April 2020

LTG PENSION TRUSTEES LTD

STATEMENT OF INVESTMENT PRINCIPLES for the LEWIS TRUST GROUP SUPPLEMENTAL PENSION PLAN

INTRODUCTION

LTG Pension Trustees Ltd (the 'Trustee') is the corporate Trustee of the Lewis Trust Group Supplemental Pension Plan (the 'Plan').

This Statement of Investment Principles ('SIP') has been prepared to reflect relevant legislation and guidelines designed to achieve good practice. It outlines the policies and principles which guide the investment decisions made by (or on behalf of) the Trustee for the management of the Plan's assets.

In preparing the SIP, the trustee has obtained and considered the written advice of the Plan actuary, of Broadstone Corporate Benefits Ltd, who is a person reasonably believed by the Trustee to be qualified for this purpose by his ability in and practical experience of financial matters, and by having the appropriate knowledge and experience of the management of investments of occupational pension schemes established under trust. Broadstone Corporate Benefits Ltd is authorized and regulated by the Financial Conduct Authority. The Trustee has also consulted the employer.

The Trustee will review this SIP a least every three years and without delay in the event of any change in the investment approach.

The Plan is almost wholly a defined benefit (DB) scheme. A very small element of a closed section of the Plan is considered to be providing a defined contribution (DC) overlay for certain members' benefits. The Trustee has considered the circumstances of the DC element (including its nature and small scale) and have concluded that this SIP is appropriate for the whole Plan.

INVESTMENT OBJECTIVES

The Trustee's overriding objectives for the Plan are

- The long-term objective is to prudently maximise investment returns, consistent with an acceptable level of risk, having regard to the fact the Plan's assets are held in trust for an occupational pension scheme the purpose of which is to enable members to receive a pension income together with any lump sum at retirement in accord with the Plan's trust deed and rules.
- To ensure the assets are invested in a manner that enables sufficient money to be available to pay members' benefits as they fall due.
- That the Plan's funding position – the value of its assets relative to its liabilities – remains at an adequate level. In the light of the long-term nature of the investment horizon and the strength of the employer covenant, the Trustee acknowledges that there will be short-term volatility in the funding position.

REALISATION OF INVESTMENTS

It is the Trustee's policy that there should be, at all times, sufficient investments in liquid or readily realisable assets to enable the day to day cashflow requirements of the Plan to be met, without disrupting the overall investment policy of the Plan.

RISK MANAGEMENT

The management of a long-term pension scheme investment strategy is not without risk and the Trustee has identified the following risks which are of greater significance, together with their mitigation.

- Funding: the risk that the Plan's assets fall below the level required to cover accrued liabilities. The Trustee manages the risk through careful funding and investment arrangements, together with monitoring.
- Mismatching: a difference in the sensitivity of asset and liability values in response to changes in financial and demographic factors. This is considered when setting investment strategy and through periodic reviews.
- Interest Rate: market interest rate fluctuations can affect the valuations of both assets and liabilities. This is managed at each triennial actuarial valuation or in the event of any intervening significant change of circumstances.
- Inflation: there is a risk that investment returns do not keep pace with inflation. The Trustee aims to manage this risk by achieving investment returns (income and capital growth) which exceed actual and anticipated rates of inflation. It is monitored at each triennial actuarial valuation.
- Concentration: This risk relates to an inadequate spread of investments. The Trustee manages this at each investment strategy review by considering an appropriate spread including active/passive investment, industry sector, geographic exposure and asset class.
- Credit: the risk that the Plan incurs a loss of capital or future return due to the default of a company in which it has invested. This is mitigated by the establishment of suitable credit risk guidelines as part of the investment criteria.
- Fund Manager: the risk of a fund manager failing to meet agreed performance criteria is considered by the Trustee upon the initial fund manager appointment and by monitoring periodic performance.
- Employer Covenant: this is the risk that the Plan's sponsoring employer becomes unable to financially support the Plan. The strength of the employer covenant is assessed when setting the investment strategy and regularly monitored in the light of the employer's actual and forecast commercial trading performance.
- Operational: this includes risks associated with fraud, poor advice or acts of negligence. The Trustee seeks to minimise such risks by ensuring all advisers and 3rd party providers are suitably qualified and experienced, and that compensation clauses are included in all contracts for professional services received.

