KeyMed Pension & Assurance Scheme

Annual Statement regarding governance

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees are required to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits.

As Chair of Trustees, it is my pleasure to report to you on how the Trustees have embedded these minimum standards over the period 6th April 2021 to 5th April 2022, taking account of the relevant updates since the requirements have been in place.

The statement covers four principal areas:

1. **Investment** with particular focus on the Scheme's default investment arrangements.

2. **Internal controls**, with particular focus on the processing of core financial transactions.

3. **Value,** with particular focus on charges and transaction costs deducted from members' funds, and the net return on investments.

4. **The knowledge and resources available to the Trustees**, including how the Trustees maintained the statutory levels of knowledge and understanding to govern the Scheme and how these help the Trustees ensure that the Scheme is governed effectively.

1. Default investment arrangement

Members of the DC section of the Scheme who do not make an explicit choice regarding the investment of their funds will be automatically invested in the Scheme's Moderate Growth Lifestyle Option (the default arrangement).

The default option's growth phase (Moderate Growth Fund) invests in equities and other growth-seeking assets. These investments are expected to provide above inflationary return over the long term with some downside protection and some protection against inflation erosion.[1] The downside risk from an equity market downturn is mitigated through diversification away from equities.

[1] While the growth phase aims to provide above inflationary returns over the long term, this may not be the case over shorter-term time periods, particularly over periods where inflation is high. This has been the case during 2022 to date, which has been characterised by high inflation and challenging conditions for many investment markets. The Trustees are continuing to monitor the situation and would like to remind members that pension saving is a long-term investment.

Five years before a member's selected retirement age, assets from the Moderate Growth Fund will then gradually switch to the Defensive Fund (which contains a more cautious asset allocation).

The Trustees last reviewed the principles noted above relating to the default arrangement with the support of their investment adviser, Mercer, during the 17 March 2020 Trustees' meeting. As a result of the review, the Trustees believed the Scheme's investment strategy continues to be appropriate. The Trustees' next planned review of the default investment strategy is during H1 2023.

The self-select fund range was reviewed during 2021. Following this review, the Trustees decided to add the Mercer Passive Sustainable Global Equity Fund and the BlackRock Aquila MSCI World Index Fund to the self-select fund range. The Trustees provided information on these additional funds to members following implementation.

The Trustees' Statement of Investment Principles dated July 2021 in relation to the Scheme's default investment arrangement is appended to this Statement. This covers the Trustees' aims and objectives in relation to the default investment arrangement as well as the Trustees' policies in relation to matters such as risk, diversification, Environmental, Social and Governance (ESG) factors and climate change. It also states the investment principles the Trustees seek to ensure within the default investment arrangement.

Additional Voluntary Contributions

The Trustees are also responsible for a legacy Additional Voluntary Contribution (AVC) policy for the Defined Benefit Section members invested with Standard Life. The Trustees do not operate a default investment arrangement within the meaning of Pensions Act 2008 in relation to their AVC policy. For this reason, the Trustees believe that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to the AVCs. For the same reason, the Trustees' Statement of Investment Principles does not contain wording relating to default investment arrangements in relation to the AVCs.

This policy is closed to new members and further contributions. Members receive an annual statement confirming the amounts held in their account and a periodic communication from the Trustees about what they can do with these AVCs and where to find further information.

Statement of Investment Principles

In accordance with the Administration Regulations, the Trustees have appended the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. The SIP was last updated on 23 July 2021 to reflect the additions to the self select fund range mentioned above.

The SIP covers the following key matters in relation to the default arrangement:

- The Trustees' aims and objectives in relation to the investments held in the default arrangement;

- The Trustees' policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (if at all) to which social, environmental or ethical considerations are taken into account when selecting, retaining or realising investments;
- An explanation of how these aims, objectives and policies (which together form the Trustees "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangement.

The Trustees have completed a SIP Implementation Statement for the Scheme year, which covers how the Trustees monitored the stewardship and engagement activities of the investment managers. A copy of the implementation statement can be found at https://www.olympus.co.uk/company/en/news/publications.

A copy of the latest SIP is appended to this Chair's Statement and is available at: https://www.olympus.co.uk/company/en/news/publications and will be signposted in the annual benefit statements, which are issued by the Administrator, Mercer.

2. Internal Controls

The Trustees are required to explain to you how they ensure that core financial transactions are processed promptly and accurately. Core financial transactions include:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to or in respect of members.

These transactions are undertaken on behalf of the Trustees by the KeyMed Pensions Administrator, in conjunction with the Scheme administrator, Mercer, and the investment provider, Scottish Widows. The Trustees have agreed target timescales for the processing of all member-related services, including core financial functions relating to contribution handling, quoting and paying benefits for the activity carried out by Mercer. The Trustees, after taking advice, believe that these target timescales are in line with industry best practice and are well within any applicable statutory timescale.

