

Benenden Healthcare Pension Plan

Defined Contribution Section

Statement of Investment Principles – September 2020

Introduction

The Trustees of the Benenden Healthcare Pension 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, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. 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 Benenden Healthcare Society Limited (the “Employer”) on the Trustees’ investment principles.

Governance

The Trustees of the Plan 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 written advice. The Trustees’ investment consultants, Capita Employee Benefits, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience.

Defined Contribution

The details of the Defined Contribution investment arrangements are set out in the Appendix.

Investment Objectives

The Trustees recognise that their ultimate objective is to best ensure that members of the Plan are able to retire on a reasonable level of benefits taking into account the contributions paid into their individual accounts and the timescale over which those contributions were paid. To this end, the

Trustees have in place investment options that they believe will achieve good returns consistent with the level of risk chosen by the member.

Investment Strategy

The Trustees will offer a sufficient fund range to satisfy the risk and return combinations reasonable for most members.

To this end, the Trustees have in place a range of investment options that they believe will allow members to strike appropriate balances between long term needs for capital growth and shorter term volatility of returns, especially in the period approaching retirement.

The Trustees have designated a Default Lifestyle Strategy (see Appendix) for members who do not wish to make their own investment choices. A Lifestyle investment strategy is an automated switch facility allowing members to pre-select an investment strategy, which will move their accrued funds into lower risk investments as retirement approaches.

The Trustees have selected a range of self-select funds (see Appendix) that members who do not want to follow the default lifestyle arrangement can opt in to.

The Default Lifestyle Strategy will be used as the default option to which a member's and the Employer's contributions will be applied. The default is used in the event that a member fails to positively make an investment decision.

Investment Mandates

The Trustees have appointed Legal & General Investment Management (the "Investment Manager") to manage the Defined Contribution assets of the Plan. The Investment Manager 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 Investment Manager via a written agreement, including the realisation of investments.

The Trustees have a rolling contract with their investment manager.

The Trustees monitor the performance of their investment manager on a quarterly basis. This monitoring is contained in a report provided by their advisors.

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

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to their investment manager 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 Trustees carry out on a regular basis, they ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the investment manager's 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 Trustees consider 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 Trustees are conscious of whether the investment manager is incentivised by the agreement with the Trustees 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 Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, with the investment manager expected to provide these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their investment manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then they will monitor compliance with these targets.

Environmental, Social and Governance (“ESG”) Considerations

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 DC scheme with a wide variety of members across different ages and risk profiles. Consequently the Trustees believe that, so long as the DC Plan remains open and the main vehicle for auto-enrolment an appropriate time horizon for the Plan could be long, potentially over 25 years for some members, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in passive pooled funds at one manager 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 they invest (especially where assets are managed passively). However, the Trustees will consider the manager policies in all future selections and will deepen their understanding of their existing manager policies by reviewing these at least annually. The Trustees will also seek to understand what other options might be available at their managers and in the wider market. In cases where they are dissatisfied with a managers' approach they will take this into account when reviewing them. They are also keen that all their managers are signatories 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 engages with relevant persons about relevant matters in this area. They will be liaising with them to obtain details of 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.

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 periodically with the help of their investment consultants, where required. 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 them when the manager attends Trustee meetings.

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

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 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 policy 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 Investment Manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan.

- The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.
- The Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return. For this reason and to reduce management costs investments are predominantly managed passively towards the end of the lifestyle arrangement. However, where passive management is not possible or where the Trustees believe that this risk may be outweighed by the potential gains from successful active management, actively managed funds may be used.

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

The Trustees will monitor the voting being carried out by their investment manager and custodians on their behalf. They will do this by receiving reports from their investment manager which should include details of any significant votes cast and proxy services that have been used.

Additional Voluntary Contributions (“AVCs”)

The Plan provides a facility for members of the Plan to pay AVCs into the selected range of L&G funds. The AVC arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and that the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

Compliance with Myners Principles

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 Trustee believes this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any 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 investment managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

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.

