PENSION AND LIFE ASSURANCE PLAN OF THE ROYAL COLLEGE OF GENERAL PRACTITIONERS

STATEMENT OF INVESTMENT PRINCIPLES

DECEMBER 2023

1. INTRODUCTION

RCGP Superannuation Fund Trust Company Limited ("the Trustee") as trustee of the Pension and Life Assurance Plan of the Royal College of General Practitioners (the "Plan") has adopted this Statement of Investment Principles ("the Statement") to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

When making their investment decisions and reviewing this Statement, the Trustee obtained and considered the written advice of Cartwright Benefit Solutions Limited, whom the Trustee reasonably believes to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustee.

Whilst the Trustee is solely responsible for the Plan's investment strategy, the Trustee consulted the Royal College of General Practitioners (the "Employer") on both the investment decisions taken by the Trustee and this Statement's content.

2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustee is to ensure that the Plan will be able to pay all members' benefits in full as and when they fall due, taking into account the existing assets, the investment returns expected to be achieved, and the contributions from the Employer.

To increase the certainty of achieving the primary investment objective, the Trustee will aim to reduce the Plan's investment risk where possible and practical to do so, subject to still targeting sufficient investment returns. The Trustee has a framework in place to consider such action, details of which are set out in a Trigger Governance Framework document. The level of investment risk will also be considered in the context of the ability and willingness of the Employer to support the investment risk being taken and the impact changes in financial market conditions may have on the Employer's future contribution requirements.

The Trustee understands that the Employer is willing to accept some volatility in the Employer's contribution requirements in the expectation that the total contributions payable would be lower than

they otherwise would be (although in practice the actual contributions required could be much higher or much lower if the investments perform differently to expected).

3. INVESTMENT STRATEGY

The Trustee's investment strategy for the Plan is described in the Appendix. The key considerations when designing it were as follows.

(a) The Plan's "growth assets" are chosen such that they are expected to grow by more than the Plan's liabilities over the longer-term, and are highly diversified by asset class, geographical area, industry sector and company.

(b) The Plan's "protection assets" are chosen such that they are expected to move similarly to the Plan's liabilities over both the shorter- and the longer-term, thereby reducing the potential volatility of the Plan's deficit (ie the difference between the Plan's liabilities and the Plan's assets).

(c) The split between growth assets and protection assets is such that the overall longer-term expected investment return (net of costs) is sufficient to reasonably anticipate all members' benefits to be paid in full. However, this is subject to the Plan's overall investment risk and deficit volatility continuing to be supported by the strength of the Employer's covenant.

(d) Overall, the Plan's assets should be sufficiently liquid to enable members' benefits to be paid as and when they fall due.

4. RISK MEASUREMENT AND MANAGEMENT

The Trustee regularly reviews a wide range of risks to which the Plan is exposed and mitigates these risks where possible and practical to so. The Trustee believes that the investment strategy adopted is consistent with the agreed risk management policy.

The Trustee's policies on the key investment-related risks are as follows:

- Employer covenant: the investment risk taken by the Plan is underwritten by the Employer because, should investment returns not be achieved as expected over the longer-term, the Employer will ultimately be required to increase its contributions to enable all members' benefits to be paid in full. The Trustee regularly monitors the Employer's covenant and considers the level of the Plan's investment risk in light of the strength of the Employer's covenant.

- Mismatch risk: the inherent nature of the assets and the liabilities, and the need for the Plan to take some investment risk to reduce the deficit over time, means that the assets and liabilities are not expected to move in tandem under all financial market conditions and the surplus/deficit may rise or fall as a result. The Trustee explicitly takes the Plan's liabilities into account when setting the investment strategy (including their nature and duration) and aims to diversify across and within the different risk factors; for example, interest rates, inflation expectations, equities, diversified growth, property. The Trustee will look to reduce the level of mismatch risk as the funding level improves.

- Active manager risk: the Trustee recognises that actively managed funds can under- or out-perform their benchmark indices. Actively managed funds are therefore used for asset classes where the Trustee believes that the chosen investment manager is likely to consistently and sustainably either out-perform the benchmark index, reduce the volatility of investment returns, or both.

