Statement of Investment Principles
Bupa Pension Scheme
September 2020

Pensions Act

1. Under the Pensions Act 1995, subsequently amended by the Pensions Act 2004, the Trustee is required to prepare a statement of the principles governing the investment decisions of the Bupa Pension Scheme (the Scheme). This document contains that statement.

2. Before finalising this document, the Trustee has consulted the Employer and the Trustee will consult the Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

3. Before preparing this document, the Trustee has sought written advice from the Scheme's Investment Consultant. The Trustee will review this document, in consultation with the Investment Consultant, at least once every three years, or sooner as required. The Trustee will similarly obtain such advice as appropriate whenever the Statement is reviewed or revised. The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement.

4. Before preparing this document the Trustee has had regard to the requirements of the Pensions Act 1995 concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in its investment policy. The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

5. In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed Investment Managers, which may include an insurance company or companies. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Scheme Background

6. There are two sections of the Bupa Pension Scheme - a defined benefit (DB) section and a defined contribution (DC) section. The investment management arrangements for each are different, reflecting their different nature.

7. The DB section was closed to new members from 1 October 2002. As at the date of this latest Statement, a proposal has been made to close the Scheme to future accrual in the coming months.

8. As at the date of this latest Statement, a proposal has been made to close and transfer the DC Section to a MasterTrust within the next several months. This is reflected in the corresponding investment principles.

Objectives – DB Section

9. The overarching investment objectives of the assets backing the Scheme's DB section are:

    a. The acquisition of suitable assets of appropriate liquidity which, together with such new contributions from members and the Employer as may be made from time to time (if any), will generate income and capital growth to meet the cost of current benefits which the Scheme provides.

    b. To limit the risk of the assets failing to meet the liabilities over the long term.

    c. To minimise the long-term costs of the Scheme by prudentially maximising the return on the assets whilst having regard to the objective shown under point "b" above.

10. Balancing objectives 9.a-c above, the Trustee has currently set a long-term return target of c.1% p.a. above a gilts-based liability proxy.

DB Section – Scheme Specific Funding

11. The Pensions Act 2004 requires the Trustee to maintain a Statement of Funding Principles, stating the methods and assumptions used in calculating the Scheme's liabilities (Technical Provisions) and the manner and period over which any shortfall will be remedied. The Trustee must obtain the advice of the Scheme Actuary before preparing or revising the Statement of Funding Principles, which must be agreed with the Employer. Contribution arrangements, including contributions to address any shortfall, must be agreed with the Employer and certified by the Scheme Actuary.

12. The Trustee considers that the investment policy described in this Statement is consistent with the statutory funding objective as described under the Statement of Funding Principles set at the last valuation of the Scheme.

13. The Trustee will review this investment policy in the light of actuarial valuations and certificates and schedules of contributions produced in order to comply with the Pensions Act 2004.

14. In addition to the statutory funding objective, the Trustee and the Employer have also agreed an objective known as the Long Term Funding Target ("LTFT"). Details of the LTFT are provided in the Deed of Amendment and Restatement in relation to the Long-Term Funding Target dated 14 November 2014.

Objectives – DC Section

15. The investment objectives that informed the current investment strategy for the Scheme's DC section are:

    - To provide members with a focused range of suitable investment options, comprising a 'Default' as well as alternative 'self-select' options, to enable members to meet a variety of investment objectives (recognising potentially differing return targets and/or risk appetites across the membership) and ultimately retirement objectives.
    - To ensure the individual fund options are suitably invested and managed to be cost-effective and provide returns and risks that are in line with the Trustee's expectations.

16. Given the proposed move to Master Trust, the Trustee's current overarching objective is one of 'care and maintenance', i.e primarily monitoring to ensure ongoing suitability until the transfer, meanwhile making investment changes only if/when necessary.

Additional Voluntary Contributions (AVCs)

17. The Scheme provides a facility for members to pay AVCs into the Scheme to enhance their benefits at retirement. The Trustee's objective is to provide a range of funds which will provide a suitable long-term return for members, consistent with a member's reasonable expectations.

