Lion Group Pension Plan (the “Scheme”)

Statement of Investment Principles (the “SIP”) for the Defined Benefit Section of the Scheme

Scope of Statement

This Statement of Investment Principles (“SIP”) has been prepared for Patrick Martin, Geraint Roberts and Robert Poe, the Trustees of the Scheme (the “Trustees”) in consultation Creative Benefit Solutions Limited (the Investment Adviser) in relation to the Defined Benefit (Final Salary) section of the Scheme for accrual of benefits prior to 1 January 1997. A separate SIP has been produced for the Defined Contribution (Money Purchase) section of the Scheme in relation to accrual of benefits after 31 December 1996.

This SIP has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, as amended) and any and all other relevant legislation and regulations. The Trustees also comply with the requirements to maintain and take advice on the SIP and with disclosure requirements.

This SIP has been commissioned by the Trustees of the Scheme. The Scheme’s assets are held in trust for the Scheme by the Trustees, whose powers of investment are set out in the Trust Deed and Rules and any subsequent amendments.

The effective date of this SIP is September 2019. The Trustees will review this SIP and the Scheme’s investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

The Appendix to this Statement contains further details of the investment strategy, and may be updated from time to time without updating this SIP.

Consultations made and parties involved

The Trustees have consulted with Lion Laboratories Limited (the “Employer”) prior to commissioning this SIP and will take the Employer’s comments into account when it believes it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained and considered written advice on the investment strategy appropriate for the Scheme as well as advice on the preparation of this SIP and this advice was provided by Creative Benefit Solutions Ltd (the Investment Adviser) which is authorised and regulated by the Financial Conduct Authority (FCA reference 473893).

The day to day management of the Scheme’s assets has been delegated to the following parties: -

Royal London Asset Management Limited (“RLAM”) who are authorised and regulated by the Financial Conduct Authority (FCA reference 141665)

In addition the Trustees may hold cash deposits in one or more bank or building society accounts in the Trustees’ names.

A copy of this SIP is available to the members of the Scheme.

The Trustees have decided to invest the Scheme's assets within collective investment funds with the above parties managing the day to day running of those funds and investments or delegating the management within their prescribed remits as well as cash deposit accounts with UK banks and/or building societies.

Objectives

The Trustees' primary objectives are: -

- To ensure that the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise;
- To ensure that the day to day investment policy takes account of the nature of the Scheme's liabilities;
- To maximise investment returns subject to an acceptable level of risk;
- To help close the Scheme's funding deficit in the most efficient way possible;
- To gradually reduce the investment risk over time in line with the Scheme's liability profile;
- To agree and monitor appropriate benchmarks and performance targets for the investment providers; and
- to pay due regard to the interests of the sponsoring employer in relation to the payment of contributions.

Choosing investments

This statement sets out the Trustees' policies for securing compliance with section 35 of the Pensions Act 1995.

The types of investments held and the balance between them is adjusted as necessary to match the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries and in the case of a potential conflict of interest in the sole interests of members and beneficiaries.

The Trustees do not hold any employer related investments, as defined under section 40 of the Pensions Act 1995. They do not intend to hold any employer related investments in the future.

The Trustees may, from time to time, also hold insurance policies some of which may be earmarked for the benefit of certain members. These may include, for example, immediate annuity policies purchased to match part or all of their Scheme liabilities. The Trustee will take advice prior to any change in practice on this matter.

The Trustees delegate their powers of investment in a manner that is expected to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

The assets of the Scheme are invested predominantly in regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Assets held to cover the Scheme's liabilities are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

Investment in derivatives is only made in so far as they (a) contribute to the reduction of investment risks; (b) facilitate efficient portfolio management, including the reduction of costs, reduction of risks and the generation of additional capital or income with an acceptable level of risk; or (c) for hedging purposes and/or to alter currency exposure. Any such investments must be made and be managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting the Scheme's objectives) arises from asset allocation. While the majority of the Scheme's assets will be invested for the long term allowance is made for short term liquidity for the payment of benefits as well as potentially new investment opportunities. Tactical investment decisions may also be made by the Trustees to preserve capital, realise gains made or take advantage of short to medium term investment opportunities to boost returns to improve the long term funding position. To give an allowance for flexibility the asset allocation will be based on the following ranges: -

Asset Class	Permitted Proportion of Scheme Assets
Cash	0 - 20%
UK Government Bonds (Gilts)	0 - 40%
Corporate Bonds	0 - 30%
Liability Driven Investments (Pooled LDI)	0 - 40%
Property (Direct Commercial)	0 - 15%
UK Equity	5 - 30%
Global Equity	10 - 50%
Alternatives (Target Absolute Return)	0 - 30%

The Trustees aim to review the investment strategy on an annual basis in conjunction with their Investment Adviser, but as a minimum with each formal triennial actuarial valuation of the Scheme. The Trustees may decide to conduct ad-hoc reviews at other times, especially if the circumstances of the Scheme change in a material way. The Trustees take written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

Details of the Scheme's actual asset allocation are described in the Appendix to this SIP.