Colin Richardson

Date: 25 SEPTEMBER 2020

The Trustees of the Benenden Healthcare Pension Plan

Appendix – DC Investment Arrangements

Default Lifestyle Strategy

A summary of the Default Lifestyle Strategy is as follows:

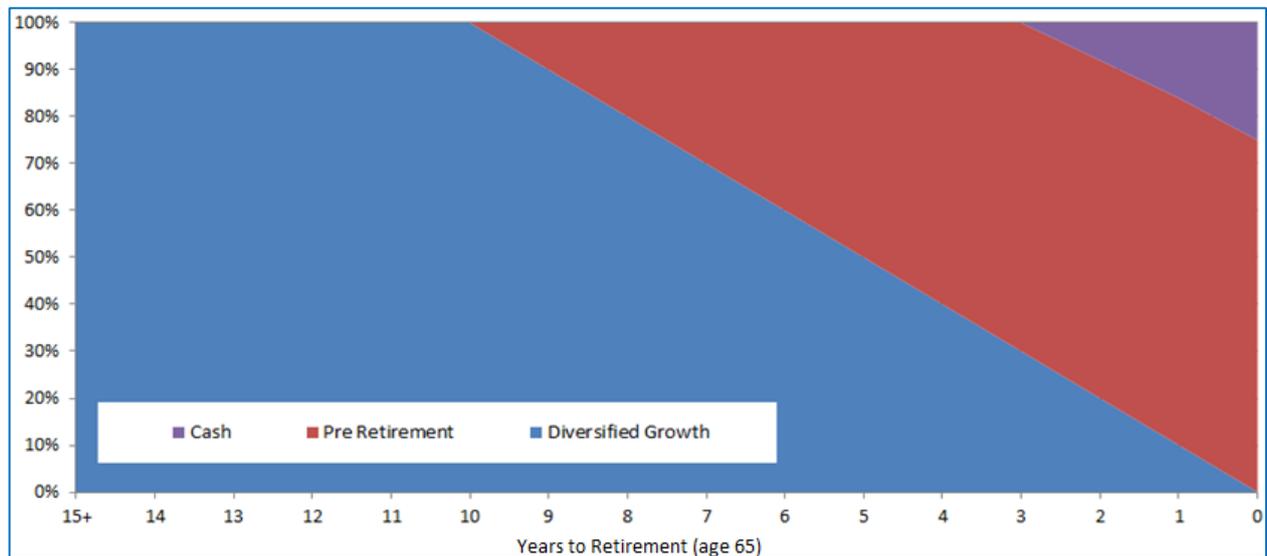
	Growth Phase	Consolidation Phase
Primary Objective	To maximise returns over the long term at an acceptable level of risk.	To manage conversion risk by progressively switching from growth phase into annuity and cash matching assets.
Purpose	To manage returns at an acceptable level of risk. To reduce the effects of potential severe economic shocks.	To transition the assets from the pre-lifestyle investment programme and secure the value of a fixed retirement income. To reduce the probability of severe losses close to retirement.
Funds	L&G Diversified Fund L&G Pre-Retirement Fund L&G Cash Fund	
Lifestyling	The Default Lifestyle arrangement has been designed to automatically and progressively de-risk members' portfolios as the members approach retirement	
Switching Period	10 Years	
Growth Phase – Balanced Growth Fund	Fund L&G Diversified Fund	Allocation 100%
Consolidation Phase	Switch to: L&G Pre-Retirement Fund L&G Cash Fund	75.0% 25.0%

The self-select range of funds offered to members is as follows:

Asset class	Fund Name	Benchmark	Performance Target
Global Equities	L&G Global Equity Fixed Weights 50:50 Index Fund (Passive)	Composite benchmark based on 50% FTSE All-Share Index and 50% Composite World Index (ex UK)	To track the total return of the benchmark index.
Global Equities	L&G Ethical Global Equity Fund	FTSE4Good Global Equity Index	To track the performance of the FTSE4Good Global Equity Index (less withholding tax if applicable) to within +/-0.5% p.a. for two years out of three.
Multi-asset (Balanced)	L&G Consensus Index Fund (Passive)	Composite	The Fund aims to maintain an asset distribution close to that of the CAPS Pooled Fund Balanced Funds Survey (excluding Property), with the aim of delivering long-term performance which is close to that of the average fund.
Multi-asset	L&G Diversified Fund (Passive)	Composite	Long-term expected annualised rate of return similar to that of a developed market equity fund.
Corporate Bonds	L&G Active Corporate Bond – All Stocks – Fund (Active)	Markit iBoxx £ Non-Gilt Index	The Fund aims to exceed the benchmark by 0.75% p.a. (before fees) over a three year rolling period.
Long-dated gilts	L&G Over 15 Year Gilts Index Fund (Passive)	FTSE A British Government Over 15 Years Gilt Index	To track the total return of the benchmark index.
Long-dated index-linked gilts	L&G Over 5 Year Index-Linked Gilts Index Fund (Passive)	FTSE A Index-Linked (Over 5 Year) Index	To track the total return of the benchmark index.
Cash	L&G Cash Fund (Active)	CAPS Pooled Pension Fund Cash Median / 7 Day LIBID	To match the median return of similar cash funds without incurring excessive risk.

