

The Ulster Independent Clinic Pension and Life Assurance Scheme (the "Scheme")

Statement of Investment Principles

November 2023

Investment Objective

The Trustees aim to invest the assets of the Scheme prudently with the intention that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities. In setting the investment strategy the Trustees take an integrated approach to risk management which considers the covenant strength of the sponsoring employer and the Scheme's funding strategy.

Investment Strategy

The long term **planned asset allocation strategy** chosen to meet the objective above is set out in the table below. The Trustees will monitor the actual asset allocation versus the target weight and the ranges set out in the table below.

Asset Class	Target Weighting (%)
Global Equities	46.0
Liability Driven Investment (LDI)	20.0
Buy and Maintain Credit	30.0
Property	4.0
Total	100.0

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustees' policy is to make the assumption that equities will outperform gilts over the long term. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund manager does not achieve the targets set. When choosing the Scheme's planned asset allocation strategy the Trustees considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustees also consulted with the sponsoring employer when setting this strategy and obtained their endorsement.

Risk

The Trustees maintain a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial calculation.

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund manager to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and monitored on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that they have in place appropriate indemnity insurance cover, that all advisers and third party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors can impact future returns ("risk of ESG factors"). The Trustees acknowledge that ESG factors can have a financially material impact on the future returns on its investments and the Trustees' actions to mitigate these is detailed later in this document.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities, the Trustees' policy is to monitor, where possible, these risks periodically. The Trustees receive periodic reports showing:

- Actual funding level versus the Scheme specific funding objective.
- Performance of the individual fund manager versus their respective targets.
- Any significant issues with the fund manager that may impact their ability to meet the performance targets set by the Trustees.

Implementation

Isio Group Limited ("Isio") has been selected as investment adviser to the Trustees. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Isio are paid on a fixed fee basis reflecting the cost of carrying out the work they undertake for the Scheme. This structure has been chosen to ensure that cost-effective, independent advice is received.

Investment Manager

The Trustees, with guidance from Isio, have chosen Legal and General Investment Management ("LGIM") to be the Scheme's Investment Manager. LGIM is authorised and regulated by the Financial Conduct Authority.

LGIM's investment objectives for each fund are as follows:

Asset Class	Fund Name	Strategic Benchmark	Description
Equities	LGIM Future World Global Equity Index Fund – GBP Hedged	23.0%	The investment objective of the fund is to track the performance of the Solactive L&G ESG Global Markets Index - GBP Hedged (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.
	LGIM Future World Global Equity Index Fund	23.0%	The investment objective of the fund is to track the performance of the Solactive L&G ESG Global Markets Index (less withholding tax where applicable) to within +/- 0.60% p.a. for two years out of three.
LDI	LGIM Matching Core Funds	20.0%	The funds aim to reduce DB pension scheme risk exposure to changes in interest rate and inflation rates. The funds reference a liability benchmark designed to reflect a generic pension liability profile, with short/long duration and fixed/real interest rate sensitivity, which rolls down over time.
	LGIM Sterling Liquidity Fund		The fund aims to offer liquidity and preserve capital and provide a competitive return in relation to the Sterling Overnight Index Average (SONIA).
Credit	LGIM Buy and Maintain Credit Fund	30.0%	The fund aims to capture the credit risk premium within a globally diversified portfolio of predominantly investment grade credit and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality.
Property	LGIM Managed Property Fund	4.0%	The fund aims to exceed the MSCI/AREF UK Quarterly All Balanced Property Fund Index (UK PFI) over three and five year periods.
	Total	100%	

The Trustees have delegated all day-to-day decisions about the investments that fall within the mandate, including the realisation of investments, to the fund manager through a written contract. When choosing investments, the Trustees and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The manager's duties also include:

- Taking into account ESG considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.

The Trustees, with guidance from their Investment Advisor, have chosen to invest in open-ended pooled funds.

