity Tracker	0.49%
Aegon BlackRock UK Equity Tracker	0.50%
Aegon BlackRock UK Equity Tracker	0.60%
Aegon BlackRock UK Equity Tracker	0.65%
Aegon BlackRock UK Equity Tracker	0.75%
Aegon BlackRock UK Equity Tracker	0.80%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.29%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.34%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.44%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.49%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.50%

Aegon BlackRock UK Index-Linked Gilt Tracker	0.60%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.65%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.75%
Aegon BlackRock US Equity Tracker	0.75%
Aegon BlackRock World (ex-UK) Equity Tracker	0.29%
Aegon BlackRock World (ex-UK) Equity Tracker	0.34%
Aegon BlackRock World (ex-UK) Equity Tracker	0.44%
Aegon BlackRock World (ex-UK) Equity Tracker	0.45%
Aegon BlackRock World (ex-UK) Equity Tracker	0.49%
Aegon BlackRock World (ex-UK) Equity Tracker	0.50%
Aegon BlackRock World (ex-UK) Equity Tracker	0.60%
Aegon BlackRock World (ex-UK) Equity Tracker	0.65%
Aegon BlackRock World (ex-UK) Equity Tracker	0.75%
AEGON's MI Savings (H)	0.90%
AEGON's MI Savings (L)	0.90%
AEGON's MI Savings (M)	0.90%
Balanced Passive	0.45%
Balanced Passive	0.75%
Cash	0.29%
Cash	0.34%
Cash	0.44%
Cash	0.45%
Cash	0.49%
Cash	0.50%
Cash	0.60%
Cash	0.65%
Cash	0.75%
Distribution	0.75%
Emerging Markets Equity Tracker	0.75%
Ethical	0.70%
Ethical	1.05%
SE HSBC Life Amanah	1.05%
SE L&G Pre-Retirement	0.80%
SE M&G Property Portfolio	1.45%
SE M&G Recovery	1.20%
SE M&G Recovery	1.45%
UK Gilts All Stocks Tracker	0.29%
UK Gilts All Stocks Tracker	0.34%
UK Gilts All Stocks Tracker	0.44%
UK Gilts All Stocks Tracker	0.49%
UK Gilts All Stocks Tracker	0.50%
UK Gilts All Stocks Tracker	0.60%
UK Gilts All Stocks Tracker	0.65%
UK Gilts All Stocks Tracker	0.75%

Some of the funds in Table 6 are the same but with a different AMC. This reflects the commercial requirement to cover costs but still allow the Scheme to remain open to the very smallest employers and deliver the same features and Scheme benefits.

In addition to the Qualifying Scheme, there is a Non-Contributory and a Spinnaker section which do not have to comply with the charge cap. These sections are used by schemes looking to wind-up or who are entering the Pension Protection Fund (PPF) and are looking for an appropriate pension vehicle to accept, manage and govern their members' DC benefit entitlements. This includes the merger of the Spinnaker Master Trust where members are predominantly invested in the Aegon BlackRock Aquila 50/50 Equity and Bond Tracker Fund or Aegon Cash Fund.

The Non-Contributory section funds have the levels of charges set out in the Table 6 above, however, the Spinnaker section funds have the levels of charges set out in Table 7 below. Again, the range is to allow Salvus to admit to membership any DC scheme, regardless of member numbers and pot size.

Table 7: Spinnaker fund charges

Fund Name	Level of Charge Annual Management Charge (AMC) (Percentage per annum)
Aegon BlackRock 50/50 Equity and Bond Tracker	0.40%
Aegon BlackRock 50/50 Equity and Bond Tracker	0.50%
Aegon BlackRock 50/50 Equity and Bond Tracker	0.75%
Aegon BlackRock 50/50 Equity and Bond Tracker	1.00%
Cash	0.40%
Cash	0.50%
Cash	0.75%
Cash	1.00%

The charges for the Retirement Bridge Alliance Bernstein Target-Dated Funds are set out in Table 8 below.

Table 8: Retirement Bridge Alliance Bernstein fund charges

Fund Name	Level of Charge Annual Management Charge (AMC) (Percentage per annum)
AB Retirement Bridge 1948 Drawdown Strategy	0.82%
AB Retirement Bridge 1950 Drawdown Strategy	0.82%
AB Retirement Bridge 1951 Drawdown Strategy	0.82%
AB Retirement Bridge 1953 Drawdown Strategy	0.82%
AB Retirement Bridge 1954 Drawdown Strategy	0.82%
AB Retirement Bridge 1958 Drawdown Strategy	0.82%
AB Retirement Strategies Fund 2026-2028	0.78%
AB Retirement Strategies Fund 2032-2034	0.78%
AB Retirement Strategies Fund 2035-2037	0.78%
AB Retirement Strategies Fund 2038-2040	0.78%

Illustration of charges and disclosure costs

The following table (Table 9) sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

The "before costs" figures represent the projected pensions savings assuming an investment return with no deduction of member borne fees or transaction costs. In comparison, the "after costs" figures represent the projected pension savings using the same assumed investment return after deducting the member borne fees.

An illustration is shown for one of the default options, the Cautious Portfolio, as most members of the Scheme are invested in this default, as well as two funds from the Scheme's self-select fund range. The two self-select funds used for the illustrations are:-

- The fund with the highest before-costs expected return which most members of the Scheme invest in – this is the Aegon BlackRock World (ex UK) Equity Index.
- The fund with the lowest before-costs expected return – this is the Aegon Cash Fund.

Projected pension pot in today's money

Table 9: Cumulative impact of charges

Years from now	Cautious Default (most popular)		World (Ex UK) Equity Index (highest return)		Cash (lowest return)	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£3,127.00	£3,127.00	£3,127.00	£3,127.00	£3,127.00	£3,127.00
1	£5,115.66	£5,077.30	£5,136.70	£5,098.17	£4,953.77	£4,916.62
2	£7,175.79	£7,082.50	£7,232.15	£7,138.02	£6,751.51	£6,664.56
3	£9,309.98	£9,144.18	£9,417.05	£9,248.96	£8,520.66	£8,371.78
4	£11,520.95	£11,263.98	£11,695.28	£11,433.52	£10,261.67	£10,039.19
5	£13,811.49	£13,443.55	£14,070.88	£13,694.31	£11,974.95	£11,667.70
10	£26,563.50	£25,300.07	£27,563.28	£26,239.67	£20,140.18	£19,256.85
15	£41,789.28	£38,931.12	£44,205.19	£41,139.25	£27,673.26	£25,997.46
20	£59,974.89	£54,606.95	£64,739.31	£58,840.76	£34,621.04	£31,981.41
25	£81,701.88	£72,638.98	£90,083.46	£79,877.02	£41,026.89	£37,290.62
30	£107,666.04	£93,386.03	£121,371.84	£104,882.19	£46,930.98	£41,998.18
35	£138,586.89	£117,166.28	£160,006.11	£134,652.40	£52,370.51	£46,169.24
40	£172,819.08	£142,497.54	£207,718.40	£171,076.95	£57,379.92	£49,861.92
45	£207,186.05	£167,416.67	£266,649.23	£216,075.17	£61,991.12	£53,128.06
50	£210,988.54	£165,965.58	£339,443.84	£266,853.74	£66,233.63	£56,013.87

Notes to illustrations

- Values shown are estimates and are not guaranteed.
- Projected pension pot values are shown in today's terms.
- Costs and charges applied to the pension pot are assumed to remain at the same level throughout the term of the pension as those that applied during 2019.
- Future investment growth is determined by the investment fund selected and are in line with the method and assumptions governing Statutory Money Purchase Illustrations (SMPI) as detailed by the Faculty and Institute of Actuaries in Technical Memorandum 1 (TM1). The assumed growth rate for the World (ex-UK) Equity Index fund is 7% per annum; for the Cash fund it is 1% per annum and for the Cautious Default strategy it is 6.31% per annum.
- Future changes in investments as a result of the lifestyle option have been factored into the calculations.
- The costs and charges are assumed to be at a rate of 0.75% per annum per fund shown in Table 3, including all costs and charges.
- Inflation is assumed to be 2.5% each year.
- The starting pot size is £3,127.

- The starting salary is assumed to be £23,135.
- The projections assume that salaries increase in line with inflation to allow for prudence in the projected values.
- Contributions are assumed to be 8.31% per year (employee plus employer contribution), which is the average contribution for the contributory section of the Scheme.

This illustration has been produced having regard to the Department of Work and Pensions 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes' dated September 2018. The Trustees' investment advisers have confirmed that this illustration does not deviate from the principles in that guidance.

Transaction costs

In addition to these headline charges there are also costs deducted by the fund managers for the transactions made in invested funds. These cover issues such as commission paid to stockbrokers, bank transaction charges, stamp duty and platform fees paid when a fund manager engages in trading within the fund. The full transaction cost data in respect of the Scheme has been provided by the fund managers.

The Trustees asked R&M to examine these investment management and platform charges payable by members. The sum of these charges is referred to throughout this document as the Total Expense Ratio or "TER".

R&M has advised that the average TER for the default lifestyle strategy is 0.11% p.a. while the average TER for the self-select funds outside of the default strategy is 0.20% (weighted by member assets invested as at 31 December 2019).

Within the average TER of 0.11% p.a. for the default strategy, members receive the following investment-related benefits:

- Investment strategy: this takes account of membership needs and controls risks as members approach retirement and the need for protection increases;
- Investment performance: Most funds have performed as members were led to believe (i.e. in line with fund objectives).

The most recent survey of charges published by the Department for Work and Pensions ("DWP") in 2017 places the average member charge for trust-based DC arrangements of over 1,000 members (the range within which Salvus sits) at 0.37% and 0.61% p.a. for qualifying and non-qualifying arrangements respectively. While this does not differentiate between bundled (i.e. investment and administration services) and investment-only charges, the Salvus TERs are overall materially lower than this average figure. NB: This excludes any additional monetary Salvus member charge (as detailed within table 5) in this comparison.

