

ST ANDREW'S HEALTHCARE PENSION SCHEME

INVESTMENT POLICY IMPLEMENTATION DOCUMENT

March 2021

1. Introduction

This document is supplemental to the Statement of Investment Principles ("the Statement") and contains the investment policy of the St Andrew's Pension Trustee Limited ("the Pension Trustee") on behalf of the St. Andrew's Healthcare Pension Scheme ("the Scheme"). The investment policy falls into two parts: (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Pension Trustee, and (2) the day-to-day management of the assets, which has been delegated to professional investment managers ("the Investment Managers").

2. Strategic Management

The current strategic asset allocation is shown below:

Asset Class	Strategy %
Growth	25.0%
Bond-Like	75.0%

2.1 De-risking policy

In addition to the above, a process has also been agreed for how the growth / bond-like split will evolve over time. This is set out in the table below:

End Year	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)	2025 (%)	2026 (%)	2027 (%)
Growth	70	65	60	55	50	45	40	35	30	25	20
Bond-Like	30	35	40	45	50	55	60	65	70	75	80

The implementation of the de-risking has been delegated to the Investment Committee who have flexibility to deviate from the strategic allocation above, taking into account the Scheme's funding position and / or market conditions. The Investment Committee have reviewed the de-risking strategy in order to protect the Scheme's current funding position, reducing the strategic allocation to growth assets. The current target allocation is a 25/75 split between Growth and Bond-like assets, reflecting the Pension Trustee's belief that the Scheme is in a position to achieve its investment objectives while taking on less risk from growth assets going forward. Any further de-risking opportunities will be considered by the Investment Committee as and when appropriate.

3. Day-to-Day Management of the Assets

The investment managers are responsible for day-to-day management of the Scheme's assets. The majority of the Scheme's assets are invested in pooled funds managed respectively by Majedie, Cantillon, Orbis, CQS, Aberdeen Standard and BlackRock¹.

The investment managers have full discretion to buy and sell investments on behalf of the Scheme, subject to the constraints of their mandates. The Pension Trustee has entered into

signed Agreements with the investment managers, the terms of which are consistent with the principles contained in the Statement.

The Agreements provide important protection for the Scheme itself and for the Pension Trustee. They also set out the terms, including performance objectives, risk parameters, and timescales, on which the specific mandates are managed. The investment briefs, guidelines and restrictions under which the investment managers work have therefore been agreed in writing.

The Agreements with the investment managers include a number of guidelines and restrictions which, among other things, are designed to ensure that only suitable investments are held by the Scheme. Whilst the Investment Committee regularly monitors each manager against specific outperformance targets, both the Investment Committee and the Pension Trustee recognise that there may be other reasons for continuing to hold assets with specific investment managers (for example due to attractive positioning of the underlying portfolio, or for the purposes of diversification).

Investments with the investment managers are in pooled funds. The safekeeping of all assets is performed on the Pension Trustee's behalf by custodian banks specifically appointed to undertake this function, and whose appointment is reviewed at regular intervals by the investment managers.

¹BlackRock have been appointed by the Scheme on a fiduciary management basis to implement and manage the Liability Driven Investment (LDI) mandate.

The strategic benchmark for the Scheme's investment arrangements is set out on the table below:

Asset Class	Investment Manager	Allocation (%)	Benchmark	Outperformance Target (% p.a.)
Growth		25.0		
UK Equity		8.0		
UK	Majedie	8.0	FTSE All-Share	2.0 ¹
Global Equity		17.0		
Global	Cantillon	8.5	MSCI World Hedged	2.0 ¹
Global	Orbis	8.5	FTSE World	2.0 ¹
Bond/Bond-Like		75.0		
Bonds		70.0		
Multi-Asset Credit	CQS	10.0	LIBOR	4.0 – 5.0
Corporate Bonds	Aberdeen Standard	10.0	ML UK Non-Gilt All	0.5 ²
LDI	BlackRock	50.0	N/A	N/A
Cash		5.0		
Cash	Aberdeen Standard	5.0	SONIA	0.0
Total		100.0		

Outperformance targets are quoted net of fees

¹ These equity managers manage their portfolios on an unconstrained basis. They do have benchmarks, but are not officially measured against them. Consequently, they do not have official outperformance or tracking error targets. However, we believe it is reasonable to measure them against a target level of outperformance of 2.0% p.a. net of fees.

² Calculated by Mercer using Aberdeen Standard's 0.8% p.a. gross of fees outperformance target, and deducting the 0.3%p.a. management fee on assets less than £20m, to give a net of fees outperformance target.

The individual investment managers' mandates are set out in more detail overleaf.

4. Investment Managers

UK Equities

Manager	Fund	Expected Tracking Error	Fees
Majedie	UK Equity Service	2.0% - 6.0% p.a.	Flat fee: 0.45% on first £20m, 0.40% on next £10m Performance fee: 20% of gross return in excess of 1% above benchmark

Global Equities

Manager	Fund	Expected Tracking Error	Fees
Cantillon	Cantillon Global Value	n/a ¹	1.25% p.a.
Orbis	Orbis Global Equity Fund	Consistent with past performance (approx 10% p.a.)	Performance related from 0.5% p.a. to 2.5% p.a., depending on the three-year trailing performance against benchmark

¹ These equity managers manage their portfolios on an unconstrained basis. They do have benchmarks but are not formally measured against them. Consequently, they do not have official outperformance or tracking error targets.

4.1 Bonds

Manager	Fund	Expected Tracking Error	Fees
CQS	Credit Multi-Asset Fund	4.0% - 5.0% p.a. ¹	0.65% p.a. on the first £125m, 0.50% p.a. on the next £875m, 0.40% p.a. thereafter ²
Aberdeen Standard	Corporate Bonds	0.5% - 2.0% p.a.	0.3% p.a. for assets less than £20m, 0.25% on next £30m
BlackRock	LDI	N/A	0.10% p.a. for levered funds 0.03% p.a. for unlevered funds

¹ Estimate of absolute volatility, over a full market cycle.

² Based on assets in the overall share class. The current blended fee as at 28 February 2019 is 0.52% p.a.

Cash

Manager	Fund	Expected Tracking Error	Fees
Aberdeen Standard	Deposit & Treasury Fund	n/a	0.10% p.a.

5. Rebalancing

The Pension Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. Thus, the majority of the assets held are realisable at short notice through the sale of units in pooled funds.

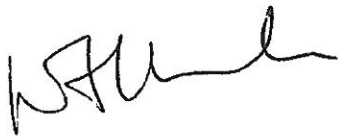
There is no formal rebalancing between managers in order to maintain the overall strategic benchmark or the allocation between the managers as set out in the table above. The Pension Trustee will use cashflows or transfers between the managers in order to maintain or move towards the desired asset allocation depending on where the Scheme is relative to its target allocation for that year.

The Pension Trustee has a formal cashflow monitoring policy which is implemented by the Investment Committee. Mercer provides cashflow and rebalancing advice prior to Investment Committee meetings based on cashflow forecasts provided on behalf of the Pension Trustee. The Investment Committee considers the advice and agrees a course of action which is signed off at each Investment Committee meeting.

6. Additional Voluntary Contributions

Scheme members have additional voluntary contribution ("AVC") investment options with the following investment managers:

The Equitable Life Assurance Company Limited
Standard Life Assurance Company Limited

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