

Statement of Investment Principles
For the Trustees of The Doctors Laboratory
Retirement Benefits Scheme

May 2021



PREMIER
FINANCIAL
MANAGEMENT

Statement of Investment Principles

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Statement of Investment Principles

Introduction

Purpose of a Statement of Investment Policy

A Statement of Investment Policy (SIP) is a written record of the investment strategy that the trustees have agreed is appropriate for the scheme's financial circumstances, objectives and risk profile.

As the scheme's investment advisers, Premier Financial Management's investment advice will be based on the information contained in this document.

You should let us know if any part of this document is incorrect, or if there are issues that require further explanation. Unless you tell us otherwise, we will assume that the SIP is complete and accurate.

It is also important that you contact us if, at any time in the future, the financial circumstances, needs, objectives or attitude to risk of the scheme change significantly, as this may affect the ongoing suitability of the investments.

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Our Investment Philosophy

Guiding Principle

By managing investment risk and embracing an ethical investment philosophy we aim to enhance the opportunity of achieving sustainable long-term investment growth. (By 'long-term', we mean a minimum investment period of five years.)

Investment Policy

We first look to preserve the value of the pension scheme assets by managing and minimising the factors that can erode it. We then seek to enhance value through a robust investment policy using sustainable and positive impact investments.

The effects of long-term compounded growth and steady, consistent returns are the best way of growing an investment portfolio.

Strategic asset allocation is the key driver of investment performance.

Diversification of asset classes within a portfolio reduces risk and increases risk-adjusted returns.

By using a wide range of investment funds with different investment strategies we aim to reduce the volatility of the portfolio.

Portfolio Construction

Our portfolios are invested in four primary asset classes; Fixed Interest, Equities, Alternatives and Property, and a number of subgroups that provide additional sector and geographical diversification.

In certain market conditions we also use specialist funds which employ a variety of techniques to preserve the value of investments even in falling markets.

A further layer of diversification is added by investing in collective (pooled) investment funds.

Although actively managed funds make up the core holding in all our portfolios, we may also recommend some index tracking

funds, where these are appropriate and meet the scheme's investment criteria.

Fund Research

Our research involves a combination of factors including software driven analysis and third party fund research from sources such as Morningstar, Citywire, FE Analytics, Standard & Poor's and Money Management.

In assessing funds for their suitability, we use a combination of the following criteria:

- Environmental, social or governance (ESG) factors
- The consistency of investment performance across a number of timeframes
- Alpha, which is a measure of the fund's over or under performance by comparison to its benchmark
- The volatility of the fund, measuring how much the fund's total returns have fluctuated which indicates the level of risk
- Sharpe Ratio, a risk adjusted performance measurement
- Qualitative evaluation including Fund Manager tenure, fund size, investment process, external ratings and likelihood of future outperformance

Background Information

Scheme Details

Name

The Doctors Laboratory
Retirement Benefits Scheme

Primary Investment Objective

To meet the member benefits over the long term, from a combination of contributions and investment return, by investing in Equities, Property or Absolute Return funds to back the benefits of members yet to retire and Government Securities and/or Corporate Bonds via collective investments to back pensioners. The investment philosophy should be aligned to Sonic Healthcare's values.

Term of Investment

The scheme will require investment advice for as long as there remain liabilities in the form of member's benefits, either in payment or deferred.

Cash and Liquidity Management

As an asset class, cash does not produce any real long-term return and is therefore excluded from all our investment portfolios except for liquidity purposes.

We will consider holding cash to meet cash liabilities, such as tax-free cash amounts for upcoming retirements, but not as an

investment tool given the current level of interest rates.

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Trustees

The current trustees of the scheme are:

- Mr David Neep
- Ms Nicola Craig
- Tom Amies
- Mrs Nita Kargathra
- Charles Tilsed

Investment decisions are made collectively by the whole Trustee Board, with the option to delegate to an investment sub-committee.

You consider that the selection of asset classes has the greatest effect in meeting other investment objectives and this is agreed with Sonic Healthcare on a tri annual basis, in line with the required return to match the liabilities over the longer term.

