St Andrew's Healthcare Pension Scheme
Statement of Investment Principles
March 2026

1. INTRODUCTION

1.1. Capital Cranfield Pension Trustees Limited (as novated from St Andrew's Pension Trustees Limited with effect from 1 January 2024) (the "Trustee") has prepared this Statement of Investment Principles (the "SIP") on behalf of the St Andrew's Healthcare Pension Scheme (the "Scheme") to govern the investment decisions of the Scheme in order to meet its investment objective.

1.2. In preparing the SIP and prior to any future changes to the SIP the Trustee will obtain and consider appropriate investment advice from the appointed Fiduciary Manager, BlackRock and has consulted with the Scheme's employer, St Andrews Healthcare.

1.3. The Trustee will review the SIP whenever there is a change in the investment strategy. As a minimum the Trustee will review the SIP every three years. The Trustee will notify the Fiduciary Manager of any material changes to the Scheme's circumstances. Furthermore, any material changes to the employee covenant or Scheme will trigger a strategy review, at which point the Trustee will notify the Fiduciary Manager.

1.4. The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, as amended, and the Occupational Pension Scheme (Investment) Regulations 2005, as amended.

1.5. The SIP will be made available on a publicly accessible website.

2. SCHEME DETAILS

2.1. The Scheme operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries

2.2. The Scheme is closed to future accrual.

3. GOVERNANCE

3.1. The Trustee is responsible for ensuring the investment strategy is consistent with the Scheme's funding objectives and its assessment of the employer covenant.

3.2. The Trustee has appointed a Fiduciary Manager who advises on the long term investment strategy and manages the Scheme's assets in line with the investment strategy. The Fiduciary Manager will comply with relevant legislation and the Investment Management Agreement (the "IMA").

3.3. The Trustee delegates the day-to-day investment decisions to the Fiduciary Manager. In particular, the selection of particular investments is left to the Fiduciary Manager. The Trustee retains responsibility for the strategic investment objective and oversight of the Fiduciary Manager.

3.4. The Fiduciary Manager will be responsible for having regard to the need for diversification of investments so far as appropriate and to the suitability of investments, and for giving effect to the principles contained in the SIP as far as reasonably practicable.

3.5. The Fiduciary Manager will also be responsible for participating with the Trustee in reviews of this SIP in consultation with the Scheme's employer.

4. INVESTMENT STRATEGY

4.1. The investment objective of the Scheme is to invest the assets prudently with the intention that the benefits promised to members are provided. The overall investment objective is for the Scheme to achieve full funding with liabilities valued on a gilts basis. In March 2025, the return target was set at gilts +1.8% p.a., with predefined future de-risking triggers, with the aim of achieving gilts-flat full funding by December 2034. In December 2025, the Trustee reviewed the investment strategy and agreed an interim target of gilts +1.25%, pending a more detailed review in 2026 alongside the completion of the actuarial valuation and an updated assessment of the sponsor's covenant.

4.2. Following professional advice, the Trustee has determined an appropriate asset allocation to be implemented by the Fiduciary Manager, as governed by the Investment Management Agreement between the Trustee and the Fiduciary

Manager (the "IMA"). The IMA details the level of delegation afforded to the Fiduciary Manager and outlines the parameters the Fiduciary Manager must operate within. The IMA is subject to change over time as the strategy evolves. The Fiduciary Manager shall at all times manage in accordance with this SIP.

4.3. The investment strategy defines the journey plan to achieve the investment objective. As part of this process the Fiduciary Manager will rely on assumptions to determine the expected return across the portfolio of assets relative to the Scheme's liabilities. The Trustee recognises that this is not an exact science and will constantly evolve, hence assumptions will be reviewed from time to time and updates will be factored in where appropriate. In particular, the Trustee has agreed the level of target return and liability hedge ratio with its advisers. Where appropriate, the Trustee will review how this target return and liability hedge ratio should evolve over time.

4.4. The investment strategy for the Scheme is to:

- Invest in a portfolio of assets to immunise a proportion of the interest rate and inflation risk inherent within the Scheme's liabilities.
- Invest in a diversified portfolio of assets to achieve an efficient risk / reward trade off with the objective of generating sufficient returns to close the Scheme's funding deficit on a gilts basis
- When the funding level has achieved a predetermined level, the Scheme will seek to reduce the target return on the investment portfolio and in doing so reduce the amount of investment risk relative to liabilities. This may include increasing the level of hedging and/or adjusting the overall portfolio exposures.

