Aspen Healthcare Limited Staff Pension Fund ("the Scheme")

Statement of Investment Principles ("Statement")

Introduction

Section 35 of the Pensions Act 1995 ("the Act") requires the Trustees to prepare a statement of the principles governing investment decisions for the purposes of the Scheme. This document fulfils that requirement.

In preparing this Statement, and to comply with Section 36 of the Act, the Trustees have obtained advice from Hughes Price Walker Limited. The Trustees will obtain such advice, as they consider appropriate and necessary, whenever they intend to review or revise the Statement.

In preparing this statement, the Trustees have consulted Nuffield Health ("the Employer") and will do so whenever the Trustees intend to revise the Statement. Responsibility for maintaining the Statement and deciding investment policy rests solely with the Trustees.

The Scheme comprises separate defined benefit (DB) and defined contribution (DC) sections. The investment principles for each section are set out separately below. References to "the Scheme" apply to the relevant section of the Scheme as appropriate to that part of this Statement.

The Trustees will review the Statement at least every three years and after any significant change in investment policy.

DB Section

Investment objectives

The investment objectives of the Scheme are:

(a) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with any contributions from the Employer, the cost of benefits which the Scheme provides as set out in the Trust Deed and Rules;

(b) So far as reasonably possible, to avoid the risk of the assets failing to meet the liabilities on an ongoing basis; and

(c) To reduce the volatility of the assets when compared to the cost of bulk annuities.

The Trustees have agreed to invest mainly in the Legal & General Buy-out Aware Funds and also an initial investment of £600,000 in the Legal & General Absolute Return Bond Plus Fund – GBP Hedged (CAAR) to meet short term cashflow requirements.

The table below shows the percentages invested in each of the Buy-out Aware Funds to approximately align with the duration of the liabilities and the level of inflation linkage in the Scheme:

Fund	Allocation
Legal & General Buy-out Aware Fixed Short Fund (CYAF)	22.9%
Legal & General Buy-out Aware Fixed Long Fund (CYAG)	36.1%
Legal & General Buy-out Aware Real Short Fund (CYAH)	10.7%
Legal & General Buy-out Aware Real Long Fund (CYAJ)	30.3%

The Trustees believe that the assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Scheme's investments will be kept under regular review.

The Trustees consider that the asset distribution of the funds represents a suitable asset allocation for the Scheme. The Trustees consider that this policy represents investment in suitable asset classes, is appropriately diversified, and provides a reasonable expectation of meeting the above objectives.

New monies and disinvestments

In the normal course of business, day to day investments and disinvestments will be made to and from the Legal & General Absolute Return Bond Plus Fund – GBP Hedged (CAAR). If this fund becomes exhausted, the disinvestments will be made from the Buy-out Aware funds in line with the latest known proportions.

Delegation of investment discretion

The Trustees have delegated day-to-day investment management to the investment manager (Legal & General Investment Management Limited (LGIM)), which is regulated by the FCA.

The investment manager manages the investments of the Scheme's assets in accordance with the following objectives:

Fund	Objective
Legal & General Absolute Return Bond Plus Fund – GBP Hedged	The fund aims to outperform the ICE BofA USD 3 Month Deposit Offered Rate Constant Maturity Total Return Index by 3.5% per annum (before fees).
Buy-out Aware Fixed funds	To reduce the buy-in funding level volatility and hedge a generic fixed liability profile.
Buy-out Aware Real funds	To reduce the buy-in funding level volatility and hedge a generic inflation-linked liability profile.

The terms of the delegation are set out in agreements between the Trustees and the investment manager. The agreement includes such matters as investment objectives, the procedures for instructions, custody of the assets, voting, fees and charges.

Realisation of investments

The Trustees will hold sufficient cash to meet the likely expenditure on benefits and expenses from time to time. The Trustees will also hold sufficient assets in liquid investments to meet unexpected cashflow requirements in the majority of circumstances so that, where possible, the realisation of assets will not disrupt the Scheme's overall investment policy.

Expected return on investments

The investment strategy was developed by considering the Trustees' appetite for risk, in consultation with the Employer. Due to the good funding position of the Scheme, the Trustees believe that the risks associated with assets expected to return a high out-performance over gilts is not appropriate at this time. However the expected return of the investments is expected to be modestly above gilt returns.