18. Members of both the DB and DC sections are given a choice of funds in which to invest their assets. For DC members this is the same fund range as for their ordinary contributions.

DB Section – Investment strategy

19. The Trustee recognises that different pension schemes have different objectives, liabilities and differing strengths of sponsoring employer. With regard to this they have received advice that has included the undertaking of asset liability modelling and risk budgeting work to determine an appropriate investment strategy for the Bupa Pension Scheme – DB section. The Trustee resolved to accept the advice and has designed a high-level investment strategy that is consistent with its long term objectives and its assessment of the strength of the Employer.

20. The Trustee takes account of financially material risks and opportunities – including sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations (not least climate change) – and diversifies the Scheme's risk exposures based on materiality and impact within the above integrated risk management framework.

21. In order to manage the Scheme's investments efficiently, the Trustee has delegated responsibility for efficient implementation of the Scheme's investments to the Investment Committee. The parameters specified by the Trustee for the Investment Committee (IC) to adhere to, are as follows:

- The IC has delegated authority to control the Scheme's level of investment risk and return by varying the allocations to physical assets (as defined below) and the liability hedge ratio subject to the principles agreed in the Deed of Amendment and Restatement in relation to the Long-Term Funding Target dated 14 November 2014, including the following:

    - Target a long-term expected return that is consistent with the Scheme's Funding objectives.

    - Invest in predominantly high-quality income generating credit assets, appropriately diversified.

    - Hold a combination of physical assets and derivatives which match at least 75% of the interest rate and inflation exposure of the liabilities subject to an appropriate level of collateral as set out in a separate collateral risk management framework.

    - Balance the objectives of reducing investment risk as well as the Company's Solvency Capital Requirements (SCR).

- In addition to the above process, the IC should also adhere to the following risk targets:

    - The level of one year Value at Risk (VaR) versus the Scheme's LTFT liabilities to be no greater than 12% of the Scheme's asset value at any quarter end. (VaR to include both investment and longevity risk and be calculated at the 95% confidence level using Willis Towers Watson's risk budgeting process.) Should the VaR exceed this pre-agreed level at any point in time, the IC should report it to the Trustee and the Employer along with an explanation of the drift and proposed actions, if any.

    - The level of tracking error of the Scheme's assets versus its LTFT liabilities to be no greater than 6% per annum at any quarter end. (Tracking error to be calculated using Willis Towers Watson's risk budgeting process.) Should the Tracking Error exceed this pre-agreed level at any point in time, the IC should report it to the Trustee and the Sponsor along with an explanation of the drift and proposed actions, if any.

22. The Trustee will continue to monitor the liability profile within the DB section. The Trustee will regularly review and take advice from the Investment Consultant as to the appropriateness of its investment policy relative to the overarching funding and investment objectives. In reviewing the investment strategy, the Trustee will take into consideration the nature of the liabilities and how they are likely to evolve over time.

DC Section – Investment strategy

23. A Default is any investment in which member funds have been automatically invested without them having made an explicit choice. This could be:

- Investments into which members are auto enrolled unless they opt out – the Trustee has one such 'true' Default Lifestyle – see paragraph 24.

- Investments into which members' past assets are mapped and/or future contributions are redirected without explicit member consent – the Trustee has one such 'additional default' fund – see paragraph 25.

24. The Trustee has put in place a Default investment option for those members who prefer not to make hands-on investment decisions. The Default investment option follows a Lifestyle investment strategy and assumes that the majority of members will take their retirement benefits as cash. The investment objective and corresponding strategy were selected and designed based on analysis of the Scheme's membership profile as a whole. The Trustee considered a variety of demographic variables, to better understand the risk profile of the membership and members' likely retirement decisions – acknowledging that there is unavoidable uncertainty regarding when and how individual members will take their retirement benefits. Members are supported by clear communications regarding the aims of this Default option and the access to alternative investment options (see below).

