

St Ann's Hospice Pension Scheme

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 and Personal 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' Statements of Investment Principles (SIP) dated September 2020 and June 2024 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 2023 to 31 March 2024.

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 4 of the June 2024 SIP and are as below. These objectives reflect the investment strategy in place at the Scheme year end.

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Scheme's funded Technical Provisions.
- To appropriately constrain volatility in the Scheme's funding position, allowing for the Trustees' perception of the strength of the Principal Employer's covenant and the Scheme's estimated funding position.

Where future opportunities arise, the Trustees will consider making changes to the investment strategy to better secure the Scheme's funding position, as and when appropriate opportunities arise.

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 June 2024, after the Scheme year end. The Trustees updated the SIP to reflect changes in the Scheme's investment strategy that were made over the year to 31 March 2024.

Prior to this, the SIP had last been updated in September 2020, which was the SIP in force during the Scheme year, 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. The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were

updated in the revised SIP that came into force after the end of the year and are set out later in this Statement.

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	Evelyn Partners Managed Portfolio	50%
Liability Driven Investment (LDI) solution	Insight Partially Funded Gilts Funds	33%
	Insight Partially Funded Index-Linked Gilts Funds	
Cash	Insight Liquidity Plus Holding Fund	17%
	Insight Liquidity Holding Fund	
Total		100%

During the year, the Trustees de-risked the Scheme's investment strategy, removing the growth assets held with Evelyn Partners and investing the proceeds with Insight, in a hedging solution consisting of corporate bonds, gilts, index-linked gilts, derivative contracts and cash. The Trustees' investment strategy at the Scheme year end is shown in the below table and is reflected in the SIP that came into force after the year end.

Asset Class	Fund	Target Asset Allocation
Corporate bonds	Insight Maturing Buy and Maintain Bond Funds	50%
LDI solution (including Cash)	Insight Fully Funded Gilts Funds	50%
	Insight Fully Funded Index-Linked Gilts Funds	
	Insight Partially Funded Gilts Funds	
	Insight Partially Funded Index-Linked Gilts Funds	
	Insight Inflation Focus Funds	
	Insight Liquidity Plus Holding Fund	
	Insight Liquidity Holding Fund	
Total		100%

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 investment strategy in place at the year end 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 objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last 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, in force during the year, and June 2024 SIP, reflecting the Scheme's investment strategy as at the year end, as applicable, have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may also:</p> <ul style="list-style-type: none"> • Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. • Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme. 	<p>This policy is shown in the June 2024 SIP, however there was no deviation from this policy over the year to 31 March 2024.</p>
Target Asset Allocation	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the Scheme's funding position, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.</p> <p>The Trustees have agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities and funding position, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees' risk appetite changes and the Scheme matures.</p>	<p>This policy is shown in the June 2024 SIP, however there was no deviation from this policy over the year to 31 March 2024, with the exception that 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> <p>The Scheme's asset allocation as at the year-end was broadly in line with the SIP dated June 2024.</p>

<p>Delegation to an Investment Manager</p>	<p>September 2020 SIP:</p> <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>June 2024 SIP:</p> <p>The Trustees will delegate the day-to-day management of the Scheme's assets to a professional investment manager and will not be involved in the buying or selling of investments.</p>	<p>No deviation from this policy over the year to 31 March 2024.</p>
<p>Maintaining the Target Asset Allocation and Target Hedging Ratios</p>	<p>September 2020 SIP:</p> <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>June 2024 SIP:</p> <p>The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios, where appropriate.</p>	<p>The Scheme's Target Asset Allocation and Target Hedging Ratios 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> <p>The Scheme's asset allocation as at the year-end was broadly in line with the SIP dated June 2024.</p> <p>The Scheme's hedging level against changes in inflation expectations significantly deviated from its target as at the year-end. The Trustees rebalanced the Scheme's liability hedging solution after the year end to move the hedging exposures closer to target.</p>
<p>Realising Investments</p>	<p>September 2020 SIP:</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 the Scheme invests in to be readily realisable.</p> <p>June 2024 SIP:</p> <p>The assets are held in a combination of pooled funds and are fully and readily realisable.</p> <p>The Trustees make disinvestments from the Investment Manager with the assistance of their administrators and advisors, Broadstone, as necessary, to meet the Scheme's cashflow requirements.</p> <p>New money will be invested (or disinvestments required for cash flow purposes will be made) to bring the asset allocation back to the Target Asset Allocation, as far as possible.</p>	<p>No deviation from this policy over the year to 31 March 2024.</p>

