

## 1 Background

<b>Purpose of Statement</b>	This Statement sets out the principles governing decisions relating to the investment of the assets of the Lucideon Group Pension Scheme (the Scheme).
<b>Nature of Scheme</b>	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
<b>Compliance with Legislation</b>	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.
<b>Availability to Members</b>	A copy of this Statement will be made available to Scheme members on request to the Trustees of the Scheme and is also available online.
<b>Investment Advice</b>	<p>The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), its appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustees will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.</p>
<b>Consultation with the Principal Employer</b>	<p>The Trustees have consulted the Principal Employer, Lucideon Group Limited, in setting its investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees.</p>
<b>Investment Powers</b>	The Scheme is governed by the Definitive Trust Deed and Rules dated 24 June 1998, as amended. The power to invest the Scheme's assets is set out in Clause 3 of the Definitive Trust Deed and Rules and gives the Trustees wide scope to select investments.

## 2 Investment Objectives

<b>Strength of Employer Covenant</b>	<p>In determining its investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme. They have determined that the employer covenant is sufficiently strong to allow them to take a long-term view in determining their investment objectives and strategy.</p>
<b>Key Funding Measure</b>	<p>The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.</p> <p>In determining its investment objectives and strategy, the Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees and Principal Employer, as it determines the Scheme's funding requirements and members' long-term benefit security.</p>
<b>Investment Objectives</b>	<p>The Trustees' investment objectives are as follows:</p> <ul style="list-style-type: none"><li>• To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.</li><li>• To invest the Scheme's assets in an appropriately diverse and liquid range of investments.</li><li>• To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.</li><li>• To target a limit of exposure to downside equity-like risk of around 25% of the Scheme's assets.</li><li>• To target a level of hedging of 100% of the risk to funding associated with the impact of changes in long-term interest rates and future inflation expectations, on the Scheme's Technical Provisions, assuming the Scheme to be fully funded.</li><li>• Where future opportunities arise to reduce risks in such a way that it does not invalidate the Trustees' funding plan, the Trustees will consider steps to further reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the SFO.</li></ul>
<b>Paying Regard to the Principal Employer's Views</b>	<p>The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.</p>

### 3 Principles for Setting the Investment Strategy

#### **Selection of Investments**

The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part, or all, of the future liabilities due from it.

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

#### **Balance of Investments**

The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives.

The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities, or relevant regulations governing pension scheme investment.

#### **Delegation to Investment Managers**

The Trustees will delegate the day-to-day management of the Scheme's assets to professional Investment Managers and will not be involved in the buying or selling of investments.

#### **Realising Investments**

The Trustees make disinvestments from the Investment Managers with the assistance of their administrator, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

## 4 Setting the Strategy

### Target Asset Allocation

The Target Asset Allocation for the Scheme is as follows:

Asset Class	Target Asset Allocation
Multi-asset funds	40%
Private markets	10%
Investment grade corporate bonds	20%
Liability Driven Investment (LDI) solution	30%
<b>Total</b>	<b>100%</b>

The LDI solution includes an allocation to absolute return bonds. The balance between LDI funds, absolute return bonds and corporate bonds will vary and be maintained to target the agreed hedging levels against changes in long-term interest rates and inflation expectations.

### Investment Managers

The Trustees entered into contracts with Legal & General Investment Management Limited (LGIM) in August 1996, Baillie Gifford & Co. (Baillie Gifford) in November 2012 and Partners Group (Partners) in September 2022. These companies undertake the day-to-day investment management of the Scheme's assets.

The Investment Managers are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

### Funds Used

The Trustees use the following funds operated by the Investment Managers.

Fund
<b>Multi-asset funds</b>
LGIM Dynamic Diversified Fund
Baillie Gifford Diversified Growth Fund
<b>Private markets</b>
The Partners Fund
<b>Investment grade corporate bonds</b>
LGIM Maturing Buy & Maintain Credit Funds
<b>LDI solution</b>
LGIM Absolute Return Bond Fund
LGIM Matching Core Funds

**Multi-asset Target Asset Allocation**

For the multi-asset funds holdings, the target asset allocation is as follows:

Fund	Target Asset Allocation
<b>Multi-asset funds</b>	
LGIM Dynamic Diversified Fund	60%
Baillie Gifford Diversified Growth Fund	40%
<b>Total</b>	<b>100%</b>

**Target Hedging Ratios**

The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme's funded Technical Provisions are summarised below:

	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

**Maintaining the Target Asset Allocation and Target Hedging Ratios**

The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of its investment adviser, Broadstone, and will consider switching assets between funds should the characteristics of the strategy move significantly away from that intended.

**Performance Benchmarks and Objectives**

The multi-asset funds used by the Trustees are actively managed, with specific risk and return objectives. Their objectives are summarised below:

Fund name	Return benchmark	Return target	Risk target
LGIM Dynamic Diversified Fund	Bank of England Base Rate	To outperform the return benchmark by 4.5% p.a. (gross of fees), over a market cycle	Around two thirds of the volatility associated with developed equity markets
Baillie Gifford Diversified Growth Fund	Bank of England Base Rate	To outperform the return benchmark by 3.5% p.a. (net of fees), over a market cycle	To produce returns with a volatility of less than 10% p.a. over rolling five-year periods

The private markets and investment grade corporate bond funds, and absolute return bond fund are also actively managed, with an objective to outperform a specified market benchmark. The objectives for these funds are summarised below.