The corresponding member charges within this survey for qualifying and non-qualifying master trusts are 0.48% and 0.65% p.a. respectively; again, the Salvus TERs (excluding the Salvus charge) are overall materially lower than this average figure. It should be noted that that this may not be a like-for-like fee comparison as the fees covered in the survey may include the master trusts' own charges.

Having assessed the services covered by the fund charges paid by members R&M view overall charges as below average relative to the market, for a reasonable investment strategy and fund offering.

The Table 10 below provides the TER of the funds in the default strategies and for each individual fund and for the funds available in the Freestyle self-select range.

More information on the transaction costs for the Retirement Bridge funds in Appendix B.

Table 10: Total Expense Ratios (TERs) –

Fund Name	Transaction Costs	AMC	TER
Aegon BlackRock UK Equity Tracker	0.012%	0.45%	0.462%
Aegon BlackRock UK Equity Tracker	0.012%	0.50%	0.512%
Aegon BlackRock UK Equity Tracker	0.012%	0.60%	0.612%
Aegon BlackRock UK Equity Tracker	0.012%	0.75%	0.762%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.45%	0.471%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.50%	0.521%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.60%	0.621%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.75%	0.771%
Cash	0.002%	0.45%	0.452%
Ethical	0.005%	0.70%	0.705%
Cash	0.002%	0.50%	0.502%
Cash	0.002%	0.60%	0.602%
Cash	0.002%	0.75%	0.752%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.45%	0.465%
SE M&G Recovery	0.162%	1.20%	1.362%
Aegon BlackRock Pacific Rim Equity Tracker	0.015%	0.75%	0.765%
Aegon BlackRock Japanese Equity Tracker	0.022%	0.75%	0.772%
Aegon BlackRock US Equity Tracker	0.012%	0.75%	0.762%
Aegon BlackRock European Equity Tracker	0.032%	0.75%	0.782%
Emerging Markets Equity Tracker	0.050%	0.75%	0.800%
Balanced Passive	0.022%	0.75%	0.772%
Distribution	0.005%	0.75%	0.755%
SE L&G Pre-Retirement	0.000%	0.80%	0.800%
AEGON's MI Savings (L)	0.021%	0.90%	0.921%
AEGON's MI Savings (M)	0.019%	0.90%	0.919%
AEGON's MI Savings (H)	0.020%	0.90%	0.920%
No factsheet for the ALMA fund.	0.028%	0.95%	0.978%
SE HSBC Life Amanah	0.002%	1.05%	1.052%
Ethical	0.005%	1.05%	1.055%
SE M&G Property Portfolio	0.562%	1.45%	2.012%
SE M&G Recovery	0.162%	1.45%	1.612%
Aegon BlackRock UK Equity Tracker	0.012%	0.34%	0.352%
Aegon BlackRock UK Equity Tracker	0.012%	0.80%	0.812%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.80%	0.821%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.44%	0.461%
Cash	0.002%	0.80%	0.802%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.29%	0.311%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.80%	0.815%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.34%	0.361%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.80%	0.814%

Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.44%	0.457%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.80%	0.817%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.29%	0.307%
UK Gilts All Stocks Tracker	0.011%	0.80%	0.811%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.34%	0.357%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.80%	0.822%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.44%	0.455%
UK Gilts All Stocks Tracker	0.011%	0.65%	0.661%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.65%	0.672%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.65%	0.664%
Aegon BlackRock UK Equity Tracker	0.012%	0.65%	0.662%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.65%	0.671%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.65%	0.667%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.65%	0.665%
Cash	0.002%	0.65%	0.652%
Balanced Passive	0.022%	0.23%	0.252%
Aegon BlackRock UK Equity Tracker	0.012%	0.44%	0.452%
UK Gilts All Stocks Tracker	0.011%	0.44%	0.451%
UK Gilts All Stocks Tracker	0.011%	0.29%	0.301%
UK Gilts All Stocks Tracker	0.011%	0.34%	0.351%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.44%	0.462%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.29%	0.312%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.34%	0.362%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.44%	0.454%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.29%	0.304%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.34%	0.354%
Aegon BlackRock UK Equity Tracker	0.012%	0.29%	0.302%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.50%	0.515%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.29%	0.305%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.60%	0.615%
UK Gilts All Stocks Tracker	0.011%	0.49%	0.501%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.49%	0.512%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.49%	0.504%
Aegon BlackRock UK Equity Tracker	0.012%	0.49%	0.502%
Aegon BlackRock World (ex-UK) Equity Tracker	0.021%	0.49%	0.511%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.49%	0.507%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.49%	0.505%
Cash	0.002%	0.49%	0.492%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.75%	0.765%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.45%	0.464%

Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.45%	0.467%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.50%	0.514%
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.015%	0.34%	0.355%
Cash	0.002%	0.44%	0.442%
Cash	0.002%	0.29%	0.292%
Cash	0.002%	0.34%	0.342%
Balanced Passive	0.022%	0.45%	0.472%
Aegon BlackRock 50/50 Global Equity Tracker	0.011%	0.45%	0.461%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.60%	0.614%
Aegon BlackRock UK Index-Linked Gilt Tracker	0.014%	0.75%	0.764%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.50%	0.517%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.60%	0.617%
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.017%	0.75%	0.767%
UK Gilts All Stocks Tracker	0.011%	0.45%	0.461%
UK Gilts All Stocks Tracker	0.011%	0.50%	0.511%
UK Gilts All Stocks Tracker	0.011%	0.60%	0.611%
UK Gilts All Stocks Tracker	0.011%	0.75%	0.761%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.45%	0.472%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.50%	0.522%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.60%	0.622%
Aegon BlackRock Corporate Bond Tracker	0.022%	0.75%	0.772%
Spinnaker			
Aegon BlackRock 50/50 Equity and Bond Tracker	0.013%	0.40%	0.413%
Aegon BlackRock 50/50 Equity and Bond Tracker	0.002%	0.40%	0.402%
Aegon BlackRock 50/50 Equity and Bond Tracker	0.013%	0.75%	0.763%
Aegon BlackRock 50/50 Equity and Bond Tracker	0.002%	0.75%	0.752%
Cash	0.013%	0.50%	0.513%
Cash	0.002%	0.50%	0.502%
Cash	0.013%	1.00%	1.013%
Cash	0.002%	1.00%	1.002%

The funds used in the non-contributory, at-retirement, Retirement Bridge section of the Scheme differ from those in the main contributory section. The funds are 'target-dated' funds managed by AllianceBernstein. These funds are a carefully selected blend of different underlying funds, designed to enable members to draw a sustainable income from their pensions savings, with a reasonable prospect of further growth in value. This structure makes it more difficult to apply the slippage cost method of determining transaction costs incurred in the funds.

The largest 'transaction charge' will occur when a member trades in or out of the fund. This is because the underlying funds have bid-offer spreads on the 'swinging price' model, as described above.

The Trustees have received information from AllianceBernstein that shows the transaction costs incurred within the target-dated funds. This is attached as Appendix B.

Charge Cap

Charge controls apply to the default arrangements of certain occupational pension schemes that provide DC benefits and that are being used as qualifying schemes for automatic enrolment. Salvus meets the requirement that no members' funds in a default arrangement are subject to charges in excess of a cap, as a simple percentage of members' funds, this limit is 0.75% per annum.

Non-financial aspects of value for members

Value for members is not solely about providing a low-cost investment vehicle. The Trustees have also taken into account the other aspects of the Scheme that provide value and have formed an assessment about the quality and scope of these services, how these have performed over the year and whether they think that this will continue into the future.

Governance

The fundamental responsibility of the Trustees is to protect the interests of the members and to help them to achieve good value from being a member of the Scheme. They do that by holding the administrators and sponsor to account in terms of how the Scheme is managed on a day-to-day basis and thinking carefully about the appropriate investment strategy and choice of funds available, and the security of the assets held for members.

This is achieved by seeking appropriate professional advice, having agreed methods of reporting by all parties, and by performing regular reviews of the performance of all parties associated with the Scheme, including their own.

The Pensions Regulator Master Trust Authorisation process required the Trustees to undertake a root and branch review of every aspect of the operation of the Scheme and the way in which the Trustees conduct this oversight. This has resulted in further enhancements to the way that the Scheme is governed, so the portion of the Scheme charge spent on this function continues to represent good value to members.

Member facilities

Salvus is keen to provide as much useable information as they can to the members, in order to help them to understand the importance of monitoring their pensions savings and achieving the optimal outcome.

Much of the Trustees' responsibility in this area is delegated to the Scheme Administrator, HS Admin, which provides the Trustees with an administration report on a quarterly basis to assist the Trustees in assessing the administration services provided and how this impacts on value for members. This review is particularly focused on the handling and maintenance of member contributions, customer service including complaint handling, and the way in which members access their benefits. In reviewing value for members, the Trustees recognise that vast technology improvements have been made over the past few years, and continue to be made, which has directly improved the member experience.

At retirement, members have the option to take their accrued funds as a cash lump sum; purchase an annuity with another provider; transfer their fund to another provider; or remain invested. The Trustees are conscious that the majority of retiring members are currently taking their retirement benefits as a cash lump sum. The Trustees recognise that this behaviour is likely to continue for as long as pension pots are currently small. The Trustees have therefore taken the view that, from a value for members perspective, that the current options available to members remain appropriate.

The Scheme Administrator, HS Admin, actively seeks member feedback. All correspondence issued to members of the Scheme both by e-mail and hard copy post includes a notification to members on how they can leave feedback on-line. This is encouraging and provides an improved member experience and encourages better member outcomes.

