

GHG (DB) PENSION TRUSTEES LIMITED

Statement of Investment Principles

General Healthcare Group Limited Pension and Life Assurance Plan (the “Plan”)

July 2020

1. Introduction

1.1 Under the Pensions Act 1995 (as updated by the Pensions Act 2004), Trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by the Directors of GHG (DB) Pension Trustees Limited (“the Trustee”) in regard to the General Healthcare Group Limited Pension and Life Assurance Plan (“the Plan”). The Trustee in preparing this Statement has also consulted the Sponsoring Company, General Healthcare Group Limited, in particular on the Trustee’s objectives.

1.2 The Trustee will review this document:

- at least once a year
- sooner following an unscheduled actuarial valuation in accordance with the Scheme Specific Funding Requirement under the Pensions Act 2004
- without delay after any significant change in investment policy in accordance with the provisions of the Pensions Act 2004, and
- where the Trustee considers a review is needed for other reasons.

The Trustee has had regard to the requirements of the Pensions Act concerning diversification and suitability of investments and will consider those requirements on any review of this document.

1.3 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed Investment Managers.

1.4 This Statement was revised and adopted in April 2020 following both a change in the Trustees’ funding objective and Strategic Asset Allocation.

2. Governance

2.1 The Trustee is responsible for the investment strategy of the Plan.

2.2 The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

2.3 The Trustee believes that given the small size of the Trustee board, a separate investment committee would not be appropriate. Therefore, all decisions are discussed by the whole Trustee board with advice from the Plan’s investment consultants, Redington Limited, before they are taken.

2.4 The Company is consulted on investment strategy decisions and a representative of the company regularly attends relevant parts of the Trustee meetings.

3. Objectives

- 3.1 The principal objective of the Trustee is to invest the assets of the Plan to meet its liabilities when they fall due. The Trustee wishes to protect members' accrued benefits, by maintaining the Plan's funding level at its current position of above 100% on the adopted basis.
- 3.2 The Trustee maintains a portfolio that consists of an insurance contract with Aviva Life & Pensions UK. This covers all members of the Plan and is expected to be an exact match to liabilities. The Plan also holds surplus cash above this insurance contract, which is retained in a diversified liquidity fund.
- 3.3 In setting the investment policy the Trustee has had regard to the influence this will have on ensuring that the Plan's fully funded position is maintained, therefore providing members with the highest probability of their benefits being paid both in full and on time.

4. Risk Measurements and Controls

Following the purchase of a full bulk annuity insurance contract covering all members, the Trustee recognises that the main risks retained in the Plan are as follows:

- Following the move to buy an insurance contract, the default risk of the chosen insurer Aviva Life & Pensions UK. The Trustee relies on the regulatory framework that Aviva operates under to mitigate this risk, governed by the Prudential Regulatory Authority, e.g. the regulatory capital requirements.
- In addition, in the event of default by the insurer, members may be eligible for compensation from the Financial Services Compensation Fund ("FSCS"), based on the current FSCS rules.
- The default risk of the Sponsor of the Plan, although the Plan should no longer be as reliant on the Sponsor's covenant following the purchase of an insurance contract with Aviva. In the medium term, the Trustee is likely to convert the bulk annuity insurance contract entered with Aviva to a range of individual annuities directly between each member and Aviva following a final data cleanse exercise and the implementation of GMP equalisation. No specific timescale for this has yet been set.

5. Asset Allocation

The Plan’s current asset allocation consists of a single bulk annuity contract that matches the liabilities with Aviva Life and Pensions UK. The Plan also holds some surplus cash beyond this bulk annuity, which is retained in a daily dealt, diversified Liquidity Fund managed by Schroders Investment Management.

| | |
|--------------------|---|
| Name | Schroder Special Situations Fund Sterling Liquidity |
| Performance Target | 3-month GBP LIBOR |
| Liquidity | Highly liquid with at least two-thirds of assets invested in money market instruments |
| Settlement | COB on relevant dealing day with daily dealing frequency |
| Fees | 0.1% on Assets under Management each year |

6. Compliance with this Statement

6.1 The Trustee will monitor compliance with this Statement

Rita Powel



14.07.2020

.....
Name (Print)

.....
Signature

.....
Date