5. RISK MANAGEMENT

5.1. The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a 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 Trustee and its 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 asset allocation has taken into account the Scheme's liability cashflow profile from the most recent Actuarial Valuation. This should offer sufficient liquidity to meet liquidity needs.

- The failure by the Fiduciary Manager to achieve the rate of return required to meet the investment objective ("**manager risk**"). This risk is considered by the Trustee upon the initial appointment of the Fiduciary Manager and on an ongoing basis thereafter (for example by regular monitoring).

- The failure to spread investment risk ("**risk of lack of diversification**"). The Scheme's assets are invested across a range of pooled fund investments representing different asset classes in order to target the Scheme's objective, as set out in the IMA.

- The possibility of failure of the Scheme's sponsoring employer ("**covenant risk**"). The Trustee considered this risk by taking external advice when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.

- The risk that exposure to overseas currencies has an adverse influence on investment values ("**currency risk**"). The Trustee considered this risk when setting the Scheme's investment strategy and this is managed by hedging a proportion of the overseas currency exposure.

- The risk that environmental, social and governance factors have an adverse effect on the long-term performance of the Scheme assets ("**ESG Risks**"). The Trustee will ensure that the Fiduciary Manager explicitly incorporates ESG information into investment decisions when considering the appointment and de-selection of investment managers.

- The risk that a custodian defaults ("**custodian risk**"). The Growth Assets are managed primarily within pooled funds and custody-related risks in relation to underlying pooled fund investments are managed by management companies or operators of such pooled funds. Outside of the pooled fund investments, the Trustee has appointed a Scheme custodian (BNY Mellon) to manage cashflows and settle trades on time.

- The risk that events outside the control of the Scheme have an adverse influence on investment values ("**event risk**"). The Trustee periodically reviews stress tests on the portfolio to understand the effect that extreme events could have on the Scheme's funding level so that they are able to plan accordingly. In addition, the Scheme invests in a diversified portfolio of assets to help manage volatility.

- The risk that a counterparty fails to fulfil its side of the agreement it makes in connection with derivative transactions ("**counterparty risk**"). The Trustee has appointed the Fiduciary Manager to mitigate this risk by assessing the credit quality of the counterparties it transacts with, ensuring appropriate counterparty diversification and that collateral payments are made where required.

- The risk of fraud, poor advice or acts of negligence ("**operational risk**"). The Trustee has sought to minimise such risk by ensuring 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.

5.2. The Trustee considers risk holistically across the portfolio and hence the Scheme's assets are invested across a diverse range of investments. Asset classes that may be used as part of the investment strategy include, but not limited to, are:

- Equities – both active and passive strategies invested across different regions,

- Credit – both active and passive across the spectrum of risk including Investment Grade, High Yield, Emerging Market,

- Alternatives – these are often less liquid than other risky assets where an illiquidity premium is rewarded. These are designed to offer a diverse return stream to traditional risky assets such as equity.

- Commodities – exposure to commodities may be obtained through pooled funds. These are intended to provide diversification benefits relative to equities and credit.

- Liability Driven Investment ("LDI") – both derivatives and conventional and index-linked gilts.

5.3. The Trustee, with the aid of its Fiduciary Manager, monitor risk at least quarterly on both a qualitative and quantitative basis.

5.4. Implementing portfolio changes has been delegated to the Fiduciary Manager who will assess the appropriateness of each transaction in line with the Trustee's investment objective and policies as outlined in the SIP (where relevant).

6. RESPONSIBLE INVESTING

6.1 The Trustee recognises that ESG risks could impact the ability of the Scheme to meet its investment objectives and therefore the Trustee has considered how to evaluate and manage these risks when setting its investment strategy as set out in the following paragraphs (along with other matters).

6.2 The Trustee will ensure that the Scheme's Fiduciary Manager shall, alongside other investment risks and opportunities, integrate consideration of ESG risks and opportunities throughout its investment decision making processes.

6.3 The Trustee will request that:

- the Fiduciary Manager, as part of its due diligence, assesses the approach of all the Scheme's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments;

- the Fiduciary Manager, as part of its ongoing monitoring, will review the adherence of the Scheme's investment managers to their ESG principles and, on at least a quarterly basis, will report on key ESG metrics for the Scheme's investment managers and aggregate these to portfolio level where appropriate;

- the Fiduciary Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and reports back its findings to the Trustee at least annually (for example where the Scheme invests in pooled funds, the Scheme's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights); and

- where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Fiduciary Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee.