Throughout the year the following communications have been issued:-

- email on automatic enrolment increase on contributions;
- Statutory Money Purchase Illustrations;

- email on “spring cleaning” your pension;
- employer guidance leaflet on contribution monitoring;
- details on the mobile app;
- confirmation of Scheme Master Trust Authorisation;
- correspondence to all members who were within 1 year of their 50th birthday;
- correspondence to all members who were within 6 months of their Normal Retirement Date. All retirement options and the next steps were also communicated;
- from 1 December 2019 members now receive communications at 5 year intervals up to their Target Retirement Date (TRD). The earliest communication is issued 16 years before TRD for a member who is in the 15 year profile. The intention of this communication is to engage with members, so they start to think about their retirement journey.

Features such as knowledgeable help desk staff and Member Portal all enhance the member experience. The Member Portal is continually being developed and new functionality is being added to assist the member experience. The Member Portal allows members to:

- view the current value of their account;
- initiate investment fund switches;
- arrange transfers in and out of the Scheme;
- complete a death benefit nomination form;
- view fund fact sheets;
- feedback to the Administrators on any aspect of their account;
- request a retirement pack;
- change their investment allocation;
- amend their target retirement date;
- view details of any monthly fixed charge and the annual management charge;
- view projected pension benefits at retirement.

During 2019 the Scheme has introduced the Salvus mobile app allowing members more access to online tools. The app hosts a range of services including tax tables and savings models, and members will also have access to switching, transferring-in and valuations in real time via the Salvus Member Portal.

The Origo transfer service, which is used by the Scheme, significantly speeds up the process and security of making transfers into and out of the Scheme and allows members the facility to consolidate pensions savings in a streamlined manner.

The Retirement Bridge facility offers members good value, as it enables eligible members to draw cash from their pensions savings without having to move to another provider. As more members reach the stage where they wish to access their funds in a flexible and convenient manner, this facility enhances the value that members derive from the Scheme.

This is evidence that the Scheme is keen to encourage members to engage with their pensions savings and make the most of their membership. It represents another feature that adds to the value to members and the Trustees are keen to enhance this offering to members.

Trustees assessment of value for members

An assessment of value for members must take into account all the costs and features. The Trustees recognise that cost is not the sole determinant of value, but they have put more weight on that aspect in view of the potentially corrosive impact of charges on long term savings. As the tables earlier in this section demonstrate, there are different levels of charges for some members, dependent upon the contractual agreement with their employer, but all members enjoy the same level of administration, governance, available investment performance and product features, regardless of that charge. The conclusions by R&M that the Scheme provides access to a range of investment options, including de-risking as retirement approaches, at a competitive investment management and platform cost, informed the Trustees in their judgement.

The value for member assessment has, however, highlighted areas for improvement with the Scheme investments and the Trustees are addressing these, the first step being the investment adviser review and the invitation to tender that has been issued. An update on the outcome of this review will be included within the next Chair's Statement.

In conclusion, the Trustees have determined that the Scheme provides good value for members, regardless of headline member charges, and the plans for future enhancements to features such as the Salvus App and the Member Portal will build on this.

Core Financial Transactions

The Trustees are required to report to you about the processes and controls in place in relation to the "core financial transactions". The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or in respect of members.

The Trustees must ensure that these important financial transactions are processed promptly and accurately. In practice these tasks are delegated to the Scheme Administrator, HS Admin.

The Trustees have an administration agreement in place with HS Admin, which incorporates service level agreements, covering the accuracy and timeliness of all core financial transactions.

During the 2019 Scheme year 'core financial transactions' were processed promptly and accurately (having regard to TPR's DC Administration Guidance).

In order to perform this major task for such a large number of members, HS Admin has invested heavily in automated processes that materially reduce the need for human input when contributions are paid to the Scheme. This is explained further below, alongside the other ways in which the Trustees ensure that core financial transactions are processed promptly and accurately.

Employers load their earnings and pensions data onto the online Employer Portal which immediately performs an analysis and flags any issues. Once this stringent test is completed, the data is automatically allocated to the respective members' records and a direct debit instruction is raised to call the contributions from the employers' bank account. Once the contributions have been invested, the system automatically records the number of units purchased, and the purchase price, on each member's record.

The Trustees have service level agreements (SLAs) in place with HS Admin that cover the accuracy and timeliness of core financial transactions and HS Admin provides quarterly reports that confirm the performance against these standards. Recent reports have confirmed that the average number of working days from the date that contributions are received to the date of payment to the investment manager has been 1.1 days. The average working days from the date of contribution receipt to date of actual investment has been 2.1 days.

An important factor in collecting contributions from employers is the success or otherwise of making a direct debit transaction (DDs). Statistics from HS Admin show that DDs average at over 99% success each month. This is not a perfect record and HS Admin have processes in place to identify and follow up on the failures. This includes system-generated reports that enable the administrators to contact the employers. The cause of these failures is typically due to either the employer cancelling the DD or not having sufficient funds in their account.

If this was anything other than an accidental lapse, and contributions do not follow promptly, the contribution monitoring protocols come into play. These protocols aim to initiate a rapidly escalating chasing process carried out by HS Admin on behalf of the Trustees that reminds the employer of its responsibility and moves on to notifying the members and TPR, as is required by law. HS Admin provides the Trustees with a monthly report on the payment of contributions and any action taken in

respect of late payments. This will include whether they have had to instigate the contribution monitoring protocol. These reports, together with a formal report at each quarterly Trustee meeting, keeps the Trustees updated if issues are not resolved quickly. The process has proved extremely effective and the incidence of late contributing employers is now very low.

As well as the collection and investment of routine contributions, the other financial transactions that need to be performed quickly and accurately are also monitored and reported to the Trustees. These are also subject to an SLA that covers the accuracy and timeliness of these core financial transactions

The performance against the SLAs for the processing and payment of death claims, retirement settlements and trivial commutation payments are reported in HS Admin's routine report to the Trustees, as well as the processing of transfers into and out of the Scheme, and instructions by members to switch their investment funds. Table 11 below sets out how HS Admin has performed over the year in these tasks:

Table 11: Performance against Service Level Agreement

Task	Completed - Total	Completed – In Target	% completed within SLA
Deaths	32	19	59%
Retirement Settlement	344	335	97%
Trivial commutation payment	343	343	100%
Transfer In	498	458	92%
Transfer Out	975	932	96%
Investment switch	167	166	99%

Performance of processing these transactions has improved significantly by adding functionality on the Member Portal. As has been mentioned above, members can initiate fund switches, transfers in and out and retirement quotations on the Member Portal, and update their Expression of Wishes form, all reducing the time taken for these events to be concluded.

The Trustees have queried with HS Admin the performance against the Service Level Agreement in respect of death cases. HS Admin have advised that sometimes these actions take longer than they should for a variety of reasons namely, but not limited to, legal time limits, identification and response times from beneficiaries, documentation requirements, etc. This varies on a case by case basis depending on the individual circumstances. To address these issues, the Trustees have asked for reporting on outstanding death cases to be included within the quarterly admin report in order that the Trustees can monitor progress.

Although, the delays in death cases are disappointing the nature of this work is non standard and it is often very difficult to adhere to a stated time frame.

Trustee Knowledge and Understanding

Occupational pension schemes, such as this Scheme, are complex structures and the level of knowledge and expertise required of the Trustees is rightly set at a high level. The pensions landscape is in a constant state of development, as new regulations and legislation impacts on the way in which schemes must be governed.

The law requires the Trustee board to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. This includes that the Trustees must have knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the investment of the assets of the Scheme. It also requires the Trustees have a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles, and other Scheme policy documents relating to the administration of the Scheme.

As part of our new Trustee induction process, the two new Trustee appointments throughout 2019 familiarised themselves with these documents and many other key Scheme documentation, including the Trustees Governance Plan.

All of these documents are referenced during meetings and any amendments considered as specific agenda items.

All of the Trustees have access to the Trustees Gateway, which is an online portal holding key documentation for the Scheme.

The Trustees take their training and development responsibilities seriously and keep a record of the training completed and provide this to the Scheme Secretary at the end of each quarter. Training activities completed during 2019 have covered all aspects of DC scheme governance, pensions and trust law, investment principles and strategy, member engagement, cyber security and other relevant topics. Each Trustee has logged in excess of 70 hours on these activities during 2019.

The Trustees have completed an individual Trustee Board skills matrix and this document is reviewed at each Trustee meeting. Furthermore, using the TPR Sample Board Evaluation document the Trustees have completed a self assessment of the Trustee Board as a whole to evaluate how effective they are, and this evaluation is reviewed at each Trustee meeting.

These reviews allow the Trustees to identify any gaps in the knowledge and understanding across the Board as a whole, allowing us to work with our professional advisers to fill in any gaps.

All of the Trustees have completed the relevant modules of the Trustee Toolkit made available by the Pensions Regulator.

During the Scheme Year and as part of the Pensions Regulator Master Trust Authorisation process the Trustees have undertaken a comprehensive review of the Scheme's operations, and the Trustees duties and obligations as part of this process. This has involved the Trustees conducting a detailed review of all of the Scheme's systems and processes.

The selection of the Trustees appointed during the Scheme Year has been to ensure a wide spread of experience throughout the Trustee board. This wide ranging experience, together with the ongoing training and development that is undertaken, and the use of appointed third party advisers on matters such as investment and legal matters, enables the Trustees to exercise properly their functions as the Trustees of the Scheme. Nonetheless there is no room for complacency, and it is for this reason that Trustee Knowledge and Understanding is reviewed on an ongoing basis as a regular topic for discussion at Trustee meetings.

