

THE RSNO PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

Purpose of this Statement

This Statement of Investment Principles (“SIP”) has been drawn up by the Trustees of the RSNO Pension Scheme (the “Scheme”) and complies with the requirements of the Pensions Act 1995 (the “Act”) as amended by the Pensions Act 2004 and subsequent regulations. This Statement relates to the defined benefits section of the Scheme.

Before preparing this Statement the Trustees have obtained and considered the written professional advice from the Scheme’s investment consultant, Isio Group Ltd/Isio Services Ltd (“Isio”). In addition the Trustees have, in formulating the investment strategy of the Scheme, taken and considered specific advice from the Scheme’s Actuary relating to the nature of the Scheme’s liabilities and funding requirements.

The Trustees also pay due regard to the relevant aspects of the codes set out by the Pensions Regulator.

The Trustees have consulted with the principal employer, The Royal Scottish National Orchestra, on the implications on funding and contributions arising from the investment strategy.

The Trustees are committed to reviewing the Statement of Investment Principles annually and at such times when there are changes to the investment policy.

The Scheme’s investment strategy is derived from the Trustees’ investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Governance

The Trustees of the Scheme make all major decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees’ investment advisers, Isio, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Investment Objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members’ current and future benefits can be paid. The Scheme’s funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances. The Scheme’s funding target is specified in the Statement of Funding Principles.

The Scheme’s present investment objective is to achieve a return of around 2.7% per annum above the return on a liability matching portfolio of UK Government bonds (based on Isio assumptions as at 31 March 2024).

The Trustees’ medium term objective is to reach and maintain a funding position of 100% of technical provisions – such a target being consistent with the strength of the employer covenant and the Trustee’s investment risk

tolerance.

Investment Strategy

The Trustees take a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.

The Scheme's investment strategy is set out in Appendix A and the Trustees consider the factors set out in Appendix B when assessing investment opportunities. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustees consider the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The Scheme invests in asset classes and pooled funds which are suitable for UK pension scheme investors.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Leverage and Collateral Management

The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio.

The Trustees have a stated collateral management policy. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this policy on a regular basis.

Further details on this can be found in Appendix E.

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Scheme as listed in the SIP. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations (including ESG) in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following

the principles contained within this statement, so far as is reasonably practicable.

As the Scheme’s assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment managers.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme’s investment managers and other stakeholders on a variety of issues (typically via the investment consultant). Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy, Risk & Fees	<ul style="list-style-type: none"> The Trustees receive an annual performance report which details information on the underlying investments’ performance, strategy, overall risks and other areas such as management fees, which are considered at the relevant Trustee meeting. 	<ul style="list-style-type: none"> There are significant changes made to the investment strategy. The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees’ expectations. Underperformance vs the performance objective over the period that this objective applies. If it is deemed that an investment manager’s fees no longer provide value for money, the Trustees will review the mandate in question.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> See Appendix C 	<ul style="list-style-type: none"> See Appendix C

Through the engagement described above, the Trustees will work with investment consultant and the investment managers to meet the Trustees’ requirements as far as possible. If there is any significant misalignment, the Trustees will review the relevant investment manager’s appointment and will consider terminating the arrangement.

Cashflow Policy

Any investments / disinvestments into or out of the Scheme will be invested / disinvested in order to move the Scheme’s asset allocation toward the strategic benchmark outlined in Appendix A. The Trustees will review the asset allocation between the Scheme’s investment managers at each Trustee meeting and determine how the cashflows will be managed until the next scheduled meeting.

Additional Voluntary Contributions (“AVCs”)

Existing defined contribution AVCs are invested with Utmost Life. Members can enter into new defined contribution AVC arrangements through the society's stakeholder facility. This operates outside the governance or control of the Scheme's Trustees.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Michael Gregson

13 June 2024

..... (signed) (date)

For, and on behalf of, the Trustees of the RSNO Pension Scheme

Appendix A

Investment Manager	Asset Class	Strategic Benchmark (%)	Control Range ¹	Expected Return ² (%)
Legal & General Investment Management	Global Equities	10.0	+/- 5%	4.0
Schroders	Diversified Growth	15.0	+/- 5%	3.5
JP Morgan	Infrastructure Equity	10.0	+/- 5%	4.6
Apollo	Semi-Liquid Credit	10.0	+/- 5%	3.5
BlackRock	Long Lease Property	10.0	+/- 3%	2.5
Insight	Asset Backed Securities	15.0	+/- 4%	1.0
Insight	LDI Portfolio (Credit Enhanced)	30.0	N/A	0.6
	Total	100.0		2.7

¹ Control ranges are intended to be guidelines rather than hard limits; the Trustees agree to consider the merits of re-balancing upon the breach of any control range. The LDI portfolio does not have control ranges, given its role in tracking a portion of the value placed on the Scheme's liabilities.

