

LGH Pension Scheme

Statement of Investment Principles (“SIP”)

Background

This Statement of investment Principles has been prepared to meet the requirements of Section 35 of the Pensions Act 1995 and SI 2005/3378 The Occupational Pension Schemes (Investment) Regulations.

It has been prepared after obtaining and considering the written advice of a person who is reasonably believed by the Trustees to be qualified by his ability in and practical experience of financial matters and has the appropriate knowledge and experience of the management of investments of pension schemes.

The Statement has been prepared after consultation with the sponsoring employer.

The Statement will be reviewed at least every three years or, without delay, after any significant change in investment policy.

Purpose

This statement sets out the principles governing the Trustee's decisions to invest the assets of the Scheme.

The Trustees have taken the Myners' Principles into consideration when making decisions about the Scheme's investment arrangements.

Governance

The Trustees set the general investment policy, based on professional advice. The Trustees delegate responsibility for day to day investment decisions to their appointed investment managers. The Trustees ensure that any person to whom such responsibility is delegated is authorised under the Financial Services and Markets Act 2000.

The Trustees investment policy takes into account the Schemes investment objectives and the Scheme's circumstances. The Trustees are responsible for making strategic investment decisions with the aim of achieving these objectives. The Trustees ensure that this SIP remains appropriate for the Scheme's liabilities and circumstances, given the strength of the support provided by the sponsoring employer.

The Trustees are responsible for appointing investment managers and investment advisers and will monitor the investment returns.

The appointed investment advisers are responsible for providing authorised advice on an appropriate investment strategy, taking into account the Trustee's investment objectives and risk-appetite. The investment advisers will provide advice to the Trustees on the choice of investment managers and will alert the Trustees to any significant changes at the investment managers.

The investment managers will have regard to this SIP and the Trustees' objectives. They will also have regard for the need for diversification, quality and liquidity within the investment portfolio. The investment managers will provide the Trustees with regular statements on the performance of the fund's and assets under management, together with comparable figures from benchmark indices.

Objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' benefits can be paid.

The Trustees' objectives are:

- To ensure that the Scheme's obligations to the members and beneficiaries can be met;
- To provide benefits in full as they fall due;
- To reduce the dependency of the Scheme to investment returns over the long-term;
- To pay due regard to the sponsoring employer's requirements in relation to its plans for managed growth and the size and timing of the contribution payments it is able and willing to pay.

The Trustees wish to achieve, and then maintain, a funding level of at least 100% on an ongoing basis through the adoption of a prudent funding and investment strategy, which takes into account the strength of the covenant of the sponsoring employer.

As the funding position of the Scheme improves, the Trustees aim to gradually reduce the level of investment risk taken so that over the longer term there is minimal investment risk and the funding position remains stable.

The Trustees' investment beliefs are:

- Some risk is necessary to achieve the returns necessary;
- Unrewarded risks should be generally avoided, hedged or diversified;
- Well governed companies that manage their businesses in a responsible way will produce higher returns over the long-term;
- Climate change could be a long-term risk for the Scheme and may have an impact upon the chosen investment strategy;
- Responsible investment and engagement over the long-term reduces risk and may have a positive impact upon returns.

Implementation

The Trustees set the broad investment strategy having regard to the objectives and following careful consideration of:

- 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 contributions required to fund the Scheme,
- the strength of the sponsoring company's covenant.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities.

The Trustees have delegated day to day investment decisions by investing in pooled funds.

The Trustees will maintain a list of the pooled funds in which they invest and will amend this as necessary. The Annual Report and Accounts provides details of the current investments held by the Trustees and how the Trustees have implemented the Statement in practice.

The proportion of the assets held within each fund is approximate and will vary from time to time as a result of changes in the value of each fund.

There will be no automatic rebalancing of the overall portfolio.

Disinvestment

Cash required to meet benefit payments or for general purposes of the Scheme, will be disinvested in accordance with instructions provided by the Trustees from time to time.

Policies

Use of Pooled Funds

The Trustees do not make decisions regarding the investments held within each pooled fund.

When choosing a pooled fund, the Trustees will have regard to the investments held, the risks associated with investing in that fund and any constraints on the type of assets that may be held within the fund.

The balance between investment classes will be determined by the manager of the pooled fund.

The Trustees review performance of the fund managers at regular intervals and also consider the performance of the overall strategy against their objectives.

Environment, Social and Governance Issues

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and potential opportunities that increasingly may require explicit consideration.

The Trustees have given the pooled fund managers full discretion when evaluating ESG issues, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme's investments. The Trustees expect managers to have integrated ESG into their risk analysis and investment process. Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Scheme's investment advisors will keep the Trustees informed on ESG issues. The Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new managers and the Trustees monitor their existing managers' ESG approach on a periodic basis, and discuss ESG considerations as part of ongoing reviews.

Non-Financial Matters

Non-financial matters are not taken into account when determining the Scheme's investment policy. Member views are not actively sought but the Trustees make a copy of the Statement of Investment Principles available to members on request and publish a copy of the Statement on a publicly accessible website.

Direct Investment

The Trustees will not hold investments directly and hence cannot exercise voting rights nor undertake investment engagement activities.

Incentivising investment Managers

As investments are made in pooled funds with defined charges and expenses, it is not possible directly to incentivise fund managers to align investments with the Trustees' policies, improve engagement or monitor transaction costs. Ultimately, the Trustees only remedy is likely to be to move to an alternative pooled fund.

Monitoring Turnover

The nature of the Scheme's investments makes it impractical for the Trustees to monitor turnover or turnover costs directly. The performance figures that the Trustees and their investment consultant analyse are net of transactions costs, so this is taken into account indirectly.

Term of Manager Appointments

The investment in any particular pooled fund managers does not have a fixed term but can be terminated in the event of consistent underperformance or misalignment with the Trustees' objectives.

Employer-Related Investments

The policy of the Trustees 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 collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Signed:

Date:.....