During the 2019 Scheme year the Salvus Trustees demonstrated their continued satisfaction of this 'Trustee Knowledge and Understanding' requirement in a number of ways:

- As part of the process of preparing the application for authorisation, the Trustees reviewed and approved all of the procedures and process involved in the administration and governance of the Scheme. This included checking their familiarity with the governing documents of the Scheme including trust deed and rules and carrying out a detailed analysis of the Trustees' various policies that relating to the good administration of the Scheme. It also included ensuring the Trustees remained familiar with the 'balance of powers' under the Scheme rules and pensions law, which resulted in the Trustees commissioning a legal review of their balance of powers document to ensure it is up-to-date following changes to the Scheme rules;
- Actively engaged with their professional investment advisers to develop the investment strategy as enshrined in the Statement of Investment Principles which involved a detailed review of that document and consideration of investment principles;
- Read legislation and Regulations at source, in particular relating to master trust authorisation, together with summaries and interpretations published in the professional journals and by specialist pensions advisors on an ad hoc basis focussing on areas of interests in industry publications and items directly affecting the Scheme;

- Read the output produced by the Pensions Regulator, in particular the Codes of Practice and supporting guidance;
- Checking awareness of updates to the Trustee Toolkit, which is an e-learning programme produced by the Pensions Regulator and that the Trustees are comfortable with the subject material contained within them;
- The new Trustees appointed during the year, when appointed, spent time familiarising themselves with the Scheme's governing documentation from the trustee perspective. Given the new Trustees both had a strong pensions background and Master Trust experience as a Trustee, as well as the fact they had already completed the Trustee Toolkit, it was considered that a formal induction programme was not proportionate. The process for inducting new trustees is assessed on a case by case basis to ensure it remains tailored and proportionate;
- Attending and contributing to specialist pensions conferences and seminars, hosted by pensions journals, advisory firms and the Pensions Regulator. These events, commonly including keynote speeches from representatives of the Pensions Regulator and are a particularly effective means to maintain knowledge and to understand new developments.

The Trustees have a combined experience of working in the pensions industry of some 75 years and have experienced at first hand the impact of the multitude of legislative changes and new regulations that have impacted occupational pensions over that time.

The Trustee Board covers a broad spectrum of relevant experience and a brief summary of each Trustee is detailed as follows:-

Abundzu Limited: Represented by Barry Parr who is an independent trustee with over 20 years of experience. He is trustee of several pension schemes and master trusts, and was the founding chairman of the Association of Member Nominated Trustees. Barry has attained the Award in Pension Trusteeship (PMI - APT - DC) 2011.

Andrew Blackman: Andrew has been in the pensions industry for over 30 years, having acted as a Consultant/Secretary to Trustee Boards of Defined Contribution and Final Salary pension schemes for the last 22 years. He has also been involved in establishing, consulting and providing ongoing governance support to Master Trusts (Spinnaker Master Trust and Salvus Master Trust) for 10 years and was involved in the merger of the Spinnaker and Complete Master Trust into Salvus.

Roger Mattingly: Roger is the chairman of the trustees of Salvus Master Trust. Roger holds a number of trusteeships, and is chair of trustees of two other master Trusts. He is a Past President of the Society of Pension Professionals, a Fellow of the Institute of Directors and has been a member of various industry groups, including the Pensions Regulator's Stakeholder Advisory Panel and more recently as Chair of the Pensions & Lifetime Savings Association's Multi-employer Defined Benefit Committee.

The Trustees recognise the risk that their knowledge and experience could overlap to such an extent that there are areas where their combined skills are insufficient, leaving vulnerabilities in the governance of the Scheme. In order to assess the situation, the Trustees complete a skills matrix, based on that published by TPR, on an annual basis. The Trustees use this analysis to determine training requirements and activities to pursue in order to fill any gaps. During the course of the year, this analysis combined with discussions with TPR as part of the authorisation process highlighted a need for the Trustees to undertake financial oversight training. This would allow the Trustees to be sufficiently aware of financial matters affecting the Scheme's Funders and to be able to identify knowledge gaps, ask the right questions and to seek appropriate advice, where appropriate. This training took place at the Trustee meeting held on 27 February 2020.

The Trustees consider that, due to the actions and attributes outlined above, and in conjunction with the use of their professional advisers, they have the combined knowledge and understanding and access to advice to enable them to properly exercise their functions as trustees of the Scheme for the benefit of the Members.

All professional trustees, including Abundzu Limited and Roger Mattingly, can voluntarily seek 'accreditation' from the Association of Professional Pension Trustees (APPT) in order to demonstrate that they have sufficient knowledge and skills to fulfil their obligations. This will provide independently

verified evidence that the Trustees are able to run the Scheme properly. As of 10th July 2020, Barry Parr of Abundzu Ltd was Accredited Professional Trustee through the PMI – PTPMI (Accred) and Roger Mattingly was Accredited Professional Trustee through the Association of Professional Pension Trustees (APPT).

Non-affiliation of trustees

The legislative requirement is for the majority of the Trustees to be non-affiliated. Non-affiliated broadly means that the Trustee is both currently independent of the Scheme Funder and all other undertakings which provide advisory, administration, investment or other services in respect of the Scheme, and was not an employer or officer (or equivalent) of a Scheme service provider in the five years preceding appointment. Where a non-affiliated trustee resigns the Scheme must again aim to meet the non-affiliation requirement within three months. A trustee is not to count as non-affiliated for any one period of more than five years.

I can confirm that the majority of the Trustees, including the Chair, during the period covered by this Statement and subsequently, met this non-affiliation requirement.

The independent trustees in place in 2019 (Able Governance Ltd, Abundzu Limited and Roger Mattingly) or their representatives, have never provided such services to the Scheme or have been a director, manager, partner or employee of any such undertaking or any undertaking that is in the same corporate group or partnership with a service provider to the Scheme nor did they do so in the five years preceding their appointment. Nor had they ever taken any payment or benefit from the Scheme other than in respect of their role as trustee. They do not have any relationship with any of the service providers to the Scheme that would conflict with their obligations as trustee. Consequently, Able Governance Ltd, Abundzu Limited and Roger Mattingly were non-affiliated during their trustee appointment in 2019 and their appointments were less than five years ago.

Both Abundzu Limited and Roger Mattingly were appointed as Trustees during 2019 and a process of selection and appointment was followed in line with Section 28 of the 1996 Regulations which sets out the requirement for the appointment process to be 'open and transparent'. To this end, the trustee positions were advertised in Linked-in and Pensions World publication, which are widely used by professional firms to disseminate news and announcements. The adverts resulted in a several highly qualified candidates putting themselves forward. After consulting with the existing Trustees, Abundzu Limited and Roger Mattingly were selected, based on the skills and experience that they were able to demonstrate, in particular their experience of Trusteeship on other master trusts. This experience will be invaluable in moving the Scheme forward.

Communication and engagement with members

Above all else, the objective of the Trustees is to produce the best possible outcome for the members of the Scheme whilst taking appropriate levels of investment risk. The Trustees attempt to do this by having a robust governance regime, thoughtfully constructed investment strategies and by obtaining the advice of expert professional advisers.

These efforts would be diminished, however, if we did not take into account the views of the members. This is particularly important when it comes to the consideration of the default investment strategy and the range of self-select funds that are available.

Engagement with members takes many forms:

- Well-constructed information available in hard-copy form and on the website;
- A telephone helpline that is staffed by experienced administrators;
- Correspondence to members when they are 12 months from their 50th birthday to encourage them to consider their pensions savings strategy and at 5 year intervals up to their Target Retirement Date for a member who is in the 15 year profile.
- Annual newsletter to all members that reminds them how to use the Member Portal;
- Annual member benefit statements that encourages members to log on to the dedicated Member Portal to see real-time information about their pensions savings;
- Member surveys;

- The Member Portal enables members to take a number of useful actions:
 - reset their username and/or password;
 - nominate a beneficiary in the event of their death;
 - produce a statement of the current value of their pensions account;
 - initiate a non-advised transfer-in from other schemes in order to consolidate their pensions savings;
 - produce a transfer-out quotation and pack that contains the relevant discharge forms;
 - request a retirement quote (if aged 55 or over) with necessary forms. Members are obliged to download copies of helpful guidance from the Government-sponsored Pension Wise and Money Advice Service websites, and the pensions liberation fraud leaflet from the Pensions Regulator;
 - view/download fund fact sheets for all of the funds offered by the Scheme;
 - change their investment allocation;
 - amend their target retirement date;
 - view details of any monthly fixed charge and the annual management charge;
 - view projected pension benefits at retirement

The Trustees and their administrators are aware that the websites and Member Portal can be very well constructed, but that effort would be wasted if the members are not encouraged to access them. Every piece of communication and interaction with the members includes reference to the Member Portal and encourages members to log on and see what functions are available, and to provide feedback via a dedicated website address and online form. This has been reasonably successful, with almost 29% of the members having accessed their accounts via the Member Portal since it was launched, this figure comparing well to industry comparisons.

HS Admin, which performs the administration of the Scheme, provides information and statistics about member engagement in its routine administration reports. The most recent statistics show that:-

- 5,802 (2,492 during 2019) members have made or updated their death benefit nomination forms;
- 765 (486 during 2019) members have completed transfers-into the Scheme;
- 155 members have made use of the Member Portal to amend their investment allocation or to change their target retirement age during the Scheme year.

The fact that members are using the resources available is a positive sign that the encouragement is having the desired effect, but the Trustees routinely consider how this can be enhanced. Consideration is being given to surveying the views of members via on-line polls and other methods and the results of such surveys will be considered as part of the investment strategy review.

Conclusion

2019 was an important year for Master Trust Schemes. The Master Trust Authorisation process was an essential way of ensuring schemes have the robust governance and protocols in place needed to secure the best possible outcomes for all members. The successful completion of the process reflected the Scheme's ongoing commitment to improving standards in the market.

