

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 30 September 2020 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

Investment Objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 3 of the SIP and are as follows:

- To ensure that the Scheme is fully funded using assumptions that contain an appropriate margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Hospice.
- To monitor the absolute level and stability of contributions required when setting the investment strategy of the Scheme.
- To endeavour to improve the funding position of the Scheme and in turn the asset coverage of members' benefits.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long term funding objective.

Review of the SIP

The SIP was last reviewed in September 2020. The Trustees updated the SIP to comply with additional legislative requirements for inclusion of information surrounding Environmental, Social and Governance (ESG) issues.

The Trustees have a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustees' SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

Investment managers and funds in use

At the start of the year, the Trustees' investment strategy for the Scheme was as shown in the below table.

Asset Class	Fund	Target Asset Allocation
Multi-asset	Smith & Williamson Bespoke Mandate	50%
Multi-asset	Investec Bespoke Mandate	50%
Total		100%

During the year, the Trustees de-risked their investment strategy by introducing a new liability driven investment ('LDI') solution with Insight, aiming to hedge 100% of the liability-related risks associated with the Scheme's funded Technical Provisions. This change in investment strategy involved the full redemption of the Scheme's assets held under the Investec bespoke mandate. The Trustees' revised investment strategy is as shown in the below table. Note that Smith & Williamson changed its name to Evelyn Partners during the Scheme year.

Asset Class	Fund	Target Asset Allocation
Multi-asset	Evelyn Partners Managed Portfolios	50%
LDI Solution	Insight Partially Funded Gilts Funds	33%
	Insight Partially Funded Index-Linked Gilts Funds	
Cash	Insight Liquidity Fund	17%
Total		100%

Since the year-end, the Trustees are in the process of further de-risking the investment strategy, removing the growth assets held with Evelyn and investing the proceeds with Insight, in a new hedging solution consisting of corporate bonds, gilts, index-linked gilts, and cash. The Trustees will revise their SIP following completion of any wider restructuring.

Investment Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP as the Trustees' primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategies in place is intended to meet this objective. In addition, the Trustees note that the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were reviewed by the Trustees in December 2022. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's September 2020 SIP, have been followed:

Requirement	Policy	Implementation of Policy
Cashflow and Rebalancing	<p>The Trustees will monitor the Scheme's actual asset allocation on a regular basis and will decide on a course of action which may involve redirecting cash flows, a switch of assets or taking no action, taking into account advice from the Investment Consultant.</p> <p>The Trustees' policy is to invest only in assets that are readily realisable in order to meet the pension payments as they fall due. The Trustees consider the assets above to be readily realisable.</p>	<p>The Scheme's target asset allocation at the end of the year deviated from the SIP in force at the end of the year following the update in investment strategy that took place over the Scheme year.</p>
Expected Return	<p>Over the long term, the Trustees' expectations for asset returns are set with each manager and with a view to at least achieving a rate of return in line with the discount rate used in calculating the Scheme's Technical Provisions.</p> <p>The Trustees recognise that, over the short-term, performance may deviate significantly from the long-term expectation. This 'best estimate' will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose, a more prudent estimate of returns will generally be used, agreed by the Trustees on the basis of advice from the Scheme Actuary.</p>	<p>No deviation from this policy over the year to 31 March 2023.</p>
Delegation to Investment Managers	<p>The Trustees have a policy of delegating all day-to-day powers of investment to the investment managers who are authorised and regulated under the Financial Services and Markets Act 2000.</p>	<p>No deviation from this policy over the year to 31 March 2023.</p>
Investment Management Structure	<p>The Trustees invest in a range of pooled funds with two investment managers, Smith & Williamson and Investec, who are regulated under the Financial Services and Markets Act, 2000. The Trustees have decided to invest in pooled funds, other collective investment vehicles, and cash.</p> <p>The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.</p> <p>The Trustees have decided to invest in pooled funds because:</p> <ul style="list-style-type: none"> the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis; pooled funds allow the Scheme to invest in a wider range of assets, which serves to reduce risk; and pooled funds provide a more liquid form of investment than certain types of direct investment. <p>The investment managers appoint individual custodians to hold the securities owned by the Scheme. The custodians are independent of the Hospice.</p> <p>The Trustees may, from time to time, decide to change the funds used within the overall investment strategy and the investment allocation between the funds as alternatives emerge, funds change and the Scheme develops.</p>	<p>The Scheme deviated from this policy following a review and update in the investment strategy that took place over the Scheme year.</p>

