

# Scientific Games International Pension Plan

## Statement of Investment Principles – March 2024

### 1. Introduction

The Trustees of the Scientific Games International Pension Plan (the “Plan”) have drawn up this Statement of Investment Principles (“Statement”) to comply with the requirements of the Pensions Act 1995 (“The Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. The Trustees’ investment responsibilities are governed by the Plan’s Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted with Scientific Games International Limited (the “Sponsor”) and obtained and considered written professional advice from Mercer Limited (the “Investment Consultant”).

### 2. Process for Choosing Investments

The Trustees have considered their Investment and Funding objectives together and in light of the strength of the employer covenant to ensure that the three elements are compatible. They have then constructed a portfolio of investments consistent with these objectives and which they hope will deliver the maximum level of return (net of all costs) for the level of risk taken on.

The Trustees have appointed Mercer to act as discretionary investment manager to implement the Trustees’ investment strategy. At the time of writing, there are no automatic de-risking triggers in place, but this situation remains under review and is considered at least annually through the investment strategy recalibrations. In this capacity, and subject to agreed restrictions, the Plan’s assets (excluding the External Assets noted in section 6 and the private markets assets commented on below) are invested in multi-client collective investment schemes (“Mercer Funds”) managed by a management company (Mercer Global Investments Management Limited (“MGIM”). MGIM has appointed Mercer Global Investments Europe Limited (“MGIE”) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan’s assets on a day to day basis.

The Plan also invests in private market assets, which are multi-client collective investment schemes, domiciled in Luxembourg, managed by Mercer Alternatives (Luxembourg) S.à r.l., who have appointed Mercer Alternatives AG (“Mercer AG”) as investment manager.

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

### 3. Investment Objectives

The Trustees’ primary objective is to ensure that the Plan can meet its obligations to the beneficiaries of the Plan. The Trustees recognise that this ultimately means investing in a portfolio of bonds and other liability driven investments (“Matching Portfolio”) but believe that at

the current time some equities and other growth assets (“Growth Portfolio”) is justified to target enhanced return expectations and thereby funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

The Trustees believe that the investment strategy adopted for achieving this objective will also be appropriate for achieving the objectives of avoiding significant volatility in the contribution rate over the longer term (whilst recognising that investment in the Growth Portfolio could potentially lead to volatility in the contribution rate over shorter time periods).

To achieve the primary objective, the Trustees’ further objectives are:

- Reach a position such that the Plan’s assets would be sufficient to exceed the liabilities as determined, in the event of the Plan winding-up, on the basis of a buyout with an insurance company.
- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Scheme to a position of being fully funded on a de-risked funding basis (gilts +0.5% p.a.) by c.2025-2027 (reflecting the expected timeframe to reach full funding under the current investment strategy following strategy analysis carried out as at 31 August 2023).

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determines to be financially material considerations. Non-financial considerations are discussed in section 11.

#### 4. **Risk Management and Measurement**

There are various risks to which any pension plan is exposed. The Trustees’ policy on risk management, over the Plan’s anticipated lifetime, is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Plan’s assets and its liabilities.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan’s accruing liabilities as well as producing more volatility in the Plan’s funding position.
- The Trustees have delegated asset allocation to Mercer (excluding the External Assets noted in section 6). The asset allocation has initially been set so that the expected return on the overall portfolio is sufficient to meet the objectives outlined in section 3.
- The Trustees recognise that even if the Plan’s assets are invested in the Matching Portfolio there may still be a mismatch between the interest rate and inflation sensitivity of the Plan’s assets and liabilities due to differences in the characteristics of the assets in the Matching Portfolio and the actuarial liabilities.
- The Trustees invest in leveraged liability driven investment funds (LDI) to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustees and Mercer review the matching portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk the Trustees have delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustees with regular monitoring reports regarding the level of diversification within the Trustees’ portfolio.