The acquisition of Salvus by Smarterly is an exciting time for the Scheme and we look forward to working with Smarterly and developing the technology so that employers and members alike can benefit from the fintech revolution.

R Mattingly

Roger Mattingly
Chair of Trustees

Salvus Master Trust

Statement of Investment Principles

July 2020



Version Update

Version	Effective from
1.0	July 2017
2.0	March 2019
3.0	July 2019
4.0	September 2019
5.0	January 2020
6.0	July 2020

Statement of Investment Principles

July 2020

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1 Introduction

This document constitutes the Statement of Investment Principles (the “SIP”) required under Section 35 of the Pensions Act 1995 for the Salvus Master Trust (“Salvus”, the “Scheme”). It describes the investment policy being pursued for the Salvus by the Trustees of the Salvus Master Trust (the “Trustees”) and is in compliance with our understanding of the requirements of the Occupational Pension Schemes (Investment) Regulations 2005, Occupational Pension Schemes (Charges and Governance) 2015 and the Pension Protection Fund (Pensionable Service) Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the and the Pensions Regulator’s Code of Practice in relation to governance of DC pension schemes issued in July 2016 in force at the time of preparing this document.

The Trustees confirm that, before preparing this SIP, they have consulted with Salvus MT Limited (the “Scheme Funder”), the **Scheme Strategist** and taken appropriate advice from their advisors. The Investment Advisor is River and Mercantile Investments Limited and the Legal Advisor is ARC Pensions Law LLP.

The Trustees believe their advisors to be qualified by their ability and practical experience of financial and legal matters respectively and to have appropriate knowledge, and experience of the management of the investment arrangements that Salvus requires. The Trustees also confirm that they will consult with the Scheme Funder and the Scheme Strategist and take advice from the relevant advisors as part of any review of this SIP.

The Trustees are responsible for the investment of Salvus’ assets and arranging administration of Salvus. Where they are required to make an investment decision, the Trustees always receive advice from the relevant advisors first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustees set general investment policy, but have delegated the day-to-day investment of Salvus’ assets to professional fund managers (the “Investment Managers”) in accordance with Section 34(2) of the Pensions Act 1995. The Managers are authorised under the Financial Services & Markets Act 2000, provide the expertise necessary to manage the investments of Salvus competently and will comply with the requirements of Section 36 of the Pensions Act 1995.

1.1 Declaration

The Trustees acknowledge that it is their responsibility, with guidance from their advisors, to ensure the assets of Salvus are invested in accordance with these Principles.

Signed: *A J Blackman*

Date 6 July 2020

For and on behalf of the Trustees of the Salvus Master Trust.

2 Governance

The Trustees are responsible for the governance and investment of Salvus' assets. They consider that the governance structure set out in this SIP is appropriate for Salvus as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the advisors as appropriate. The responsibilities of each of the parties involved in Salvus' governance are detailed in Appendix A.

3 Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees regard their duty as the provision of a pension scheme which aims to provide members with good outcomes and suitable benefits at retirement.

The Trustees undertake this duty by creating a robust default arrangement offering to cater for the proportion of the workforce not actively managing their pension investments. This default should be focused on members' needs and outcomes.

The Trustees also make available a range of investment options (managed by high quality investment managers) sufficient to enable members who so choose, to tailor their investment strategy to their own needs.

The default strategies available to Salvus members are set out in section 4. The Trustees' objectives in respect of the default strategies are:

- i. To provide members with a robust default arrangement designed to focus on members' needs by aiming to achieve growth and maintain the purchasing power of members' savings and protect the value of accumulated assets as members approach retirement.
- ii. To avoid over-complexity in investment in order to keep administration costs, member understanding and member charges to a reasonable level.

In setting objectives, the Trustees do seek to take into account their beliefs as regards financially material considerations over the participation period for Scheme members and this includes Environmental, Social and Governance (ESG) factors including Climate Change.

The Trustees, having regard to the Scheme membership, its identified particular beliefs and feedback to date, have not identified any non-financial (ethical) factors which they believe should be incorporated into their investment objectives to meet the needs of the membership as a whole. The Trustees however do make some provision for ethical interests within its self-select options.

The Trustees intend to further explore member beliefs in the future.

4 Default Investment Strategies

Since inception to April 2016, the Trustees have made available to members two default strategies: the Cautious Lifestyle profile and the Balanced Lifestyle profile. For members formerly in the Spinnaker Master Trust, which was merged into the Salvus Master Trust in February 2017, different default options were used, as set out in Appendices B and C.

Prior to April 2016, employers within Salvus who are advised by Independent Financial Advisers were able to choose the Balanced Lifestyle profile as the default strategy in respect of their employees within Salvus. The Balanced Lifestyle reflects a higher expected risk/return profile overall than the Cautious Lifestyle. Full detail in respect of the Cautious and Balanced Lifestyle profiles is set out in *Appendices B* and *C*.

Since April 2016, only the Cautious Lifestyle profile is available as the default strategy for new employers/members. For members joining the non-contributory section as a bulk transfer, a decision is made as to the appropriate default on a case-by-case basis.

4.1 Aims and Objectives of the default strategies

The Trustees' aims and objectives in relation to the default strategies are to support members' investment needs where members do not choose any option. Broader aims and objectives in relation to the default strategies are set out in Section 3, titled "Investment Objectives".

4.2 Trustees' policies in relation to all funds, including the default strategies

i. The kinds of investment to be held

The default strategies invest in differing proportions of UK and overseas equity, fixed interest and index-linked bonds and cash, depending on members' term to retirement. The funds held within the default strategies are shown in Appendix B.

ii. The balance between different kinds of investments

The balance between different investments within the default strategies is shown in Appendices B and C. The Trustees are satisfied that, taken in aggregate, the funds offered are appropriate for different categories and ages of members.

iii. Risks (including the ways in which risks are to be measured and managed)

Risks applicable to Salvus as a whole are shown in Section 9, titled "Risks". All of the risks shown, including how they are measured and managed, are relevant to the default strategies.

iv. Expected return on investments

Objectives for each fund used within the default strategies are shown in Appendix B.

The default strategies' equity funds are expected to produce long term returns above price inflation. The objectives of including the cash and bond funds are to provide for the payment of the tax-free lump sum on retirement and to reduce volatility relative to the cost of purchasing an annuity, rather than to achieve a specified 'real' or 'nominal' return. The Trustees are in the process of reviewing these objectives (including the continued suitability of annuity targeting), with any changes likely to be implemented early in 2021 at which point this SIP will be revised.

v. Realisation of investments

Funds used within the default strategies are unitised, pooled funds which are dealt daily. This means that the money you invest is pooled together with other people and invested in a collective investment. This pooled fund is split into units that can be bought and sold on a daily basis.

If an investment manager no longer meets the relevant Trustee selection criteria the Trustees could choose to realise (sell) the investment fund.

vi. Financial and non-financial material investment considerations

The Trustees consider financial factors including, but not limited to, environmental, social and governance (“ESG”) issues in respect of the default option as indicated in *Sections 8 titled “Risks” and 9, titled “Responsible Investing”* and as within the overall Investment Objectives (see *Section 3*)

vii. Corporate Governance and Stewardship

The Trustees’ policy is shown in the *Section 9*, titled “Responsible Investing”.

4.3 Best interests of members and beneficiaries

In designing the default strategies, the Trustees have considered members’ changing risk and return requirements over time and member outcomes. The Trustees default strategies are selected in the best interest of the majority of members and beneficiaries, and the Trustees undertake periodic reviews on the suitability of the strategies.

As at the date of this SIP, the Trustees are carrying out a review of the suitability default strategies and self-select fund options with their Investment Advisor. Any resultant changes are likely to be implemented in early 2021, at which time an updated SIP will come into effect.

Investment Strategy

Having due regard for the objectives and the members of Salvus, a number of investment options have been made available. Members can choose to invest their contributions in one or more of these investment options, or may rely on the default strategies, as detailed in Appendix B.

The Trustees will ensure that each member’s investments are invested in accordance with the fund options selected by the member, or in the absence of an investment choice, the applicable default strategy.

4.4 Investment Options

The investment options include the default strategies (Cautious Lifestyle and Balanced Lifestyle, and the default funds used within the legacy Spinnaker Master Trust) and self-directed “self-select” options.

The Cautious and Balanced Lifestyle profiles involve switching members across different underlying funds as they approach retirement. The switching is designed to adjust the risk and return profile over time, thereby taking account of members’ changing risk profiles as they approach retirement.

In addition to the options outlined above, there is a legacy investment profile which transitioned on a mapped basis to equivalent funds on the Salvus platform. This being the Aegon Balanced Passive Fund, which over the 5 year period prior to the member’s selected retirement age transitions to the Aegon Over 15 year Gilt Index and Cash Fund at the selected retirement age. These funds have been identified as a Scheme default. All reference to the Scheme default throughout this statement incorporates these funds.

The Trustees have delegated the day-to-day investment of Salvus’ assets to professional investment managers.

Details of the investment options are set out in Appendix B.

4.5 Performance Objectives

The objectives of the funds available within the investment options are set out in Appendix B.

4.6 Diversification

The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the investment options regularly to ensure that they are comfortable with the choice of funds offered to members.

4.7 Suitability

The suitability and range of investment options, including the default strategies, will be reviewed regularly. As at the date of this SIP, the Trustees are carrying out a review of the suitability default strategies and self-select fund options with their Investment Advisor. Any resultant changes are likely to be implemented early in 2021, at which time an updated SIP will come into effect.

Members are responsible for choosing which of the self-select funds are most appropriate based on their own individual circumstances, or otherwise relying on the applicable default strategy for the investment of their own and their employer's contributions.

