Lansing Linde Pension Scheme – DC Section

Statement of Investment Principles – September 2020

1. Introduction

1.1 This Statement has been prepared by the Trustees of the Lansing Linde Pension Scheme (the "Scheme"). It sets out the principles that govern our decisions about the investment of the Scheme's DC Section assets. We 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. A separate Statement has been written to cover the assets of the DB Section.

1.3 The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document ("IPID") which is available to Scheme members on request.

1.4 In preparing this Statement, the Trustees have obtained advice from the Scheme's Investment Consultant. Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. We will obtain similar advice whenever we review this Statement.

1.5 The Trustees' investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustees will take legal advice regarding the interpretation of these. We note that, according to the law, we have ultimate power and responsibility for the Scheme's investment arrangements.

1.6 We 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. However, our fiduciary obligations to Scheme members will take precedence over the Employer's wishes, should these ever conflict.

1.7 The Trustees support the Myners Code of Best Practice along with the DC Code of Practice 13 and review their processes against it.

1.8 The Trustees do 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 Trustees or the Employer.

2. Fund Governance

2.1 The Trustees have appointed a firm of professional consultants (the "Investment Consultant") to provide relevant advice to the Trustees. We also take advice as appropriate from the Scheme Actuary and other professional advisers.

2.2 The Trustees retain direct responsibility for setting investment objectives, establishing risk and return targets, strategy and investment manager structure. The Trustees

implement them under delegated powers by retaining and monitoring investment managers, custodians and other service providers.

2.3 The policy of the Trustees is to review their direct investments and to obtain written advice about them. The written advice will consider the issues set out in relevant regulations including the Occupational Pension Scheme (Investment) Regulations 2005 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015) and the principles contained in this Statement. The advisor will have knowledge and experience required under section 36(6) of the Pensions Act 1995.

2.4 The Investment Managers are responsible for day-to-day management of the Scheme's assets in accordance with guidelines agreed with the Trustees. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Investment Managers report to the Trustees regularly regarding their performance.

2.5 Custodians are responsible for the safekeeping of the Scheme's assets, both individual securities and holdings in collective vehicles, and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting. The Trustees will only invest in collective investment vehicles where we are satisfied that appropriate procedures are in place for selecting and monitoring the custodian(s) of the underlying assets.

2.6 Fees for the advisers 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 Objectives

3.1 The Trustees recognise that individual members have differing investment needs and that these may change during the course of their working lives. It also recognises that members have differing attitudes to risk. The Trustees objectives are therefore:

3.1.1 To offer an appropriate default arrangement for members of the Scheme who are unable, through lack of interest or knowledge, to select investments for themselves;

3.1.2 To provide members with a range of investment options to enable them to tailor investment strategy to their needs, specifically in controlling the risks inherent in the savings. In particular, to make available vehicles which aim:

a. To maximise the value of members' assets at retirement.

b. To maintain the purchasing power of members' savings.

c. To provide protection for members' accumulated assets in the years approaching retirement against:

- Sudden (downward) volatility in the capital value;
- Fluctuations in the cost of purchasing annuities;

3.1.3 To avoid over-complexity in investment in order to keep administration costs and employee understanding at a reasonable level.

The Trustees regularly review the suitability of the options provided and from time to time will change managers or introduce additional investment options.

4. Risk

4.1 The Trustees have taken into consideration on behalf of the members, the following aspects of risk:

Risk	How is this monitored and managed?
Inflation - the risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.	The Trustees make available a range of funds, with the majority expected to keep pace with inflation.
Currency - the risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	The Trustees provide diversified investment options that invest in local as well as overseas markets and currencies. Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds management of many of these market risks is delegated to the investment manager Regular performance monitoring of the investment funds.
Credit - the risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Within active funds management this risk is delegated to the investment manager. Regular performance monitoring of the investment funds.
Equity and Property - the risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit (particularly in the period immediately prior to retirement which would lead to a substantial reduction in expected retirement benefits).	The Trustees offer a range of funds. The Trustees offer a lifestyle switching strategy, which progressively switches members' funds from growth assets to asset types which are expected to be less volatile as members' approach retirement.
Inadequate Diversification - The risk that members' investments are not suitably diversified	The Trustees invest in pooled vehicles with the aim of ensuring that the asset allocation and manager structure policies in place result in an adequately diversified portfolio.
Environmental, Social and Corporate Governance ("ESG") - the risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers. See Section 8 of this Statement for the Trustees' responsible investment and corporate governance statement.
Investment Manager - the risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safekeeping of assets or breaches agreed guidelines.	The Trustees only appoint authorised investment managers after taking expert advice and regularly review performance of investment funds.
Liquidity - the risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds.