Fund name	Return benchmark	Performance objective
The Partners Fund	The fund does not have a formal performance benchmark	To produce a minimum of high single figures p.a. (net of fees)

LGIM Maturing Buy & Maintain Credit Funds	The fund does not have a formal performance benchmark	To capture the yield on a diversified portfolio of predominantly investment grade corporate bonds
LGIM Absolute Return Bond Fund	ICE BofAML Sterling 3-Month Deposit Offered Rate Constant Maturity Index	To exceed the benchmark by 1.5% p.a. (gross of fees) over rolling three-year periods

The LGIM Matching Core Funds have an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension schemes caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method

**Investment Management Charges**

The annual management charges for each of the funds used are given below:

Fund	Annual Management Charge
LGIM Dynamic Diversified Fund	0.35% p.a.*
Baillie Gifford Diversified Growth Fund	0.55% p.a.
The Partners Fund	1.50% p.a.**
LGIM Maturing Buy & Maintain Credit Funds	0.15% p.a.
LGIM Absolute Return Bond Fund	0.25% p.a.
LGIM Matching Core Funds	0.24% p.a.

\* The AMC is discounted from the standard charge of 0.50% p.a. until further notice.

\*\* A performance fee is also payable for The Partners Fund of 12.5% of growth above the previous highest net asset value for the fund.

In addition, LGIM make a flat administration charge of £1,000 p.a.

**Employer Related Investment**

Neither the Trustees nor the Investment Managers directly hold any employer-related investments.

**Additional Voluntary Contributions (AVCs)**

Members are not permitted to make AVCs to the Scheme.

AVCs previously paid by member s are invested with Prudential Assurance Company Limited. These arrangements will be reviewed by the Trustees from time to time to ensure that they continue to remain appropriate.

## 5 Expected Returns and Risks

**Overall Return Target** The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated under the SFO.

The Trustees expect the assets to produce a return in excess of the long-term rate of growth in the value of its Technical Provisions.

**Expected Returns** Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected return
Multi-asset funds	Comparable with the return from global equities over an economic cycle of five to seven years, with significantly reduced volatility.
Private markets	In excess of the return on developed market equities over a market cycle, net of all costs.
Investment grade corporate bonds	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
LDI solution	In line with the sensitivity of the Scheme's Technical Provisions to changes in interest rates and inflation expectations, allowing for the target levels of hedging specified by the Trustees from time to time.
Absolute return bonds	In excess of the return expected on cash, using a diversified range of fixed income investments, with low levels of volatility.

**Consideration of Risks** The Trustees have considered the various risks that the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk, and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the employer covenant and the long-term nature of the Scheme.

**Risk Relative to the Value of the Scheme's Key Funding Measure** The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions.

The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

The Trustees accept that its investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.

**Concentration  
of Risk and  
Diversification**

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with its investment adviser, Broadstone.

The Trustees invest in a wide range of asset classes through the funds and strategies they use and considers the Scheme's strategy to be well diversified.

**Manager  
Controls and  
Custodianship**

The day-to-day activities that the Investment Managers carry out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Investment Managers is performed by custodians appointed by them.

**Manager  
Security**

The Trustees have considered the financial security of the Scheme's holdings with the Investment Managers, together with their status as regulated firms, and consider the associated protection offered as an investor to be reasonable and appropriate.

**Monitoring  
and  
Management  
of Risks**

The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment adviser and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining its risk register.



## 6 Responsible Investing, Governance and Engagement

### Financially Material Considerations Related to Environmental, Social and Governance Considerations

The Trustees recognise 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 Scheme invests. In turn, ESG issues can and will have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	Trustees' views
Multi-asset funds	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect its investment managers to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
Private markets	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect its investment managers to engage with the investee companies, where possible, to improve matters surrounding ESG.
Bonds	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect its investment managers to engage with investee companies, where possible, although it appreciates that fixed income assets do not typically attract voting rights.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues but will review this position from time to time. The Trustees receive information from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within its general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme'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 Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with its investment adviser.

**Views of Members and Beneficiaries**

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

**Engagement and Voting Rights**

Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Managers. The Trustees can therefore only influence engagement and voting policy indirectly.

The Investment Managers provide information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Managers.

**Capital Structure of Investee Companies**

Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

**Conflicts of Interest**

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

**Incentivisation of Investment Managers**

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessments of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

## 7 Review and Monitoring

<b>Frequency of Review</b>	<p>The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.</p>
<b>Monitoring the Investment Strategy and Managers</b>	<p>The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Managers.</p> <p>The Trustees receive quarterly reports from the Investment Managers and meet with their representatives periodically to review their investment performance and processes.</p> <p>The Trustees and Broadstone will monitor the Investment Managers' performance against their performance objectives.</p> <p>The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives (both financial and non-financial).</p>
<b>Monitoring the Duration of Investment Arrangements</b>	<p>The Trustees are long-term investors and have not set an explicit target to review the duration of its arrangements with the investment managers. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.</p>
<b>Portfolio Turnover Costs</b>	<p>The Trustees expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.</p> <p>The Trustees therefore do not set a specific portfolio turnover target for its strategy or the underlying funds.</p> <p>The Investment Managers provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.</p>
<b>Review of Investment Managers and AVC providers</b>	<p>The Trustees will consider on a regular basis whether or not the Investment Managers and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.</p>

**Information from  
Investment  
Managers**

The Investment Managers will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

**Signed**

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**Name**

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**Date**

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**On behalf of the Trustees of the Lucideon Group Pension Scheme**