5 Strategy Implementation

5.1 Investment Managers

The Trustees have appointed Aegon Asset Management (“Aegon”) to provide the pooled funds that make up Salvus’ investment options for members pre-retirement and Mobius Life for members in Retirement Bridge (a member option for those transitioning into retirement with a drawdown or deferred annuity expectation). The Trustees have selected a range of investment options for Salvus members. Full details are set out in Appendix B.

5.2 Administrator

Member administration services are provided to the Trustees by HS Administrative Services Ltd.

5.3 Fund Options

The range of funds offered to members has been chosen to give members a diversified range of investments from which they can select according to their individual circumstances both pre and post retirement. The funds available to members are detailed in Appendix B.

5.4 Investment of Contributions

A member’s contributions will be invested in line with their selected choice of funds. Where a member has not made an active selection, their contributions will be invested in the applicable default strategy (detailed in Appendix B).

5.5 Transitions

The Trustees, in conjunction with their advisors, will look to mitigate the potential risks and costs to members as a result of any investment transitions to the best of their ability.

6 Monitoring

6.1 Managers

The Trustees, or their advisors on behalf of the Trustees, will monitor the performance of the Investment Managers against their own benchmarks.

The Trustees, or their advisors on behalf of the Trustees, will regularly review the activities of the Investment Managers to satisfy themselves that each Investment Manager continues to carry out its work competently and has the appropriate knowledge and experience to manage Salvus' assets.

As part of this review, the Trustees will consider whether or not each Investment Manager:

- Is carrying out its function competently. The Trustees will evaluate the Investment Manager based on, amongst other things:
 - The Investment Manager's performance versus its benchmark.
 - The level of risk within the portfolios given any specified risk tolerances.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.
- If the Trustees are not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, the Trustees will remove the Investment Manager and appoint another.
- In addition, the Trustees will now further evaluate and monitor the Investment Managers selected for their exercising of responsible investing activities, which may include voting and engagement, in respect of the Scheme's investment and in accordance with their stated or agreed policies and as may be further agreed with the Trustees.

6.2 Advisors

The Trustees will monitor the advice given by their advisors on a regular basis and assess them annually against the investment objectives that have been set in accordance with Part 2 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

6.3 Statement of Investment Principles

The Trustees will review this SIP at least triennially, or as soon as is practical following any changes to the investment strategy, and modify it with consultation from the relevant advisors, the Scheme Funder and the Scheme Strategist, if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager, Platform Manager or advisor as part of such a review.

6.4 Trustees' Recordkeeping

The Trustees maintain a record of all investment related decisions they have taken, together with the rationale in each case.

7 Fees

7.1 Member charges

There are three sources of charges applicable to members:

- i. Investment management charges
- ii. Aegon platform charge
- iii. Salvus charge (includes administration)

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly. Member charges are set out in each employer's Investment Choices document.

7.2 Advisors

Fees paid to the advisors are based either on actual time spent and hourly rates for relevant individuals or on fixed fees agreed in advance for specifically defined projects.

7.3 Value for Members

The Trustees review, as far as possible based on the data available, all sources of fees levied on members' accounts (including management charges, additional expenses and platform charges as appropriate) to ensure value for members is present. The Trustees consider, among other items, the absolute level of charges, the competitiveness of applicable charges relative to the marketplace and the levels of service provided by each of the advisors and Managers.

The Trustees also review, as far as is reasonable and practical, transaction costs paid by members to assess the extent to which these represent good value for money.

The Trustees' conclusions in respect of value for members are documented in Salvus' annual report and accounts.

8 Risks

The Trustees recognise a number of key risks to themselves and to the members of Salvus:

- i. **Value for Members Risk** – the risk that Salvus fails to offer value for members. This is addressed through regular 'value for members' reviews.
- ii. **Inflation Risk** – the risk that the purchasing power of their investment account is not maintained. To try to manage this risk, the Trustees have offered a range of funds reflecting asset classes expected to provide long term returns in excess of price inflation.
- iii. **Pension Purchase Risk** – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. This risk cannot easily be mitigated as it depends on market conditions for annuity rates at retirement. However, the default strategies (aside from the default funds used within the legacy Spinnaker Master Trust) gradually de-risk as members approach retirement, including an increased allocation to bonds up to fifteen years (Cautious Lifestyle) and 10 years (Balanced Lifestyle) from retirement which should provide an extent of annuity price matching. Bond funds are also available within the self-select fund range for those members who would like to hedge annuity price movements more explicitly.

For the default funds used within the legacy Spinnaker Master Trust, members joining with greater than two years to expected retirement date were defaulted into an option with a 50% allocation to gilts and corporate bonds and 50% to equities. This allocation would be expected to provide an element of matching versus annuity prices. Members within two years of retirement were placed in cash assets to meet their short term expectations.

- iv. **Capital Risk** – the risk that the value of any element used to provide a cash sum at retirement is not maintained. To try to mitigate this risk, the default strategies (aside from the default funds used within the legacy Spinnaker Master Trust) de-risk into cash starting five years from retirement. The self-select fund range includes a cash fund option for members prioritising capital preservation.

For the default funds used within the legacy Spinnaker Master Trust, members joining with less than two years to expected retirement date were defaulted into the Cash Fund, with a view to preserving capital.

- v. **Passive Manager Risk** – the risk that the passive investments do not track the index effectively. The Trustees have mitigated this risk by taking advice from their Investment Advisor in relation to passive investments. The Trustees monitor how effectively Salvus' passive investments track their benchmarks as part of ongoing investment governance.
- vi. **Active Manager Risk** – the risk that the active investments underlying Salvus' investment options underperform due to the underlying investment manager underperformance. The Trustees have mitigated this risk by taking advice from its Investment Advisor in relation to active asset management. The Investment Advisor considers a wide range of funds; diversified across asset class, sub asset class and investment manager to reduce the active manager risk.
- vii. **Communication Risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from their advisors and regular monitoring and updates, where appropriate, of member communications.
- viii. **Inappropriate Member Decision** – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice. The Trustees have also offered default strategies (aside from the default funds used within the legacy Spinnaker Master Trust) with a "lifestyling element" designed to phase members into lower risk investments as they approach retirement.

- ix. **Organisational Risk** – the risk of inadequate internal processes leading to problems for Salvus. This is addressed through a regular monitoring of the Investment Managers and advisors.
- x. **Liquidity Risk** – the risk that members are not able to realise the value of their funds when required. The Trustees have addressed this risk by only offering funds which are considered liquid.
- xi. **Concentration Risk** – the risk that the Scheme’s share of a fund becomes too significant.
- xii. **ESG risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Investment Manager where applicable, and by requesting information on the ESG policies adopted by the Investment Manager to ensure they align with Trustee views.
- xiii. **Other risks** – The Trustees do identify other risks including but not limited to political, regulatory, and market risks which are considered in the Investment Strategy and its execution and on-going monitoring. Many of these risks are monitored through a Risk Register which is maintained and actions tracked on a routine basis in the governance of the Scheme.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become more significant as retirement approaches, depending on how the member chooses to access their pension saving at retirement.

The Trustees have provided default strategies that aim to address the above risks through a member’s life. The Trustees may vary the underlying asset allocation and investment managers within these strategies from time to time in response to changing market conditions and manager developments.

The Trustees also provide members with a range of self-select investment options into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, terms to retirement and investment objective.

In addition to the risks noted above, the Trustees also recognise the options they have selected are subject to underperformance risk. This is addressed through providing options with appropriate diversification and through regular monitoring of the active managers’ performance, processes and capabilities with respect to their mandate.

The Trustees recognise that an efficient process for identifying, evaluating, managing and monitoring risks needs to be in place for Salvus. The Trustees will identify and assess the impact of any risk, what controls can be put in place to manage the risk and review both the individual risks and the effectiveness of the risk management process as a whole.

The Trustees will keep these risks and how they are managed under regular review.

9 Responsible Investing

9.1 Corporate Governance and Stewardship Policy

The Trustees recognise their obligations to foster good corporate governance through their investment policy and execution.

Salvus' investments are mostly made via an investment platform and in pooled investment funds, in which Salvus' investments are pooled with those of other investors. As such, Salvus may not have direct voting rights, or may not have direct and practical control of the process of exercising those rights associated with the investments. Therefore its stewardship expectations, including voting and engagement, are delegated to its Investment Managers. However, Salvus does now seek alignment of objectives with its Investment Managers in respect of responsible investment considerations and will monitor policy and stewardship activities going forward.

The Trustees also recognise the merits of working with others in the industry to agree, develop and report against accepted responsible investing standards and benchmarks and this is a focus for the future. The Trustees currently await full publication and awareness of the EU's action plan on Sustainable Finance including the taxonomy to be applied to funds and its potential impact. In addition the Trustees will seek to incorporate new benchmarks for carbon footprints as these become more widely adopted.

9.2 Financially material investment considerations

These considerations which can have financially significant impact: the Risks identified in Section 9 including ESG and Climate Change, are taken into account in the selection of funds made available to the Scheme over the appropriate time horizon applicable to Scheme members. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long term performance, by the Trustees (in conjunction with its advisors) as part of the Investment Manager selection criteria. The review occurs before funds are approved for investment. For invested funds, the Trustees request the Investment Managers monitor ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

9.3 Non-Financially material investment considerations

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as no common view on ethical matters has yet been identified.

However, the Trustees do offer an ethical investment option and a Shariah compliant option to Salvus members.

Appendix A - Responsibilities

Trustees

The main investment related responsibilities of the Trustees include:

- i. Reviewing, at least triennially (or following significant changes to the investment strategy), the content of this SIP and modifying it if deemed appropriate.
- ii. Reviewing the investment policy for Salvus in terms of providing a range of funds from which members may choose to invest (see Appendix B).
- iii. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, through meetings and written reports.
- iv. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
- v. Appointing and dismissing Investment Managers.
- vi. Assessing the performance of their advisors.
- vii. Consulting with the Scheme Funder and Scheme Strategist when reviewing investment policy issues.
- viii. Making this SIP publicly available.