The Service Level Agreements relating to core financial transactions relating to the activity carried out by Mercer, are set out below:

Transaction	Service Level Agreement (SLA)
Leaver processing	8 days
Investment Transactions	8 days
Retirement settlement	10 days
Transfer Out	10 days
Transfer In	10 days

Due to the changes required to administration processes because of COVID-19, Mercer followed the Pension Administration Standards Association guidance in relation to prioritising administration work. As a result, agreed key activity was prioritised in respect of the Scheme.

The Trustees have reviewed the administration services provided to the members of the DC Section over the period and concluded that overall, core financial transactions were processed promptly and accurately, totalling a value of 96% over the Scheme year up to 5th April 2022. As part of this review it was noted that there were four cases that missed SLA. Additional information was required and each case was resolved in line with agreed processes.

The KeyMed Pensions Administrator, who are responsible for undertaking the monthly contribution remittance and investment of contributions are monitored separately by the Trustees. The Trustees can confirm that no issues were raised or identified during the year.

There are also monthly administration meetings held between the KeyMed Pension Administrator and Mercer to review 'work in progress' cases, and discuss processing and administration activity.

Mercer records all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task.

Members have access to an online portal that enables them to conduct their own checks of accuracy in relation to financial transactions such as contribution payments and investment switches.

As a wider review of Mercer, the Trustees receive Mercer's assurance report on internal controls. During the Scheme year, the report received was for the period 1 January 2021 to 31 December 2021 and noted the Independent Service Auditor's opinion that, in all material aspects, its controls were suitably designed and those tested operated effectively.

The Scheme's risk register details all of the risks to members and is monitored and reviewed by the Trustees on at least an annual basis.

We are pleased that during the Scheme year there have been no material administration service issues, which need to be reported here by the Trustees. We also consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met. We are confident that the processes and controls in place with the administrators are robust and will ensure that the financial transactions, which are important to members, are dealt with promptly and accurately.

3. Costs and charges

a. Charges and transaction costs

As required by the Administration Regulations, the Trustees are required to report on the charges and transactions costs for the investments used in the default investment strategy as well as funds available as self-select options to members, and assess the extent to which the charges and costs represent good value for members.

Charges relating to investment management are deducted from members' funds. The Scheme is used as a qualifying arrangement for auto enrolment and as such must comply with regulations on charge controls introduced from April 2015. The Trustees confirm that the default investment arrangement remains within the charge cap of 0.75% p.a.

The tables below show the total expense ratio (TER) and transaction costs of the funds in use as at the date of this Statement.

Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

The charges and the transaction costs applicable to the default investment strategy during the period are detailed below. Although the fund allocations will vary depending on their term to their selected retirement age, the cost will not change given the two funds have the same TER.

Default Fund Investments	**Active/Passive**	**Total Expense Ratio (TER) % per annum**	**Transaction costs (%)**
Mercer Moderate Growth	Active	0.28	0.11
Mercer Defensive	Active	0.29	0.08

Source: Scottish Widows as at 5 April 2022 for TER and for the period from 6 April 2021 to 5 April 2022 for transaction costs.

The funds in the default investment arrangement are also made available to members on a self-select basis. Additionally, four further funds are available to self-select members, shown in the table below.

Fund	**Active/Passive**	**Total Expense Ratio (TER) % per annum**	**Transaction costs (%)**
Mercer Growth	Active	0.26	0.16
Mercer High Growth	Active	0.28	0.14
Mercer Passive Sustainable Global Equity	Passive	0.14	-0.01
BlackRock – Aquila MSCI World Index	Passive	0.09	0.00
BlackRock Sterling Liquidity	Active	0.14	0.02

Source: Scottish Widows as at 5 April 2022.

The aggregate transaction costs shown account for the impact of market movements between the placement of a request to buy or sell an investment and the execution of that request. As such, the aggregated transaction cost can be positive or negative.

The Total Expense Ratio consists principally of the manager's annual charge for managing and operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.

Transaction costs are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds, but are not included in the Total Expense Ratios (TERs) quoted above. As a result, adding together the TER and additional transaction costs gives a more accurate indication of the costs of investing in a particular fund option.

The transaction costs are calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the market price that applied at the point the transaction was requested. Market movements during any delay in transacting might be positive or negative and may outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive, but the Trustees would not expect this to repeated every year.

Additional Voluntary Contributions (AVCs)

Policies of members who invest with Standard Life are also subject to the following costs and charges.

Fund	TER (%)	AMC (%)	Transaction Costs (%)
Pension Millennium With Profits Fund	*	*	0.1545
Pension With Profits Fund	*	*	0.1098
Standard Life Managed Pension Fund	1.02	1.00	0.1157
Standard Life Money Market Pension Fund	1.01	1.00	0.0004
SL Jupiter Merlin Worldwide Portfolio Pension Fund	2.87	1.85	0.3402
SL M&G Global Themes Pension Fund	1.81	1.81	0.0111

Source: Standard Life. TER and AMC as at June 2022 and transaction costs for the 12 months period up to 31 March 2022.