25. The BlackRock Institutional Liquidity Fund is an additional default fund. In 2020 the Columbia Threadneedle Pensions Property Fund placed a temporary suspension on trading activity due to material difficulties in valuing the underlying property assets as a result of COVID-19. Therefore, as well as communicating with affected members, the Trustee was required to identify an alternative investment to which to redirect all incoming contributions as an interim measure. The Trustee selected the BlackRock Institutional Sterling Liquidity Fund for this purpose as the most prudent available option in the best interests of members given its focus on capital preservation, and relatively low investment risk, fees and transaction costs. As a result of this, the BlackRock Institutional Liquidity Fund became an additional default investment option for the purposes of regulatory governance. It is well below the regulatory charge cap and subject to the other DC investment policies detailed in this document.

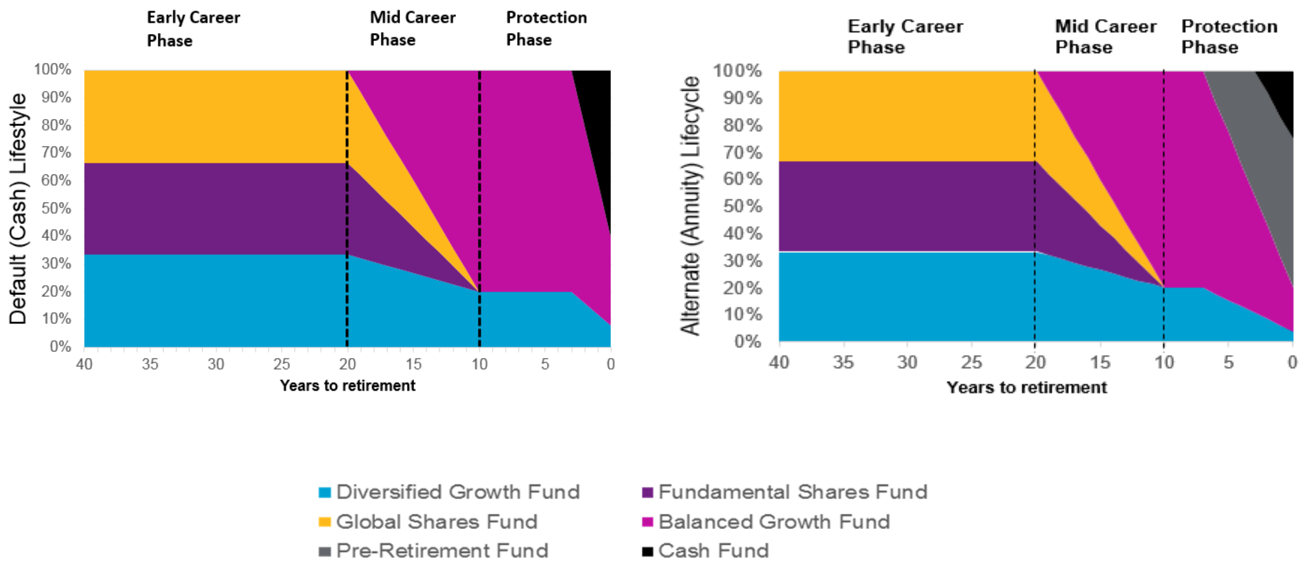
26. In addition to the Default Lifestyle (paragraph 24), there is also another Lifestyle option available to members aiming to purchase an annuity at retirement.

27. Both Lifestyle options consist of two phases; the Growth Phase and the Protection Phase.

- The Growth Phase is the same for both Lifestyles. The Growth Phase consists of return seeking assets with the primary aim of generating growth and is made up of two phases. The Early Career Growth Phase is for members who are more than 20 years from their target pension age; it consists of a 33.3%/33.3%/33.3% allocation to the Fundamental Shares Fund, Global Shares Fund and the Diversified Growth Fund. The Mid-Career Growth Phase is for members who are between 20 years and 10 years from retirement; over this period the allocation transitions to 80% Balanced Growth Fund / 20% Diversified Growth Fund by the time members reach 10 years away from retirement. Thereafter the allocation remains the same until the Protection Phase.

