

## **Ashfield Health Limited Pension Scheme (the “Scheme”)**

### **Statement of Investment Principles (“SIP”)**

#### **Purpose of this Statement**

This SIP has been prepared by the Trustees of the Ashfield Health Limited Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustees’ decisions in relation to members’ investments within the Scheme.

#### **Governance**

The Trustees of the Scheme are responsible for the selection and monitoring of investment options that are made available to members through the Scheme.

When making such decisions, and when appropriate, the Trustees take proper written advice from their investment advisers.

#### **Investment objectives**

The Scheme’s Scottish Mutual With-Profits Fund is the only investment arrangement available to members of the Scheme. The ownership of the Fund moved from Scottish Mutual Assurance Limited to Phoenix Life Limited in 2009.

As part of the Phoenix Life policy and investment in the Scottish Mutual With-Profits Fund, members are guaranteed a set level of annual income (known as a guaranteed deferred annuity), payable from age 65 if active members continue to pay contributions at a set rate until this age, or if deferred members remain invested until the age of 65. Phoenix Life may also award members reversionary and terminal bonuses, which once added cannot be taken away.

The Trustees invest members’ assets in the Phoenix Life policy and the Scottish Mutual With-Profits Fund with the aim of ensuring that all members’ retain their option to take their guaranteed deferred annuity at retirement.

The Trustees are aware that offering a single investment option to members is out of line with the wider Defined Contribution (“DC”) Market. However, the Trustees are not looking to offer members access to any additional investment options, or transfer members to any alternative arrangements as this would cause members to lose potentially valuable guarantees. As such, the Trustee’s investment objectives are linked to the provision of the guaranteed deferred annuity to members.

#### **Investment strategy**

The investment strategy of the Scottish Mutual With-Profits Fund is to take investment risk only to the extent that there is a high degree of certainty that the fund is sufficiently strong to absorb adverse experience. Within this constraint the primary objective of the strategy will be to achieve the best long-term investment return. The size and timing of guaranteed benefits and other liabilities determine the investment freedom and risk tolerance.

Investments will be spread over a number of asset classes and within these asset classes the actual holdings will normally be diversified and of an appropriate quality. Derivatives are normally only used for efficient portfolio management or to reduce investment risk.

The fund may hold assets which are not normally traded, but will not normally seek to increase its exposure to such type of assets. The investment strategy will be reviewed regularly by Phoenix Life to ensure it remains appropriate.

For reference purposes, the Scottish Mutual With-Profits Fund has the following asset allocation as at 31 January 2024:

<b>Asset type</b>	<b>Allocation</b>
Company shares (equities)	23%
Property	4%
Other growth assets	5%
<b>Growth assets</b>	<b>32%</b>
Fixed interest stocks - issued by the UK government (gilts)	33%
Fixed interest stocks - other (including corporate bonds)	34%
Cash	1%
<b>Fixed interest and cash assets</b>	<b>68%</b>
<b>Total assets</b>	<b>100%</b>

Source: Phoenix Life

The Trustees recognise that the investment strategy is subject to risk, in particular the risk that the investments in the Scottish Mutual With-Profits Fund could fail to perform sufficiently to cover the guarantees included within the Phoenix Life policy. Further details of the risks which the Trustee have considered are included in Appendix A.

### **Investment Management Arrangements**

All decisions about the day-to-day management of the assets have been delegated to Phoenix Life. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when monitoring Phoenix Life. The Trustees also take into account the objectives of the Scottish Mutual With-Profits Fund. Phoenix Life is expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in a pooled with-profits fund, the custody of the holdings is arranged by Phoenix Life.

### **Investment Manager Monitoring and Engagement**

The Trustees monitor Phoenix Life and the Scottish Mutual With-Profits Fund to ensure the policy guarantees continue to be payable as due. If there was any concern that the underlying investments may not meet the policy guarantees, then the Trustees would look to engage with Phoenix Life.

### **Illiquids policy**

The Trustees believe there may be financial advantages to investing in illiquid assets. The current strategy invests in a with-profits policy with the asset allocation set by Phoenix Life and as such the Trustees have no control over whether illiquid assets are incorporated. However, the Trustees identify the following challenges:

- 1) Illiquid assets have greater fees and transaction costs than liquid assets, which may diminish the net profits for members.
- 2) Illiquid assets may have longer lock-up periods or limited redemption windows, which may not meet the liquidity needs of DC members who want to access their pension pots on demand
- 3) Illiquid assets may have lower transparency and valuation frequency than liquid assets, making it more difficult for members to monitor their investment performance and risks.