- To help ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds and External Assets (noted in section 6) to enable the monitoring of differences between the expected and experienced levels of risk and return.
- By investing in the Mercer Funds, the Trustees do not make investments in securities that are not traded on regulated markets. However, should the Plan's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustees would ensure that the assets of the Plan are predominantly invested on regulated markets.
- The Trustees recognise the risks inherent in holding illiquid assets. The Trustees considered the Plan's liquidity requirements and time horizon when setting the investment strategy and making a commitment to the aforementioned private markets assets. Liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.
- The Plan is subject to currency risk because some of the investment vehicles in which the Plan invests are denominated or priced in a foreign currency. Indirect currency risk arises from the Plan's investment in sterling priced investment vehicles which hold underlying investments denominated in foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.
- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 11 sets out how these risks are managed.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes, the Trustees believe that this risk is outweighed by the potential gains from successful active management. Active manager risk is diversified by employing multiple managers within each asset class.
- Likewise, passive management will be used for one of a number of reasons, namely to reduce active manager risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for added value is more limited.

Should there be a material change in the Plan's circumstances, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current investment strategy remains appropriate.

## 5. Investment Strategy

The Trustees, having received expert advice, initially reviewed the Plan's investment strategy in 2017 and have done so each year since then, most recently in December 2023. Each review considers the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including the merits of de-risking strategies as may be appropriate).

The approach currently undertaken considers the appropriate asset allocation for the Plan in relation to its funding level on an actuarial basis using a single discount rate of 0.5% p.a. in excess of the appropriate gilt yields (i.e. "gilts + 0.5% basis"). The Plan uses the following practices:

- To hold sufficient growth assets to target full funding on a gilts +0.5% basis by c.2025-2027(the expected timeframe to achieve full funding on the target basis under the existing investment strategy following the latest investment strategy review changes);
- To reduce the volatility in the funding level by investing in a diversified growth portfolio and reducing un-hedged liability exposures as far as practicable given any constraints that may be applicable due to the allocation to growth assets;

The investment strategy takes account of the Plan's initial funding level on a gilts +0.5% basis and is based on a model of the progression of the Plan's funding level over the period to c.2025-2027, taking into account the expected contributions from the Sponsor as agreed at the latest triennial actuarial valuation.

Following the latest strategy review (implemented in March 2024), after a Sponsor consultation process, the Trustees agreed to de-risk the investment strategy to a 65:35% Growth/Matching Target Allocation (from 80:20%). At the present time there are no funding level de-risking triggers in place, although the investment strategy will be reviewed on an annual basis to determine whether such triggers should be implemented in the future and the levels at which they should be set. At the time of the preparation of this Statement, based on expert advice, the following long term benchmark allocation was in place.

	%	Range (%)
Growth Portfolio assets	65	+/- 5
Matching Portfolio assets	35	+/- 5
<b>Total</b>	<b>100</b>	

Growth Portfolio assets are investments held with the primary aim of delivering returns in excess of those available from risk-free assets; and Matching Portfolio assets are assets held with the prime aim of matching changes in the values of the Plan liabilities (but could also contribute to delivering excess returns over a risk-free rate).

The split between asset classes within the portfolios is delegated to Mercer, subject to the investment constraints set out in Appendix B of the Investment Management Agreement, and the External Assets specified in section 6.

The Trustees believe that this strategy and implementation plan is consistent with the investment objectives and risk management decisions set out in sections 3 and 4.

Responsibility for monitoring the Plan's asset allocation and undertaking any rebalancing activity is delegated to Mercer.

With the exception of a property holding (see below) the Trustees have delegated day-to-day management of the assets to Mercer (noting the difference between the private markets and non-private market assets stated in Section 1) who in turn delegates responsibility for the investment of the assets to a range of underlying specialist investment managers. Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers and portfolios, within the following constraints:

- Mercer may not invest the Plan's assets in private market vehicles or any closed ended Mercer Fund, unless written consent is provided by the Trustees. In 2021, the Trustees provided written consent and appropriate documentation to invest in specified sub-funds of Mercer PIP VI, a closed-ended private markets fund, following advice from Mercer and Isio on the appropriate sizing of the investment. The investment in Mercer PIP VI started in Q4 2021.
- At least 30% of the Plan's assets must be held in Mercer Funds with a daily dealing cycle.

## 6. Performance Objective

The strategic and dynamic allocation of assets within the Growth and Matching Portfolios is delegated to Mercer, with the exception of the External Assets.

The overall performance objective of the Growth Portfolio is to achieve equity-like returns (cash<sup>1</sup> +4.0% p.a.) with 20% - 30% less risk than global equities. Each fund within the Growth Portfolio has an individual performance target which is captured within the overall performance objective.

The tables below sets out the benchmark index for the asset classes in which the Plan was invested, or committed to be invested, at the time of writing. The performance is monitored regularly by the Trustees.

