Lansing Linde (Blackwood) (1987) Pension Scheme – DC Section

Statement of Investment Principles – September 2020

1. Introduction

1.1 This Statement has been prepared by the Trustee of the Lansing Linde (Blackwood) (1987) 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, as amended by subsequent legislation. 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 Trustee has 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 Trustee' 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. 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 Trustee support the Myners Code of Best Practice along with the DC Code of Practice 13 and review their processes against it.

1.8 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.

2. Fund Governance

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

2.2 The Trustee retain direct responsibility for setting investment objectives, establishing risk and return targets and investment manager structure. The Trustee implement 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 policy of the Trustee is to review their 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.

2.5 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 Trustee 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 Trustee recognises 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 Trustee's objectives are therefore:

3.1.1 To offer an appropriate default arrangement for members of the DC Section 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 Trustee regularly reviews the suitability of the options provided and from time to time will change managers or introduce additional investment options.

4. Risk

4.1 The Trustee has 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.	This risk is measured by regular performance monitoring of the investment funds and comparing performance against inflation measures. The Trustee manages this risk by making 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.	This risk is measured by regular performance monitoring of the investment funds. The Trustee manages this risk by providing diversified investment options that invest in local as well as overseas markets and currencies. In addition, 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
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 of this risk is delegated to the investment manager. This risk is measured by regular performance monitoring of the investment funds.
Markets - 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	This risk is measured by regular performance monitoring of the investment funds. The Trustee manages this risk by offering a range of funds.

which would lead to a substantial reduction in expected retirement benefits).	In addition, the Trustee offers 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 Trustee invests 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 Trustee's 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 Trustee only appoints 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 Trustee and the members.	The Trustee regularly reviews the continuing suitability of the Scheme's investment arrangements including the appointed adviser. The Trustee receives 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.
Pension Conversion – members' investment do not match how they would like to use their pots in retirement	This risk is measured by considering the returns of the funds used within the switching phase of the lifestyle strategy. The Trustee offers 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. The suitability of this strategy is reviewed at least triennially.

4.1.1 The Trustee monitors 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.

4.1.2 The risks identified above are considered by the Trustee to be 'financially material considerations'. The Trustee believes 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.

The Trustee monitors and manages the risks outlined above by keeping the investment arrangements under regular review and by taking advice from its investment consultant on their continuing appropriateness.

Member views are not taken into account in the selection, retention and realisation of investments. Non-financial matters were not taken into consideration in the selection, retention and realisation of investments.

5. Investment Strategy

The Trustee 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 – UK Conventional Gilts
Cash (active): • LGIM – Liquidity Fund	

**Closed to new contributions*

The balance between the different kinds of investments is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

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 Trustee 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 Trustee 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 Trustee's objectives in relation to the Default Arrangement, and the ways in which the Trustee seeks 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 Trustee believes 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 Trustee has explicitly considered the trade-off between risk and expected returns. The risks of the Default Arrangement (including how they are measured and managed) are set out in Section 4. In addition, the Trustee undertake a triennial strategy review and considering the profile of members and analysis on how members are taking their retirement savings to ensure that the default Arrangement remains suitable.

- 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, that 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. The assets are invested in daily priced and daily dealt pooled funds.

- The Trustee's policy on ESG considerations as they relate to the Default Arrangement is consistent with the main Scheme policy detailed in Section 8 of this Statement.

- The Trustee's policy in relation to their arrangements with their asset managers is consistent with the main Scheme policy detailed in Section 7 of this Statement.

- The above items are in relation to what the Trustee considers 'financially material considerations' specifically related to the default option. The Trustee believes 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 when they expect to retire. It is partly for this reason that the Default arrangement is a lifestyle strategy.

5.3 Performance Objectives

The Trustee's policy in relation to expected return is that each fund used in the Scheme has an associated benchmark or target return which the Trustee views as the expected return. 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 Plan provides a facility for members to pay AVCs into the Scheme 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.

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. More information on the AVC providers is detailed in the IPID.

7. Implementation and Engagement Policy

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

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 Trustee's policies.	As the Trustee invests in pooled investment vehicles they accept that they have limited ability to specify the risk profile and return targets of the manager, but appropriate funds can be selected to align with the overall investment strategy. 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 Trustee will review the appointment of an investment manager after sustained underperformance and if the Trustee is dissatisfied, they will look to replace that manager. If the investment objective for a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. In appointing an investment manager, the Trustee looks to their investment consultant to provide a forward-looking assessment of the manager's ability to outperform over a full market cycle. The Trustee's 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	The Trustee expects investment managers to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. Voting and engagement

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.	activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustee considers 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 Trustee's responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustee uses 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 Trustee has delegated to them.
How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustee's policies.	The Trustee receives reports from their investment manager on a quarterly basis, which present performance information over a range of time periods. The Trustee reviews the absolute performance and relative performance against a suitable index or comparator used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period). Whilst the Trustee's 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 Trustee 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 Trustee reviews the investment manager fees. Where potential improvements on the value delivered to members is identified, the Trustee will take action.
How the Trustee monitors portfolio turnover costs incurred by the investment manager.	The Trustee considers portfolio turnover costs as part of the annual value for money assessment.
How the Trustee defines and monitor targeted portfolio turnover or turnover range.	The Trustee does not currently define target portfolio turnover ranges for funds as the ability to assess the appropriateness of these costs is currently limited by lack of available data and industry-wide benchmarks. However, the Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessments. However, in the meantime the Trustee will engage with a manager if portfolio turnover appears higher than expected.
How the Trustee defines and monitor the duration of the arrangement with the investment manager.	The Trustee 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.

The Trustee has 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 Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

8. ESG, Stewardship and Climate Change

8.1 The Trustee believes that environmental, 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, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

8.2 The Trustee has given the investment managers full discretion when evaluating ESG factors, including climate change consideration and in exercising rights and stewardship obligations attached to the Scheme's investments, including 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

8.3 The Trustee monitors Mercer's ESG ratings of the investment managers from time to time.

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

9. Compliance with this Statement

The Trustee monitors compliance with this Statement on a regular basis.

9.1 For the defined contribution section of the Scheme, the Trustee 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.

10. Review of this Statement

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.

The Trustee of the Lansing Linde (Blackwood) (1987) Pension Scheme