**For these with-profits funds, there is no explicit fund management charge or additional expenses. However, Standard Life do make deductions for costs and charges, including the cost of guarantees provided by with profit business.*

Members who joined the scheme prior to 23 February 2002 receive discounts to their total annual fund charge of 0.6% p.a. This does not apply to any holdings in With Profits as this discount is taken into consideration with the pricing of these funds. Members also receive Value For Money discounts of 0.1% p.a. when their fund value is over £10,000, and 0.2% p.a. when their fund value is over £20,000.

Members who joined the scheme after 23 February 2002 receive discounts to their total annual fund charge of 0.35% p.a.

There is no explicit charge or additional expenses for the unitised with profits funds, as these are considered when the final bonus rates are calculated. These charges will be consistent with that for an equivalent investment-linked investment. Standard life also makes deductions for the cost of with profits guarantees and these vary depending on the fund guarantee and when the fund was launched, for example the Pension With Profits Fund has a 0.75% p.a. deduction.

Currently Standard Life makes deductions at a rate of 1% p.a. in their new and existing business illustrations for unitised with profits funds before any discounts.

For the Pension With Profits Fund this would mean a total charge of 1.75% made up of 1.0% AMC plus 0.75% cost of guarantee deduction before any discounts.

For the Pension Millennium With Profits Fund there is a 1.0% AMC plus 0.15% cost of guarantee giving a total charge of 1.15% before any discounts.

Impact of Costs and Charges

Using the charges and transaction cost data provided by Scottish Widows and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following (with the Scheme's relevant funds/strategies listed in brackets):
- The fund or strategy with the most members invested (Moderate Growth Lifestyle Option)
- The most expensive fund (Mercer High Growth Fund)
- The least expensive fund (BlackRock Aquila MSCI World Index Fund)

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the TER, transaction costs and inflation.

Illustration 1: Active member invested in the DC fund range

	Most popular fund: Moderate Growth Lifestyle Option		**Highest cost fund: Mercer High Growth Fund**		**Lowest cost fund: BlackRock Aquila MSCI World Index Fund**	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
19	£2,470	£2,470	£2,470	£2,470	£2,470	£2,470
20	£4,590	£4,574	£4,628	£4,611	£4,652	£4,648
21	£6,725	£6,684	£6,826	£6,784	£6,888	£6,878
22	£8,874	£8,802	£9,064	£8,988	£9,180	£9,162
23	£11,039	£10,927	£11,342	£11,223	£11,530	£11,502
24	£13,218	£13,060	£13,662	£13,491	£13,938	£13,897
25	£15,413	£15,199	£16,024	£15,792	£16,407	£16,351
30	£26,618	£26,006	£28,494	£27,804	£29,706	£29,536
40	£50,228	£48,174	£57,074	£54,575	£61,777	£61,124
50	£75,533	£71,103	£91,299	£85,476	£102,832	£101,218
60	£102,655	£94,820	£132,285	£121,145	£155,384	£152,107
65	£112,974	£103,405	£155,720	£140,993	£186,947	£182,480

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from the administrator. The assumed member is age 19, with a normal retirement age of 65, using a starting pot size of £2,470 and a salary of £23,290. The member's total contributions (including those from the employer) are assumed to be 9% of the member's salary per annum, and is assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	**Transaction costs**	**Growth rate assumptions**
Moderate Growth Lifestyle Option	0.28% p.a. for members 5 or more years from retirement, rising to 0.29% p.a. for members at retirement	0.08% p.a. for members 5 or more years from retirement; an average as well of 0.06% for members within 5 years of retirement and beyond	3.12% p.a. before inflation for members 5 or more years from retirement, falling to 1.95% p.a. before inflation for members at retirement
Mercer High Growth Fund	0.28% p.a.	0.087% p.a.	4.23% p.a. before inflation
BlackRock Aquila MSCI World Index Fund	0.09% p.a.	0.00% p.a.	5.00% p.a. before inflation

Charge and costs figures provided by Scottish Widows; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Scottish Widows are unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 4 year period 5 April 2022, except for BlackRock Aquila MSCI World Index Fund that uses only the last year to 5 April 2022.

Illustration 2: Deferred member invested in the DC fund range

	Most popular fund: Moderate Growth Lifestyle Option		Highest cost fund: Mercer High Growth Fund		Lowest cost fund: BlackRock Aquila MSCI World Index Fund	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
20	£1,850	£1,850	£1,850	£1,850	£1,850	£1,850
21	£1,863	£1,856	£1,884	£1,877	£1,896	£1,895
22	£1,876	£1,863	£1,918	£1,904	£1,944	£1,940
23	£1,889	£1,869	£1,953	£1,931	£1,992	£1,987
24	£1,902	£1,875	£1,988	£1,959	£2,042	£2,035
25	£1,915	£1,882	£2,024	£1,988	£2,093	£2,084
30	£1,983	£1,914	£2,215	£2,135	£2,368	£2,348
40	£2,125	£1,979	£2,653	£2,465	£3,031	£2,980
50	£2,278	£2,047	£3,177	£2,845	£3,881	£3,783
60	£2,441	£2,118	£3,805	£3,284	£4,967	£4,801
65	£2,439	£2,079	£4,163	£3,528	£5,620	£5,409