- The Protection Phase is different for both Lifestyles. For the Lifestyle targeting cash, the Protection Phase begins three years from the chosen retirement age and transitions to a final allocation of 60% Cash Fund / 32% Balanced Growth Fund / 8% Diversified Growth Fund. For the Lifestyle targeting an annuity, the Protection Phase begins seven years from the chosen retirement age and transitions to a final allocation of 25% Cash Fund / 55% Pre-Retirement Fund / 16% Balanced Growth Fund / 4% Diversified Growth Fund, with the Pre-Retirement and Cash Funds being introduced respectively seven and three years before retirement.

The Lifestyles are shown below:



28. When designing and reviewing the investment strategy for the DC Section in general and the Default Lifestyle in particular, the Trustee has regard to the sustainable investment principles outlined below.

29. In addition to the LifeStyles described above, the Trustee has made available a focused range of alternative options for those members who prefer to ‘self-select’ their own investment funds.

30. The Trustee has decided to ‘white-label‘ the Lifestyles and individual ‘self-select’ investment fund options, so that the IC has authority to change the underlying investment manager for any of the funds, and make them available via an investment platform managed by Scottish Widows Limited.

31. In addition to the above, the Trustee and IC monitor a range of legacy DC and DB AVC investments which are closed to new contributions.

32. All funds on the Scottish Widows Limited DC platform are daily dealt.

General

33. For the Scheme's DB section, the Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investment policy, where possible. The Trustee, together with the Scheme's administrators, will also ensure that the Scheme holds sufficient cash to meet the likely benefit outgo from time to time.

34. The Scheme's appointed investment managers are responsible for ensuring appropriate diversification of investments and the suitability of investments.

35. For the Scheme's DC section, the list of available funds to members can be found in the Appendix.

Asset manager policy

36. The Scheme uses many different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, the DB Section portfolio and the available investment options within the DC Section are consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). Where the Scheme only invests in pooled investment funds, the Trustee cannot directly influence or incentivise investment managers to align their management of the funds with the Trustee's own policies and objectives. However, the Trustee does seek to ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used in the DB Section, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

37. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment, where appropriate. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio, where appropriate, and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the mandate will be terminated and replaced.

38. The Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods, where appropriate, and noting the constraints within which certain managers must operate (eg. passive funds which seek to track a specified index).

39. The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

40. Managers are largely paid an ad valorem fee, in line with normal market practice which includes consideration of long-term factors and engagement. Performance based fees are used in limited circumstances and only where appropriate to the specific mandate.

41. The Trustee reviews the costs incurred in managing the Scheme's assets annually which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Responsible investing, stewardship and sustainability

42. The Trustee’s current policy, reflecting the new regulatory requirements on responsible investing, stewardship and sustainability, is outlined below. However, the Trustee will keep this policy under review to reflect general market and any specific Scheme developments.

43. The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that an investment’s financial success can be influenced by a wide range of factors including ESG issues (including climate change) and stewardship (including voting and engagement) activities. The Trustee therefore recognises that ESG considerations and stewardship are important aspects of responsible financial risk management in order to protect and enhance the value of investments and should improve long-term financial outcomes.

44. Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process. The Trustee is open to considering views relating to ESG, stewardship and sustainability proactively raised by members and/or the Company. Where deemed appropriate, the Trustee would reflect such views within policies provided that they are consistent with the Trustee’s fiduciary duty, and the expected financial impacts would not be materially adverse for the Scheme.

45. When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.

46. The Trustee has delegated responsibility for the selection, retention and realisation of investments, as well as the exercising of rights (including voting rights) attaching to those investments, to its individually selected investment managers. The Trustee's policy is that the extent to which ESG considerations are taken into account in these decisions is left to the discretion of its investment managers. The Trustee expects its managers to take account of any ESG issues that may have a material impact on the portfolio and exercise any rights attaching to investments responsibly as part of their delegated duties. In particular, where relevant to the investment approach, the Trustee expects its investment managers to comply with the UK Stewardship Code and other local stewardship codes or explain where they do not adhere to these codes, and to document how they are considering and addressing ESG issues.