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Ethical Investment Policy

The investment environment for pension schemes is changing and more focus is being placed on investing in companies that have a positive impact, or at least no negative impact, with regard to environmental, social or governance (ESG) factors. These include:

Environmental

- Climate change and energy usage
- Resource scarcity
- Supply chain management
- Waste and recycling
- Impact on biodiversity

Social

- Employee treatment and relation
- Gig economy
- Health and safety
- NDAs
- Social and community impact
- Product responsibility
- Workforce diversity

Governance

- Board structure
- Diversity
- Executive remuneration
- Culture
- Bribery and corruption
- Vision and strategy

Whilst the Trustees acknowledge the need to embrace this change and support companies that are helping to meet the world's environmental and social challenges, they also recognised the importance of meeting the financial goals of the TDL RBS.

All portfolio funds in which the TDL RBS are currently invested have a stated ESG policy that takes in to account the various factors when selecting appropriate companies and will continue to do so moving forwards.

The Trustees support ESG complaint funds/companies with the preference to invest in collective investments with a stated ESG policy that supports responsible investing.

All decisions made by the Trustees will take in to account the ESG policy of the parent company; Sonic Healthcare and will be made in line with the Sponsor's principles.

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Investment Strategy

Investment Risk Measurement and Risk Management Processes

There are many risks surrounding investments and you will keep apprised of them, taking advice from Premier Financial Management, supplemented by information from reports by fund managers. In particular, we will assess:-

- **Investment matching risk** – the risk that on a change in financial conditions asset values and liabilities move substantially relative to one another in a way that worsens scheme funding
- **Investment return risk** – the risk that market returns under-perform the nominal rates required to meet the funding objective
- **Inflation risk** – the risk that the return on markets after allowing for inflation is less than expected
- **Investment duration risk** – the risk that the bonds we hold have a shorter term than the length of the liabilities

- **Manager performance risk** – the risk that our chosen managers do not meet our expectations of them
- **Diversification Risk** – we will monitor, no less frequently than annually, that our chosen investment managers maintain a proper diversification of assets, invest predominately on regulated markets and if they use derivatives on our behalf only do so for the purpose of risk management

Benchmarking

The returns expected over the long term follow from the funding objective adopted at the last actuarial valuation and are, after investment expenses, as follows:-

- **Bonds** – returns in line with the 15-year gilt total return index
- **Equities and Property** – returns in line with the 15-year gilt total return index plus 1%

Funds that invest in combinations of asset classes are expected to produce returns in

line with these, weighted in the relevant proportions.

Target Return

The most recent actuarial review of the scheme performed by the Scheme Actuary estimated that a net return of 5.4% is required to match the current and expected future liabilities and this is the current benchmark.

Investment Mandate

Premier Financial Management provides an advisory service to the trustees.

An advisory mandate service will allow the trustees to have control the investment strategy. Using the asset allocation agreed with Sonic Healthcare, we will select the investment products, strategies, styles and services that best reflect the scheme's financial goals.

These recommendations will then be communicated to the trustees and will only be executed following your agreement to do so.

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Investment Strategy Cont.

Agreed Asset Allocation

Based on the current actuarial assumptions and the target return from the scheme assets, it was agreed that the following long-term (strategic) asset allocation is the most appropriate for the scheme's current circumstances:

Asset Class	Long Term Target Allocation
Fixed Interest	10%
Equities	55%
Alternatives	35%
Cash	0%
Total	100%

Asset Classes

The table to the left shows the broad asset classes into which scheme assets will be invested. Some asset classes will include a range of different sub-classes. For example, Equities may include investments in a range of geographical locations in both developed economies and emerging markets. Fixed Interest may include Government Bonds from the UK and abroad, Index-Linked Securities, Corporate Bonds and other Financial Securities.

The allocation to Alternatives will include UK Property, Infrastructure, Leasing Companies and Absolute Return funds along with Structured Products whose return will be linked to market indices but also provide an element of capital protection.

The nature and proportion in each sub-class will vary depending upon factors such as current market conditions, the point in the economic cycle and/or the individual fund manager's view on where money should be invested.

Tactical Asset Allocation

Investment markets are at times very volatile and there may be occasions where it is appropriate to vary the long term asset allocation shown.

In such circumstances we may reduce or increase the allocation to one or more of the asset classes shown by up to +/- 5% of the value of the portfolio in order to either protect your portfolio from adverse volatility or to take advantage of a particular opportunity.

Ethical Investment Policy

We will integrate ESG factors directly into the investment process. We will favour those managers that take in to account the factors listed previously and that engage with the companies that they invest in to ensure a positive contribution to society.