

Seton Healthcare Group plc Pension and Life Assurance Scheme (“the Scheme”)

Annual Engagement Policy Implementation Statement

Year Ending 5 April 2024

Introduction

This Statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”), produced by the Trustees, has been followed during the year to 5 April 2024. The SIP is a document drafted by the Trustees in order to help govern the Scheme’s investment strategy. It details a range of investment-related policies, a summary of which is included below alongside the relevant actions taken by the Trustees in connection with each of these policies.

This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme’s (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Members should be aware that this Statement is part of a wider set of information available on the Scheme’s governance and investment responsibilities undertaken by the Trustees:

- Members can view the SIP (mentioned above) online which discloses, in detail, the investment principles, policies, objectives, and strategy followed.
- Members can request a copy of the Annual Report and Financial Statements of the Scheme, which contains certain information on the management of the Scheme, its governance and investment risk management.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees’ objective is to invest the Scheme’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. The Scheme is fully funded on a Self-sufficiency basis and investment risk has been mitigated to a large extent through the implementation of an insurance policy covering 100% of the Scheme’s liabilities.

Review of the SIP

The SIP was last reviewed in October 2021, to reflect the change in investment strategy, involving the implementation of the insurance policy mentioned above, which effectively insured the total value of the Scheme’s liabilities.

Over the 12 months to 5 April 2024, the Trustees have not updated the Scheme’s SIP as there were no material changes to the Scheme’s Investment arrangements.

The latest SIP is published on a publicly available website [here](#), in line with Investment Regulations.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2024

The information provided in the following section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP.

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

As per the Scheme's SIP, the Trustees obtained and carefully considered professional advice regarding the financial strength of PIC prior to transacting the insurance policy, and concluded that this risk was acceptably low.

By entering the insurance policy, the Scheme successfully mitigated the impact that inflation and interest rate fluctuations and longevity had in its funding capability to meet its liabilities.

These changes are in line with the investment objectives of the Scheme as outlined in the previous section.

Policies in relation to the Scheme's investment strategy and associated risks

Sections 2, 4, 5, 7 and 8 of the SIP refer to the Scheme's policies around its investment strategy, the day to day management of the assets, and the associated risks.

In addition to the insurance 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.

Members hold additional voluntary contributions (AVCs) in a range of unit linked policies with Utmost Life. No further contributions can be made to these arrangements.

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

As a result of the insurance policy with PIC, all of the Scheme's assets are represented by this contract, with the exception of the residual cash assets and the Additional Assets.

The Trustees may use meetings to ask further questions to the investment advisor, should any material concerns arise from the reporting.

The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the investments held. As detailed in Section 4 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policy.

As the residual cash and Additional Assets the Scheme invests in are via pooled investment vehicles, the Trustees accept that they have no ability to specify the risk profile and return

targets of the manager, but believe that appropriate mandates can be selected to align with the overall objectives of the Scheme.

The Trustees recognise the need to hold investment managers and advisers to account. Whilst the day-to-day management of the Scheme's residual assets is delegated to the Investment Manager, all other investment decisions including selection and monitoring of investment managers is based on advice received from Mercer Limited.

In November 2019, the Trustees put in place investment objectives for its Investment Consultancy Provider, Mercer, and its performance is reviewed on a regular basis. Regulation introduced in 2022 requires the Trustees to review the objectives at least every three years, and after any significant change to the Scheme's investment strategy and objectives.

The intention of these objectives is to ensure the Trustees are receiving the support and advice it needs to meet its investment objectives. The objectives set cover both short and long term objectives across strategy, monitoring, compliance and regulation, client servicing and relationship management and member engagement and communications.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was reviewed and updated in October 2021. The Trustees keep their policies under review with the SIP subject to review at least triennially.

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 Manager full discretion in evaluating ESG factors, including climate change considerations 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 for the residual cash.

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.

Given the nature of the insurance policy and the way the residual assets are invested, the Trustees have not made explicit allowance for the risks of climate change in setting their investment strategy.

The Trustees requested that the investment manager (Legal & General Investment Management) confirm compliance with the principles of the UK Stewardship Code. LGIM

confirmed that they are signatories of the current UK Stewardship Code, released in 2023 and confirmed they expect to remain signatories.

Engagement Activity

Following the buy-in with PIC, there is no formal strategic asset allocation in place, with the residual assets being held in a pooled arrangement with LGIM. Given the nature of the Scheme's current investments, there is limited power, as cash investors do not formally vote on engagement issues, however LGIM do formally engage with companies to get greater clarity and raise issues that concern them. Throughout 2023, LGIM's Investment Stewardship team held 364 meetings/calls and 2,136 written engagements.

The Scheme currently holds a small holding in a cash portfolio in order to meet cashflow requirements hence voting and engagement is not applicable in the underlying investments. Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote". The Trustees have decided that a policy is not required in this area given the nature of the assets.

The Trustees do not use the direct services of a proxy voter.

A summary of LGIM's engagement policy is provided below:

LGIM have established a fully integrated framework for responsible investing to strengthen long-term returns. Their framework for responsible investing is based on stewardship with impact and active research across asset classes. These activities enable LGIM to conduct engagement with the aim of driving positive change.

LGIM's core investment beliefs are as follows:

"Responsibility: We have a responsibility to many stakeholders. When we allocate capital, we conduct extensive research into potential environmental and societal outcomes.

Financial materiality: We believe ESG factors are financially material. Responsible investing is essential to mitigate risks, unearth opportunities and strengthen long-term returns.

Positive outcomes: We strive to effect positive change in the companies and assets in which we invest, and for society as a whole."

There are 100 LGIM employees with roles dedicated to ESG activity. In addition LGIM are continuing to grow their Investment Stewardship team, and as at the end of 2023 it comprised 26 professionals with an average of 12.5 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment and public policy. The team covers many geographies, including both emerging and developed markets. The team includes sector specialists and experts on ESG themes, such as nature, diversity and climate change.

Over 2023 LGIM restructured the Environmental pillar to distinguish between key thematic issues: Carbon Emissions, Climate Transition and Nature. The new structure exemplifies

LGIM's views on the most material evolving themes in the environmental space, and allows LGIM to make any future amendments without substantial changes to the structure.