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from the administrator. The assumed member is age 20, with a normal retirement age of 65, using a starting pot size of £1,850. The member is assumed to be making no further contributions to the Scheme.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	**Transaction costs**	**Growth rate assumptions**
Moderate Growth Lifestyle Option	0.28% p.a. for members 5 or more years from retirement, rising to 0.29% p.a. for members at retirement	0.08% p.a. for members 5 or more years from retirement; an average as well of 0.06% for members within 5 years of retirement and beyond	3.12% p.a. before inflation for members 5 or more years from retirement, falling to 1.95% p.a. before inflation for members at retirement
Mercer High Growth Fund	0.28% p.a.	0.087% p.a.	4.23% p.a. before inflation
BlackRock Aquila MSCI World Index Fund	0.09% p.a.	0.00% p.a.	5.00% p.a. before inflation

Charge and costs figures provided by Scottish Widows; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Scottish Widows are unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 4 year period 5 April 2022, except for BlackRock Aquila MSCI World Index Fund that uses only the last year to 5 April 2022.

b. Good value - member borne deductions

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which these represent good value for members.

There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation.

The Trustees, with support from our advisor, Mercer, have undertaken a value for money assessment. We have concluded that the Scheme's overall benefits and options represent good value for money in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- Charges for the Scheme's default investment arrangement are significantly below the charge cap of 0.75% per annum;
- Charges on funds have been assessed as comparing favourably with those of peer funds.
- The underlying funds used by the Scheme are highly rated as having good prospects of achieving their risk and return objectives.
- The performance of the Scheme's funds over the 3 years to 31 March 2022 (which is the most recent reporting period available and when available) compare favourably relative to the benchmark set by the Trustees. Where the performance track record is shorter than three years, the Trustees have assessed performance as far back as available.

Additionally, the Company pays for all administration, member communication and governance related costs associated with operating the Scheme, which further enhances the value that members receive.

AVC Policy (Standard Life)

In relation to the AVC policy, the Trustees have noted that the AMCs are not competitive. However, the Trustees recognise that it would be a challenge to seek improved terms for these members with Standard Life or in the wider AVC provider market and further, any forced move away from Standard Life could significantly affect the value of member benefits. The Trustees concluded that good value for members is provided through the main plan DC Section and therefore the Trustees have written to members to offer the DC Section funds to these members should they wish to transfer their funds away from Standard Life.

c. Long-term net investment returns

Regulations introduced in 2021 require the Trustees to report on the net investment returns for the Scheme's default arrangement and for each fund which Scheme members are, or have been able to, select during the Scheme year. Net investment returns refer to the returns on funds minus all transaction costs and charges.

The table below sets out the net investment returns for the Scheme's default arrangement which has been calculated in accordance with the statutory guidance.

Default strategy	Annualized returns to 31 March 2022 (%)	
Age of member at start of period	**1 year**	**5 years**
25	2.9	5.3
45	2.9	5.3
55	2.9	5.3

Source: Scottish Widows.
Performance shown net of all charges and transaction costs.

The table below includes the net investment return for the Scheme's self select funds:

Self-select funds	Annualized returns to 31 March 2022 (%)	
	1 year	**5 years**
Mercer Defensive	0.6	2.5
Mercer Moderate Growth	2.9	5.3
Mercer Growth	5.0	6.3
Mercer High Growth	5.7	7.0
Mercer Passive Sustainable Global Equity*	-	-
Aquila MSCI World Index*	-	-
BlackRock Sterling Liquidity	0.0	0.3

Source: Scottish Widows.
Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous table.
*Performance not available for the period due to inception date.

4. Trustee Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to exercise their functions and duties in relation to the Scheme.

The Trustees must also be conversant with the Scheme's own documentation. These are described in legislation as the trust deed and rules and statement of investment principles. The Trustees must also be conversant with any other document recording current policy relating to the administration of the Scheme generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustees are able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustees.

The Trustees are required to disclose how these duties have been fulfilled and how their combined knowledge and understanding, together with the advice, which is available to them, enables them to properly exercise their duties and responsibilities.

The table below shows how these requirements have been met during the year.

