

Seton Healthcare Group Plc Pension & Life Assurance Scheme

Statement of Investment Principles – February 2025

1 Introduction

The Trustees of the Seton Healthcare Group Plc Pension & Life Assurance Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation and the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments.

In preparing this Statement the Trustees have consulted the Principal Employer as Sponsor of the Scheme to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme’s investment arrangements.

From 1 October 2020, regulations from The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 become applicable to the Scheme. Amongst other requirements, the regulations require the Trustees to disclose their policies around the arrangements with asset managers as well as the publication of the Statement online.

2 Process for Choosing Investments

The Trustees’ process for choosing investments is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives set

In considering the appropriate investments for the Scheme the Trustees obtain and consider the written advice of the Scheme’s Investment Consultant whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

During 2021 a whole of Scheme buy-in was secured for the Scheme with the policy provider Pension Insurance Corporation (“PIC”). This is a long term contract which provides benefits to the Scheme, broadly in line with benefits the Scheme pays to beneficiaries as per the Trust Deed and Rules. The contract was entered into following the Trustees receiving advice on its suitability from Mercer from an investment perspective and Pinsent Masons from a legal perspective. PIC is authorised and regulated by the Financial Conduct Authority.

In addition to the buy-in policy held with PIC, the Scheme maintains a separate cash holding via a Sterling Liquidity Fund, which is managed by Legal & General Investment Management (“LGIM”) as well as cash held in the Trustee Bank Account. Furthermore, the Scheme has Additional Assets consisting of Additional Voluntary Contributions.

3 Investment Objectives

The Trustees' overriding objective is to invest the Scheme's assets in the best interest of the members and beneficiaries. Whilst the Trustees will seek to maintain a good working relationship with the Principal Employer, and will discuss any proposed changes to this Statement with the Principal Employer, the Trustees' fiduciary obligations to Scheme members will take precedence over the Principal Employer's preferences should these ever conflict. Within this framework, the Trustees have agreed the following objective to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed:

- The main objective of the Scheme is to hold sufficient and appropriate assets to meet the Scheme's liabilities and statutory obligations as and when they fall due.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations in relation to the Scheme.

Over time the Scheme's membership and liabilities are projected to mature with the average period to payment of the liabilities decreasing and the requirement for investment income to pay ongoing pensions becoming an increasing priority. This income requirement is expected to be met from the buy-in policy with PIC.

The buy-in policy with PIC has not been structured with expected return in mind, but instead aims to broadly match the Scheme's benefit obligations as and when they fall due.

4 Risk Management and Measurement

The Trustees regard risk as any factor that may render the Scheme unable to meet its liabilities or satisfy its funding objectives.

The Trustees have identified a number of risks which have the potential to cause deterioration of the Scheme's funding level and therefore contribute to funding risk. These are detailed in the table below along with controls and mitigation.

Risk	Control and Mitigation
Investment risk	<p>The Trustees recognise the following main sources of risk as relevant to their situation in relation to investment:</p> <p>i) The principal risk facing the Trustees and Scheme members is that PIC may default on its obligations under the buy-in policy. To mitigate this, the Trustees obtained and carefully considered professional advice regarding the financial strength of PIC, and concluded that this risk was acceptably low.</p> <p>ii) Lack of diversification. The Trustees recognise that a decision to invest in an annuity contract with a single provider represents a concentration of risk and has addressed this through scrutiny of the provider.</p> <p>iii) Illiquidity. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than to meet promised benefits as agreed with the provider.</p>

Demographic risk	The risk that longevity improves and other demographic factors change increasing the costs of the Scheme benefits. This risk has been addressed by the implementation of the buy-in policy.
Operational risk	<p>The risk of mismanagement of Scheme assets either with intent or due to a lack of knowledge. This risk is primarily addressed by:</p> <p>i) Regular scrutiny of providers and audit of the operations they conduct for the Scheme.</p> <p>ii) The Trustees also assess their own effectiveness from time to time.</p>
Sponsor risk	The risk of the Principal Employer being unwilling or unable to make the necessary level of contributions in future, although the Trustees consider this risk to be low given the nature of the buy-in policy.
Environmental, Social and Governance (ESG) risk	<p>The risk that ESG factors have a significant effect on the long-term performance of the assets held. This risk is primarily addressed by ensuring that Environmental (including exposure to climate change risks), Social and Governance factors are incorporated into the investment analysis and decision making process, where relevant.</p> <p>The Trustees' approach to the consideration of ESG risks and climate risk is set out in Section 6.</p>

The safe custody of the Scheme's residual assets and Additional Assets is delegated to professional custodians via the use of pooled vehicles.