- Diversification: in addition to diversifying across different risk factors (see above), where appropriate, the Trustee also diversifies across asset classes, counter-parties, and geographically. This helps to avoid excessive concentrations of risk. To achieve cost-effective diversification, the Plan's assets are all invested in pooled funds.

- Liquidity: to pay members' benefits, the Trustee is increasingly expected to need to regularly liquidate some of the invested assets to supplement any cash held in the Trustee's bank account. Some asset classes (such as property) can be relatively illiquid and so there can be long delays before the cash proceeds become available. The Trustee regularly reviews the Plan's income and outgo in the context of the overall liquidity of the invested assets (ie this allows a proportion of the Plan's assets to be relatively illiquid). The Trustee also has a default investment/disinvestment cash flow policy (see the Appendix) in place to help to ensure members' benefits are paid as and when they are due. The selection, retention and realisation of investments within each investment fund is delegated to the relevant investment manager.

- Derivatives: derivatives tend to involve leverage to magnify the exposure to certain financial instruments. All the derivatives used by the Plan either contribute to the reduction of risk or are used for efficient portfolio management. The diversified derivative counter-party exposure is delegated to, and kept under regular review by, each investment manager.

- Regulatory: the Plan's assets are invested predominantly on regulated markets.

5. MONITORING THE INVESTMENT STRATEGY

The Trustee regularly reviews the performance of the investment strategy, including: the performance of the Plan's assets against the Plan's liabilities, the actual asset allocation against the strategic asset allocation, each investment funds' performance against its benchmark index, and the investment/disinvestment cash flow policy.

The Trustees require investment managers to report on the turnover of securities within invested portfolios and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable, taking account of the nature of the fund concerned.

The Trustee will formally review and obtain written investment advice on the suitability of the investment strategy at least every three years in line with the timing of each triennial actuarial valuation. These reviews will include the ongoing suitability of the retention of the investment funds used.

Certain parts of the investment strategy may be reviewed more frequently if required, for example the investment/disinvestment cash flow policy.

6. FEE STRUCTURES

The investment managers are each paid a percentage of the market value of the assets within their fund(s). The investment platform provider is paid a percentage of the assets on its platform. No additional performance fees are payable. Some operational expenses are also incurred by each fund to cover administration, audit, legal and custodial costs, along with the transaction costs associated with the buying and selling of the underlying securities as the investment manager changes the constituents of the fund over time (particularly for actively managed funds).

The investment adviser is paid on a time-cost or fixed fee basis, as agreed from time-to-time between the Trustee and the investment adviser.

7. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ('ESG')

The Trustee believes that its primary responsibility is to invest the Plan's assets in the longer-term financial best interests of the Plan's members, as reflected by the Trustee's strategic investment objectives (including the Plan's time horizon). The Trustee believes that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Plan.

The Employer has set its own ethical investment policy and the Trustee will take this into account when making investment decisions for the Plan. The Trustee believes that this will help (or more particularly, not hinder) the strength of the long-term Employer covenant.

The Trustee will seek to ensure that the Plan's investments are aligned with the Employer's ethical investment policy as far as practicable. However, in practice the Plan invests exclusively in pooled funds, shared with other investors, and as such it is not possible for the Trustee to impose constraints on the investment policy of pooled funds.

The Trustee will assess, at the point of appointment, how likely it is that a prospective new fund investment may conflict with the Employer's ethical investment policy. It is accepted, however, that the fund manager would not be constrained to comply with any specific restrictions. In this sense, the Employer's ethical investment policy will be an "aspirational target" rather than a strict requirement.

The Plan's investment funds are chosen to aim to achieve the Plan's strategic investment objectives, with consideration given to ESG factors over the Plan's investment time horizon when these fund choices are both made and reviewed from time-to-time. The Trustee understands that ESG factors are more important for some asset classes than others, and so for example the Trustee expects to spend more time on growth assets than on UK government bonds or LDI, and spend more time on actively managed funds than on index-tracking funds. The Trustee is aware of and regularly monitors the Plan's investment time horizon. This means that the Trustee is able to take a long-term view of the Plan's investments when assessing managers' performance and/or asset allocation.