Requirement	How met
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the trust deed and rules.	The DC Section of the Scheme is governed by an Interim Deed which adopted the DC Section Booklet. Since this time, the DC Section Booklet has been updated by the Trustees in conjunction with their legal advisors. The Trust Deed & Rules (for both the Defined Benefit and DC Sections) has been consolidated and will replace the Interim Deed. During the period of this Statement, the Trustees reviewed and considered updates to the Scheme Booklet in conjunction with their advisors. Outside of the Scheme year (during Q2 2022) the Trustees reviewed the consolidated Deed with their legal advisors ahead of sharing it with the Company for review.
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the current SIP.	A revised SIP was approved by the Trustees on 23 July 2021 in order to reflect the introduction of the two new self select funds into the DC Section fund range. The SIP is appended to this Statement and is also available to review online at https://www.olympus.co.uk/company/en/news/publications/
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of all documents setting out the trustees' current policies.	The Trustees have demonstrated a working knowledge of their current policies through their maintenance of an annual business plan and calendar, which incorporates a policy schedule. This is a standing item at each meeting where key policies and documents are reviewed in turn and updated if appropriate. For example, during the Scheme year, the Trustees reviewed their Conflicts of Interest Policy.
Trustees must describe how, through the scheme year the trustees have demonstrated that they have sufficient knowledge and understanding of the law relating to pensions and trusts.	The Trustees' advisor, Mercer, attends each meeting and gives the Trustees an overview of market and legislative developments, including the Trustees' duties and requirements for strong governance. In addition, if there are any ambiguities over the interpretation of the Rules or new legislation, legal advice is sought from the Trustees' legal advisors, Stephenson Harwood. During the Scheme year, the Trustees' legal advisor was present at each Trustees Meeting and was able to provide clarification where required on relevant issues, discussions and member cases.

Trustees must describe how, through the scheme year the trustees have demonstrated that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.	The Trustees attended training in relation to a number of topics; covering investment, governance and legal areas. The training sessions/reading included: • The Pension Regulator Consultation on the new Single Code of Practice (10 May 2021) • Mercer Workplace Savings: 2021 Strategy Review (including COVID response) (10 May 2021) • Department for Work and Pensions ("DWP") Review of Chair Statements (10 May 2021) • Mercer briefing on Single Code of Practice (23 July 2021) • Financial Conduct Authority (FCA) Consultation: stronger nudge to pensions guidance (23 July 2021) • Value for Members assessment (23 July 2021) • TPR's 'moral hazard' Power - The 'moral hazard' landscape from 1 October 2021 (3 November 2021) • CMA Order Update (3 November 2021) As a result, the Trustees have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.
Trustees must describe how, through the scheme year the trustees have demonstrated that their combined knowledge and understanding, together with available advice, enable them to properly exercise their functions.	The Trustees receive advice from professional advisers to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustees along with their own experience allows them to properly exercise their function as Trustees.

Trustee training is of high importance to the good running of the Scheme. The Trustees acknowledge how important it is that they maintain their knowledge of pension law, trust law and investment principles, and are conversant with the Scheme documentation including the Trust Deed and Rules, SIP and Scheme policies.

The Trustees have a robust training programme in place for newly appointed Trustees. Upon appointment, a Trustee is required to undertake an induction process. This includes reading and becoming conversant with all of the key Scheme documents including the Trust Deed & Rules, and the SIP as well as completion of the Pensions Regulator's online Trustee Toolkit. The Trustee Toolkit must be completed within six months of appointment. Mathias Jakob resigned on 31 December 2021 and Constantine Zangemeister was appointed with effect from 1 January 2022.

The Trustees have also put in place arrangements for ensuring they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs. The Secretary to the Trustees reviews the self-assessments and arranges for training to be made available to individual Trustees or to the whole trustee body as appropriate.

Training is also considered in relation to setting meeting agendas to ensure that the Trustees consider any gaps and incorporate training into their meetings on an ongoing basis.

The Trustees maintain a training log that sets out individual and whole-board based training activity.

The Trustees' professional advisors attend all meetings and are asked to input into the agenda. In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

Pensions Quality Mark PLUS

Finally, we would also like to highlight that the Scheme has been accredited with the highly regarded Pensions Quality Mark (PQM) PLUS standard.

The PQM is an independent standard that recognises employers who provide a good quality DC pension scheme. It is available only to schemes that can demonstrate that arrangements are in place to run the Scheme well and operate in the best interests of members.

PQM PLUS, a higher standard than PQM, is only awarded to businesses that substantially contribute to their employees' pension funds with an employer contribution rate available of 10% or more.

Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

Signature: ____________________________________

Name: ____________________________________

Position: ____________________________________

Date: ____________________________________

Appendix

Statement of Investment Principles – July 2021

1. Introduction

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the KeyMed Pension & Assurance Scheme ("the Scheme"). It sets out the principles that govern the Trustees' decisions about the investment of the Scheme's assets. The Trustees will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.

This Statement is designed to meet the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document ("IPID") which is available to Scheme members on request.

In preparing this Statement, the Trustees have obtained written advice from the Scheme's Investment Consultant. Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustees will obtain similar advice whenever the Statement is reviewed.

The Trustees' investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustees will take legal advice regarding the interpretation of these. The Trustees note that, according to the law, the Trustees have ultimate power and responsibility for the Scheme's investment arrangements.

The Trustees, in preparing this Statement, have also consulted KeyMed (Medical & Industrial Equipment) Limited ("the Company"), as Sponsor of the Scheme. The Trustees seek to maintain a good working relationship with the Company, and will discuss any proposed changes to this Statement with the Company. However, the Trustees' fiduciary obligations to Scheme members will take precedence over the Company's wishes, should these ever conflict.