6.4 The Trustee does not take into account non-financial matters except where required by legislation when selecting, retaining and realising investments. Non-financial matters are defined as the views of members and beneficiaries, including (but not limited to) their ethical views, and their views relating to social and environmental impact and quality of life.

7. STEWARDSHIP

7.1 The Trustee understands that stewardship can enhance value over the long term and recognises that it has a responsibility to act as a good steward and protect and grow the long-term value of the Scheme for the benefit of the Scheme's members.

7.2 The Trustee recognises the importance of good stewardship and it expects that the Fiduciary Manager is a signatory of the UN PRI. The Fiduciary Manager has confirmed that it is a signatory of the UN PRI.

7.3 In order to be a good steward, it is the Trustee's policy to adopt the underlying or external manager's voting policies and to appropriately monitor the voting and engagement activities of these managers. This means that the Trustee has elected for the underlying or external managers to exercise votes in line with the underlying or external managers' own stewardship policies. The managers are expected to have strong stewardship policies and therefore the Trustee expects the Scheme's respective stakeholders undertake activities in relation to issues that have a material impact on the long-term value of the Scheme's investments.

7.4 The Trustee expects the Fiduciary Manager to ensure that the stewardship policy is appropriately implemented as far as is reasonably practicable, though the Trustee retains ultimate responsibility for the way in which each appointed manager acts as a steward of the Scheme's assets. The policy includes ensuring to the extent possible that the underlying or external managers exercise on the Trustee's behalf rights and duties as an investor. This should include, where appropriate, voting and engaging with underlying investee companies, as part of an effective stewardship approach that meets the Trustee's expectations. The Trustee expects that voting and engagement activities are carried out in the best financial interests of the assets being managed.

7.5 The Trustee has delegated monitoring of underlying or external managers to the Fiduciary Manager. As part of this responsibility, the Fiduciary Manager is expected to:

- Request voting and/or stewardship policies of the underlying or external managers.
- Enquire about underlying manager's voting activity with respect to their stated policies at least annually, where appropriate.
- Request that underlying investment managers report on an annual basis a summary of the voting actions which have been taken and any votes cast which differ from the stated voting policy of that manager.
- Provide a summary to the Trustee of the overall level of voting activity on an annual basis.

7.6 The Trustee will engage with the Fiduciary Manager to understand any reports which have been provided and challenge any outcomes which it feels are not in keeping with policy. The Fiduciary Manager is expected to engage with the underlying or external managers as and when required to facilitate this. Where an underlying or external manager is not adhering to this policy in line with the Trustee's expectations, the Trustee would expect the Fiduciary Manager to consider appropriate actions having regard to the long-term financial wellness of the Scheme.

8. ARRANGEMENTS WITH MANAGERS

8.1 The Trustee recognises that it is important to align the long-term interests of the Scheme with those of the managers as far as reasonably practicable. This includes arrangements with the Fiduciary Manager and the underlying or external managers. The Trustee seeks to ensure that the Fiduciary Manager acts in line with the best long-term interests of the Scheme through its regular monitoring and reporting as well as a periodic review of the Fiduciary manager.

8.2 The Trustee agrees to share the SIP with the Fiduciary Manager and request that the Fiduciary Manager reviews the SIP and confirms that the investment strategy is aligned with the Trustee's policies on an annual basis.

8.3 The Trustee's policy on arrangements with asset managers will take into account the following five considerations:

- How the arrangement with the Fiduciary Manager incentivises the Fiduciary Manager to align its investment strategy and investment decisions with the Trustee's investment policies.
- How that arrangement incentivises the Fiduciary Manager to make decisions based on assessments about the medium to long-term financial and non-financial performance of issuers of debt or equity.
- How the method and time horizon of the evaluation of the Fiduciary Manager's performance and the remuneration for services are in line with the Trustee's investment policies.
- How the Trustee monitors "portfolio turnover costs" incurred by the Fiduciary Manager, and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the Fiduciary manager.

8.4 The Fiduciary Manager engages with the investment managers it appoints on behalf of the Trustee. The Fiduciary Manager recognises that there are different ways to engage with its managers including legal documentation as well as more informal arrangements such as ad hoc communication and reporting and monitoring deliverables provided by each manager. Each engagement will take into account the five considerations withing the Trustee's policy on arrangements.