### Growth Portfolio

<b>Asset Class</b>	<b>Benchmark Index</b>
Emerging Market equities	MSCI Emerging Markets (NTR) Index
Eurozone equities (unhedged/hedged) <sup>1</sup>	MSCI EMU (NTR) Index
Global Low Volatility equities (unhedged/hedged) <sup>1</sup>	MSCI World (NTR) Index
Global Small Cap equities (unhedged/hedged) <sup>1</sup>	MSCI World Small Cap (NTR) Index
Mercer Sustainable Global Equity Fund (unhedged/hedged) <sup>1</sup>	MSCI World (NTR) Index
Sustainable Listed Infrastructure UCITS CCF	FTSE Global Core Infrastructure 50/50 (NDR) Index
UK Equity	FTSE All-Share (NTR) Index
China Equity	60% MSCI China/40% MSCI China A Onshore
Mercer Passive Global REITS UCITS CCF	FTSE EPRA/NAREIT Developed REITS (NDR) Index (Hedged)
Diversifying Alternatives Strategies (Hedged)	FTSE GBP 1 Month Euro Deposit Index +3.0% p.a.
Mercer Synthetic Equity-Linked Dynamic Bonds Fund	As Portfolio
Abrdn Long Lease Property	FTSE A All Stocks Index
Absolute Return Fixed Income (Hedged)	FTSE GBP 1 Month Euro Deposit Index +1.5% p.a.
UCITS Alternatives (Hedged)	FTSE GBP 1 Month Euro Deposit Index +2.0% p.a.
Multi-Asset Credit (Hedged)	FTSE GBP 1 Month Euro Deposit Index +3.0% p.a.
Emerging Market Debt	JP Morgan GBI-EM Global Diversified

<sup>1</sup> 1 Month Sterling LIBID

<b>Asset Class</b>	<b>Benchmark Index</b>
Emerging Markets Debt - Hard Currency	JP Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified) ex CCC Index
Short Duration Bonds 1 (Hedged)	J.P.Morgan Global Government Bond 1-3 Yr (TR) Index (Hedged)
Mercer Dynamic Asset Allocation <sup>2</sup>	No Benchmark Assigned <sup>2</sup>
UK Cash	Citigroup GBP 1 Month Euro Deposit Index
Mercer Private Investment Partners VI SICAV-SIF – Sub-Fund PD	No Benchmark Assigned <sup>3</sup>
Mercer Private Investment Partners VI SICAV-SIF – Sub-Fund PE	No Benchmark Assigned <sup>3</sup>
Mercer Private Investment Partners VI SICAV-SIF – Sub-Fund INFRA	No Benchmark Assigned <sup>3</sup>
Mercer Private Investment Partners VI SICAV-SIF – Sub-Fund SO	No Benchmark Assigned <sup>3</sup>
Mercer Private Investment Partners VI SICAV-SIF – Sub-Fund Credit Opportunities	No Benchmark Assigned <sup>3</sup>

All indices are total return indices and capture both capital growth and income generated.

<sup>1</sup> Hedged indices are proxied by Mercer using local index returns.

<sup>2</sup> At the time of writing this document, the Portfolio invests in the Frontier Market Debt, Convertible Bonds, Asia High Yield and Japan Equity funds. The benchmark and tracking error target for this portfolio will vary over time depending on the underlying portfolio composition.

<sup>4</sup> The net of fees target returns are as follows: Private Debt: cash + 6.9% p.a.; Private Equity: IRR 12-15%; Infrastructure: IRR 7-10%; Sustainable Opportunities: IRR 7-10%; Credit Opportunities IRR 10%.

#### **Abrdn Long Lease Property Fund**

The Plan currently has exposure to the Abrdn Long Lease Property Fund (the “External Assets”). Over the long term, the fund is expected to deliver a return that is 2% p.a. above the FTA All Stock Gilt Index, before fees. The Trustees recognise that performance over the short / medium term may deviate significantly from this target. It is noted that as part of the recent strategy discussions, the Trustees agreed to submit a full redemption request from the Abrdn Long Lease Property Fund. However, noting that there is a redemption queue to redeem from this Fund, the Plan will be on a waiting list for a period of time until the full redemption is implemented (which at the time of this Statement is expected to be around 12-15 months).