For open-ended pooled funds the Trustees' policy is to enter arrangements with no fixed end date. However, in this case the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open-ended investments are weekly dealt. The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustees may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

Voting Activity

The Trustees review the statements of corporate governance issued by their fund manager and monitor voting activity regularly.

The Trustees' policy is to invest in pooled investment vehicles. It is the Investment Manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.

The Trustees' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Trustees expect the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

The Trustees expect the Scheme's investment manager to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustees will review this on an annual basis in line with their monitoring policy mentioned above.

ESG Policy

The Trustees' policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function through investment in pooled index-tracking funds. The Investment Manager produces regular reports on their engagement with companies on environmental, social and governance considerations.

The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Scheme's Investment Manager is reviewed at appropriate intervals. The monitoring framework is intended

to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures. The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Scheme's assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Scheme's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to check alignment with their views on ESG.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and may replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustees' expectations and views.

If the Trustees believe that the Scheme's Investment Manager is no longer acting in accordance with the Trustees' policies, including those regarding ESG and stewardship, the Trustees will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustees' policies and views.

The Trustees believe that these steps will incentivise the investment manager to align its actions with the Trustees' policies and also for it to act responsibly.

The Trustees, with guidance from Isio, have chosen to invest in open-ended pooled funds. For these funds, the Trustees' policy is to enter arrangements with no fixed end date. However, the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open-ended investments are weekly dealt (and for the property fund, monthly dealt). The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of the Investment Manager's performance against objectives. The Trustees may also elect to terminate the arrangement with the Investment Manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

Non-financial matters are not taken directly into account in the selection, retention and realisation of investments due to the relative size of the Scheme assets, the time and resources available to the Trustees and the fact that assets are mainly invested in index-tracking funds. Non-financial matters include the views of the members and beneficiaries, including their ethical views in relation to the social and environmental impact on their present and future quality of life.

Governance

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

<p>Trustees</p> <ul style="list-style-type: none"> • Monitor actual returns versus Scheme investment objective. • Set structures and processes for carrying out their role. <ul style="list-style-type: none"> • Select and monitor planned asset allocation strategy, including ESG considerations and implementation. • Select direct investments (see below). • Monitor investment advisers and fund manager. • Making ongoing decisions relevant to the operational principles of the Scheme's investment strategy. 	
<p>Investment Adviser</p> <ul style="list-style-type: none"> • Advise on all aspects of the investment of the Scheme assets, including implementation. • Advise on this statement. • Provide required training. 	<p>Fund Manager</p> <ul style="list-style-type: none"> • Operate within the terms of this statement and their written contracts. • Select individual investments with regard to their suitability and diversification. • Responsibility for the stewardship of underlying investments.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

The Trustees policy is to review their direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives
- Foreign exchange risk

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The fund manager is remunerated on an ad valorem basis. The level of remuneration paid to the fund manager is reviewed regularly by the Trustees against market rates in the context of the Scheme's size and complexity to ensure the fund manager's interests are aligned with those of the Scheme.

In addition, the fund manager pays commission to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. The Trustees receive statements from the fund

manager setting out these costs and review them periodically. This is to ensure that the costs incurred are commensurate with the goods and services received.

The Trustees also review additional investment management costs and charges (including portfolio turnover costs incurred as a result of buying, selling, lending or borrowing of investments) on a regular basis, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustees monitor the portfolio turnover in the context of what the Trustees believe to be reasonable given the nature of each mandate. By also monitoring performance and associated costs, the Investment Manager is incentivised to consider the impact of portfolio turnover on investment performance.

The Trustees invest in passively managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/seller of stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

The fund manager is responsible for the custody of the Scheme's assets through their pooled funds. The manager of these funds has appointed its own custodians. The custodians provide safekeeping of the Scheme's assets and perform administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees will review this Statement of Investment Principles (SIP) at least every three years and following any significant change in investment policy. The Trustees will take investment advice and consult with the sponsoring employer over any changes to the SIP.

Agreed by the Trustees of the Ulster Independent Clinic Pension and Life Assurance Scheme at its meeting on 2 November 2023.