Risk management

The Trustees recognise and monitor a number of risks involved in the investment of the assets of the Scheme:

- *Solvency risk and mismatching risk:*
  - This is addressed through the underlying asset allocation, i.e. by the use of Buy-out Aware funds and monitored through ongoing biannual reports on the solvency position.
- *Manager risk:*
  - This is addressed through the performance objectives and the ongoing monitoring of the funds.
- *Liquidity risk:*
  - The Scheme's administrators monitor the level of cash held in order to limit the impact of cash flow requirements on the investment policy.
- *Sponsor risk:*
  - This is measured by the level of ability and willingness of the Employer to support the continuation of the Scheme and to make good any current or future deficit.
- *Third party risk:*
  - The chosen funds invest in underlying assets. If the underlying investments suspend trading, the investment managers may defer trading and / or payment to investors. Therefore, the value ultimately payable will depend on the amount the investment manager receives or expects to receive from the underlying investments.
- *Interest rate risk:*
  - Changes to interest rates could affect the value of bond investments. Where long term interest rates rise, the value of bonds is likely to fall, and vice versa.
- *Insurer pricing risk:*
  - Changes to insurers' pricing bases could reduce the value of the assets compared to buy-in prices.
- *Risk from lack of diversification:*
  - This is mitigated by the Trustees investing in pooled funds with a diversified asset allocation.

- *Currency risk*:
  - This is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.
- *Credit risk:*
  - This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is subject to credit risk because it invests in bonds or other types of debt via pooled funds. The Trustees manages their exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.
- *Political risk:*
  - This is measured by the level of concentration in any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - It is managed by regular reviews of the actual investments relative to policy and through assessment of the levels of diversification within the existing policy.

Investment management monitoring

The Trustees will receive quarterly reports from the investment manager and will meet with their representatives as necessary to review their investment performance and processes. Through this process of regular reporting and review, the Trustees aim to ensure that the investment manager is performing competently and in compliance with this Statement.

Socially responsible investment

As the assets of the Scheme are managed in a pooled arrangement, the Trustees accept that the assets are subject to the investment manager's own policies on social, environmental and ethical investment. Further details are provided in the "Other information" section later in this Statement.

Corporate governance

As the assets of the Scheme are managed in a pooled arrangement, the Trustees accept that the assets are subject to the investment manager's own policies on corporate governance. Further details are provided in the "Other information" section later in this Statement.

DC Section

Overall policy, investment objectives and risk

The Trustees recognise that members have differing investment needs and that these may change during the course of their working lifetime. They 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. They regard their duty as making available a range of low cost investment funds that enable members to tailor strategy to their own needs. For members who do not wish to make their own investment choices, the Trustees make available a standard default option that is described below.

Investment Objectives

The Trustees aim to maintain a range of low cost pooled investment funds which serve to meet the varying needs (e.g. long-term growth or value protection) and risk tolerances of Scheme members.

Risk management

The Trustees recognise that members will have differing attitudes to risk. The funds offered give members a range of different risk and return characteristics so that members can construct an overall portfolio suitable to provide for their pension at retirement. Members are responsible for choosing their own investment strategy from the range of funds on offer. An optional lifestyle facility is available as a default strategy for members who do not wish to choose their own investment strategy (shown below).

The main risks faced by members, and how the Trustees help members manage them, are listed below.

Inflation risk

This refers to the risk of investments not keeping pace with inflation. The Trustees offer access to funds such as equity and diversified funds, which are expected to achieve a real rate of return over both price inflation and earnings growth in the long term, although this is not guaranteed. The Trustees also offer an index-linked gilt fund.

Market volatility risk

Whilst the risk of poor investment returns (and the cost of securing pensions at retirement) is ultimately borne by the members, the Trustees provide members with an optional lifestyle strategy, which gradually moves each member's Retirement Account, plus any future contributions, into the Future World Annuity Aware Fund and Cash Fund as they approach their target retirement date (shown below).

Manager risk

This refers to the risk of managers underperforming against asset class index returns. The Trustees believe that, whilst it may be possible to identify good active managers who might be expected to consistently outperform, investment in lower cost, predominantly passive funds is likely to be more appropriate to the majority of members, many of whom are nearing retirement age.

Liquidity risk

This refers to the risk of members not being able to realise their investments. The default arrangement does not include any illiquid assets and the Trustees do not have any plans in place to change this. The Trustees have invested in unitised pooled funds which deal daily and allow members to switch in and out of the investments easily.

Range of funds

The Trustees have set up an investment policy with Legal & General Assurance (Pensions Management) Limited (L&G) and have made available to members the following range of funds managed by LGIM, with annual management charges included within the fund unit prices shown in brackets:

- UK Equity Index Fund (0.1%)
- World (ex-UK) Equity Index Fund (0.22%)
- Over 15 Year Gilts Index Fund (0.1%)
- Over 5 Year Index-Linked Gilts Index Fund (0.1%)
- AAA-AA-A Corporate Bond Over 15 Year Index Fund (0.15%)
- Diversified Fund (0.30%)
- Future World Annuity Aware Fund (0.15%)
- Cash Fund (0.13%)

Default option

The overall investment aim is to generate long-term investment growth over the majority of members' working lives. However, types of assets that are expected to give good long-term returns tend to be vulnerable to short-term fluctuations in their value. To try and limit the effect of such short-term fluctuations on the value of members' Retirement Accounts in the run-up to retirement, the Trustees have set up a default strategy, known as the "Lifestyle Strategy".

