

June 2023

## LEWIS TRUST GROUP SUPPLEMENTAL PENSION PLAN - WESTGATE GMP SECTION

### STATEMENT OF INVESTMENT PRINCIPLES

#### BACKGROUND

##### Statement of Investment Principles

This statement sets out the principles governing decisions about the investment of the assets for the Westgate GMP Section ('the WGMP Section') of the Lewis Trust Group Supplemental Pension Plan ('the Plan').

The WGMP Section is a defined benefit ('DB') pension fund with a defined contribution ('DC') underpin within the overall Plan, which is sectionalised and the Plan's investments are attributable to the WGMP Section in this statement.

The statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, The Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure)(Amendment and Modification) Regulation 2018, and the Occupational Pension Schemes (Investment and Disclosure)(Amendment) Regulations 2019.

A copy of this statement will be made available to the WGMP Section members on request to Jenny Jones, Pension Administrator, Lewis Trust Group Supplemental Pension Plan, Chelsea House, West Gate, London W5 1DR.

##### Investment Advisor

In preparing this statement, the Trustee has obtained and considered professional advice on its content from the WGMP Section Scheme Actuary, of Broadstone Consultants and Actuaries Ltd ('Broadstone'), who is a person reasonably believed by the Trustee to be qualified for this purpose by their ability in and practical experience of the management of investments of occupational pension schemes established under trust.

The Trustee will obtain such advice as it considers appropriate and necessary whenever there is a review or revision of the statement.

## Consultation with Principal Employer

The Trustee has consulted the principal employer, Lewis Trust Group Ltd, when setting the investment strategy and in the preparation of this statement. Responsibility for maintaining the statement and deciding investment strategy rests solely with the Trustee.

## Investment Powers

The Trustees' investment powers are set out in Rule 4 (Part III, Trustees and their Powers) of the Trust Deed Rules of the Plan, dated 7 September 1983. The powers granted to the Trustees under this rule are wide and this statement is consistent with those powers.

## INVESTMENT OBJECTIVES

### Investment Objectives

The Trustee's main investment objectives are as follows:

- The long term objective is to prudently maximise investment returns, consistent with an acceptable level of risk, having regard to the fact that the WGMP Section's assets are held in trust for an occupational pension scheme and the purpose of which is to enable former members of the Westgate Pension Plan (wound up in January 2018) to receive their Guaranteed Minimum Pension (GMP), together with any lump sum at retirement in accord with the 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 WGMP Section's funding position 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 may be short term volatility in the funding position.

In making investment decisions, the Trustee will have regard to the views of the principal employer on the potential costs and risk associated with those decisions.

### Statutory Funding Objectives

The WGMP Section is subject to the Statutory Funding Objective ('the SFO') introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover the value of its accrued liabilities (known as Technical Provisions) as calculated in accordance with the Trustee's Statement of Funding Principles. In determining the investment strategy, the Trustee has agreed that the funding position measured under the SFO is the assessment of the scheme funding that is of most importance to the Trustee, the principal employer and

the members, as it determines the WGMP Section's funding requirements and members' long term benefit security.

Under the WGMP's most recent actuarial valuation, the calculation of the Technical Provisions for the purpose of the SFO assumed that future investment returns and income will at least match the income requirements provided by Broadstone, assuming UK CPI averaging 2.5% up until 2041.

## PRINCIPLES FOR SETTING INVESTMENT STRATEGY

### Investments controlled by the Trustee

The Trustee's policy is to determine the overall asset allocation strategy, whilst relying on a professional Investment Manager for day-to-day management of the scheme's assets.

### Delegation to the Investment Manager

The day-to-day investment management of the funds is carried out by Stonehage Fleming Investment Management Ltd ('Stonehage Fleming') ('the Investment Manager').

The Investment Manager is authorised and regulated by the Financial Conduct Authority.

### Investment Manager controls

The day-to-day activities that the Investment Manager carries out for the Trustee are periodically reviewed by the Investment Manager and their independent auditors to ensure that their internal operating procedures, guidelines and restrictions remain appropriate.

Safe keeping of assets is performed by external custodians on behalf of the Investment Manager and the ongoing appointment of the custodians is reviewed by the Investment Manager from time to time.

The Investment Manager is responsible for the appointment of the Custodian of the assets. The present custodian is Lombard Odier.

### Strategy Review

The Trustee reviewed the asset allocation of the WGMP Section in 2023 and discussed an updated investment strategy proposal with the principal

employer. The proposed changes to the WGMP Section investment strategy were implemented in July 2023.

#### Target Allocation

The Trustee has determined that the employer covenant is such that it allows a long term view to be taken in setting the investment strategy. The Investment Manager runs a bespoke fixed income mandate targeting pre-defined cash flows, largely comprised of UK government bonds to match the cash flow liabilities. As such, bond investments will have a range of maturities to match liability timings and are likely to be held to maturity, but without constraining the Trustee's investment discretion.

