

Erskine Hospital Limited Retirement Benefits Scheme (the “Scheme”)

Statement of Investment Principles

Background

This Investment Statement sets out the principles governing decisions about investments for the Erskine Hospital Limited Retirement Benefits Scheme (“the Scheme”) to meet the requirements of The Pensions Act 1995, as amended by the Pensions Act 2004, and The Occupational Pension Schemes (Investment) Regulations 2005. It is subject to periodic review by the Trustees at least every three years and more frequently as appropriate.

The Scheme’s investment strategy is derived from the Trustees’ investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

In preparing this Statement, the Trustees have consulted with the principal employer (Erskine Veterans Charity) and have taken professional advice from their Investment Consultant (Isio Group Ltd/Isio Services Ltd (‘Isio’)).

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees’ investment adviser, Isio, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment adviser’s remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Scheme has purchased two bulk annuity policies to reduce risk. The policies are held as assets of the Scheme by the Trustees. After taking specialist advice, receiving a number of competitive insurance quotations, considering the credit worthiness of all bidders, and consulting with the Sponsor, the Trustees agreed to purchase the bulk purchase annuity policies from Legal & General.

Investment objective

The primary objective of the Scheme is to provide pension and lump sum benefits for the current members on their retirement, and/or benefits on death, before or after retirement for their dependents, on a defined benefit basis.

The investment strategy aims to achieve a return on Scheme assets which, taken in conjunction with contributions, is sufficient, over time, to match growth in the Scheme’s pension liabilities. The Scheme’s present investment objective is to achieve a return of around 1.0% p.a. (based on Isio’s central assumptions as at 30 June 2025) above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme’s liabilities). Further detail on the expected return on investments is provided in Appendix A.

The Trustees' medium term objective is to reach and maintain a funding position of 100% of technical provisions – such a target being consistent with the strength of the employer covenant and the Trustees' investment risk tolerance.

The Trustees also consider the Scheme's funding position on other relevant bases for valuation and accounting. Funding positions are monitored regularly by the Trustees and formally reviewed at each triennial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustees take a holistic approach to considering and managing risks when formulating the Scheme's investment strategy. The remainder of this Statement refers solely to the investments held outside the buy-in policies, unless explicitly stated otherwise.

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustees consider the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Leverage and collateral management

The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio.

The Trustees have a stated collateral management policy / framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this policy / framework on a regular basis.

Further details on this can be found in Appendix D.

Investment Management Arrangements

The Trustees have appointed one investment manager to manage the assets of the Scheme as listed in this Statement. 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. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;

- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take the investment manager's policies into account when selecting and monitoring the manager. The Trustees also take into account the performance targets the investment manager is evaluated on. The investment manager is expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment manager and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment manager.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustees receive a semi-annual performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment adviser on the investment managers' approaches to engagement. Further information is provided in Appendix C.	• The manager has not acted in accordance with their policies and frameworks.

Through the engagement described above, the Trustees will work with the investment manager to improve their alignment with the above policies. Where sufficient improvement is not observed, the

Trustees will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Signed:..... Jennifer Doran

Date:..... 03/11/2025

Signed for and on behalf of the Trustees of the Erskine Hospital Limited Retirement Benefits Scheme

Appendix A

Manager split by asset class

Investment Manager	Asset Class	Strategic Benchmark (%)	Manager Benchmark	Manager Objective	Expected Return ¹ (%)
LGIM	Absolute Return Bonds	56	ICE BofA SONIA 3-month Constant Maturity Total Return Index	Benchmark + 1.5% p.a. gross of fees	1.5
	Corporate Bonds	9	Markit iBoxx GBP Non-Gilts 10 Year +	To outperform by 0.75% p.a.	0.7
	Liability Driven Investment	35	Match a liability benchmark based on the underlying funds which have been selected to track a proportion of the movement of the Scheme's liabilities	-	-
	Total	100	-		1.0

¹ Expected return assumptions quoted relative to Gilts and based on Isio's central assumptions as at 30 June 2025.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	- Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. - Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	- Funding risk is considered as part of the investment strategy review and the actuarial valuation. - The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of the impact of interest rate and inflation risk on the value of the Scheme's liabilities (on a gilts basis) whilst ensuring compliance with all regulatory guidance in relation to leverage and collateral management.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.

		To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory (or equivalent) The Trustees monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	- The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. - The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. - The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.	- The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. - The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. - Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	- The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. - At present, the Scheme invests solely in open ended funds. The duration of these mandates is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy - How the Trustees expect investment managers to vote on their behalf	The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	- The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. - The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

	• Example stewardship activities that the Trustees have considered are listed below. ○ Selecting and appointing asset managers – the Trustees will consider potential managers’ stewardship policies and activities ○ Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustees’ investment decision making • Collaborative investor initiatives – the Trustees will consider joining/ supporting collaborative investor initiatives
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Appendix D

Collateral management policy

At the time of writing, the Trustees are targeting a level of collateral over and above that within the Scheme's LDI funds that is sufficient to withstand (at least) one collateral call from each of the Scheme's LDI funds.

The Trustees will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The Scheme has a collateral waterfall system in place whereby any capital calls by leveraged LDI funds are met by selling assets in the fund noted below. Should the assets held in this fund be insufficient to meet the required top up amount, the Scheme's level of hedging will be reduced.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	LDI	Weekly frequency	T - 2	T + 2
LDI manager	Absolute Return Bonds	Daily frequency	T - 1	T + 2