The Trustees have selected LGIM's Diversified Fund as the main investment vehicle for the Lifestyle Strategy. Default strategy members who are more than five years from their Normal Retirement Date of their 65th birthday (or their selected target retirement date, if different) are invested wholly in the Diversified Fund. The Diversified Fund is invested in a wide range of assets including UK and global equities, property, infrastructure, commodities, gilts, bonds and cash. The objective is to provide long-term investment growth, but with less volatility (fluctuations in value) than a fund invested solely in equities.

As members reach their target retirement date, the Retirement Account is gradually switched from the Diversified Fund into LGIM's Future World Annuity Aware Fund, to provide a degree of protection for the amount of pension that can be secured by annuity on retirement, and into LGIM's Cash Fund, to provide a degree of protection for the amount of tax-free cash that can be drawn. The switching process is administered by HPW every six months over the 5 year period preceding each member's target retirement date, for those members who have selected the Lifestyle Strategy. At the target retirement date, the aim is to have broadly 75% of the member's Retirement Account in the Future World Annuity Aware Fund and 25% in the Cash Fund.

Day to day management of the assets

LGIM

The Trustees have delegated day-to-day investment management to L&G, which is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The terms of the delegation are set out in an agreement between L&G and the Trustees. The agreement includes such matters as investment objectives, procedures for instructions, custody of assets, voting, fees and charges.

A brief description and performance objective of each of the LGIM funds is provided below:

UK Equity Index Fund

The fund is invested wholly or predominantly in ordinary shares that are constituents of the FTSE All-Share Index. The objective of the fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.

World (ex-UK) Equity Index Fund

The fund is invested wholly or predominately in ordinary shares that are constituents of the FTSE World ex UK Index, which incorporates the developed and advanced emerging markets. The objective of the fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.

Over 15 Year Gilts Index Fund

The fund is invested wholly or predominantly in UK Government fixed interest securities. The objective of the fund is to hold a portfolio of securities designed to match the return of the FTSE Actuaries UK Conventional Gilts (Over 15 Year) Index within a specified tolerance.

Over 5 Year Index-Linked Gilts Index Fund

The fund is invested wholly or predominantly in UK Government index-linked securities. The objective of the fund is to hold a portfolio of securities designed to match the return of the FTSE Actuaries UK Gilts Index-Linked (Over 5 Year) Index within a specified tolerance.

AAA-AA-A Corporate Bond Over 15 Year Index Fund

The fund is invested predominantly in UK fixed interest securities denominated in sterling, with a term to maturity of over 15 years, across a range of AAA, AA, and A rated issuers (the credit rating methodology is defined by the provider of the benchmark). Additionally, the fund may hold gilts to provide liquidity and to ensure that the portfolio's duration remains within the fund management tolerances. The objective of the fund is to hold a portfolio of securities designed to match the total return of the Markit iBoxx GBP Non-Gilt ex BBB Over 15 Year Index within a specified tolerance.

Diversified Fund

The fund is invested wholly or predominantly in units of such other funds deemed to be relevant to the objective of the fund. The fund will hold between 20% - 50% in bonds, and the remaining 50% - 80% will be held in a range of assets which may include equities, property, commodities and shares of infrastructure, private equity and global real estate companies. Exposure to each asset class will primarily be through investing in passively managed funds, although active management may be used for some asset classes where LGIM believes there is an advantage in doing so. The volatility of this fund would be expected to be somewhere between that on equities and fixed interest securities.

Future World Annuity Aware Fund

The fund aims to improve provide diversified exposure to fixed interest assets that reflect the investments underlying a typical traditional level annuity product. The fund, however, cannot provide full protection against changes in annuity rates for individual members since these also depend upon a number of other factors (e.g. changes to annuity providers' underlying mortality assumptions). The asset allocation is reviewed quarterly and the fund will not take short-term, tactical asset allocation positions.

Cash Fund

The fund consists of monies which are invested in short term instruments, up to a normal maximum of 35 days, from high quality borrowers aiming to achieve a gross return of at least 7 day LIBID (London Interbank Bid rate). Ordinarily this will involve placing deposits with banks and building societies, but it may extend to certificates of deposit, commercial paper or other securities from such issuers or UK Treasury Bills or other very short dated debt issued by the Government or other public sector bodies. The fund is managed against the 7 day LIBID rate.

Investment restrictions

Investment is only allowed in the range of funds made available by the Trustees. Each of the funds is subject to certain restrictions as detailed in the various funds' governing documentation.

Other assets

The Trustees also make the funds described above available to members for the investment of Additional Voluntary Contributions. The Trustees may also retain a small working balance in a bank account maintained by them under the Scheme.