Investment Advisor

The Investment Advisor will be responsible for, amongst other things:

- i. Participating with the Trustees in reviews of this SIP.
- ii. Advising the Trustees of any changes in respect of Salvus' Investment Managers that could affect the interests of Salvus.
- iii. Advising the Trustees of any changes in the investment environment that could either present opportunities or threats to Salvus.
- iv. Undertaking reviews of Salvus' investment arrangements including reviews of the Salvus' structure, current Investment Managers, and selection of new Investment Managers as appropriate.

Legal Advisor

The Legal Advisor will be responsible for, amongst other things:

- i. Acting on Trustee instructions to ensure legal compliance including those in respect of investment matters.

Appendix B – Investment Options

This Appendix provides detail on the investment choices for members alongside return objectives and risk management guidelines.

The Trustees provide two **default strategies** (Cautious Lifestyle and Balanced Lifestyle) for members who do not make an active investment decision. For members formerly in the Spinnaker Master Trust, two different default options were used, as detailed below.

Since April 2016, only the Cautious Lifestyle is available as the default strategy for new employers/members. Prior to April 2016, employers within Salvus who are advised by Independent Financial Advisers were able to choose the Balanced Lifestyle as the default strategy in respect of their employees within Salvus.

For these options, the asset allocation automatically changes as members approach retirement, aiming to reflect members' changing risk and return requirements.

Alternatively, members can choose from a range of **self-select** investment options, which allows them to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective.

Default strategy 1: Cautious Lifestyle

This default strategy is applicable to employers within Salvus who are not advised by Independent Financial Advisers, or who entered Salvus after April 2016.

Where a member does not make a specific investment choice, they will be automatically invested in the Cautious Lifestyle profile. This phases a member's assets through different funds (set out in the table below) as retirement approaches.

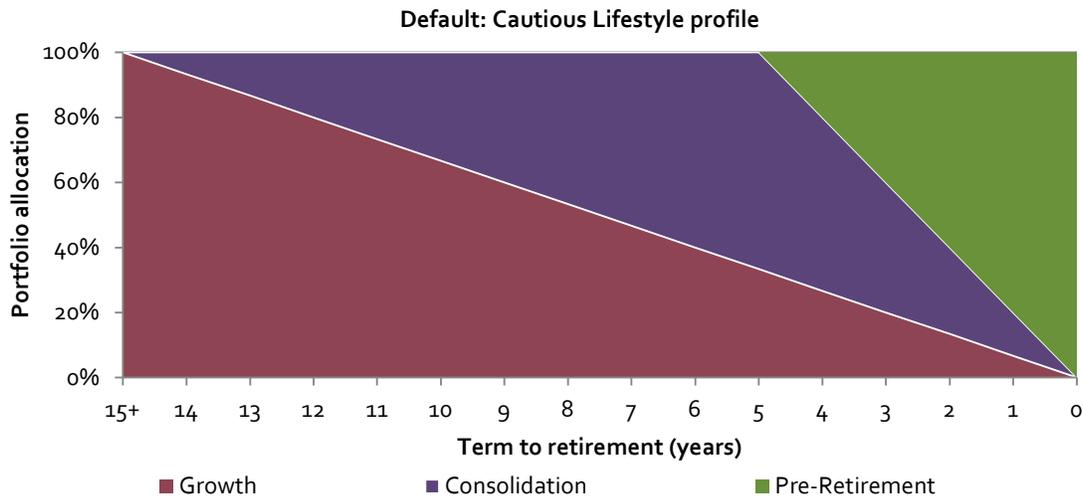
Objectives for the funds underlying the Cautious Lifestyle are set out in the table within the "Self-select fund options" sub-section below.

Fund name	Invests in	Asset class	Investment style
Scottish Equitable BlackRock Aquila UK Equity Index	UK All Companies	Equities	Passive
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	Global Equities	Equities	Passive
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	UK Index-Linked Gilts	Equities	Passive
(BlackRock) UK Gilts All Stocks Tracker	UK Gilts	Bonds	Passive
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	Sterling Corporate Bond	Bonds	Passive
(Aegon) Cash	Deposit & Treasury	Cash	Active

The Cautious Lifestyle profile is split into three stages: Growth, Consolidation and Pre-Retirement. The funds within each stage are set out in the table below:

Fund name	Cautious Lifestyle stage		
	Growth	Consolidation	Pre-Retirement
Scottish Equitable BlackRock Aquila UK Equity Index	35%	30%	-
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	45%	-	-
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	4%	-	-
(BlackRock) UK Gilts All Stocks Tracker	12%	30%	-
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	4%	40%	-
(Aegon) Cash	-	-	100%

The progression of these stages through the Cautious Lifestyle profile is shown in the diagram below. A more detailed breakdown of the phasing a member would experience across the underlying funds is shown in Appendix C.



Default strategy 2: Balanced Lifestyle

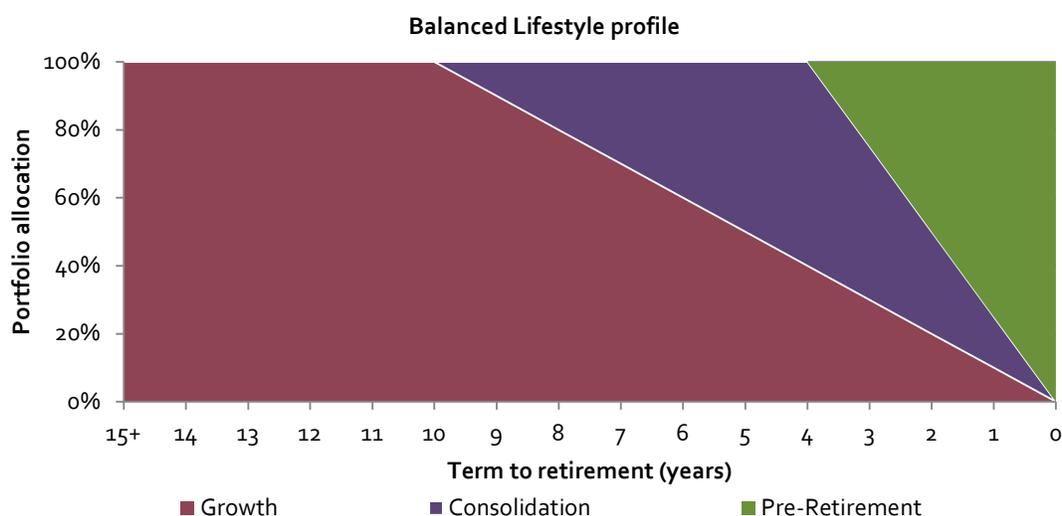
An alternative lifestyle profile made available is the Balanced Lifestyle profile. This profile is suitable for members who wish to be de-risked automatically as they approach retirement, but who have a higher risk appetite than is reflected by the Cautious Lifestyle profile.

Prior to April 2016, employers within Salvus who are advised by Independent Financial Advisers were able to choose the Balanced Lifestyle as the default strategy in respect of their employees within Salvus. The Balanced Lifestyle reflects a higher expected risk/return profile overall than the Cautious Lifestyle.

Similarly to the Cautious Lifestyle profile, the Balanced Lifestyle profile is split into Growth, Consolidation and Pre-Retirement stages. However, the underlying fund allocation within each stage differs to the Cautious Lifestyle. The funds within each stage for the Balanced Lifestyle are set out in the table below:

Fund name	Balanced Lifestyle stage		
	Growth	Consolidation	Pre-Retirement
Scottish Equitable BlackRock Aquila UK Equity Index	20%	50%	-
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	70%	20%	-
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	-	-	-
(BlackRock) UK Gilts All Stocks Tracker	5%	10%	-
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	5%	20%	-
(Aegon) Cash	-	-	100%

The progression of these stages through the Balanced Lifestyle profile is shown in the diagram below. A more detailed breakdown of the phasing a member would experience across the underlying funds is shown in Appendix C.



Default strategy (former Spinnaker Master Trust members)

For members who joined the Spinnaker Master Trust with more than two years until expected retirement date, the default option was the Aegon BlackRock 50/50 Bond & Equity Fund. Its objective is to provide long-term capital growth by investing approximately 50% in UK and overseas equities and 50% split equally between gilts and sterling investment-grade corporate bonds that have maturity periods of 15 years or longer. Of the equities, 50% is in the UK and 50% is split equally between the USA, Europe (ex-UK) and the Far East.

For members who joined the Spinnaker Master Trust with less than two years until expected retirement date, the default option was the Aegon Cash Fund. The fund aims to outperform the LIBOR (London Inter-Bank Offer Rate) 3 Months, before charges.

Mapped investment funds

In addition to the above default strategies, there are also a small number of members who transitioned on a mapped basis to equivalent funds on the Salvus platform. The investments were the Aegon Balanced Passive Fund and then 5 years prior to their selected retirement date the monies start transitioning to the Aegon Over 15 year UK Gilt Index and the Aegon Cash Fund. These funds are available to other members on a self select basis but the specific 5 year lifestyling approach is available to this group of members only. The switching is designed to adjust the risk and return profile over time, thereby taking account of members' changing risk profiles as they approach retirement.

M&G Property Fund

The M&G Property Fund is available to members under the self select fund range. On 4 December 2019 M&G suspended dealing on this fund. The fund is still being actively managed but it means that instructions to buy or sell units in this fund will not be accepted. M&G will monitor this suspension on a monthly basis.

As a result of this suspension HS Admin, on behalf of the Trustees, have contacted all affected members to inform them of the position. In addition, those members who are making ongoing contributions were requested to provide an instruction on an alternative fund choice. A small number of these members have not responded, this has meant that the Trustees have redirected these ongoing contributions to cash until either the gated fund reopens or the affected members exercise their own choice for investing these contributions. This course of action by the Trustees has resulted in this cash holding becoming a default arrangement and subject to the same criteria as the other Scheme default arrangements.

