

LEWIS TRUST GROUP SUPPLEMENTAL PENSION PLAN - BUCKLAND 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 Buckland Section ('the Buckland Section') of the Lewis Trust Group Supplemental Pension Plan ('the Plan').

The Buckland Section is a defined benefit ('DB') pension fund within the overall Plan, which is sectionalised and the Plan's investments are attributable to the Buckland 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) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure)(Amendment) Regulations 2019.

A copy of this Statement will be made available to the Buckland Section members on request to Jenny Jones, Pension Administrator, Lewis Trust Group Supplemental Pension Plan, Chelsea House, West Gate, London W5 1DR and may be viewed at www.riverisland.com under the 'About Us – pensions' section.

Investment Adviser

In preparing this Statement, the Trustee has obtained and considered professional advice on its content from the Buckland Section Scheme Actuary, of Broadstone Consultants & 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 revision of this Statement.

Consultation with the 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 Trustee's 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 Trustee 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 Buckland Section's assets are held in trust for an occupational pension scheme and the purpose of which is to enable members to receive a pension income, 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 Buckland 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 risks associated with those decisions.

Statutory Funding Objective

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

Under the Buckland Section's most recent actuarial valuation, the calculation of the Technical Provisions for the purpose of the SFO assumed a return of 1.8% above the BoE 14year spot yield pre-retirement and 1.3% above the BoE 14year spot yield post-retirement.

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 Plan'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 Trustee entered into a contract with Stonehage Fleming on 20th July 2020.

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 and monitoring of the Custodian of the assets. The present Custodian is Lombard Odier.

Strategy Review

The Trustee reviewed the asset allocation of the Buckland Section and discussed an updated investment strategy proposal with the principal employer during 2023.

Implementation of the proposed changes to the investment strategy was undertaken in phases appropriate to market conditions and was completed during October 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 strategy is to maintain a diversified investment portfolio aimed at growth of capital value, together with maximisation of the long term overall return and moderate fluctuation of capital value. The initial post strategy review allocation is well diversified by region, sector and style and comprises approximately 20% fixed income and 80% equity investments, largely through the medium of 3rd party funds.

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

Investment Fees

The Investment Manager charges a fee of 0.60%pa, based on the level of assets currently held within the Buckland 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. More information is included in the 'Other fees' section of the Investment Manager agreement.

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 Buckland Section.

Buying and Selling Investments

The Trustee has delegated day-to-day 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 Buckland Section.

Employer Related Investments

The Trustee's policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

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 Buckland Section invests. 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 Buckland 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 Buckland Section portfolio.

With regard to the specific risk to the performance of the Buckland 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 Buckland Section's assets as a longer term risk and likely to be less material in the context of the short to

medium development of the Buckland Section's funding position than other risks. The Trustee will continue to monitor market developments in this area in conjunction with its advisers.

Engagement and Voting Rights

The Trustee's voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee believes that having this policy, and aiming to influence how companies behave in the medium and long term are in the members' best interests. The Trustee will aim to monitor the actions taken by the Investment Manager on its behalf and if there are significant differences from the policy explained above, the Trustee will escalate the concerns which could ultimately lead to disinvesting the assets from the Investment Manager.

The Plan is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific view through the implementation of the investment strategy, whether financial or non-financial.

Responsibility for engagement with the issuers of the Buckland Section's underlying investment holdings, including the use of voting rights, is delegated to the Investment Manager. Where assets are fixed interest investments, there are no voting rights associated with such holdings. Where investments are held in 3rd party pooled funds, the Trustee has less direct influence over the Investment Manager's stewardship policy or that of the underlying fund manager.

The Investment Manager provides information to the Trustee on its actions in relation to engagement which is reviewed with a view to enabling practical outcomes to be achieved in line with evolving good practice.

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.

Duration of Investment Arrangements

The Trustee is a long-term investor and has not set an explicit target to review the duration of the arrangements with the Investment Manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

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 OF RISK

Consideration of risks

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

Risk Relative to the Value of the Buckland Section's Assets and Liabilities

The Trustee accepts that the investment strategy may lead to some volatility in the Buckland Section's funding position particularly during the short to medium term. Furthermore it is accepted that the assets may not achieve

the rates of return assumed in the Technical Provisions calculations.

Actions to mitigate these risks are the adoption of a portfolio well-diversified across different geographic areas, sectors and types of investment in a combination of fixed interest and equities, with the latter largely through 3rd party pooled investment funds.

Expected Returns

The Trustee's objective is for the assets of the Buckland Section to produce a return in excess of the long-term growth in the value of the Technical Provisions. Over the long-term the Trustee's expectation is that the assets will produce a return in line with the UK Consumer Price Index + 3.5% per annum.

Investment Manager security

The Trustee has considered the financial security of the Buckland 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 Buckland 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 strategies 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.

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