47. The Trustee monitors the ESG integration and stewardship activities of its investment managers (including with regards to the capital structure of investee companies, actual and potential conflicts, other stakeholders, and the ESG impact of underlying holdings), where relevant, with the assistance of its investment consultant via a thematic oversight approach focusing on the most impactful and/or material areas: namely its largest relevant portfolio exposures; and issues of particular importance such as climate change.

Performance Objectives and Investment Return

48. Whilst the Trustee is not involved in the investment managers' day to day method of operation and therefore does not directly influence attainment of the performance target, there are processes in place to ensure that performance is assessed on a regular basis and all appointments will be reviewed on a regular basis. A measurable objective has been developed for each manager of the DB section, consistent with the achievement of the Scheme's longer-term objectives, and an acceptable level of risk.

49. In addition, the performance of the investment managers for the DC and AVC sections are compared against the performance of the universe of other comparable funds that are available for investment and versus internal performance targets set for each fund.

50. The funds available to DC Plan members allow members to select funds that best meet their risk versus return preferences.

Risk Management

51. The Trustee recognises a number of risks involved in the investment of the assets of the Scheme:

- Solvency risk and mismatching risk (DB section):
    - are measured through a qualitative and quantitative assessment of underlying investment risks (including inflation and interest rate risk, as well as a range of other macroeconomic, market and idiosyncratic factors including liquidity, currency, credit, equity, sustainability, concentration, asset security and other operational factors) relative to the expected development of the Scheme's liabilities.
    - are managed by holding a diversified portfolio of assets which provide a sufficient level of return and an appropriate level of hedging against inflation and interest rate movements.
- Manager risk:
    - is measured by the expected deviation of the return relative to the benchmark set.
    - is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Scheme to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.
- Liquidity risk (DB section):
    - is measured by the level of cashflow required by the Scheme over a specified period.
    - is managed by the Scheme's administrators and pooled fund investment managers assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.
- Political risk (DB section):
    - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
    - is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk (DB section):
    - is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
    - is managed by considering a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to a number of metrics reflecting the financial strength of the sponsor.
- Opportunity risk (DC section):
    - is addressed through communication to DC members and the recommendation that DC members seek independent financial advice
- Capital risk (DC section):
    - is managed by ensuring the investment options are appropriately diversified and members are able to construct a balanced and diverse portfolio using a number of different asset classes
- Operational risk (DC section):
    - is addressed through ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Roles and responsibilities

52. The investment responsibilities of the Trustee include:
    - Setting the investment principles of the Scheme and maintaining this Statement.
    - Determining an appropriate long term investment risk profile and setting constraints for the Investment Committee to operate within.
    - Setting, and agreeing amendments to, the Default option for the DC section.
    - Appointing, reviewing and/or replacing the Investment Consultant.
    - Changing the membership, or chairman, of the Investment Committee.
    - Consulting with the Employer when reviewing this Statement.

53. The responsibilities of the Investment Committee to the Scheme include:
    - Reviewing the content of the Statement of Investment Principles periodically (at least once every three years) and recommending modifications to the Trustee if deemed appropriate.
    - Maintaining the Investment Strategy and Implementation Document
    - Within the powers delegated to it by the Trustee, setting and reviewing an appropriate DB investment strategy within the parameters set out in this document.
    - Monitoring and reviewing as appropriate the guidelines and restrictions within which the investment managers are required to operate, having regard to the suitability of investments and the need for diversification.
    - Assessing the quality of the performance and processes of the investment managers by means of regular reviews of the investment results, (for the DB section) consideration of differences between the current asset allocation and each manager's asset allocation benchmark, and other information.
    - Reviewing the Default option for the DC section.
    - Appointing and terminating all mandates relating to the investment of the DB section, the DC section and AVCs.
    - Monitoring and reviewing the performance and functionality of the DC platform provider.

54. The responsibilities of the investment managers include:
    - Utilising their professional skills in pursuit of the agreed performance objectives, whilst operating within the guidelines and restrictions set by the Investment Committee and Trustee.
    - Giving effect to this document as far as reasonably practicable.