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

5 Investment Strategy

The Trustees have entered into a whole of Scheme buy-in with PIC. As a result, all of the Scheme's assets are represented by this contract, with the exception of a small amount residual assets and the Additional Assets.

The Trustees selected PIC as their buy-in provider having obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). Should anything change that brings into question the suitability of PIC the Trustees will take appropriate advice.

6 Realisation of Investments

PIC, via the buy-in policy, is responsible for meeting the Scheme's monthly cashflow requirements. The Trustees have maintained an appropriate level of cash for residual expense payments.

7 Additional Assets

Members hold additional voluntary contributions (AVCs) in a range of with profit and unit linked funds managed by Prudential and Utmost Life and Pensions. No further contributions can be made to these arrangements.

8 Responsible Investment and Corporate Governance

8.1 Main Scheme

The Trustees have considered the extent to which social, environmental or ethical factors should be taken into account in the selection, retention and realisation of investments but do not take into account the views of individual members on the subject.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including ESG factors, needs to be assessed in the context of the long-term nature of the Scheme's investments and is relevant at different stages of the investment process.

Strategic Considerations

The Trustees have entered into a bulk annuity contract with PIC which is a long term investment. A small amount of residual assets remain invested in a Sterling Liquidity fund with LGIM.

Given the nature of the bulk annuity contract and the way the residual assets are invested, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark.

Selecting Investment Managers

The Trustees have delegated responsibility for the management of the Scheme's residual assets to the investment manager. If the Trustees were to select a new investment manager, the Trustees would consider potential managers' approaches to responsible investment and the extent to which the manager was able to integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financial factors in investment arrangements

The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financial factors.

Stewardship, Voting and Engagement

Since the Trustees invest in an annuity contract and a cash fund, stewardship and voting are not considered to be material considerations.

8.2 Additional Assets

The Trustees believe that 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.

The Trustees have given the appointed Investment Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Given the nature of the Additional Assets, the Trustees do not currently consider how ESG, climate change and stewardship is integrated within investment processes when monitoring existing Investment Managers in relation to the Scheme's Additional Assets. However, the Trustees keep this under review and would consider the extent to which these factors might be relevant in the event of any appointment of new investment managers.

Member views are not currently taken into account in non-financial matters or in the selection, retention and realisation of investments.

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.

9 Investment Manager Arrangements

Overview

The Trustees delegate the day to day management of the Scheme's residual assets to the appointed Investment Manager. The Trustees have taken steps to satisfy themselves that the Investment Manager has the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

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 the Trustees have appointed them for.

The Trustees invest the residual assets in a cash fund and the Trustees seek guidance from the Investment Consultant in relation to their forward looking assessment of the Investment Manager's ability to achieve the stated mandate objectives.

Investment Manager Remuneration

The Investment Manager for the residual assets is remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for the Investment Manager to retain their appointment, by achieving its objectives, in order to continue to receive the fee.

The Trustees review the Scheme's investment management fees no less frequently than triennially. This review considers the Scheme's investment management fees relative to appropriate peer group measures, where available.

Evaluating Investment Managers

The Investment Manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

If the manager is not meeting its objectives, or their investment objectives for the mandate have changed, the Trustees may ask the Investment Manager to review their fees.

The Trustees will also consider the Investment Consultant's assessment of how the Investment Manager embeds ESG into its investment process, where appropriate, and how the Investment Manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. The Trustees will use this assessment in decisions around selection, retention and realisation of investment manager appointments.

Time horizon and Duration of Appointments

The Trustees receive performance reports from the Investment Manager, which present performance measured over various time periods, including on a short, medium and long term basis. The Trustees review the absolute performance and relative performance against a suitable index used as the benchmark on a net of fees basis. The Trustees' focus is on long-term performance but may put a manager 'on watch' if there are short-term performance concerns.

If the Investment Manager is not meeting its performance objectives, over a sustained period of time, and after consideration of all relevant factors, the Trustees may take the decision to terminate the Investment Manager.

The Trustees do not seek to change the investment arrangements on a frequent basis.

The Scheme's Investment Manager is appointed to manage funds which are open-ended with no set end date for the arrangement. The Trustees will retain the Investment Manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class; or
- The Investment Manager appointment has been reviewed and the Trustees have decided to terminate the manager.

Portfolio turnover costs

The Trustees do not currently monitor portfolio turnover costs and have not set portfolio turnover targets; rather the Trustees assesses investment performance net of the impact of the costs of such activities. The Trustees are however able to ask the Investment Manager to include portfolio turnover and turnover costs in their presentations and reports.

10 Compliance with this Statement

The Trustees monitor compliance with this Statement annually.

11 Review of this Statement

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