Partnerships in Care Limited Pension and Life Assurance Plan

Statement of Investment Principles – July 2023

Introduction

The Trustees of the Partnerships in Care Limited Pension and Life Assurance Plan (‘the Plan’) have drawn up this Statement of Investment Principles (‘the Statement’) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. In preparing this Statement the Trustees have consulted Partnerships In Care Limited (‘the Employer’) on the Trustees’ investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Plan’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees’ investment consultants, Capita, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Plan’s assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Plan’s assets which is consistent with the assumptions made by the Plan’s Actuary in determining the funding of the Plan;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

The Trustees understand, following discussions with the employer, that it is willing to accept a degree of volatility in the company's contribution requirements in order to aim to reduce the long-term cost of the Plan's benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Plan. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Plan's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Plan arises as a result of a mismatch between the Plan's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Plan's liabilities.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's liabilities as well as producing more short-term volatility in the Plan's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Plan's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan.

- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Plan's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.

- The Trustees have invested in leveraged investments to achieve their desired investment objectives, including a portfolio of Liability Driven Investment funds. Collateral management is crucial in respect of any leveraged investments, and to this end the Trustees have invested in Absolute Return Bonds, Multi-Asset Credit and Diversified Growth Funds as their main collateral pool of assets.

- Environmental, Social and Governance (ESG) risks could have a material impact over the life of the Plan and the Trustee will look to manage these risks where proportionate to do so.

Should there be a material change in the Plan's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Management Remuneration

The Trustee monitors the remuneration, including incentives, that is paid to its investment managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustee carries out on a regular basis, it should ensure that this policy is in line with its investment strategy.

Investment Manager Philosophy and Engagement

The Trustee monitors the investment managers' process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond purely accountancy measures. The Trustee considers if the fund manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustee is conscious of whether the investment manager is incentivised by the agreement with the Trustee to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustee will monitor costs of buying, selling, lending and borrowing investments and will look to monitor this cost breakdown annually, as long as the investment managers provide these costs using the Cost Transparency Initiative template. The Trustee will also ensure that, where appropriate, its investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then the Trustee will monitor compliance with these targets.

Financially material considerations over the Plan's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Plan's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the

Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Plan. The Trustees recognise that this is a defined benefit plan closed to accrual and new members, with new members across a wide age range. Accordingly, the Trustees have formed the view that the appropriate time horizon of this Plan could still be over 10 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustee has elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which it invest. However, the Trustee will consider these policies in all future selections and will seek to deepen their understanding of their existing manager's policies by reviewing these at least annually. In cases where it is dissatisfied with a

manager's approach they will take this into account when reviewing them. They are also keen that their manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their manager can explain when, and by what practical methods, the manager monitors and engage with relevant persons about relevant matters in this area. They will be liaising with their manager to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their manager is a signatory of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment manager. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach over time with the help of their investment consultant. Consequently, the Trustees expect the Plan's investment manager to have effective ESG policies (including the application of voting rights) in place, and look to discuss the investment manager's ESG policies with it when the manager attends Trustee meetings.

The Trustee will monitor the voting being carried out by investment managers and custodians on it's behalf. It will do this by receiving reports from its investment managers which should include details of any significant votes cast and proxy services that have been used.

Non-financial matters, including members' views are not currently taken into account.

Investment Strategy

Given their investment objectives the Trustees have agreed to the asset allocation detailed in the table below. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset Class	Strategic Asset Allocation (%)	Control Limits % + / -
Synthetic equities	7.5	
Multi-asset credit	22.0	
Diversified growth funds	22.0	
Growth Assets:	**51.5**	5.0

Liability driven investments	42.0*	
Absolute return bonds	6.5*	
Matching Assets:	**48.5**	5.0
Total:	**100.0**	

* The investment strategy aims to hedge 100% of funded liabilities (i.e., assets) against interest and inflation rate risk, when measured on a proxy buyout basis. The split between Liability driven investments and Absolute return bonds shown above was broadly correct at time of implementation but will be allowed to drift to maintain the target level of hedging.

The Trustee will monitor the Plan's actual asset allocation periodically and subject to stated Control Limits, will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action.

Any cashflow disinvestments and investments are to be taken from the absolute return bonds allocation. The Trustee will regularly monitor the actual asset allocation and may decide to change this cash flow policy, subject to receiving the necessary advice from their investment consultant.

Further detail on the investment funds can be found in the Appendix.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, of circa 2.2% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Plan's liability value. This return is a "best estimate" of future returns that has been arrived at given the Plan's longer term asset allocation and in the light of advice from the investment consultant.

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Plan's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Platform Provider

The Trustees have appointed Mobius ('the Platform Provider') to manage all of the assets of the Plan. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustee has selected Legal & General Investment Management Limited (‘LGIM’), Newton Investment Management Limited (‘Newton’), PIMCO Limited (‘PIMCO’) and Columbia Threadneedle Investments Limited (‘CT’) as the appointed Investment Managers (‘the Investment Managers’) to manage the assets of the Plan via a single policy with Platform Provider. The Investment Managers are themselves regulated under the Financial Services and Markets Act 2000.

The Trustee has rolling contracts with their investment managers.

The Trustee monitors the performance of their investment managers on a quarterly basis. This monitoring is contained in a report provided by their advisors.

The Trustee has set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Compliance with Myners’ Principles

‘In October 2008 the Government published the results of its consultation on revisions to the Myners’ Principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance.

The Trustees believe that they comply with the spirit of the Myners’ Principles. There may be some instances of deviation from the published ‘Best Practice Guidance’ on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees’ policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Platform Provider is paid a management fee on the basis of assets under management which includes the underlying investment manager’s management fees. The Trustee has agreed for the fees related to the Columbia Threadneedle Real Dynamic and Nominal Dynamic LDI Funds to be paid by the encashment of units held in the LGIM Absolute Return Bond Fund. The investment consultant is paid on a fixed fee basis for providing ‘core services’. The Trustee can also request that Capita undertake ‘out-of-scope’ projects, which may be undertake on a fixed fee or time-cost basis - as agreed between the Trustee and Capita.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Trustee

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Date

For and on behalf of the Trustees of the Partnerships in Care Limited Pension and Life Assurance Plan

Appendix – Investment Mandates

The Trustees have selected the Investment Managers to manage the assets of the Plan via the Platform Provider. The Investment Managers and the Platform Provider are regulated under the Financial Services and Markets Act 2000. The Investment Managers' mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %	Control Limits % +/-
Return-seeking Asset Types				**51.5**	**5.0**
Synthetic Equities	LGIM	Synthetic Leveraged Equity Fund	Passive	10.0	
Multi-Asset Credit	PIMCO	GIS Income Fund	Active	22.0	
Diversified Growth	Newton	Real Return Fund	Active	22.0	
Matching Asset Types*				**48.5**	**5.0**
Liability Driven Investment – Real	CT	Real Dynamic LDI	Passive (Mechanistic)	42.0	
Liability Driven Investment – Nominal	CT	Nominal Dynamic LDI	Passive (Mechanistic)		
Absolute Return Bonds	LGIM	Absolute Return Bond Fund	Active	6.5	
Total				**100.0**	

* The investment strategy aims to hedge 100% of funded liabilities (i.e., assets) against interest and inflation rate risk, when measured on a proxy buyout basis. The split between liability driven investments and absolute return bonds shown above was broadly correct at time of implementation but will be allowed to drift to maintain the target level of hedging.