

Laporte Group Pension Trust (“the Trust”)

Statement of Investment Principles

Defined Benefit Section

1. INVESTMENT OBJECTIVE

The Trustee aims to invest the assets of the Trust prudently to ensure that the benefits promised to members are provided. The Trustee has purchased an Annuity Policy to insure these benefits and minimise the risk that the Trust is unable to meet this objective.

2. STRATEGY

During the fourth quarter of 2020 the Trustee established a Bulk Purchase Annuity Agreement (“Annuity Policy”) with Legal & General Assurance Society (“LGAS”). The Annuity Policy is intended to match the liabilities for the membership of the Trust, and to eliminate the interest rate, inflation and longevity risk associated with the Trust’s liabilities.

The current planned long term asset allocation strategy chosen to meet the objective above is set out in the table below:

Asset Class	Target Weighting %
Bulk Purchase Annuity Agreement	100.0
Cash	0.0

In addition to the Bulk Purchase Annuity Agreement, the Trust may hold cash (or cash-like/liquidity fund) balances, for which there is no target weighting.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Trust, in particular the strength of the funding position and the liability profile. When choosing the Trust’s planned asset allocation strategy, the Trustee considered written advice from its investment advisers.

3. RISK

The key risk to the Trust is the risk that LGAS fail to make the pension payments covered by the Annuity Policy as they fall due (“Annuity Policy default risk”). Having considered the credit strength of the insurer as part of its due diligence process, in addition to other factors such as the regulatory environment and other protections available (e.g. the Financial Services Compensation Scheme), the Trustee considered this to be an appropriate investment for the Trust.

4. IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions and to monitor those they delegate. Aon are paid on a time cost basis for all the work they undertake for the Trust although fixed fees may be negotiated for certain projects. This structure has been chosen to ensure that cost effective, independent advice is received.

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The Trustee's Annuity Policy with LGAS is classified as a direct investment. The day-to-day management of the assets is delegated to the Annuity Provider.

Defined Contribution ('DC') / Additional Voluntary Contribution ('AVC') Section

1. INVESTMENT OBJECTIVE

The Trustee is responsible for investing the Trust's assets that are money purchase in nature in line with members' preferences. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

2. STRATEGY & IMPLEMENTATION

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from the Trustee's DC investment advisers, WTW. In choosing the Trust's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation.

The long-term returns on bond and cash options are expected to be lower than returns on equity options. However, bond fund volatility and price movements are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement who are seeking a guaranteed level of income. Cash funds aim to provide protection against changes in short-term capital values and may be appropriate for members receiving all, or part of their retirement benefits in the form of tax-free cash.

The Trust's DC investment objectives are implemented using a range of funds managed by Legal & General. Details of the available funds, together with the Annual Management Charges (AMCs) for these funds are included in Appendix A.

To complement the individual fund options, the Trustee also makes available two Lifestyle Options and a Target Date Fund (TDF) option which offer automatic de-risking strategies.

The Pension / Cash lifestyle

This option is offered to LMP and LRP members who are seeking to match their investment approach with taking their pension account as a combination of tax-free cash and purchasing an annuity. This strategy has a ten-year de-risking period.

Cash lifestyle

Members of the EGS and LPF also have the option of investing in this lifestyle strategy which is offered to members seeking to take their pension account wholly as cash at retirement. This strategy has a five-year de-risking period and is also open to members of the LMP and LRP.

L&G Journey Plan TDF

This option is offered to LMP and LRP members who are looking to transfer their savings from the Trust at retirement to a separate vehicle and draw down their pension pot over time.]

There are a small number of with-profit funds offered through legacy providers which are closed to future investment switches (although existing assets may be retained). Details of the legacy providers are included in Appendix A.

The Trustee keeps these options under periodic review and recognises that the nature of these investments make unilateral disinvestment inappropriate at this time.