Performance Benchmarks and Objectives	<p>The multi-asset portfolio was actively managed, and the manager had been set an objective to achieve returns consistent with an objective of income and capital growth over the longer term.</p> <p>The corporate bond funds are actively managed and have an objective to achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.</p> <p>The fully funded gilts funds invest in a range of fixed interest and index-linked bonds issued by the UK government. The funds are expected to achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.</p> <p>The partially funded gilt and inflation (LDI) funds aim to achieve a return in line with the sensitivity of the Technical Provisions to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.</p> <p>The cash funds are actively managed and aim to achieve a return in line with the return on comparable money market funds and the prevailing rates of short-term interest rates.</p>	<p>The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2024, and the objectives of the funds used did not change throughout the year.</p>
Investment Management Charges	<p>The annual investment management charges of the funds used as at the year end are set out on page 13 of the June 2024 SIP and are as follows:</p> <ul style="list-style-type: none"> • Insight Maturing Buy and Maintain Bond Funds: 0.150% • Insight Fully Funded Gilt Funds: 0.050% • Insight Partially Funded Gilt Funds: 0.060% (of liability hedge exposure) • Insight Inflation Focus Funds: 0.065% (of liability hedge exposure) • Insight Liquidity Plus Holding Fund: 0.100% • Insight Liquidity Holding Fund: 0.080% 	<p>The Scheme's charges deviated from the SIP in force at the end of the year following the update in investment strategy that took place during the Scheme year.</p> <p>The Scheme's charges as at the year end were in line with the SIP dated June 2024.</p>
Financially and Non-Financially Material Considerations	<p>The Trustee's policy on financially and non-financially material considerations is set out on page 6 of the September 2020 SIP, and pages 7-8 of the June 2024 SIP, which is shown in full below.</p>	<p>No deviation from the September 2020 SIP's policy in force over the year, or the June 2024 SIP's policy reflecting the investment arrangements at the year end, over the year to 31 March 2024 (see below).</p>

Engagement and Voting Rights	<p>September 2020 SIP:</p> <p>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.</p> <p>June 2024 SIP:</p> <p>The Scheme does not currently invest in equities, and therefore the Trustees acknowledge that where they invest in debt instruments there are no attaching voting rights. Where appropriate, the Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.</p>	<p>No deviation from the September 2020 SIP's policy which was in force over the year to 31 March 2024 (see below).</p>
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Financially and non-financially material considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

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

Asset Class	Active/Passive	Trustees' views
Multi-asset Corporate bonds and cash	Active	<p>The Trustees expect the Investment Managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk-adjusted returns. In addition, the Trustees expect the Investment Managers to consider non-financial factors, including the application of policies which exclude material exposure to companies involved in tobacco production. The Trustees also expect their Investment Managers to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.</p>
Government bonds	Passive	<p>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.</p>

Asset Class	Active/Passive	Trustees' views
LDI	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.

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information on request from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

The Trustees note that the Scheme's Principal Employer has a policy which prohibits investment in tobacco companies, and wherever possible the Trustees will seek to implement the same policy for the Scheme's investments. The Trustees expect the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors together with financial factors, but this should not lead to a reduction in the efficiency of the investment.

Voting rights

The Trustees invested in pooled investment funds and a bespoke portfolio with the Investment Managers during the year, and they acknowledged that this limited their ability to directly influence each Investment Manager. In particular, all voting activities had been delegated to the Investment Managers, as the Trustees are unable to vote on the underlying holdings.

Under the investment strategy in place for part of the year, the Evelyn Partners Managed Portfolio the Scheme had invested in contained publicly listed equity holdings. This portfolio had voting rights attached to the underlying equities, and the Trustees delegated these voting rights Evelyn Partners, where the manager set its own voting policy. Information regarding voting activity was requested from Evelyn Partners, however they advised that as the Scheme had closed its account with them that no information was available.

The Scheme's investments with Insight as at the year end are comprised largely of corporate bonds, government bonds, and derivative contracts, where these investments have no equities and consequently no voting rights held within their underlying asset base.

Engagement activities

The Trustees also delegated engagement activities to the Investment Managers. A notable engagement activity of the Investment Manager as at the year end is provided below:

- Insight** engaged with the UK Debt Management Office ('DMO') on its proposals for green gilt (a type of bond issued by the UK government where the proceeds raised are used to fund environmentally-friendly projects) issuance and post-issuance reporting. During 2023, Insight followed up from previous engagements on sustainability topics and encouraged the DMO to increase the frequency of impact reporting on green gilts (from every two years to annually). Insight also raised concerns regarding the UK's ability to meet its net zero targets given the current policy environment (which is a key consideration in Insight's assessment of the quality of green gilts), amongst other issues such as approving a new UK coal mine and lack of a green industrial policy to support transitioning companies.

Monitoring of investment arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with the Investment Managers (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:

4 February 2025

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