IMPLEMENTING THE INVESTMENT OBJECTIVE

With a view to fulfilment of the investment objective the Trustee is adopting the approach that –

- Investments will primarily be in worldwide Government and quoted stock market securities (bonds and equities) and cash.
- The investment portfolio as a whole will be weighted towards active investment in equities on the basis that the long-term interest of the members is considered best served by equity investment offering sound prospects for a growing income stream and growth of capital value.
- Risk will be minimised by diversifying investments across different geographic areas, sectors and types of investment. Futures, options, derivatives and other mechanisms will be used only for the purpose of hedging.
- Where investments are made in pooled funds, the Trustee recognises it is not always possible to specify investment restrictions, but as far as possible the selection of pooled funds should reflect the investment criteria of this SIP.
- To maintain liquidity, readily realisable investments will be selected. Any investments which become unsuitable will be realised at a time calculated to achieve the best price.
- Not more than 5% of the Plan's assets shall be invested in employer related investments.
- The following transactions between the Plan and the employer are not permitted
    - Loans to the employer
    - Guarantees covering loans, mortgages and other financial obligations
    - Transactions at a value below their normal market value
- Investments are expected to generate a return over the long-term of 3% per annum, net of expenses, above a portfolio of long dated UK Government bonds which is a realistic expectation of the investment return expected on the Plan's investments. This return is a 'best estimate' of future growth asset returns, although the Trustee is aware that any portfolio de-risking in the future would result in lower expected investment returns, which has in fact already been partly taken into account for Plan funding purposes where post-retirement discount rates are assumed to be in line with corporate bond yields and which are expected to provide lower returns in the longer term than the Plan's existing asset holdings.
- To assess the performance of the Plan's investments, the Trustee will measure this in the long-term as 3% per annum (net of expenses) above a portfolio of long dated UK Government bonds, noting that the Plan requires returns lower than these for funding purposes and accepting the mismatch between the Plan's assets relative to the liability measurement basis.

The Trustee will also consider the overall expected returns of the portfolio against the rate of investment return assumed by the actuary over two triennial actuarial valuation cycles. (At the 2020 actuarial valuation this equated to a return of 3% pa, net of expenses, and 4.7% pa at 2017). This enables the trustee to broadly gauge how investment performance is expected to impact on the Plan's funding position.

FUND MANAGER

The Trustee is responsible for setting, amending and updating this SIP and in particular for determining the investment policy for the Plan. This is achieved through the formal agreement of a quorate majority of the Trustee directors.

To undertake the day-to-day management of the Plan's investments, the Trustee will appoint from time to time an authorised fund manager, which may be appointed or removed only by formal decision of the Trustee.

(a) The current fund manager is Stonehage Fleming Investment Management Ltd, a firm authorised and regulated by the Financial Conduct Authority.

(b) The Trustee believes the fund manager had the appropriate knowledge and experience for managing the investment fund. The Trustee will require the fund manager to meet from time to time to give a report on the management of the investments, including compliance with section (d) below.

(c) The Trustee will consider at least annually whether the fund manager is carrying out its work competently. In the event the Trustee is not satisfied it will require the fund manager to take such steps as are appropriate, or will remove the fund manager and appoint another.

(d) the Trustee will require the fund manager to exercise its powers of investment;

* in accord with the requirements of the trust deed governing the Plan and of this SIP.

* in keeping with the guidelines set out in the agreement between the Trustee and the fund manager.

* prudently having regard to the fact that the assets are held on trust for an occupational pension scheme.

* having regard to the need for diversification of investment appropriate to the circumstances of the Plan.