3. RISK MEASUREMENT AND MANAGEMENT

In determining which investment options to make available, the Trustee has considered the investment risks associated with defined contribution pension investment and takes advice on the funds to make available to members. The key risks identified and their management are set out below:

- The risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that investments do not provide a long-term return at least in line with inflation ('inflation risk'), such that the "purchasing power" of the ultimate fund available is not maintained. The Trustee aims to manage this risk by providing a variety of investment options which are expected to provide a long-term rate of return that exceeds inflation.
- The risk that assets are not easily realisable such that cash is not readily available to meet benefits being drawn or switched ('liquidity risk'). The Trustee manages this risk by investing in appropriately liquid fund options which are daily dealt.
- The risk that investment options are not aligned with how members elect to draw their benefits at retirement. The Trustee manages this risk by offering a range of suitable risk/reward funds, supplemented by two lifestyle investment options and a TDF offering automated strategies aligned with specific retirement outcomes. This risk is further managed by supporting communications.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to periodically review the range of funds offered.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

Defined Benefit and Defined Contribution/AVC Sections

1. GOVERNANCE

The Trustee is responsible for the investment of the Trust's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether it has the appropriate training and knowledge, having taken advice where appropriate in order to take an informed decision. The Trustee has established the following decision making structure, where applicable:

Trustee <ul style="list-style-type: none">• Monitor actual returns versus the Trust's broad investment objectives.• Set structures and processes for carrying out its role.• Select and monitor investment advisers and fund managers.• Select and monitor planned asset allocation strategy.• Structure for implementing investment strategy.• Select and monitor direct investments (see below).• Make ongoing decisions relevant to the operational principles of the Trust's investment strategy.• Consult with sponsoring employer.	
Investment Advisers <ul style="list-style-type: none">• Advise on all aspects of the investment of the Trust assets, including implementation.• Advise on this statement.• Provide required training.	Fund Managers <ul style="list-style-type: none">• Operate within the terms of this statement and their written contracts.• Select individual investments with regard to their suitability and diversification.• Advise Trustee on suitability of benchmark indices.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

The Trustee's policy is to review its direct investments and to obtain written advice about them. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Trusts (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets

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- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Trusts (Investment) Regulations 2005 (regulation 4).

The Trustee expects the fund manager to manage the assets delegated to them under the terms of their respective contract and to give effect to the principles in this statement so far as is reasonably practicable.

LGIM is remunerated on an ad valorem basis. The level of remuneration paid to the fund manager is reviewed periodically by the Trustee against market rates to ensure the fund manager's interests are aligned with those of the Trust.

In addition, the fund manager pays commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

LGIM's custodians are HSBC, for the gilt and UK equity funds, and Citibank, for the remaining funds, for both the defined benefit and defined contribution funds.

The custodians provide safekeeping for all the Trust's assets and perform the administrative duties attached thereto, such as the collections of interest and dividends and dealing with corporate actions.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

In setting the Trust's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Trust and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change could negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Trust's asset allocation, when selecting and monitoring managers.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest the Trust's Defined Benefit assets in an Annuity Policy and therefore cannot directly influence the environmental, social, and governance policies and practices of the companies in which the Annuity Policy invests.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to, where possible, ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which the Trust's investments reside.

Following the purchase of an Annuity Policy, responsibility for voting and engagement with managers has been delegated to the Annuity Provider, LGAS.

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In relation to assets that remain outside of the Annuity Policy, on an annual basis, the Trustee will ask its investment manager for evidence of its achievements in respect of responsible investment, stewardship practices and exercise of voting rights.

Should the Trustee look to appoint a new manager, it will request the same information as part of the selection process.

The Trustee regularly reviews the continuing suitability of the appointed manager and takes advice from its investment adviser with regards to any changes. The Trustee engages with its investment manager as necessary for information to ensure that robust active ownership behaviour, reflective of its active ownership aims, are being actioned. This is reviewed annually with input from the Trustee's investment adviser.

If the Trustee considers an incumbent manager is falling short of the standards the Trustee has set out, the Trustee will engage with the manager and seek a more sustainable position, ultimately if necessary replacing the manager.

The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Trust's investment strategy the Trustee does not explicitly take into account the views of Trust members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"¹).

3. COST MONITORING

The Trustee is aware of the importance of monitoring the total investment costs and the impact that these costs can have on the potential value of the Trust's assets.

Following the purchase of an Annuity Policy, responsibility for monitoring costs has been delegated to the Annuity Provider. The Trustees therefore do not monitor costs relating to the Policy, however they expect the Annuity Provider to confirm if costs are likely to have an impact on the agreed Policy. The Trustee paid a premium to LGAS when the Annuity Policy was initiated, and as a result there are no ongoing fees in respect of the Policy.