The Plan's investment funds are deliberately and consciously chosen to align with the Plan's strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Plan's investment funds are taken into account to ensure that these are also consistent with the Plan's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

A key element of the selection of the Plan's investment funds is the Trustee's assessment of the likelihood of each investment fund achieving its performance target on a medium/long term and sustainable basis, which is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long term performance on financial measures.

The Trustee also believes that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.

An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance.

The Trustee measures and monitors the performance versus target of all their investment funds on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of

the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered. The portfolio turnover costs will be part of the after fees fund performance and are therefore reflected in that figure.

The Trustee's intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustee believes that an investment fund can no longer achieve its performance target, and believe that it is in the Plan's best interests to make a change, they will do so.

Due to the Trustee's use of pooled investment funds, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are ultimately delegated to each investment manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard.

The Trustee periodically obtains and reviews the relevant ESG and Stewardship policy documents for each pooled investment fund in which it has invested. When relevant, the Trustee will challenge the investment manager on their policies. Should the Trustee be dissatisfied with the response, it will take the approach that is believed to be in the best interests of the Plan's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustee's expectations with regard to ESG and Stewardship policy.

The Trustee does not explicitly take into account the views of the Plan's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Plan's beneficiaries.

8. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Some members have obtained further benefits by paying Additional Voluntary Contributions ("AVCs") to the Plan's Standard Life AVC policy. The AVCs are money purchase in nature, ie the liabilities in respect of these AVCs are equal to the value of the investments bought with the contributions. The AVC facility ceased to accept further contributions with effect from 30 June 2006, when the Plan ceased to all future accrual.

9. FUTURE REVIEW

The Trustee will review this Statement:-

(a) At least every three years, and

(b) Without delay after any significant change in investment policy.

Any such review will be based on written investment advice from someone whom the Trustee reasonably believes to be qualified by his or her ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. The Employer will also be consulted.

Signed: Ian Wilson Date: 11 January 2024

For and on behalf of the Directors of the RCGP Superannuation Fund Trust Company Limited, as Trustee of the Pension and Life Assurance Plan of the Royal College of General Practitioners

APPENDIX – OVERVIEW OF THE PLAN’S INVESTMENT STRATEGY

The Trustee has adopted the investment strategy described below, which consists of a strategic asset allocation, interest rate and inflation hedge ratios, an investment/disinvestment cash flow policy and a de-risking (‘trigger’) framework. The Trustee subsequently selected which investment manager and funds are used to implement each asset class – all the investment managers are regulated under the Financial Services and Markets Act 2000.

The Trustee has chosen Mobius Life Limited as the Plan’s execution only investment platform provider to hold the funds listed below and to help to streamline the Plan’s investment administration. Mobius Life Limited is authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

Asset class	Investment manager	Investment fund	Management style	Strategic asset allocation after activation of trigger 2	Range
Global equities	Legal and General Investment Management	MSCI World SRI Index	Passive	15%	± 5%
Diversified growth	BNY Mellon Investment Management	Global Dynamic Bond Fund	Active	19%	± 5%
	BNY Mellon Investment Management	Sustainable Global Dynamic Bond Fund	Active		
	M&G	Total Return Credit Fund	Active	19%	± 5%
	M&G	Sustainable Total Return Credit Fund	Active		
	Legal and General Investment Management	Dynamic Diversified Fund	Active	5%	± 5%
Private markets	Partners Group	Generation Fund	Active	3%	± 3%
Growth assets				**61%**	± 10%
Dynamic LDI	Columbia Threadneedle	Nominal Dynamic LDI Fund	Mechanistic	25%	N/A (see note 4)
		Short-Profile Real Dynamic LDI Fund	Mechanistic	14%	
Protection assets				**39%**	± 10%
Total				**100%**	
Overall longer-term “best estimate” expected return as at 30 June 2023				7.2% pa	
Target interest rate hedge ratio relative to the long-term solvency target				80%	
Target inflation hedge ratio relative to the long-term solvency target				75%	
Estimated date for the value of the assets to reach the long-term solvency target (i.e., the Plan’s investment time horizon) from 30 June 2023				April 2027	

It is recognised that the allocations to the funds and asset classes indicated above will fluctuate with market conditions. The ranges shown express the degree of tolerance accepted, so that provided the allocations remain within the specified ranges, it is accepted that they remain consistent with the SIP. These ranges will continue to apply after the asset allocation is adjusted following the activation of a trigger (see note 1).