The Trustees believe that our investment policies and their implementation are in keeping with best practice, including the Principles for Investment Governance as published by the Regulator's Investment Governance Group.

The Trustees do not expect to revise this Statement frequently because it covers broad principles. More detailed information on the investment arrangements is set out in the IPID. We will review the Statement at least once every three years, and without delay if there are relevant, material changes to the Scheme and/or the Company. These include changes in the Scheme's liabilities and finances and in the attitude to risk of the Trustees or the Company.

The Scheme has both a defined benefit ("DB") and a defined contribution ("DC") section. Sections 2 of this Statement address the DB element. Section 3 addresses the DC element. Section 4 onwards is relevant to both the DB and DC sections.

DEFINED BENEFIT SECTION

2. Overall Policy

The strategic management of the assets is fundamentally the responsibility of the Trustees and is driven by their investment objectives as set out below. Day-to-day management of the assets is delegated to a professional annuity provider and an investment manager. This assignment of responsibilities is consistent with advice from Mercer Limited ("Mercer".)

2.1 Investment Objectives

The Trustees' primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.
To this end, the Trustees have set a longer-term objective to buy out all of the Scheme's liabilities. As an interim step, an annuity policy for the remaining members has been purchased in the form of a buy-in with an annuity provider (i.e. an insurance company). The insurance company selected is Aviva Life & Pensions UK Limited ("Aviva").

The Trustees also seek to preserve the capital of the residual assets held by the Scheme, whilst producing an appropriate level of return, via low-risk investments in UK government bonds and a cash fund.
The majority of the residual assets are held in cash with a small holding in gilt funds to broadly replicate the liability profile and act as an interim source of assets to meet additional transfer value payments out of the Scheme not covered by Aviva. For the avoidance of doubt, there is no rebalancing between the funds held.

Asset Type	Actual Allocation (%)
UK index-linked gilts	4.1
UK fixed interest gilts	5.1
Sterling Liquidity Fund	90.8
Total	**100.0**

Source: LGIM. As at 30 June 2021

2.2 Risk Management and Measurement

The annuity policy held by the Scheme provides a match for the key investment and non-investment risks for the members of the Scheme (i.e. interest rate, inflation and longevity risks). Whilst the key investment and non-investment risks are removed by the annuity policy, the Trustees are exposed to the counterparty risk of the insurance company (i.e. risk of default), albeit with regulatory protections in the form of supervision and intervention by the Prudential Regulatory Authority. The Trustees have considered and are adequately comfortable with the financial strength of the selected insurance company. The Trustees are also aware that annuity policies typically have no surrender value, and therefore, will become an illiquid asset of the Scheme (i.e. the asset cannot be sold or exchanged for cash without a potentially substantial loss in value).

As the primary risks of the Scheme have been removed by the annuity policy, the Trustees have chosen to adopt a policy of taking a very low level of investment risk with the residual assets of the Scheme. These assets are invested in UK government bonds and a cash fund. Whilst all investments are considered low-risk, the holdings in government bonds are still subject to interest rate risk and credit risk, whilst the cash fund is exposed to credit and liquidity risk. The Trustees are aware of this and are comfortable with the level of risk employed by the Scheme.

It is expected that the annuity policy will provide sufficient cash flow to meet the obligations of the remaining members and the residual assets will produce a small positive return over time

2.3 Investment Management

The majority of the assets of the Scheme are held as an annuity policy with Aviva, which provides cash flows to meet the obligations of the remaining members. The remaining assets are held with Legal and General Investment Management (“LGIM”).

The Trustees have taken steps to satisfy themselves that LGIM has the appropriate knowledge and experience for managing the Scheme’s residual investments and that they are carrying out their work competently. The Trustees will periodically assess the continuing suitability of LGIM. The Investment Consultant provides help in monitoring the investment manager.

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees receive investment manager performance reports on a bi-annual basis, which present performance information over 6 months, 1 year, 3 years and since inception. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark.

Since the Scheme is fully insured and intends to remain so it doesn't have an explicit policy on agreement duration (whilst the Trustees are long term investors it is envisaged that the residual assets will be liquidated and the proceeds returned to the company once a buy-out has been agreed). Nor does it have a policy on portfolio turnover costs.

DEFINED CONTRIBUTION SECTION

3. Overall Policy

3.1 Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees regard their duty as making available a range of investment options sufficient to enable members to have more choices to assist in their own investment strategy.

The Trustees also recognise that members may not believe themselves qualified or confident to make investment decisions. As such the Trustees make available a default option. The default option places the emphasis on aiming to deliver a positive level of real return over members' working lifetimes (whilst mitigating risk through diversification) and also encompasses a switch into asset classes designed to protect the member from a sudden fall in the retirement benefit purchasing power of their pension savings, in the years approaching the member's selected target retirement age.