Policy on realising assets

When benefits in respect of any member become payable, the Trustees and HPW will consider whether it is appropriate to realise the assets attributable to that member.

Monitoring the managers

The Trustees receive regular reports from L&G and work with HPW to monitor the performance of the funds periodically.

Socially responsible investment

Since the assets of the Scheme are managed in pooled funds on a largely passive investment basis, the Trustees accept that the assets are subject to the investment manager's own policies on social, environmental and ethical investment, where relevant.

Corporate governance

The Trustees believe that good corporate governance is important and expects its investment manager to have developed a policy which promotes the concept of good governance and, in particular, a policy of exercising voting rights. All assets are invested in pooled funds and, as such, the Trustees have delegated to its investment manager authority for exercising such rights attaching to the Scheme's investments.

Investment fees

Investment manager fees

The fees charged by the investment manager are shown above. The charges are reflected in the unit prices quoted on a daily basis and no unit deductions are made to member's Retirement Accounts.

In addition, a small fixed overall policy fee is paid by the Employer on behalf of the Scheme.

Investment consultant fees

For the time being, independent investment advice to the Trustees is charged to the Scheme and met separately by the Employer. This may change if the Trustees so decide.

Compliance and monitoring

Review of this Statement

The Trustees will review this Statement every three years or sooner if there is any significant change in the Scheme's circumstances.

Review of investment managers and fund range

The Trustees will formally review the investment manager and the fund range every three years. Informal reviews may take place more frequently.

Other information

The following information in this Statement pertains to both sections of the Scheme.

Environmental, social and governance (ESG) matters

The Trustees' overarching responsibility is to deliver financially sustainable returns for an acceptable level of risk to meet the future pension benefits of the members and in a way that any Employer contributions paid into the Scheme are as stable and affordable as possible.

The Trustees have a duty to act in the financial interests of the Scheme's beneficiaries as a long-term investor. This includes considering ESG risks and opportunities that may be financially material to the Scheme.

The Trustees invest in pooled funds and the underlying assets are subject to the investment manager's own policies on ESG considerations, including climate change. The Trustees undertake due diligence when appointing investment managers and review each of those managers' policies on ESG considerations. The Trustees appreciate that those investment managers which integrate ESG considerations can help mitigate risks and have the potential to lead to better, long-term financial outcomes.

The appointed investment managers have opted to sign the United Nations-supported Principles for Responsible Investment (PRI). As signatories to the PRI, the investment managers have made the following commitments:

> As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).
>
> We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:
>
> Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
>
> Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
>
> Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
>
> Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
>
> Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
>
> Principle 6: We will each report on our activities and progress towards implementing the Principles.

The investment managers’ reports related to PRI and their statements on compliance with the Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship, are reviewed by the Trustees at least once every three years.

Exercise of rights

As the Trustees invest in pooled funds, the underlying investment managers make decisions related to:

- the exercise of any rights, including voting rights, attaching to the investments; and
- engagement activities in respect of the investments.

Members’ views and non-financial factors

In setting and implementing investment strategy the Trustees do not explicitly take into account the views of members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as “non-financial factors”).

Arrangements with the investment managers

The Trustees only invest in pooled funds. Therefore, the Trustees are not able to specify the risk profile and return targets of those funds. However, after considering appropriate investment advice, pooled funds with appropriate expected return and risk characteristics are chosen for each asset class to align with the investment objectives of the Scheme.

The underlying fund managers are responsible for all decisions to select and remove individual investments within each fund. In the case of multi-asset funds, the underlying managers are responsible for the allocation to separate asset classes.

The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees do not have any fixed term agreements with the investment managers. They are appointed based on their investment capabilities including their perceived likelihood of achieving the expected risk/return characteristics required for each fund. The Trustees receive quarterly investment reports showing performance information over 3 months, 1 year and 3 years where data is available. The Trustees’ main focus is on long-term performance.

The investment managers are remunerated by charges based on the value of the assets they manage on behalf of the Scheme. This is the primary means of incentivising the investment managers as, if the funds are not performing as required, they may be replaced.

The Trustees therefore consider that the method of remunerating their investment managers provides their underlying investment managers with the incentive to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. This encourages the underlying investment managers to engage with issuers of debt or equity in order to improve performance in the medium to long term.

Portfolio turnover costs

Portfolio turnover costs means the costs incurred by the buying, selling, lending or borrowing of investments.

The Scheme invests in a range of pooled funds. As a result, the Trustees do not currently have a target for portfolio costs and neither do they monitor portfolio turnover costs in the funds. However, the performance reports reviewed by the Trustees show returns net of all charges, including portfolio turnover costs.

This statement has been agreed by the Trustees of the Aspen Healthcare Limited Staff Pension Fund

September 2024