* having regard to the suitability to the Plan of investments proposed by the fund manager.

* taking account of environmental, social and governance (ESG) factors as part of its investment analysis and decision making and to have its own explicit strategy for engaging with investee companies on ESG matters, including how they measure the effectiveness of their strategy.

* in keeping with an explicit strategy of its own, supporting the exercise of shareholder rights including voting rights and sound corporate governance aimed at enhancing shareholder value in the long term.

(e) The Trustee will monitor and review how the fund manager has voted and engaged with the companies in which Plan funds are invested.

(f) The fund manager is responsible for the appointment and monitoring of the custodian of the Plan's assets. The present custodian is Northern Trust.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) & ETHICAL CONSIDERATIONS

The Trustee acknowledges that in the light of the Plan's long-term investment horizon and portfolio exposure across local and global economies, ESG factors (including climate change) are material in contributing to potential long-term investment risk as well as reward opportunities. Accordingly, in the long-term financial interests of the Plan members, ESG factors will be taken into account in steering the Plan's investment objectives.

The Trustee expects its fund managers to ensure that ESG factors (including climate change aspects) are implicitly incorporated into their investment decision making procedure. ESG considerations will also be included in the selection process for any new fund manager. The Trustee will receive annual reports from fund managers on how evolving ESG risks and opportunities have been incorporated into the Plan's investment portfolio.

The Trustee does not take into account ethical factors in determining its investment decisions.

INVESTMENT RIGHTS

In keeping with sound stewardship, the Trustee believes that shareholder voting rights attached to investments should be exercised as part of the investment process to achieve enhanced shareholder value in the long run.

This activity together with other good stewardship practice is delegated to the fund manager who is expected to act in keeping with the Trustee's belief and to report annually to the Trustee as to how the fund manager has voted and engaged with companies in which investments are made.

LEWIS TRUST GROUP SUPPLEMENTALPENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES – IMPLEMENTATION STATEMENT

YEAR TO 30 JUNE 2022

INTRODUCTION

This implementation statement from the Trustee of the Supplemental Pension Plan (SPP) serves to facilitate our SPP members' understanding of how the investment principles for the pension scheme are put into practice.

An implementation statement will be prepared annually as part of the financial report and accounts, and its nature will progress as the Trustee and Fund Manager develop familiarity with this evolving framework.

THE YEAR TO 30th JUNE 2022

For the greater part of this period the Trustee's statement of investment principles provided to the fund manager (Stonehage Fleming Investment Management Ltd – 'SFL') aimed at achieving the long-term investment objective of prudently maximising investment returns consistent with an acceptable level of risk, with investment of the pension fund assets primarily in worldwide Government and quoted stock market securities (bonds and equities) and cash. The investment portfolio as a whole has been weighted towards equities on the basis that the long-term interest of members would be best served by investment in equities offering sound prospects for income stream and growth of capital value. Risk was minimised by diversifying the fund across different geographical areas, sectors and types of investment.

Implementation of this investment objective has served members well over the long-term although more recently a period of sound progress in asset values during the second half of 2021 was followed by significant market volatility in the first 6 months of 2022. Whilst the investment policy has remained unchanged during the year, risk mitigation measures were implemented to reduce the proportion of direct equity holdings. Managed funds and cash were increased and cash was maintained at some 20% of the fund.

In April 2020 the Trustee revised the SPP investment principles to incorporate

- An expected rate of return over the long-term of 3% net of expenses above a portfolio of long-dated UK Government bonds.
- Inclusion of ESG factors (including climate change aspects) as part of the fund manager's investment analysis and decision making.
- Inclusion of support for the exercise of shareholder rights, including voting rights and sound corporate governance.

  Since 30.6.22 SPP has undergone a sectionalisation designed to more closely align the Plan's assets with the nature and future liability profile of the members' respective interests in the resultant sections. This transitioning remains in progress and the Trustee and SFL are currently revising investment policies and progressing arrangements for the implementation, management and monitoring of revised policy objectives.