Underperformance of Expectations - the risk that the investment in which monies are invested underperforms the expectations of the Trustees and the members.	The Trustees regularly review the continuing suitability of the Scheme's investment arrangements including the appointed adviser. The Trustees receive regular reports from the investment provider and annual monitoring reviews from their Investment Consultant. In addition, a number of funds are managed on an index-tracking basis, minimising the likelihood of this risk having an impact.

4.1.1 The risk that the investment returns over members' working lives will not be sufficiently in excess of inflation and therefore they provide insufficient levels of benefit.

4.1.2 The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the levels of benefit that would otherwise be available.

4.1.3 The risk that the chosen investment manager underperforms the benchmark against which they are assessed.

4.1.4 The Trustees monitor and manage the risks outlined above by keeping the investment arrangements under regular review and by taking advice from their investment consultant on the continuing appropriateness.

4.1.5 The risks identified above are considered by the Trustees to be 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age.

5. Investment Strategy

The Trustees offer investment options to the members that they believe are suitable for meeting the investment objectives and risk considerations. More information on the funds is contained in the IPID.

5.1 Self- Select Investment options

The table below outlines the self-select investment options available to members.

Funds	
Multi Asset Funds (active): • Aviva - Balanced Managed Fund	**Global Equity (passive):** • State Street Global Advisors – Global Equity Fund • State Street Global Advisors – Balanced Index Fund
With profits: • Prudential – With Profits*	**Bonds (passive):** • State Street Global Advisors – Index-Linked Gilts • State Street Global Advisors – UK Conventional Gilts
Cash (active): • LGIM – Liquidity Fund	

**Closed to new contributions*

5.2 The Default Arrangement

Typically, a proportion of members will actively choose the Default Arrangement because they feel it is most appropriate for them. However, a large proportion of DC section members do not make an active investment decision and are invested by the Trustees into the Default Arrangement.

The Default Arrangement follows a “lifestyle” strategy that automatically varies the mix of assets a member is invested in over their working life and is designed to be appropriate for a member to take their benefits by taking a proportion of their savings as a lump sum and purchasing an annuity with the remainder. Up until ten years prior to normal/target retirement age, members’ assets will be invested in the State Street Global Equity Fund. The assets will then be gradually switched to the State Street UK Gilts Fund and the L&G Sterling Liquidity Fund so that at normal/target retirement age the member will be invested 75% in the State Street UK Gilts Fund and 25% in the L&G Sterling Liquidity Fund, which is introduced to the portfolio between five and four years from normal/target retirement age.

The Default Arrangement aims to generate investment returns, in a risk controlled manner, which are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions paid over their lifetime in the Scheme.

The Default Arrangement is aimed largely at members who do not feel capable of taking investment decisions in the lead up to retirement. Again, the Trustees believe that taking an Annuity at retirement is likely to be the preferred course for many such members close to retirement.

5.2.1 Objectives of the Default Arrangement

The Trustees’ objectives in relation to the Default Arrangement, and the ways in which the Trustees seek to achieve these, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy.

The Default Arrangement’s growth phase structure invests 100% of members’ savings in the passively managed State Street Global Equity Fund. This fund is invested in equities and provides a broad exposure to countries around the world. These investments are expected to provide long-term growth with some protection against inflation erosion to provide a strategy that reduces investment risk for members as they approach retirement.

As a member’s pot grows, investment risk will have a greater impact on members’ retirement outcomes. Therefore, the Trustees believe that a default option that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over a ten-year switching period from growth seeking assets to assets designed to be lower risk relative to the targeted form of benefits.

- To offer to members a mix of assets at retirement that are broadly appropriate for an individual to take a 25% tax free cash lump sum and purchase an annuity.

At the selected retirement date, 75% of the member's assets will be invested in the passively managed State Street UK Gilts Fund and 25% in the actively managed cash fund. The explicit allocation to cash is designed to assist members in taking a tax-free cash lump sum. The 75% allocation to bonds (via the State Street UK Gilts Fund) is intended to broadly match the price of annuities.

5.2.2 Policies in relation to the Default Arrangement

- The Default Arrangement manages investment and other risks throughout a member's lifetime via a strategic asset allocation consisting of equities, bonds and cash. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.

- In designing the Default Arrangement, the Trustees have explicitly considered the trade-off between risk and expected returns.