Trustees' Policies (continued)

Requirement	Policy	Implementation of Policy
Performance Objective	The investment managers have been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.	No deviation from this policy over the year to 31 March 2023. The performance benchmarks and objectives of the Scheme's assets are now reviewed on a quarterly basis.
Financially and Non-Financially Material Considerations	The Trustees' policy on financially and non-financially material considerations is set out on page 6 of the SIP and in full below.	No deviation from this policy over the year to 31 March 2023.
Engagement and Voting Rights	The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles, the day-to-day application of voting rights will be carried out by the investment managers. Consequently, the Trustees expect the Scheme's investment managers to adopt a voting policy that is in accordance with best industry practice.	No deviation from this policy over the year to 31 March 2023.

Financially and non-financially material considerations

The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect their investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of their investment managers.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect their investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

Financially and non-financially material considerations (continued)

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	Trustees' views
Multi-asset	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the mandate and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment manager to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
LDI funds	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the investment managers. The Trustees expect the extent to which the investment managers monitor capital structure to be appropriate to the nature of the mandate.

Voting rights and engagement activities

The Trustees currently invest in pooled investment funds and bespoke portfolios with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings.

However, the Trustees periodically meet with their investment managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their investment managers on these matters where they think this is in the best interests of members.

Under the current investment strategy, the Evelyn Partners portfolio contains equity holdings, and therefore has voting rights attached to these underlying equities.

A summary of the votes made by the underlying managers that Evelyn Partners invested in from 1 April 2022 to 31 March 2023 (where the investment owns equities) is provided in the table below.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
Evelyn Partners	Managed Portfolio	829	93%	7%	-

The voting activity set out above is presented at the company level, rather than being scheme or fund specific.

Evelyn Partners uses Glass Lewis as their own proxy voting service provider. They have worked closely with Glass Lewis to develop their own voting policy.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by Evelyn. In determining significant votes, investment managers take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to any manager engagement campaign.

The Trustees believe the following is the most significant vote undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE	
Investment Manager	Evelyn Partners
Company	Adobe Inc
Date of vote	14 April 2022
Resolution	Various
Voting decision	In line with management on all resolutions except the election of Daniel Rosensweig
Manager comments	<i>"Evelyn believe that Mr Rosensweig's existing obligations as CEO of technology company Chegg, and his additional board positions, will substantially reduce Mr Rosensweig's capacity to fulfil his duties as a board member of Adobe"</i>

Engagement activities

The Trustees have also delegated engagement activities to the investment managers. The notable engagement activity of the investment managers are provided below:

- **Evelyn Partners**, as part of their involvement with Climate Action 100+, engaged with Walmart at two meetings over the year to discuss how Walmart could make their disclosures clearer around their emissions reporting and produce a TCFD (Task Force on Climate-Related Financial Disclosures) report. Evelyn Partners also held discussions around Walmart's Scope 3 emission disclosures, given they believed they were not clear enough. In the second meeting, Walmart's significant progress was noted towards the 2025 goal of 35% absolute greenhouse gas reduction. Walmart also highlighted that they had created a new position, SVP of Energy and Transport, to transition their operations to clean energy to assist with their transition targets. Walmart also made significant progress on its lobbying disclosure and committed to upgrading its Science Based Targets initiative (SBTi) certification to the net-zero standard.
- **Insight** participated in a consultation on suitability for further limiting exposure to companies involved in controversial weapons, small arms and military contracting, exposure to oil sands extraction, and tobacco related industries in the S&P 500 ESG index. The consultation, organised by S&P Dow Jones Indices, proposed the exclusion of 13 companies, representing c.2% of the index. Insight's analysis suggested that the proposed exclusions could improve ESG outcomes without materially altering the expected risk/return profile. Insight favoured the proposed changes in the consultation. These came into effect from May 2022 and improved (reduced) the threshold for inclusion of companies involved in controversial weapons, small arms and military contracting, exposure to oil sands extraction, and tobacco related industries in the S&P 500 ESG index. Insight aim to maintain an ongoing dialogue with relevant index providers with a view to further improve ESG outcomes.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with the investment manager (as detailed above), the Trustees receive performance reports on a quarterly basis from Insight, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:  Date: 31.10.23

On behalf of the Trustees of the St Ann's Hospice Pension Scheme