#### **Matching Portfolio**

<b>Asset Class</b>	<b>Benchmark Index</b>
UK Long Gilts	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
Inflation-Linked Bonds	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index
Inflation-Linked LDI Bonds	BlackRock Custom Benchmark
Flexible Enhanced Matching Fixed Fund Range	BlackRock Custom Benchmark
Flexible Enhanced Matching Real Fund Range	BlackRock Custom Benchmark

**7. Expected return on the assets**

The Actuarial Valuation carried out as at 5 April 2023 implied an overall return on the Plan assets of approximately 2.25% p.a. in excess of the return on Gilts as at the date of the Actuarial Valuation, reducing gradually over time to reach a long term expected return of Gilts +0.5% p.a. from April 2027. The Trustees expect to exceed this return over the longer term. Based on current long term assumptions for the asset classes held within the Plan it is reasonable to expect a return from the Plan's current investment strategy that is c.2.6% p.a. above a Gilt return (on a geometric basis). This is not guaranteed and performance may differ significantly, especially in the short term. The Trustees recognise that it is appropriate to adopt a more prudent assumption for the purposes of their Actuarial Valuation.

**8. Realisation of Investments**

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

**9. Cashflow and cash flow management**

Cashflows, whether positive or negative, are taken into account by Mercer when it rebalances the Plan's assets in line with the Plan's strategic allocation. Mercer is responsible for raising cash flows to meet the Plan's requirements.

**10. Rebalancing**

As noted, responsibility for monitoring the Plan's asset allocation and any rebalancing activity when the range restrictions are breached is undertaken by Mercer. Mercer has discretion over whether the allocations to the Growth and Matching portfolios should be rebalanced, subject to a maximum tolerance of 5% (over or underweight) relative to the target allocation.

**11. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change**

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

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Plan's assets (excluding the External Assets) and such assets are invested in a range of Mercer Funds managed by MGIE.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's thinking (both of which the Trustees subscribe to adopts) when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

The Trustees, Mercer and MGIE support and expect asset managers appointed to manage the Mercer Funds which are registered with the Financial Conduct Authority to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website. An assessment of each manager's compliance against the seven underlying principles of the UK Stewardship Code is part of MGIE's review process of all underlying equity managers appointed to manage assets of the mercer Funds in which the Plan

investes. Those managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies.

The Trustees review, with assistance from their advisers, the following reporting on an regular basis:

- UK Stewardship Code Review which assesses each underlying equity manager's compliance against the seven principles of the UK Stewardship Code.
- Stewardship monitoring reporting which assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest.
- ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report which is reviewed by the Trustees.
- Carbon footprint analysis versus the index on the Mercer equity portfolios the Plan invests in.
- Climate scenario modelling on the Mercer Funds used within the Growth Portfolio.

The Trustees have considered, and will continue to consider, sustainability themed investments.

The Trustees have reviewed MGIE's exclusion framework for all equity and fixed income funds. MGIE has given their appointed third party asset managers investment restrictions in relation to particular products or activities, which the Trustees will continue to monitor.

The Trustees note Mercer's commitment to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

An allocation to Sustainable Equities is directly made by the Plan, with a detailed standalone sustainability monitoring report being produced for the active Sustainable Global Equity fund on an annual basis. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs).

The Trustees recognise the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

The Trustees also invest in Mercer PIP VI as noted earlier in the document. The Trustees have also considered the sustainability impact and policies relating to this investment, and c.12.5% of the investment within these funds is to an explicit sustainable fund, the Sustainable Opportunities sleeve.

### **Member views**

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



## **Investment Restrictions**

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

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

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

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

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

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

Neither Mercer, MGIE or Mercer AG make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE and Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's, MGIE's and Mercer AG's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 11 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Plan.

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

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

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3. Mercer's, MGIE's and Mercer AG's fees are based on a percentage of the value of the Plan's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

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

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

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

### 13. **AVC arrangements**

The Trustees hold assets which are separately invested from the main fund to secure additional benefits on a money purchase basis for those members who have elected to pay Additional Voluntary Contributions. Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and movements during the year. The Trustees AVC provider is Scottish Equitable plc. The AVC investment options are to be reviewed by the Trustees on a regular basis, having taken written advice on their continued suitability as required by Section 36 of the Pensions Act 1995.

### 14. **Review of this Statement**

The Trustees will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances, the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.