

Care UK LG Pension Scheme

Statement of Investment Principles

September 2025

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Care UK LG Pension Scheme ('the Scheme').

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e., that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995,
- Section 244 of the Pensions Act 2004,
- The Occupational Pension Scheme (Investment) Regulations 2005,
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

A copy of this Statement will be made available to Scheme members on request to the Trustees and online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees. The Trustees' investment powers are set out in Rule 16 of the Scheme's Rules, dated 1 January 2002. The powers granted to the Trustees under this Rule are wide and this Statement is consistent with those powers.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited ('Broadstone'), their appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation, and is authorised and regulated by the Financial Conduct Authority (FCA).

The Trustees have also consulted the Principal Employer, Care UK Community Partnerships Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

3 Investment Objectives

In determining their investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme. They have determined that it is reasonable to take a long-term view in determining their investment objectives and strategy.

The Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer, and members, as it determines the Scheme's funding requirements and members' long-term benefit security.

In addition, the Trustees have agreed that the funding position measured under an estimated solvency funding basis will be considered in setting the investment objectives and strategy.

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To use the investment strategy to constrain volatility in the Scheme's funding position, subject to meeting the above return objective.

The Trustees will also have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

The Trustees have appointed Insight Investment Management ('Insight', 'the Investment Manager') to undertake the day-to-day investment management of the Scheme's assets backing defined benefits.

The Trustees' policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may also:</p> <ul style="list-style-type: none"> • Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. • Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.
Balance of Investments	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities, or relevant regulations governing pension scheme investment.</p> <p>The Trustees have agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees' risk appetite changes and the Scheme matures.</p>

Policy

Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.
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Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation, as well as the Target Hedging Ratios. The Trustees monitor the asset allocation and hedging ratios on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should these move significantly away from target.
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Employer Related Investments	Neither the Trustees nor the Investment Manager directly hold any employer-related investments.
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Details of the investment strategy are set out in the Appendix to this Statement.

5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, XPS Administration Limited, and advisers, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

Investments and disinvestments required in connection with the Scheme's cashflow management will be made to maintain the Target Asset Allocation and Target Hedging Ratios, as far as possible.

6 Expected Returns

The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated on an estimated solvency funding basis.

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Corporate bonds	In excess of the yield available on a comparable portfolio of UK government bonds ('gilts'), to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
Government bonds	In line with the market yields available on the relevant underlying securities, assuming that those investments are held to redemption.

7 Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, duration mismatch risk, default risk, concentration risk, manager risk, and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant.

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's liabilities calculated on an estimated solvency funding basis.

The calculation of the Scheme's liabilities on the estimated solvency funding basis use assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the liabilities are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's estimated solvency liabilities.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and bonds in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a range of asset classes through the funds and strategies they use, and consider the Scheme's strategy to be sufficiently diversified.

The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors, to ensure that operating procedures and risk controls remain appropriate.

Safekeeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by them.

The Trustees have considered the security of the Scheme's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as responsible asset owners.

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

The Trustees' policies in respect of responsible investment are set out below:

Policy

Financially Material Considerations

The Trustees recognise that Environmental, Social, and Governance (ESG) issues can and will have a material impact on the companies, governments, and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

Policy

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the Investment Manager on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Non-Financially Material Considerations

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Manager, when exercising discretion in investment decision-making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

Engagement and Voting Rights

The Trustees' voting and engagement policy is to use their investments to improve the ESG behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, and poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments, and is in the members' best interests.

The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf, and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager.

Capital Structure of Underlying Companies

Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	ESG Views
Corporate bonds	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the Investment Manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect the Investment Manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Government bonds	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset classes because of the nature of the securities.

10 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, whilst also setting out a process for their management.

11 Duration of Investment Arrangements

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the Investment Manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

12 Incentivisation of Investment Manager

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, investment manager(s) and funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

13 Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager is able to provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

14 Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager.

The Trustees receive regular valuations from the Investment Manager and meet with their representatives periodically to review their investment performance and processes. The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise the manager has had in meeting its objectives, both financial and non-financial.

The Trustees will consider on a regular basis whether or not the Investment Manager remains appropriate to continue to manage the Scheme's investments.

The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

15 Review of Statement

The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.

Trustee approved

On behalf of the Trustees of the Care UK LG Pension Scheme

Date: 21 November 2025

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme's invested assets is as follows:

Asset Class	Target Asset Allocation
Protection Assets	
<i>Corporate bonds</i>	
Insight Long Dated Buy and Maintain Bond Fund	43.0%
<i>Government bonds</i>	
Insight Fully Funded Gilt Funds	57.0%
Insight Fully Funded Index-Linked Gilt Funds	
Total Asset Allocation	100.0%

The balance of assets invested within the funds forming the hedging solution can be expected to vary over time, as market conditions and levels of hedging exposure provided by the funds change. The target is indicative only and the underlying objective for these assets will be to maintain the Target Hedging Ratios (shown below), which aim to protect the Scheme against changes in long-term interest rates and inflation expectations. Maintaining the Target Hedging Ratios will take precedence over maintaining the asset allocation close to the Target Asset Allocation.

A.2 Investment Manager

The Trustees entered into contracts with Insight in December 2019. Insight undertakes day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

A.3 Target Hedging Ratios

The Insight corporate bond, gilt, and index-linked gilt funds used within the Scheme's hedging solution provide the Scheme's hedging exposure.

The Target Hedging Ratios, set relative to the value of the total liabilities calculated on an estimated solvency funding basis, are as follows:

	Target Hedging Ratio
Interest rate risk	100%
Inflation risk	100%

A.4 Fund Performance Benchmarks and Objectives

The corporate bond fund is actively managed and has an objective to deliver a return above government bonds of similar maturity with relatively low levels of volatility, by largely investing in a range of investment grade corporate bonds. The fund does not have a formal benchmark. The fund also has the objective to generate sustainable investment income, paid to the Trustees' bank account quarterly, to help support benefit outgo.

The government bond funds have the objective of jointly providing the target level of hedging against the interest rate risk (in conjunction with any hedging exposure provided by the corporate bond fund) and inflation risk associated with the Scheme's liabilities calculated on the estimated solvency basis, aligned with the Scheme's Target Hedging Ratios in place from time to time. The practical method of implementing this level of hedging is delegated to the Investment Manager, with the expectation that Insight will choose the most cost-effective method.

A.5 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
Insight Long Dated Buy and Maintain Bond Fund	0.15% p.a.
Insight Fully Funded Gilt Funds	0.05% p.a.
Insight Fully Funded Index-Linked Gilt Funds	0.05% p.a.