- If members wish to, they can opt to choose their own investments on joining, but also at any other future date.

- Members are supported by clear communication regarding the aims of the Default Arrangement and the access to alternative investment approaches

- Members do not have to take their retirement benefits in line with those targeted by the Default Arrangement; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the Default Arrangement are via daily traded pooled funds, which hold highly liquid assets. The pooled funds are commingled investment vehicles, which are managed by various underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective fund managers in line with the mandates of the funds.

- The underlying fund managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

- Assets in the Default Arrangement are ultimately invested in a manner which aims to ensure the security, quality, liquidity, and profitability of a member's portfolio as whole.

5.3 Performance Objectives

The objectives for each of the available funds are set out in the IPID.

The investment performance of the available funds is measured in comparison to the benchmarks listed in the IPID.

5.4 Fee Structure

Annual management fees for each of the available funds are charged as a fixed percentage of the assets invested in the fund. Further details are set out in the IPID.

6. Additional Voluntary Contribution Assets ("AVCs")

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. The Trustees' 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 Trustees' policy is to seek to achieve the objective by allowing members to invest in a suitable mixture of real and monetary assets.

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 Trustees and the needs of the members. More information on the AVC providers is detailed in the IPID.

7. Implementation and Engagement Policy

7.1 The table below sets out the Trustees' approach to implementation and engagement. The list covers both the Trustees' approach for the default investment options and self-select range. The list is not exhaustive, but covers the main areas considered by the Trustees.

Policy Statement	How the policy is addressed
How the arrangement with the investment manager incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies.	The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. The Trustees will review the appointment of an investment manager after sustained underperformance and if the Trustees are dissatisfied, they will look to replace that manager. If the investment objective for a particular fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. In appointing an investment manager, the Trustees looks to their investment consultant to provide a forward-looking assessment of the manager's ability to outperform over a full market cycle. The Trustees' investment consultant's manager research ratings are used for due diligence and are used in decisions around selection, retention and realisation of manager appointments.
How the arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	The Trustees consider the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustees use this assessment in decisions around selection, retention and realisation of manager appointments. Investment managers are aware that their continued appointment relies on their success in delivering the mandate for which the Trustees have delegated to them.
How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management	The Trustees receive reports from their investment manager on a quarterly basis, which present performance information over a range of time periods. The Trustees review the absolute performance and relative performance against a suitable index or comparator used as the

services are in line with the trustees' policies.	benchmark, and against the underlying manager's stated target performance (over the relevant time period). Whilst the Trustees' focus is on long-term performance, they also take shorter-term performance into account. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustees may review the suitability of the manager, and change managers where required. As part of their annual Value for Money ("VfM") assessment for the Scheme's DC Section, the Trustees review the investment manager fees. Where potential improvements on the value delivered to members is identified, the Trustees will take action.
How the Trustees monitor portfolio turnover costs incurred by the investment manager.	The Trustees consider portfolio turnover costs as part of the annual value for money assessment.
How the Trustees define and monitor targeted portfolio turnover or turnover range.	The Trustees do not currently define target portfolio turnover ranges for funds, but they will engage with a manager if portfolio turnover is higher than expected.
How the Trustees define and monitor the duration of the arrangement with the investment manager.	The Trustees are a long-term investor and is not looking to change its investment arrangements frequently. All the funds are open-ended with no set end date for the arrangement. The funds available to members and default investment option are reviewed on at least a triennial basis. An underlying manager's appointment will be considered and may be terminated if it is no longer considered optimal, nor have a place in the default strategy or the self-select fund range. This is independent of time.

7.2 The Trustees have appointed its investment manager full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

8. Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and ESG issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within their investment manager's processes and the investment manager is expected to provide reporting on a regular basis, at least annually, on ESG integration process,

stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities.

Member views

Member views are/are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

9. ESG, Stewardship and Climate Change

9.1 The Trustees believe 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 Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

9.2 The Trustees monitor the ESG ratings of the investment managers from time to time.

9.3 In a future strategic review or manager selection exercise, the Trustees will include ESG considerations in the section or design criteria. The Trustees will consider seeking member views on the importance of these issues.

10. Compliance with this Statement

The Trustees monitor compliance with this Statement on a regular basis.

10.1 For the defined contribution section of the Scheme, the Trustees will regularly review the quarterly performance reports prepared by Mercer and will be assisted by Mercer on an ad-hoc basis to identify any concerns with the underlying managers used within the defined contribution arrangements.

11. Review of this Statement

The Trustees 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.

The Trustees of the Lansing Linde Pension Scheme