

Lansing Linde Executive Pension Scheme

Statement of Investment Principles – March 2025

1. Introduction

- 1.1 This Statement has been prepared by the Trustee of the Lansing Linde Executive Pension Scheme (the “Scheme”). It sets out the principles that govern the Trustee’s decisions with regards to investment of the Scheme’s assets. The Trustee will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.
- 1.2 This Statement is designed to meet the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.
- 1.3 In preparing this Statement, the Trustee has obtained advice from the Scheme’s Investment Consultant.
- 1.4 The Trustee’s investment powers are set out within the Scheme’s governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. The Trustee notes that, according to the law, we have ultimate power and responsibility for the Scheme’s investment arrangements.
- 1.5 The Trustee will seek to maintain a good working relationship with the Employer, Linde Material Handling (UK) Ltd. and we will discuss any proposed changes to this Statement with the Employer.
- 1.6 The Trustee supports the Myners Code of Best Practise and review their processes against it.
- 1.7 The Trustee does not expect to revise this Statement frequently because it covers broad principles. We will review it at least once every three years, and without delay if there are relevant, material changes to the Scheme and/or the Employer. These include changes in the Scheme’s liabilities and finances and in the attitude to risk of the Trustee or the Employer.

2. Scheme Governance

- 2.1 The Trustee has appointed a firm of professional consultants (the “Investment Consultant”) to provide relevant advice. We also take advice as appropriate from the Scheme Actuary and other professional advisers.
- 2.2 The Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Scheme’s strategic benchmark and investment manager structure. The Trustee implements them under delegated powers by retaining and monitoring investment managers, custodians and other service providers.

- 2.3 The Investment Managers are responsible for day-to-day management of the Scheme's assets in accordance with guidelines agreed with the Trustee. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Investment Managers report to the Trustee regularly regarding their performance.
- 2.4 The safekeeping, monitoring and custody of the Scheme's assets have been delegated to custodians appointed by the Scheme's investment manager(s). The Trustee is satisfied that appropriate procedures are in place for selection and monitoring the appointed custodians.
- 2.5 The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements.
- 2.6 Fees for the Investment Consultant and the Scheme Actuary are determined in line with agreed hourly rates, with agreed fees for particular projects.
- 2.7 Custodian fees are a combination of a percentage of assets plus transaction related charges.
- 2.8 Investment management fees are charged as a percentage of the assets under management.

3. **Investment Policy**

Investment Objectives

- 3.1 The Trustee's primary investment objective is to ensure that the assets of the Scheme are sufficient to meet their obligations to beneficiaries. To this end, the Trustee purchased a buy-in policy with Canada Life in October 2024, securing the Scheme's full liabilities.

Investment Strategy

- 3.2 The Scheme's liabilities are met by the buy-in contract with Canada Life. Canada Life is responsible for the realisation of assets within the buy-in contract to make the payments due under the contract.
- 3.3 The residual invested assets are currently invested in Insight's Sterling Liquidity Fund. The Insight Sterling Liquidity Fund aims to provide investors with income together with stability of capital by investing in money market instruments and short-term fixed income and variable rate bonds. The fund seeks to maintain an AA Af/S1 Fitch rating, which is the highest fund rating available. The Sterling Liquidity Fund's performance is benchmarked against the Sterling Overnight Index Average rate.

4. Risk

- 4.1 The Trustee has discussed the following risks and further acknowledges this list is not comprehensive.
- 4.1.1 The primary investment risk arises from a mismatch between the Scheme's assets and liabilities. This is minimised by matching the liabilities with annuities held with a regulated insurance company (Canada Life).
- 4.1.2 The annuities represent a concentration of risk that Canada Life as the provider does not make the required payments. As the policy is governed by insurance market solvency regulations, the Trustee believes this risk is low and has mitigated it by careful choice of provider and contract terms. The Trustee took appropriate advice and paid close attention to the financial strength, security and operational soundness of the chosen annuity provider at the point of purchase.
- 4.1.3 Although bulk annuities are illiquid investments and cannot be traded on regulated markets, the Trustee is satisfied this is appropriate given the security they provide by paying members' benefits as they fall due. The Trustee has invested the residual assets in low-risk cash funds, to meet expenses and other potential liquidity needs.
- 4.1.4 A balancing payment to the insurer may be required. If material, the Trustee will consider investing residual assets in such a way as to protect against fluctuations in the size of this payment (e.g. if the payment is indexed to gilt returns the Trustee may choose to invest in gilts).
- 4.1.5 Considerations specific to Environmental, Social and Governance issues ("ESG") issues are addressed in Section 7.
- 4.2 Should there be a material change in the Scheme's circumstances, the Trustee will review whether the current risk profile remains appropriate. Given the arrangements that are in place the likelihood of material change is considered to be low.

5. Investment Manager Arrangements

- 5.1 Day-to-day management of the assets is delegated to professional Investment Managers who are all regulated by the Financial Conduct Authority (the "FCA").
- 5.2 Canada Life has been appointed with the aim of insuring the Scheme's liabilities. The Trustee sought expert advice in relation to this appointment. This included an assessment of Canada Life's capabilities, knowledge and experience. The annuity policy is managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policy is aligned with the Trustee's objectives and the terms of the policy and the regulatory regime under which Canada Life operates incentivises Canada Life to meet the Trustee's objectives. The Trustee understands that they have no ability to determine or influence the assets in which Canada Life invests. The Trustee recognises that the annuity investment is illiquid and should assume that it cannot be traded. Notwithstanding the above, the Trustee looks to keep informed of the continued strength of Canada Life via annual review of its financial statements.

