Chartered Insurance Institute Pension Scheme 1993
Statement of Investment Principles – September 2020

1. Introduction

The Trustees of the Chartered Insurance Institute Pension Scheme 1993 ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement sets out the principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard. The details of the implementation of these arrangements are set out in a separate Statement of Investment Arrangements ("SIA").

In preparing this Statement the Trustees have taken investment advice from Mercer Limited ("Mercer"). In developing their investment strategy and drawing up this Statement, the Trustees have also consulted the Principal Employer, the Chartered Insurance Institute ("CII").

It is noted that the Trustees are entitled to delegate investment powers. Section 36(2) of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005) however requires that where any decision about investments constitutes regulated investment business under the Financial Services & Markets Act 2000 ("FSMA") the delegate is appropriately authorised under the Financial Conduct Authority (FCA). If the investment activity does not constitute investment business the Trustees must take all reasonable steps to satisfy themselves that the delegate has appropriate knowledge and experience.

2. Process For Choosing Investments

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution ("DDS"), to implement the Trustees' strategy whereby the level of investment risk (i.e. target allocation to return-seeking assets) reduces as and when the Scheme's funding level improves. However, following a review of the investment strategy in early 2019 following a material change to the Employer Covenant, the Trustees objectives have shifted to pursue a buy-out in the near-term.

Subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries. Where conflicts of interest occur, decisions are made in the sole interest of the members and beneficiaries.

Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks (as set out in section 4) to which the Scheme is exposed. The Trustees' over-arching objectives are as follows:

- To be able to meet the liabilities of the Scheme when they fall due.
- To achieve a funding position of the Scheme on a self-sufficiency basis (Gilts +0% discount rate) to be approximately sufficient to facilitate the transfer of liabilities to a buy-out provider with support from the Principal Employer at that time as required.
- To ensure that the Scheme is funded in accordance with the recommendations of the Scheme Actuary and in accordance with all relevant pension legislation.
- To pay due regard to the Principal Employer's interests in the size, stability and incidence of the employers' contribution payments.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to those required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) have considered carefully the implications of adopting different levels of risk.

- To control the risk outlined above, the Trustees, having taken advice, set the split between the Scheme's Growth and Matching Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3. The asset allocation has initially been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in section 3.

- Whilst moving towards the target funding level, the Trustees recognise that even if the Scheme's assets are invested in bonds (the "Matching Portfolio"), there may still be a mismatch between the interest rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between the assets in the Matching Portfolio and actuarial liabilities.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk, the Trustees have delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer typically aims to ensure the asset allocation policy in place results in an adequately diversified portfolio, although the Trustees acknowledge that this is not a primary objective given the current investment strategy invests 100% of assets in the Matching Portfolio. Mercer provides the Trustees with regular monitoring reports regarding the level of diversification with the portfolio.

- To help the Trustees ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees.

- To help diversify manager specific risk, the Trustees expect that the Scheme's assets are managed by appropriate underlying asset managers.

- By investing in Mercer Funds, the Trustees do not make investments in securities that are not traded on regulated markets. However, should the Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure) such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustees would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustees recognise the risks inherent in holding illiquid assets. The Trustees have carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Trustees' willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the Scheme. The financial strength and perceived commitment of the Principal Employer to the Scheme is monitored and the Trustees will reduce investment risk relative to the liabilities should either of these deteriorate.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 8 sets out how these risks are managed.

Should there be a material change in the Scheme's circumstances, the Trustees will advise Mercer who will review whether and to what extent the investment arrangements should be altered.

5. Investment Strategy

The Trustees, with advice from the Scheme's Investment Consultant and Scheme Actuary, most recently reviewed the Scheme's investment strategy in 2019. This review considered the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented.

Following the review, the key decision was to fully de-risk along the long term dynamic de-risking journey plan. The shift to target 0% in the Growth Portfolio and a 100% Liability Hedge Ratio Target (measured on a Gilts flat basis) was made with the ultimate objective of buying-out the Scheme members' benefits with an insurer in mind. The Employer has been consulted and is expected to provide additional contributions to fund the Scheme to an appropriate level to transact in this way.

With this in mind, the Trustees have agreed that the Scheme's broad target asset allocation should be as set out in the table below:

Portfolio	**Target Benchmark Allocation (%)**	**Implementation Range (%)**
Hedge Management	90.0	+/-5
Non-Hedge Management	10.0	+/-5
Total	**100.0**	

There will be no automatic rebalancing between the Hedge Management portfolio and Non-Hedge Management Portfolio nor between the funds within the Hedge Management Portfolio and Non-Hedge Management Portfolio, other than where required for liability hedge management purposes.

The Hedge Management Portfolio comprises investments in a portfolio of Liability Driven Investment funds ("Mercer LDI funds"), Mercer fixed income, index-linked funds, swap funds, cash funds and any other Mercer funds and in such proportion as determined by the manager in its discretion. The Non-Hedge Management Portfolio comprises of an investment in UK credit.

There will be no automatic rebalancing within the Hedge Management Portfolio. In the event that it is not possible to achieve the Liability Hedge Ratio Target through the assets available within the Hedge Management portfolio, the manager will move as close as is practicably possible to the Liability Hedge Ratio Target and then revert to the Trustees for further instruction. The “Liability Hedge Ratio” is the proportion of the liability interest rate sensitivity (both nominal and real in combination) that is hedged at a given point in time. The manager will review the actual Liability Hedge Ratio no less frequently than quarterly using the manager methodology.

6. **Realisation of Investments**

The Trustees, on behalf of the Scheme, hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying investment asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments.

7. **Cash flow and cash flow management**

In the event of cash-flows into, or out of, the Scheme, Mercer will invest or disinvest these as soon as reasonably practicable as follows:

- Investments: will be invested in the underlying funds at Mercer’s discretion.

- Disinvestments: will be disinvested from the underlying funds at Mercer’s discretion. Disinvestments are expected to be met by redeeming any holdings in the MGI UK Cash Fund and then from other funds as deemed appropriate by Mercer at its discretion.

8. **ESG, Stewardship, and Climate Change**

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the majority of the Scheme’s assets and such assets are in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer funds are provided full discretion to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments. The asset managers are expected to act in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer’s, and MGIE’s, investment processes and those of the underlying assets managers.. In particular, Mercer, and MGIE, is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustees have not set any investment restrictions in relation to particular Mercer Funds. The restrictions applied by Mercer, and MGIE, are outlined in the Sustainable Investment Policy.

9. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 5, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 5. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should the Trustees consider that Mercer or MGIE have failed to align their investment strategies and decisions with the Trustees' policies, the Trustees will notify Mercer and may consider disinvesting some or all of the assets invested that are managed by Mercer, and/or seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception (if applicable). The Trustees review the absolute performance and relative performance against a portfolio's and underlying asset manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, the responsibility for making portfolio selection decisions based on assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying asset managers appointed by MGIE to manage assets within the Mercer

Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement activities.

Section 8 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers' fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also includes details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying asset managers undertaken by MGIE.

10. Additional Assets

Under the terms of the trust deed the Trustees are responsible for the investment of any Additional Voluntary Contributions paid by members. The Trustees review the investment performance of the chosen providers as appropriate and take advice as to the providers' continued suitability.

11. Review of this Statement

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

Robert Fletcher

Rowan Paterson

For and on behalf of

The Trustees of Chartered Insurance Institute 1993 Pension Scheme

25 September 2020

Date: ---