However, the Trustees intend to consult with its investment adviser and investment manager about growing investment in illiquid assets, as well as to review its illiquid investment policy on a regular basis.

**Employer-related investments**

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustees will monitor this on an ongoing basis to ensure compliance.

**Direct investments**

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

**Compliance**

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

**Signed:** *Cliff McConkey*

**Date:** ..... 08/07/2024 .....

## Appendix A – Risks, Financially Material Considerations and Non-Financial matters

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy. A non-exhaustive list of risks and financially material considerations that the Trustees have considered in their review of Phoenix Life Limited, is shown below:

<b>Risk</b>	<b>Definition</b>	<b>Policy</b>
Interest rates	The potential for adverse interest rate movements to have an impact on the Scheme's bond investments and the policy guarantees.	The Scheme's Scottish Mutual With-Profits Fund invests a high proportion in bonds and has an objective to meet the policy's guarantees. Where there is a significant mismatch between assets and liabilities, assets to hedge those risks may be purchased by Phoenix Life.
Inflation	The potential that the Scheme's investments will not keep pace with inflation.	The Scheme's Scottish Mutual With-Profits Fund invests a high proportion in bonds which could impact growth, however the policy guarantees a set level of annual income from age 65 which will minimise the impact of this risk.
Liquidity	The potential that investments cannot be encashed when required.	The Scheme's Scottish Mutual With-Profits Fund invests predominantly in assets which are readily tradable.
Market	The potential for losses due to factors that affect the overall performance of financial markets.	The Scheme's Scottish Mutual With-Profits Fund includes "smoothing" of investment returns and guarantees, both of which shield members to some extent from market risk, subject to members taking their benefits in line with the policy rules.
Credit	The potential for losses due to a holding in a bond fund defaulting on their obligations.	The Scheme's Scottish Mutual With-Profits Fund invests in a range of bonds to minimise the impact of any default.
Shortfall / pension conversion risk	The potential that a member has not saved sufficiently for retirement, or suffers an investment loss close to retirement leading to a pension shortfall	The Scheme's Scottish Mutual With-Profits Fund guarantees a set level of annual income from age 65 which will minimise this risk.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	The Trustees do not have a set policy on Environmental, Social and Governance factors, however they will look to engage with Phoenix Life to understand how this is managed within the Scheme's Scottish Mutual With-Profits Fund.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Trustees have delegated the use of any currency hedging to Phoenix Life.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters (and member's view on these) are not taken into account in the selection, retention or realisation of investments.

## Appendix B

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

<p><b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees policies.</b></p>	<ul style="list-style-type: none"> <li>✓ As the Scheme invests in a single pooled with profits fund, there is not scope for this fund to tailor its strategy and decisions in line with the Trustees policies.</li> <li>✓ However, Phoenix Life is incentivised to align its investment strategy to meet the guaranteed benefits of the policy to ensure the ongoing solvency of the Fund.</li> </ul>
<p><b>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</b></p>	<ul style="list-style-type: none"> <li>✓ Phoenix Life is incentivised to make decisions and engage with issuers on a medium to long-term to meet the guaranteed benefits of the policy to ensure the ongoing solvency of the Fund.</li> <li>✓ The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.</li> </ul>
<p><b>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.</b></p>	<ul style="list-style-type: none"> <li>✓ The charges in with-profits funds can be relatively opaque, however as investment in the Scheme's Scottish Mutual With-Profits Fund contains valuable guarantees, the Trustees are comfortable with the charging structure.</li> <li>✓ The time horizon for investment is in line with the members' proximity to age 65 (when the guarantees would apply). Therefore the Trustees policy is to ensure the guarantees are met over this time horizon, which will be aligned to Phoenix Life.</li> </ul>
<p><b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b></p>	<ul style="list-style-type: none"> <li>✓ The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as the higher the costs, the greater the return required to meet the policy guarantees.</li> </ul>
<p><b>The duration of the Scheme's arrangements with the investment managers</b></p>	<ul style="list-style-type: none"> <li>✓ The duration of the investment in the Scheme's Scottish Mutual With-Profits Fund is in line with the members' proximity to age 65 (when the guarantees would apply).</li> </ul>