These objectives translate to the following principles:

- Offering members a pre-defined 'Lifestyle' approach to better cater for members changing needs and risk tolerances over the course of their retirement saving journey and ensuring that the investment strategy options allow members to plan for retirement;

- Making available a range of pooled investment funds which serve to allow some flexibility to meet the varying investment approaches and risk tolerances of members;

- Adopting a framework which provides flexibility to change investment managers proactively and which allows efficient fund switching (e.g. without out-of-market risk) as required;

- Encouraging members to seek impartial financial advice from an appropriate party in determining the most suitable option for their individual circumstances;

- In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustees aim to make available a range of options which satisfy the needs of the majority of members.

The Trustees regularly review the suitability of the investment choices provided, in conjunction with the Scheme's investment advisors, and from time to time will change or introduce additional investment funds as appropriate.

3.2 **Investment Risks**

In arriving at this objective the Trustees have considered the following risks:

- That inadequate investment returns lead to a low level of pension

- That relative market movements, particularly in the years close to retirement, lead to a reduction in members' anticipated pension and cash lump sum

- That active investment managers might underperform expectations

- The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currencies)

The Trustees undertake to review the Scheme's fund choices offered to members and the investment manager arrangements on a regular basis.

3.3 **Default option**

The vast majority of members do not make an active investment decision and are invested in the default option. However, a proportion of members may have actively chosen the default option because they feel it is most appropriate for them.
The default option aims to generate investment returns, in a risk-controlled manner, which are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions paid over their lifetime in the Scheme. The default options investment strategy allocation is outlined below.
The objectives of the default option, and the ways in which the Trustees seek to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  The default option's growth phase (Moderate Growth Fund) invests in equities and other growth-seeking assets. These investments are expected to provide above inflationary return, in line with equities, over the long term with some downside protection and some protection against inflation erosion. The downside risk from an equity market downturn is mitigated through diversification away from equities.

- To provide a strategy that reduces investment risk for members as they approach retirement. The Trustees' full policy with regards to risk is detailed in Section 3.2 of this Statement.

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustees believe the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.

  In view of the above, the Trustees consider the level of risk within the default option in the context of limiting investment volatility but retaining an above inflation growth target to support members' purchasing power, subject to the performance of the investments which could be above or below, due to market conditions.

  These risks are managed via automated lifestyle switches over the five-year period to a member's selected retirement date.

The Trustees' policies in relation to the default option are detailed below (these have been developed from the appropriate advice given by the Scheme's investment advisors):

- The default option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns.

- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustees considered high level profiling analysis of the Scheme's membership in order to inform decisions regarding the default option. Based on this understanding of the membership, a default option that does not target a specific benefit choice is considered appropriate.

- Members are supported by clear communications regarding the aims of the default option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.

- Assets in the default option are invested in a long-term insurance contract. The assets underlying the insurance contract is invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds. Likewise, the underlying fund managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. The Trustees' full policy on Socially Responsible Investment & Corporate Governance including Climate Change is detailed in Section 8 of the SIP.

- The default option utilises the Moderate Growth and the Defensive Funds from the fund range, according to a pre-defined allocation based on the time to a member's target retirement age. The matrix is provided in the IPID.

The Trustees believe that the investment strategy outlined in this section is appropriate for meeting the investment objectives listed above.

The default Lifestyle option begins with investing in the Moderate Growth Fund (this is known as the "Growth Phase") and gradually de-risk into the Defensive Fund at 5 years to retirement. It is designed to protect member savings alongside maintaining a growth target when approaching retirement. The retirement portfolio will allow the members to access their retirement benefits flexibly. Should they not make an active decision, their assets and future contributions will be invested in the default (Moderate Growth) Lifestyle option. Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership is likely to behave at retirement, the Trustees believe that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

3.4 Lifestyle Options

In addition to the default lifestyle option, the Trustees have adopted two other "Lifestyling" options. These involve investing in either the High Growth Fund or the Growth Fund until 5 years to retirement (Growth Phase), aiming to maximise their benefits in the earlier years. At 5 years to retirement, same as the default option, assets are progressively switched out of the chosen "Growth Phase" fund and into the Defensive Fund so that at the Target Retirement Age, the member is fully invested in the Defensive Fund, which contains a mix of lower risk investment products. The aim of the switching process is to protect members' assets against significant volatility in the years leading up to the targeted retirement age.

3.5 **Investment Funds**

If members wish to select their own pension investment portfolio, members may wish to choose from the self-select fund range which the Trustees have made available to the members. If members actively choose their investments, these investments will not automatically de-risk as they approach retirement and will stay in the same options until the members instruct otherwise.

To cater for the different risk appetites of members, the Trustees offer the following four Risk-Rated Funds that allows member to select the appropriate risk level for their pension investment. More information (including underlying assets and latest fee level) of these funds can be found in the IPID.

2) High Growth Fund

3) Growth Fund

4) Moderate Growth Fund – Default Fund

5) **Defensive Fund – Default Fund**

Additionally, the Trustees have also included a range of standalone funds which are also available to members. More information about these funds can be found in the IPID, which is available to members upon request.