- 5.3 Insight have been appointed to manage a portion of the Scheme's residual assets, which are held for the purpose of covering any future expenses or balancing payments due to Canada Life. These are currently held in Insight's Sterling Liquidity Fund. The Trustee sought expert advice in relation to investing in this Fund. This included an assessment of Insight's capabilities, knowledge and experience. The Trustee will take advice before investing in any other vehicles.
- 5.4 The Insight Sterling Liquidity Fund is a multi-investor pooled investment vehicle. The Trustee therefore accepts that it has little to no ability to specify, or incentivise the managers to adopt, a particular risk profile, return target, underlying asset classes or investment policies for the pooled fund which are set by the manager and apply to all investors in such vehicle. The Trustee has therefore selected a vehicle that best aligns with its own policies in terms of investment objectives and guidelines (as set out in relevant governing documents) and will review the appointment should there be any material changes in these terms.
- 5.5 For Insight's respective appointment, retention is dependent on the Trustee having ongoing confidence that the investment manager will achieve its objective. The Trustee makes this assessment considering various factors which includes performance to date as well as an assessment of future prospects.
- 5.6 Insight are therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis.
- 5.7 We assess the continuing suitability of the Scheme's Investment Manager. We meet the investment manager in a regular cycle to discuss their performance, activity and wider issues. The Investment Consultant provides help in monitoring the Investment Manager, both in the form of written reports and attendance at meetings.
- 5.8 The Trustee will review the appointment of any Investment Manager for any reason we consider appropriate. These will include, but will not be limited to:
 - 5.8.1 Breach of investment guidelines
 - 5.8.2 Changes to the investment management process, personnel or business management of the Investment Manager
 - 5.8.3 Changes to the investment management process that result in the Investment Manager no longer being suitable for the mandate for which they were appointed
- 5.9 The Trustee will monitor the Investment Managers' compliance with this Statement annually. In particular, we will seek written confirmation from the Investment Managers that they have exercised their discretionary powers of investment in accordance with applicable legislation and given effect to the principles in the Statement so far as reasonably practicable. We have undertaken to advise the Investment Managers of any material change to this Statement.

Performance Assessment & Fees

- 5.10 The Trustee receives reporting on asset class and investment manager performance on a regular basis, via a combination of formal independent reports and presentations from the investment manager.
- 5.11 Residual asset investment returns (and volatility) are measured on an absolute basis. Returns are considered net of fees and expenses. As well as assessing investment returns the Trustee will consider a range of other factors, with the assistance of their investment adviser, when assessing investment managers, which may include:
- Personnel and business change;
 - Portfolio characteristics (including risk and compatibility with objectives) and turnover;
 - Engagement activity;
 - Service standards;
 - Operational controls; and
 - The adviser's assessment of ongoing prospects based on their research ratings.
- 5.12 The investment managers are remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive the associated fee. The Trustee will consider any performance related fees on a case by case basis and would also consider requesting fee reductions. Investment managers are not remunerated based on portfolio turnover.

Portfolio Turnover Costs

- 5.13 Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate.
- 5.14 The Trustee has not historically monitored investment managers' ongoing transaction costs explicitly and given the nature of the residual assets, turnover costs are not expected to be material.

6. Additional Voluntary Contribution Assets ("AVCs")

- 6.1 The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. The Trustee's objective is to provide a range of funds, which will provide a suitable long-term return for members, consistent with members' reasonable expectations. In keeping with their policy for the main Scheme assets, the Trustee's policy is to seek to achieve the objective by allowing members to invest in a suitable mixture of real and monetary assets.
- 6.2 With the assistance of the Scheme's consultants, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the Scheme remains consistent with the objectives of the Trustee and the needs of the members.

7. ESG, Stewardship (including Engagement Activities) and Climate Change

- 7.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a 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 Trustee also recognises that long-term sustainability issues, such as climate change, present risks and opportunities that increasingly may require explicit consideration.
- 7.2 The Trustee has implicitly delegated consideration of ESG issues, engagement and stewardship obligations to the Canada Life in relation to the majority of Scheme assets via a bulk annuity contract. The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustee has minimal direct exposure to risks arising from long-term sustainability issues, including climate change.
- 7.3 The Trustee has not set any investment restrictions on the appointed insurer in relation to particular products or activities.
- 7.4 The day-to-day management of the Scheme’s residual assets has been delegated to the investment manager including the selection, retention and realisation of investments within their mandate. In doing so, the Trustee has given the investment manager (where relevant to their mandate) full discretion when evaluating ESG issues, including climate change considerations. In addition, the Trustee has delegated to the investment manager, engagement with companies and stewardship obligations attached to the Scheme’s investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

8. Compliance with this Statement

- 8.1 The Trustee monitors compliance with this Statement on a regular basis. Regular monitoring of the assets against the investment strategy will be provided in quarterly reports prepared by Mercer for the Trustee.

9. Review of this Statement

- 9.1 The Trustee will review this Statement at least once every three years and immediately after any material change in any aspects of the Scheme. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

James Duggan

24 March 2025

Trustee

Date

Signed on behalf of The Trustee of the Lansing Linde Executive Pension Scheme