8.5 The Trustee recognises that the predominant manager it has arrangements with is its Fiduciary manager. The arrangement is governed by the IMA between the Trustee and the Fiduciary Manager. The Trustee ensures that appropriate restrictions are outlined in the IMA in order to seek to ensure that the decisions which the Fiduciary Manager makes are in line with the long-term interests of the Scheme. This includes, but is not limited to, setting a clear investment objective, eligible instruments, asset allocation ranges and which asset classes are in scope for active and/or passive strategies.

8.6 The Trustee has also ensured that the IMA (and the supplemental disclosures provided by the Fiduciary Manager) include conflicts of interest policies in order to ensure that incentives are aligned between the Trustee and the Fiduciary Manager as far as is reasonably practicable.

8.7 The Fiduciary Manager provides the Trustee with an annual cost transparency report. The report provides information in line with latest regulatory requirements for fiduciary managers. The cost reporting will include detail on the portfolio turnover costs which the Trustee defines as the costs incurred in buying and selling the underlying securities held within each of the funds managed by the underlying managers. On a quarterly basis the Fiduciary Manager reports total performance net of fees so that the Trustee is able to take into account the impact of fees and costs when evaluating performance. The Trustee believes that in order to appropriately assess the performance of its managers, the net of costs performance returns should be monitored over various time periods to ensure that managers are evaluated in line with the Trustee's policies.

8.8 The Trustee will review the arrangements with the Fiduciary Manager on a regular basis, however there is no restriction on the duration of any arrangement.

8.9 The Trustee expects the Fiduciary Manager to review arrangements with the underlying or external managers which also have no restriction on duration of any arrangement. the Fiduciary Manager is expected to review these arrangements on an ongoing basis and take action to seek to revise any arrangements where it is understood to be in the best long-term interests of the Scheme.

8.10 The Fiduciary Manager is expected to take into consideration the Trustee's investment objective as well as Responsible Investing and Stewardship policies when selecting and/or appointing new underlying or external managers. The Fiduciary Manager is also expected to monitor the underlying managers or external managers and take into consideration the investments that they are permitted to make in order to seek that they are aligned with the long-term interests of the Scheme.

8.11 The Trustee believes that they have a governance framework in place in order to seek to ensure that the Fiduciary Manager's actions are aligned with the five arrangements policies listed above in section 8.3. If the Trustee has reason to believe that the Fiduciary Manager is acting outside of the Trustee's policies, the Trustee will bring this to the attention of the Fiduciary Manager as soon as is reasonably practicable and engage with the Fiduciary Manager so that the parties can understand such actions and seek to resolve any concerns.

9. REALISATION OF ASSETS

9.1. Assets can be held in pooled funds (across a range of liquid and illiquid strategies) or segregated accounts. The Scheme's ability to disinvest assets for cash is subject to the redemption terms of the asset, which can range from daily to quarterly or sometimes less frequently. Any allocation of Scheme assets to strategies with particularly long redemption timelines will be considered with the Scheme's overall cashflow requirements in mind. Investment in such assets requires prior Trustee approval. The Scheme has exposure to hedge funds and private markets via open pooled funds, as well as private debt via a closed-ended fund.

9.2. The Fiduciary Manager has a collateral management framework in place to manage any additional cash requirements in the event of large changes in yields. The Trustee recognises that the Fiduciary Manager, subject to the constraints within the IMA, has authority and discretion to sell the Scheme's assets to meet recapitalisation requirements.

10. MONITORING

10.1. The Trustee monitors the performance and risk exposures of the portfolio on a regular basis through the reporting provided by the Fiduciary Manager on both a monthly and quarterly basis. The Trustee receives periodic reports showing:

- Commentary over the period covering performance, macroeconomic factors and portfolio positioning,
- Risk decomposition across the portfolio, including scenario stress tests,
- Return attribution across the portfolio, including underlying manager monitoring,

- Estimated funding ratio change, including a summary of contributors/detractors,
- Review of the funding level versus both the planned and expected journey plan, including any de-risking triggers,
- Asset allocation summary showing tactical asset allocation (where applicable) versus the strategic asset allocation and permitted ranges, and
- Interest rate and inflation hedge ratios versus target.

10.2. Monitoring of the underlying investment managers' suitability is delegated to the Fiduciary Manager. The Fiduciary Manager has been delegated the responsibility for ensuring the underlying strategies are satisfactory and appropriate for the investment strategy

10.3. The Trustee understands that to achieve the overall investment objective, the Trustee must monitor the Scheme's investments alongside the context of employer covenant and funding level and consider the results together in a holistic approach.

Signed for and on behalf of Capital Cranfield Pension Trustees Limited as Trustee of the St Andrew's Healthcare Pension Scheme