3.6 **Day to Day Management of the Scheme's Assets**

The Trustees have contracted with Scottish Widows Limited ("Scottish Widows") to deliver investment management services through their investment platform. The Scheme's investment platform is provided under contract with Scottish Widows and Mercer Workplace Savings, both of whom are regulated by the Financial Conduct Authority (the "FCA").
The Trustees have selected Mercer Global Investments Europe Limited on the Scottish Widows platform to provide funds for the members' contributions to be invested in. The manager may be changed at the Trustees' discretion.

<u>BOTH SECTIONS</u>

4. **Monitoring the Investment Managers**

Whilst the Trustees are not involved in each investment managers' day-to-day method of operating and therefore cannot directly influence attainment of performance targets, they regularly assess performance and review appointments using quantitative and qualitative factors.

The Trustees receive quarterly written reports from Mercer and the investment managers. The Trustees review absolute and relative performance against a suitable benchmark index and against the manager's stated performance target. The Trustees focus is on long-term performance but may review a manager's appointment if:

6) There are sustained periods of underperformance;

7) There is a change in the portfolio manager;

8) There is a change in the underlying objectives of the investment manager;

9) There is a significant change to the Investment Consultant's rating of the manager

The investment managers set performance objectives and risk tolerances for each of the Scheme's funds. The Trustees consider these investment performance objectives to be appropriate to assess each fund's performance against. The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.

The Trustees recognise that the active managers' performance relative to their benchmarks may be volatile and that they will not always achieve their target. Nonetheless, the managers should demonstrate that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.

The Trustees may meet with the investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit. The investment adviser to the Trustees also provides help in monitoring the investment managers, both in the form of written reports or attendance at meetings as required by the Trustees.

Manager fees are calculated as a percentage of assets under management. As part of the annual Value for Members assessment, the Trustees review the investment manager fees and may request fee discounts if deemed appropriate.

5. Investment Manager Selection and Monitoring Criteria

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest.

The Trustees consider their Investment Consultant's forward-looking assessment of a manager's ability to meet their objectives when appointing new investment managers and monitoring existing investment managers. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme invests in.

The Trustees will consider how Environmental, Social, and Corporate Governance ("ESG") and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees consider the Investment Consultant's manager research ratings when taking decisions on selection and retention of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees wider investment objectives.

As the Trustees invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy.

6. Other Investments

The Trustees have, in the past, secured pensions through the purchase of annuities and currently hold annuity policies with a number of different insurance companies.

7. Additional Voluntary Contributions ("AVCs")

Assets in respect of members' AVCs are invested in a range of investment options. With the assistance of the Scheme's consultants, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustees and the needs of the members. More information on the AVC providers is detailed in the IPID.

8. Policy on Socially Responsible Investment & Corporate Governance including 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.

However, it is acknowledged that the nature of the Scheme's investments mean ESG factors are unlikely to be material.

Similarly, the Trustees recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration by pension schemes. However, again the Trustees note that these risks are somewhat limited, given the nature of the Scheme's investments.

The Trustees have given appointed investment managers and the annuity provider full discretion in evaluating ESG risks and factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme's investments.

The Trustees wish to encourage best practice in terms of active engagement with entities in which they invest. The Trustees, while giving the investment managers full discretion when undertaking engagement activities, encourage the Scheme's investment managers and annuity provider to discharge their responsibilities in respect of investee companies in accordance with the principles underlying the UK Corporate Governance Code and the UK Stewardship Code, in respect of all resolutions at annual and extraordinary meetings. The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

Member views in respect of non-financial matters are not taken into account in the selection, retention and realisation of investments, but members can make their views known to the Trustees.

9. Role of Investment Consultant

Mercer is employed as Investment Consultants to the Scheme. Mercer provides advice to the Trustees but does not have responsibility for decision making in any area. The role encompasses, but is not limited to, the following areas:

i) Assistance in helping the Trustees to formulate investment objectives.

ii) Advice on investment strategy.

iii) Advice on devising an appropriate investment manager structure.

iv) Assistance in selecting, implementing and monitoring of investments managers.

Mercer is also appointed through Mercer Workplace Savings, which:

- Provides advice in selecting the investment platform provider;
- Provides on-going governance monitoring services (i.e. on the investment platform provider);
- Provides investment governance of the investment platform provider's fund range.

9.1 Investment Consultant Fee

Mercer's fees are either based on fixed cost for particular projects, or more normally, are on a time cost basis.

10. Portfolio Turnover Costs

The Trustees ask investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees. The Trustees consider portfolio turnover costs as part of the annual Value for Members assessment.

11. Investment Manager Turnover

The Trustees are a long-term investor and are not looking to change investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The self-select fund range and default option are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or self-select fund range.

12. Compliance with & Review of this Statement

The Trustees will monitor compliance with this Statement on a regular basis. The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Company which the Trustees judge to have a bearing on the stated investment policy. Any such review will again be based on written expert investment advice and will be in consultation with the Company.