55. The responsibilities of the custodians include:
    - The safekeeping of all of the assets of the Scheme.
    - Reconciling the records of assets held with statements provided by the investment managers.
    - Providing all appropriate administration relating to the Scheme's assets.
    - Processing all dividends and tax reclaims in a timely manner.
    - Dealing with corporate actions.

56. The responsibilities of the DC section’s platform provider include:
    - Providing a wide range of high quality investment options and considering the inclusion of additional funds at the request of the Trustee.
    - Conducting and maintaining a due diligence process on each of the funds included on its platform.
    - Administering the funds in a cost-efficient way.
    - Providing quarterly asset values to the Scheme’s investment advisers.

57. The responsibilities of the Investment Consultant include:
    - Assisting the Trustee in reviewing this document.

- Assisting the Investment Committee in maintaining the Investment Strategy and Implementation Document.
- Advising the Trustee and Investment Committee on the strategic asset allocation of the Scheme.
- Advising the Trustee and Investment Committee on how best to implement the Scheme’s chosen investment strategy.
- Advising the Trustee and/or the Investment Committee at their request or pro-actively informing them:
  - of any changes in the investment managers' organisations that could affect the interests of the Scheme
  - of any changes in the investment environment that could either present opportunities or problems for the Scheme.
- Providing recommendations on manager selection to the Trustee and Investment Committee
- Providing advice to ensure the Scheme’s managers are and remain ‘satisfactory’ as defined by the Pensions Act.
- Undertaking project work as requested by the Trustee and/or the Investment Committee.
- Assisting the Trustee and Investment Committee in monitoring the Scheme’s platform provider
- Assisting the Trustee and Investment Committee in monitoring the Scheme’s investments.

	Name	**Signature**	**Date**
On behalf of the Trustee	Mr A D Walford Chairman of Trustee		
Confirmation that Employer consultation has taken place	Company representative		

Appendix

"White-label" Fund Name	Underlying investment funds	Benchmark
Diversified Growth Fund	Schroder Life Diversified Fund	100% CPI + 5% pa [1]
Balanced Growth Fund	Scottish WidowsMixed Investment Fund	100% CPI + 4% pa [1]
Global Shares Fund	BlackRock Aquila 30:70 Currency Hedged Global Equity Index Fund	60% FTSE All-World Developed ex-UK Index (GBP-hedged); 30% FTSE All-Share; 10% MSCI Emerging Markets Index
Fundamental Shares Fund	BlackRock Aquila Connect Global Developed Fundamental Weighted Index Fund	100% FTSE RAFI Developed 1000 Index
UK Shares Fund	BlackRock Aquila UK Equity Index Fund	100% FTSE All Share Index
Emerging Markets Fund	JP Morgan Life All Emerging Markets Equity Fund	100% MSCI Emerging Markets Index
Shariah Fund	HSBC Islamic Global Equity Index Fund	100% Dow Jones Islamic Titans 100 Index
Ethical Fund	Legal & General Ethical Global Equity Index Fund	100% FTSE4 Good Global Equity Index
Property Fund	Threadneedle Pensions Property Fund	100% AREF/IPD All Balanced Weighted Property Index
Pre-Retirement Fund	Legal & General Pre-Retirement Fund	Composite [2]
Inflation Linked Fund	BlackRock Aquila Index-Linked Over 5 Year Gilt Index Fund	100% FTSE UK Gilts Index-Linked Over 5 Years Index
Corporate Bonds Fund	BlackRock Aquila Corporate Bond Over 15 Year Index Fund	100% iBoxx Sterling Non-Gilts Over 15 years Index
Government Bonds Fund	BlackRock Aquila Life Historic Priced Over 15 Year Gilt Index Fund	100% FTSE UK Gilts Over 15 Years Index
Cash Fund	BlackRock Institutional Sterling Liquidity Fund	100% Seven Day Sterling LIBID

1. These are the targets for the multi-asset funds
2. The benchmark asset allocation for the Fund is a composite of gilts and corporate bond funds