Notes

1. Review Mechanism ("Triggers")

A framework has been adopted whereby the Directors will consider whether to switch pre-agreed proportions of Plan assets between the funds as and when the long term solvency funding level reaches certain pre-defined levels. The purpose of this mechanism is to take advantage of shorter-term volatility in financial markets whilst staying true to the Scheme's longer-term strategic and funding goals. The details of this framework (i.e. the proposed amounts to be bought/sold and the associated funding levels) are set out in a separate Trigger Governance Framework document.

2. Ethical Diversified Growth Funds

The Trustee has introduced sustainable versions of the BNY Mellon Global Dynamic Bond Fund and M&G Total Return Credit Fund. In order to minimise transaction costs, new monies will be invested into the BNY Mellon Sustainable Global Dynamic Bond Fund and M&G Sustainable Total Return Credit Fund, and any sales will be made from the BNY Mellon Global Dynamic Bond Fund and M&G Total Return Credit Fund.

3. Cashflow Management

The Trustee has agreed that any cash flows for investment/disinvestment (including for LDI leverage rebalancing events) will be directed towards and taken from the BNY Mellon Global Dynamic Bond Fund. In the event of the balance of this fund being insufficient to fund LDI deleveraging, the M&G Total Return Credit Fund will be used.

The Plan is expected to initially have net negative net cash flow. Therefore, ignoring financial market movements, this investment/disinvestment cash flow policy is likely to gradually reduce the allocation to the BNY Mellon Global Dynamic Bond Fund.

The Trustee may decide to change this investment/disinvestment cash flow policy from time-to-time, subject to receiving the required written investment advice.

4. LDI Allocation

The LDI funds employ leverage (i.e., the level of protection provided against changes in longer-term interest rate/inflation expectations is greater than the amount invested). Should the leverage within one of the LDI funds deviate substantially from the target leverage level, Columbia Threadneedle will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested for, or released from, the LDI funds. The Trustee has established a default investment/disinvestment cash flow policy for these LDI leverage rebalancing events (see above).

A hedge ratio is a measure of the level of protection the Plan has against changes in longer-term interest rates/inflation expectations. Both of these risks originate from the nature of the Plan's liabilities. For example, with an interest rate hedge ratio of 65%, if a fall in longer term interest rates results in a £1m increase in the liability value, then the assets are expected to rise by £650,000 to compensate. A hedge ratio of 100% means that the Plan would be fully protected (within practical constraints and ignoring some potential residual basis risks). These simplified examples assume financial market conditions are otherwise stable (for example, no change in equity markets). In practice, due to other risk factors, the overall asset value may rise by more or less than stated (or fall).

The strategic asset allocations to LDI are likely to fluctuate over time, possibly significantly, due to the combination of changes in financial market conditions and the leverage within the funds. Crucially, it is the hedge ratios that drive the size of the LDI allocations, not the other way around, as the LDI allocations are whatever is needed to achieve the target hedge ratios. The allocation to LDI at any time will therefore be determined by the target hedge ratios, not the target allocations.

Hedge ratios of 65% relative to the long term solvency target (as currently defined by the Trustee) are broadly equivalent to hedge ratios of 85% relative to the technical provisions.

The Nominal Dynamic LDI Fund provides protection against changes in longer-term interest rates. The Short-Profile Real Dynamic LDI Fund provides protection against both longer-term interest rates and longer-term inflation expectations. It has been estimated that the Plan's liabilities are around 40% sensitive to changes in longer-term inflation expectations as at 5 April 2020.

The management style of the LDI funds is described as "mechanistic" because whilst the LDI funds actively switch between different gilts/derivatives according to an algorithm as the relative yield differences change, the investment manager maintains the same hedge ratio and is not actively taking views on the future direction of markets.

The Trustee may (in accordance with the Trust Deed and Rules) purchase an annuity or assurance contract to fund any benefits payable under the Plan.