The Trustee and the investment advisers will, on a regular basis, monitor allocation of the portfolio.

#### Investment Fees

The Investment Manager fee is 0.40%pa based on the level of assets currently held within the WGMP Section. There are additional fees payable such as administration, transaction and custody charges, as well as fees to third party fund managers where such an allocation is part of the investment strategy.

#### Other Investments

The Trustee may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the WGMP Section.

#### Buying and Selling Investments

The trustee has delegated responsibility for buying and selling investments to the Investment Manager.

#### Realising 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 to be met, without disrupting the overall investment policy of the WGMP Section.

## Employer Related Investments

Neither the Trustee nor the Investment Manager are permitted to directly hold any employer related investments.

## Financially Material Considerations related to Environmental, Social and Governance aspects

The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the WGMP Section may invest. In turn ESG issues can and will have a material financial impact on the returns provided by those assets.

The Trustee engages the Investment Manager on an advisory basis. The Trustee expects that the Investment Manager will consider ESG aspects when advising upon investment selection or will otherwise engage with the issuers of the WGMP Section underlying holdings on such matters in a way that is expected to improve the long term return on its assets.

The Trustee does not currently impose specific restrictions on the Investment Manager with regard to ESG aspects but is seeking to develop an appropriate basis on which the selection and monitoring of ESG circumstances may be applied to the specific nature of the WGMP Section portfolio.

With regard to the specific risk to the performance of the WGMP Section's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regards the potential impact of climate change on the WGMP Section's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the WGMP Section's funding position than other risks. The Trustee will continue to monitor market developments in this area in conjunction with its advisers.

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

## Engagement and Voting Rights

Responsibility for engagement with the issuers of the WGMP Section's underlying investment holdings, including the use of voting rights, is delegated to the Investment Manager. The Trustee can therefore only indirectly influence engagement and voting policy. Since the WGMP Section is currently fully invested in an all-UK Government bond portfolio, there are no voting rights associated with the current holdings.

The Investment Manager provides information to the Trustee on its actions in relation to engagement.

## Capital Structure of Investee Companies

Responsibility for monitoring and development of the capital structure of investee companies is delegated to the Investment Manager and the Trustee expects the extent to which the Investment Manager monitors to be appropriate to the nature of the mandate.

## Conflicts of Interest

Conflicts of interest are reviewed periodically at Trustee meetings and recorded in the meeting minutes.

## Incentivisation of Investment Manager

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the level of assets within the portfolio.

## DIVERSIFICATION AND RISK

### Consideration of Risks

With the assistance of its advisers the Trustee has considered the various investment-related risks the WGMP Section faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, credit ratings, manager and currency risk.

The Trustee's overall objective is that asset allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the Trustee's view of the strength of the employer covenant and the nature of the WGMP Section.

## Risk Relative to the Value of the WGMP Section's Assets & Liabilities

The trustee's overall asset allocation is based on an investment of up to 100% of assets in protection assets, primarily UK government bonds.

The Trustee accepts that this investment strategy may lead to some Volatility in the funding position, particularly during the short/medium term and also that there is a risk that the assets may not achieve the the rates of return assumed in the scheme's Technical Provisions calculations.

## Expected Returns

The Trustee expects to generate a return which at least matches the income requirements provided by Broadstone, assuming UK CPI averaging 2.5% per annum until 2041.

## Investment Manager Security

The Trustee has considered the financial security of the WGMP Section's holdings with the Investment Manager, together with their status as a regulated firm and considers the associated protection offered to investors to be reasonable and appropriate.

## Measurement and Management of Risks

The investment and funding risks faced by the WGMP Section will be monitored by the Trustee with the assistance of the investment adviser and Scheme Actuary at least every three years. The Trustee will consider the appropriateness of implementing additional risk mitigation measures as part of such reviews.

## COMPLIANCE AND MONITORING

### Frequency of Review

This statement will be reviewed at least every three years or if there is a significant change in the circumstances or the policy on any of the areas covered by the statement.

### Professional Advisers

The Trustee employs Broadstone to assist them in monitoring the Investment Manager and with asset allocation review.

## Portfolio Turnover Costs

The Trustee expects the Investment Manager to consider changing investments only to an extent required to meet the investment objectives. The reasonableness of such turnover will vary according to market conditions. The Trustee therefore does not set a specific turnover target for their strategy or the underlying holdings.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustee so that this can be monitored.

## Review of Investment Manager

The Trustee will consider on a regular basis whether or not the Investment Manager has the appropriate knowledge, philosophy, experience and process to continue to manage investments.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required and the success or otherwise the Manager has achieved.

## Information and Performance Measurement

The Investment Manager will supply the Trustee with sufficient information each quarter to enable financial and non-financial performance to be measured, and provide monthly reports setting out a valuation of the investments.