² Expected return assumptions quoted relative to Gilts and based on Isio's central assumptions as at 31 March 2024.

Fee Scales

Legal & General Investment Management: Global Equities (Future World Global Equity Index Fund)



Schroders: Diversified Growth (Diversified Growth Fund)



JP Morgan: Infrastructure Equity (Infrastructure Investments Fund)



Apollo: Semi-Liquid Credit (Total Return Fund)



BlackRock: Long Lease Property (UK Long Lease Property Fund)



Insight Investment: Asset Backed Securities Funds (expected 50/50 split)



Insight Investment: Credit Enhanced Liability Driven Investment (Various leveraged gilt & index-linked gilt funds)





Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below. The Trustees consider these factors will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 75% of the impact of interest rate and inflation risk on the value of the Scheme's liabilities (measured on the Technical Provisions basis).
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	<p>To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to meet regulatory guidance around providing collateral to the LDI manager.</p> <p>The Trustees recognise that under periods of higher volatility, the ability to immediately disinvest from some pooled funds can be limited. Accordingly, as part of any manager selection, the Trustees will consider any gating provisions.</p>
Market	Experiencing losses due to factors that affect the overall performance of the financial	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.

	markets.	
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	See Appendix C	See Appendix C
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Trustees are comfortable being exposed to currency risk from the equity portfolio; however the currency risk from other overseas investments is hedged back to Sterling.
Non-financial	The views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme in the selection, retention and realisation of investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C – Environmental, Social and Governance Considerations

The Trustees' investment of Scheme assets through pooled funds has the practical result that the Trustees cannot themselves directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustees do take into account ESG factors (including climate change risks) in relation to the selection, retention and realisation of investments.

The Trustees will take those factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as part of the manager selection process as well as through other regular reporting channels.
- Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments: The Trustees will take ESG considerations into account regarding decisions on realisation of investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by their investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

Trustees will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters), via the Scheme's investment consultant at least annually.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will, through the Scheme's investment consultant, engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Appendix D - Policy on Investment Manager Arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.</p>	<ul style="list-style-type: none"> As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.</p>	<ul style="list-style-type: none"> The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. Investment manager fees are reviewed from time to time to make sure the correct amounts have been charged and that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> The Trustees do not directly monitor turnover costs of individual investment managers. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme's arrangements with the investment managers</p>	<ul style="list-style-type: none"> The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees' objectives and Scheme's liquidity requirements. For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
<p>Voting Policy - How the Trustees expect investment managers to vote on their behalf</p>	<ul style="list-style-type: none"> The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
<p>Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'</p>	<ul style="list-style-type: none"> The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. The Trustees, via their investment advisers, will engage with managers about 'relevant

	<p>matters' at least annually.</p> <ul style="list-style-type: none">• Example stewardship activities that the Trustees have considered are listed below.<ul style="list-style-type: none">○ Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities○ Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustees' investment decision making○ Collaborative investor initiatives – the Trustees will consider joining/ supporting collaborative investor initiatives
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Appendix E – Collateral Management Policy

At the time of writing, the Trustees are targeting a level of collateral over and above that within the Scheme's LDI funds that is sufficient to withstand (at least) one collateral call from each of the Scheme's LDI funds.

The Trustees will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustees also have a framework for topping up the collateral.

Trigger	Action	Responsibility
Pooled LDI fund issues capital call	Assets sold from below collateral waterfall to meet capital call	LDI manager / Trustees

The Scheme has a collateral waterfall system in place. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustees.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	LDI	Daily	T – 1	T + 4
LDI manager	Asset Backed Securities	Daily	T – 2	T + 3
Non-LDI manager	Diversified Growth	Daily	10am on T	T + 4
Non-LDI manager	Equity	Weekly	12 pm on T – 2	T + 2 (value driven trades) and T + 3 (unit driven trades)