Default Lifestyle Arrangement

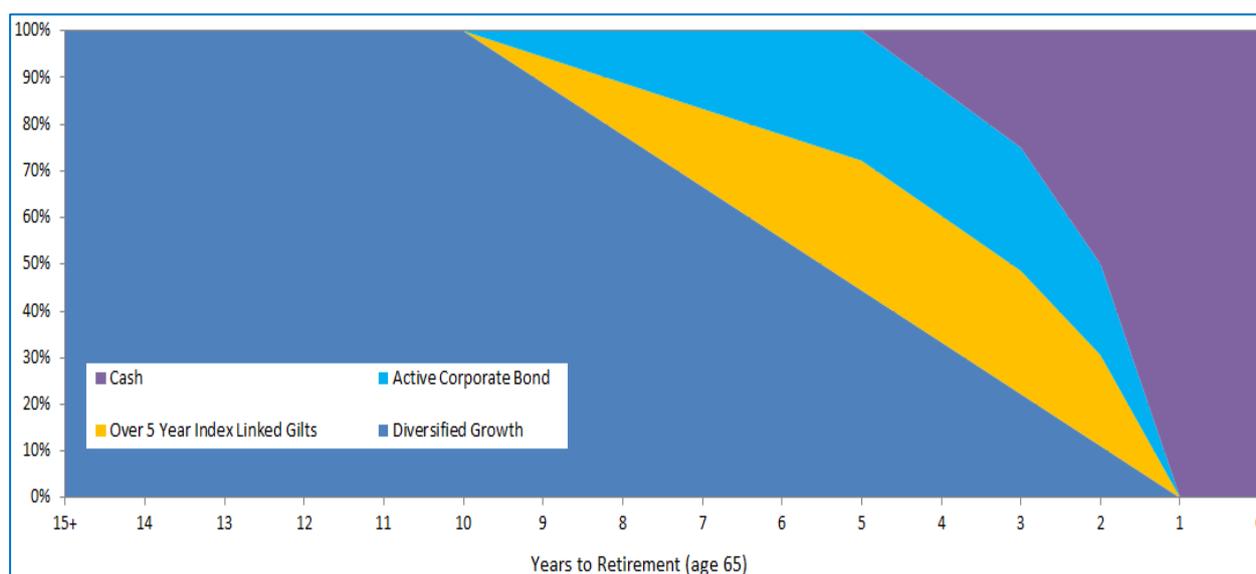
Fund / Years to Retirement	10	9	8	7	6	5	4	3	2	1	0
L&G Diversified Fund (%)	100.0	90.0	80.0	70.0	60.0	50.0	40.0	30.0	20.0	10.0	-
L&G Pre-Retirement Fund (%)	-	10.0	20.0	30.0	40.0	50.0	60.0	70.0	72.0	74.0	75.0
L&G Cash Fund (%)	-	-	-	-	-	-	-	-	8.0	16.0	25.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Fund	Investment Approach	Benchmark	Fund Manager
L&G Diversified Fund	Passive/Active	Long-term expected annualised rate of return similar to that of a developed market equity fund	Legal & General
L&G Pre-Retirement Fund	Passive/Active	Composite	Legal & General
L&G Cash Fund	Active	7 day LIBID	Legal & General