Self-select fund options

The self-select options allow members to choose from a selection of funds based on their own attitude to risk, term to retirement and investment objective. The funds that may be made available to members are set out below.

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly. Member charges are set out in each employer's Investment Choices document.

Fund	Target objective	Investment style
Scottish Equitable BlackRock Aquila UK Equity Index	The fund aims to achieve a return consistent with that of the FTSE All-Share Index	Passive
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	The fund aims to match the performance of the FTSE All-World Developed (ex-UK) Index	Passive
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index	Passive
(BlackRock) UK Gilts All Stocks Tracker	The fund aims to achieve a total return (a combination of income plus capital growth) for investors by tracking closely the performance of the FTSE Actuaries UK Gilts All Stocks Index	Passive
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	The fund aims to achieve a return consistent with the Markit iBoxx Sterling Non-Gilts Index	Passive
(AEGON) Cash	The fund aims to outperform the LIBOR (London Inter-Bank Offer Rate) 3 Months, before charges	Active
Scottish Equitable BlackRock Aquila Over 15 Years Corporate Bond Index	The fund aims to achieve a return consistent with the Markit iBoxx Sterling Non-Gilts Over 15 Years Index	Passive
Scottish Equitable BlackRock Aquila Over 15 Years UK Gilt Index	The fund aims to match the performance of the FTSE UK Gilts Over 15 Years Index	Passive
Scottish Equitable BlackRock Aquila Pacific Rim Equity Index	The fund aims to achieve a return consistent with the return of the FTSE All-World Developed Asia Pacific ex-Japan Index	Passive
Scottish Equitable BlackRock Aquila Japanese Equity Index	The fund aims to achieve a return that is consistent with that of the FTSE All-World Japan Index	Passive
Scottish Equitable BlackRock Aquila US Equity Index	The fund aims to match the performance of the FTSE All-World USA Index	Passive
Scottish Equitable BlackRock Aquila European Equity Index	The fund aims to achieve a return consistent with that of the FTSE All-World Developed Europe ex UK Index	Passive
(BlackRock) Emerging Markets Equity Tracker	The fund aims to closely track the performance of the FTSE All World-Emerging Index	Passive
(BlackRock) Balanced Passive	The fund aims to broadly match the performance of the Association of British Insurers (ABI) Mixed Investment 40%-85% Shares sector average	Passive
Scottish Equitable L&G Pre-Retirement	The fund aims to provide diversified exposure to assets that reflect the investments underlying a typical annuity product	Active
(Aegon) Distribution	The fund aims to outperform the ABI Mixed Investment 20-60% Shares sector median, net of fees	Active

Fund	Target objective	Investment style
Scottish Equitable HSBC Life Amanah	The fund aims to track the performance of the Dow Jones Islamic Titans 100 Index	Passive
Scottish Equitable M&G Property Portfolio	The fund aims to maximise long-term total return (the combination of income and capital growth) by investing in mainly UK commercial property. Its benchmark is the Investment Association Property peer group	Active
Aegon MI Savings (Low)	The fund invests in a diversified portfolio and aims for long-term growth. The manager believes it could provide returns greater than inflation over the longer term. It aims to suit someone with a low or below-average tolerance for risk who is prepared to see some, limited movement both up and down in their fund value in the hope of achieving greater long-term growth.	Active
Aegon MI Savings (Medium)	The fund invests in a diversified portfolio and aims for long-term growth. The manager believes it could provide returns greater than inflation over the longer term. It aims to suit someone with a medium or average tolerance for risk who is prepared to see some movements both up and down in their fund value in the hope of achieving greater long-term growth.	Active
Aegon MI Savings (High)	The fund invests in a diversified portfolio and aims for long-term growth. The manager believes it could provide returns greater than inflation over the longer term. It aims to suit someone with an above-average tolerance for risk who is prepared to see movements both up and down in their fund value in the hope of achieving greater long-term growth.	Active
(Aegon) Ethical	The fund aims to provide long-term capital growth by investment in equities (shares) and equity type securities of companies based in the UK, mainly conducting business in the UK or listed on the UK stock market, which meet the fund's predefined ethical criteria. The application of its ethical criteria means the fund may have a bias towards small and medium-sized companies. The fund's benchmark is the FTSE All Share index.	Active
Scottish Equitable M&G Recovery	The fund aims to achieve long-term capital growth by investing mainly in a diversified range of investments issued by companies which are out of favour, in difficulty or whose future prospects aren't fully recognised by the market. The fund manager takes a long-term view with a typical holding period of five years or more. Developing a constructive dialogue with company management is a fundamental part of the investment process. The fund's benchmark is the FTSE All Share index.	Active

Retirement Bridge

In addition to the above self-select fund options, Salvus has a Retirement Bridge offering. This pensions fund is invested in target-dated funds managed by AllianceBernstein (accessed via the Mobius Life investment platform). This allows members to invest their pot in a fund that corresponds to their date of birth. The fund is made up of a collection of growth assets, such as equities, and income-producing assets, such as fixed income gilts, that is adjusted on a lifestyle basis as the member approaches age 75.

Appendix C – Lifestyle fund allocation by age

The tables below detail members' lifestyle progression across the underlying funds in the default strategies: Cautious Lifestyle and Balanced Lifestyle.

Default strategy 1: Cautious Lifestyle

Years to Retirement	Scottish Equitable BlackRock Aquila UK Equity Index	Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	(BlackRock) UK Gilts All Stocks Tracker	Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	(AEGON) Cash
15+	35.0%	45.0%	4.0%	12.0%	4.0%	0.0%
14	34.7%	42.0%	3.7%	13.2%	6.4%	0.0%
13	34.3%	39.0%	3.5%	14.4%	8.8%	0.0%
12	34.0%	36.0%	3.2%	15.6%	11.2%	0.0%
11	33.7%	33.0%	2.9%	16.8%	13.6%	0.0%
10	33.3%	30.0%	2.7%	18.0%	16.0%	0.0%
9	33.0%	27.0%	2.4%	19.2%	18.4%	0.0%
8	32.7%	24.0%	2.1%	20.4%	20.8%	0.0%
7	32.3%	21.0%	1.9%	21.6%	23.2%	0.0%
6	32.0%	18.0%	1.6%	22.8%	25.6%	0.0%
5	31.7%	15.0%	1.3%	24.0%	28.0%	0.0%
4	25.3%	12.0%	1.1%	19.2%	22.4%	20.0%
3	19.0%	9.0%	0.8%	14.4%	16.8%	40.0%
2	12.7%	6.0%	0.5%	9.6%	11.2%	60.0%
1	6.3%	3.0%	0.3%	4.8%	5.6%	80.0%
0	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

Default strategy 2: Balanced Lifestyle

Years to Retirement	Scottish Equitable BlackRock Aquila UK Equity Index	Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	(BlackRock) UK Gilts All Stocks Tracker	Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	(AEGON) Cash
10+	20.0%	70.0%	0.0%	5.0%	5.0%	0.0%
9	23.0%	65.0%	0.0%	5.5%	6.5%	0.0%
8	26.0%	60.0%	0.0%	6.0%	8.0%	0.0%
7	29.0%	55.0%	0.0%	6.5%	9.5%	0.0%
6	32.0%	50.0%	0.0%	7.0%	11.0%	0.0%
5	35.0%	45.0%	0.0%	7.5%	12.5%	0.0%
4	38.0%	40.0%	0.0%	8.0%	14.0%	0.0%
3	28.5%	30.0%	0.0%	6.0%	10.5%	25.0%
2	19.0%	20.0%	0.0%	4.0%	7.0%	50.0%
1	9.5%	10.0%	0.0%	2.0%	3.5%	75.0%
0	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

APPENDIX B – Retirement Bridge Expenses Breakdown

Fund_Description	AMC	Additional_Expenses	TER	AB_Charge_Cap_Rebate	AB_Annual_Management_Charge	Third_Party_Service_Fees	ML_Fee	Grand_Total
AB Retirement Bridge 1948 Drawdown Strategy 0.85	0.82%	0.07%	0.89%	-0.03%	0.41%	0.40%	0.04%	0.89%
AB Retirement Bridge 1950 Drawdown Strategy 0.85	0.82%	0.07%	0.89%	-0.03%	0.41%	0.40%	0.04%	0.89%
AB Retirement Bridge 1951 Drawdown Strategy 0.85	0.82%	0.07%	0.89%	-0.03%	0.41%	0.40%	0.04%	0.89%
AB Retirement Bridge 1953 Drawdown Strategy 0.85	0.82%	0.08%	0.90%	-0.03%	0.41%	0.40%	0.04%	0.90%
AB Retirement Bridge 1954 Drawdown Strategy 0.85	0.82%	0.08%	0.90%	-0.03%	0.41%	0.40%	0.04%	0.90%
AB Retirement Bridge 1958 Drawdown Strategy 0.85	0.82%	0.08%	0.90%	-0.03%	0.41%	0.40%	0.04%	0.90%
AB Retirement Strategies Fund 2026-2028 (Salvus)	0.78%	0.04%	0.82%	0.00%	0.25%	0.49%	0.04%	0.82%
AB Retirement Strategies Fund 2032-2034 (Salvus)	0.78%	0.06%	0.84%	0.00%	0.25%	0.49%	0.04%	0.84%
AB Retirement Strategies Fund 2035-2037 (Salvus)	0.78%	0.06%	0.84%	0.00%	0.25%	0.49%	0.04%	0.84%
AB Retirement Strategies Fund 2038-2040 (Salvus)	0.78%	0.06%	0.84%	0.00%	0.25%	0.49%	0.04%	0.84%