In relation to assets that remain outside of the Annuity Policy, the Trustee recognises that in addition to annual management charges, there are a number of other costs and charges incurred throughout the investment process which contribute to the total cost.

The Trustee collects annual cost transparency reports covering all of its investments held outside of the Annuity Policy and asks that the investment manager provides this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This enables the Trustee to collect data in a standardised format and achieve a high-level breakdown of major cost categories.

The Trustee will employ the services of its advisers to benchmark charges (including transaction costs) and challenge any cost figures or asset manager remuneration which deviate from industry expected levels.

The Trustee expects its asset manager to offer full cost transparency and comply with any requests submitted by the Trustee or its appointed providers. This will be reviewed before the appointment of any new managers and includes the existing managers appointed by the Trust. The Trustee accepts that transaction costs will be incurred in the process of altering the asset allocation. The level of these

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costs varies across asset classes and by investment style within an asset class. Where the Trustee's monitoring identifies any irregularities, the mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment manager's fund holdings change over a year. The Trust's investment consultant will monitor the portfolio turnover, in the context of asset performance, on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flag to the Trustee where there are concerns.

4. ARRANGEMENTS WITH THE ASSET MANAGER

Before entering into the Annuity Policy with LGAS, the Trustee reviewed the governing documentation associated with the Policy and considered the extent to which it aligned with the Trust's requirements.

The Trustee believes that having appropriate governing documentation is sufficient to incentivise the Annuity Provider to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial performance.

Following the purchase of the Annuity Policy, the responsibility for managing arrangements with asset managers lies with LGAS. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the long-term objectives of LGAS and the Trust.

There is no set duration for arrangements with the Annuity Provider.

The Trustee regularly monitors the Trust's investments held outside of the Annuity Policy, to consider the extent to which the investment strategy and decisions of the asset manager is aligned with its policies. This includes monitoring the extent to which the asset manager:

- makes decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engages with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives regular reports and verbal updates from its investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Trust's objectives and assesses the asset manager over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset manager, which supports the Trustee in determining the extent to which the Trust's engagement policy has been followed throughout the year.

The Trustee shares this SIP with the Trust's investment manager and seeks to identify and address any misalignment.

Before appointing a new investment manager, the Trustee reviews the governing documentation associated with the investment. Where it is not possible to make changes – for example if the Trust invests in a collective vehicle – then the Trustee will express its expectations to the investment manager by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset manager by other means (where necessary), and regular monitoring of the asset manager's performance and investment strategy, is sufficient to incentivise the investment manager to make decisions that align with the Trustee's policies. The investment manager has yet to define "portfolio turnover costs" and hence disclose these on a regular basis.

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There is no set duration for arrangements with the investment manager, although the continued appointment of the investment manager will be reviewed periodically, and at least every three years.

September 2022

Appendix A: Defined Contribution/AVC Sections

Fund range open to new investment switches

The following L&G funds are invested in or available to accept new investment switches from the Trust members:

Fund name	Annual management Charge (%)
Equity funds:	
• Blended L&G Future World Global Equity Index Fund (50% currency hedged, 50% unhedged)	0.24
• L&G Ethical Global Equity Index	0.30
• L&G UK Equity Index	0.10
• L&G World (ex UK) Equity Index	0.22
Bond and Index linked gilt funds:	
• L&G AAA-AA Fixed Interest Over 15 Years Targeted Duration	0.15
• L&G Pre-retirement	0.15
• L&G Over 5 year Index Linked Gilt Index	0.10
Multi asset class fund:	
• L&G Diversified	0.19
• L&G Journey Plan TDF	0.25
Cash fund:	
• L&G Cash	0.13

In addition to the range of funds shown in the above table, the Trustee also provides two 'Lifestyle' options. The Lifestyle options target either pension and cash at retirement or cash only at retirement.

Legacy providers

Assets are still invested with one or more of the legacy providers. Existing assets may be invested with one (or more) of the legacy providers, these include:

- Aviva
- Clerical Medical

It is not possible to pay new investment switches into any of the above legacy providers.