Alternative Lifestyle Arrangement - Encashment

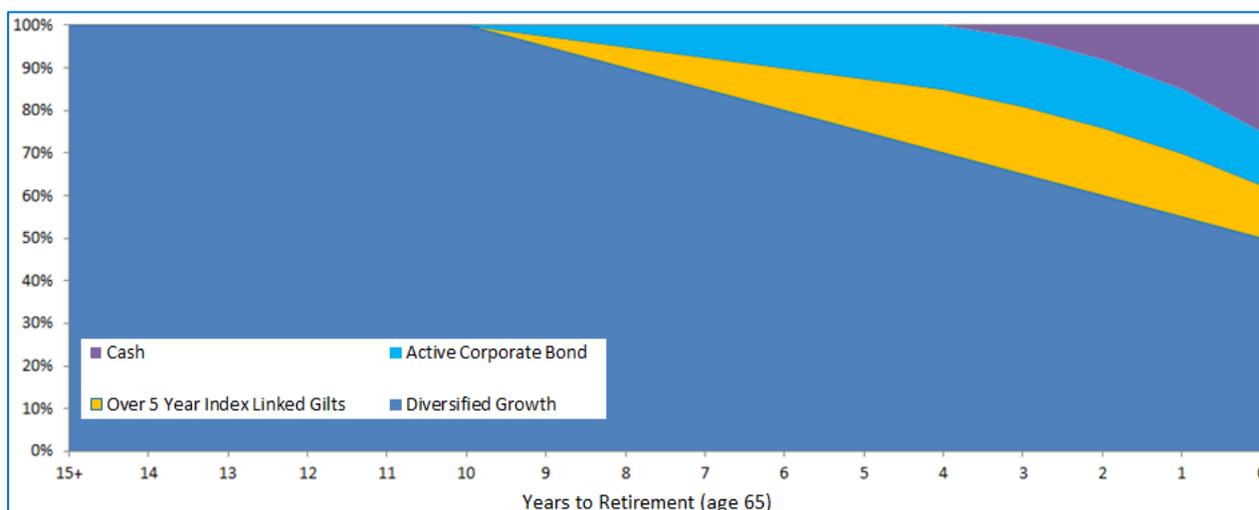
Fund / Years to Retirement	10	9	8	7	6	5	4	3	2	1	0
L&G Diversified Fund (%)	100.0	88.0	77.0	66.0	55.0	44.0	32.50	22.0	11.0	-	-
L&G Active Corporate Bonds (%)	-	6.0	12.5	17.0	22.5	28.0	27.5	26.5	19.5	-	-
L&G Over 5 Year Gilt Fund (%)	-	6.0	12.5	17.0	22.5	28.0	27.5	26.5	19.5	-	-
L&G Cash Fund (%)	-	-	-	-	-	-	12.50	25.0	50.0	100.0	100.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Fund	Investment Approach	Benchmark	Fund Manager
L&G Diversified Fund	Passive/ Active	Long-term expected annualised rate of return similar to that of a developed market equity fund	Legal & General
L&G Active Corporate Bond - All Stocks - Fund	Active	Markit iBoxx £ Non-Gilt Index	Legal & General
L&G Over 5 Year Index-Linked Gilts Index Fund	Passive	FTSE A Index-Linked (Over 5 Year) Index	Legal & General
L&G Cash Fund	Active	7 day LIBID	Legal & General

Alternative Lifestyle Arrangement – Continued Investment (Flexible)

Fund / Years to Retirement	10	9	8	7	6	5	4	3	2	1	0
L&G Diversified Fund (%)	100.0	95.0	90.0	85.0	80.0	75.0	70.0	65.0	60.0	55.0	50.0
L&G Active Corporate Bonds (%)	-	2.5	5.0	7.5	10.0	12.5	15.0	16.0	16.0	15.0	12.5
L&G Over 5 Year Gilt Fund (%)	-	2.5	5.0	7.5	10.0	12.5	15.0	16.0	16.0	15.0	12.5
L&G Cash Fund (%)	-	-	-	-	-	-	-	3.0	8.0	15.0	25.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Fund	Investment Approach	Benchmark	Fund Manager
L&G Diversified Fund	Passive/ Active	Long-term expected annualised rate of return similar to that of a developed market equity fund	Legal & General
L&G Active Corporate Bond - All Stocks - Fund	Active	Markit iBoxx £ Non-Gilt Index	Legal & General
L&G Over 5 Year Index-Linked Gilts Index Fund	Passive	FTSE A Index-Linked (Over 5 Year) Index	Legal & General
L&G Cash Fund	Active	7 day LIBID	Legal & General

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