Expected returns on assets

Each of the collective investment funds that the Scheme's assets may be invested in currently have a targeted return relative to a suitable benchmark as set out from time to time in the fund specific literature produced by the relevant Investment Manager or investment provider.

The total overall expected return for the Scheme's assets is Benchmarked against the ABI Pensions Mixed Investment (40-85% Shares) sector average with the Scheme's investment portfolio (excluding cash holdings in bank or building society accounts) expected to at least equal the benchmark performance over a rolling 3 years period net of charges.

Monitoring

The Trustees monitor the performance of the assets on at least an annual basis with advice from its Investment Adviser; although more frequent monitoring is usual.

Investment risk measurement and management

The Trustees pay close regard to the risks that may arise through a mismatch between the Scheme's assets and its liabilities and to the risks that may arise from the lack of diversification of investments. The Trustees believe that the investment policies to be followed by its Investment Managers and investment providers do have adequate regard to the need to diversify within each asset class as well as in terms of underlying asset selection.

Under the Pensions Act 2004 trustees must state their policy on the ways in which risks are to be measured and managed. These are set out below.

Solvency risk and mismatching risk: -
- are measured through a qualitative and quantitative assessment of the expected volatility of the liabilities relative to the Scheme's current and alternative investment strategies; and
- are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment strategy.

Manager risk: -
- is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the stated objective and factors supporting the manager's investment process.

Liquidity risk: -
- is measured by the level of cash flow required by the Scheme over a specified period; and
- is managed by holding the majority of the Scheme's assets in readily realisable investments, as well as a minimum cash holding.

Political risk: -
- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

Corporate governance risk: -
- is measured by the level of concentration in individual assets leading to the risk of an adverse impact on investment values arising from corporate failure; and
- is managed by investing in diversified collective investment funds with specific concentration limits.

Sponsor risk: -

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit; and
- is managed by the Trustees considering information, and where deemed appropriate advice, on the strength of the sponsoring employer (and parent company), covering a number of factors including the creditworthiness of the sponsor, its assets and liabilities as well as the relative size of the pension liability.

Custody

Investment in collective investment funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. Day to day control of custody arrangements for the Scheme's assets is delegated to the parties set out on page 1 of this document, who are independent of the sponsoring employer.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in collective investment funds).

Environmental, Social and Governance Investment Policy

The Trustees recognise that ESG considerations (including climate change) can have a material financial impact on the Scheme's investments. The Trustees have considered ESG issues with their Investment Adviser and will evaluate and manage these risks when setting the Scheme's investment strategy and in the selection and retention of their Investment Managers and investment providers.

The Trustees have reviewed these risks by reference to an 'appropriate time horizon' for the Scheme's investments, which the Trustees have defined as the greater of the Recovery Plan term and the mean average term of the Scheme's liabilities.

When selecting new investments the Trustees will consider the ESG policies adopted by the underlying fund manager or investment providers.

The Trustees will aim to review this ESG policy on an annual basis and at least every 3 years. The Trustees will review compliance with the ESG policy on an annual basis and report this to members. In doing so the Trustees, with the assistance of their Investment Adviser, will consider not only the direct Investment Managers' funds, but also the managers of relevant sub funds, as well as any other investment providers.

Voting and stewardship

The Trustees expect the Investment Managers and any relevant sub fund managers to adhere to the UK Stewardship Code and for all of the fund managers to be signatories to the Principles for Responsible Investment (PRI) Association. The Trustees will also consider how any of the fund managers exercise their rights (including voting rights) in relation to the underlying investments they hold in line with the UK Stewardship code. The Trustees expect that the Scheme's Investment Managers will check adherence to the UK Stewardship code in relation to the funds they provide.

The Trustees, with the assistance of their Investment Adviser, will provide a copy of this policy and any subsequent updates to the Scheme's Investment Managers and investment providers with the aim of exerting influence in relation to key ESG issues, including their interactions with any sub fund managers. Additional engagement may take the form of additional meetings and communications between the Investment Managers and other investment providers and the Trustees; although the Trustees may delegate this to their Investment Adviser on their behalf.

The Trustees will also consider non-financial factors in the selection and retention of the Scheme's investments and will utilise the experience of their Investment Adviser in that respect. Whilst the Trustees expect that many members would identify with ESG related issues, to date there has been no significant feedback from members to this effect. The Trustees also recognise that for the majority of members, these are likely to be secondary to risk adjusted returns in relation to improving the funding position of the Scheme and as a result the Trustees do not currently apply non-financial ESG factors in the selection and retention criteria for the Scheme's investments, but will keep that policy under review.

Compliance with the Statutory Funding Objective

The Scheme Actuary is required to calculate the funding level for the Statutory Funding Objective (SFO) in the manner prescribed by the Pensions Act 2004, Part 3 and The Occupational Pension Scheme (Scheme Funding) Regulations 2005 (SI2005/3377) and other relevant regulations. The latest calculation of the SFO funding position was at 1 November 2017 which demonstrated that the SFO solvency level was 95% at that time.

As stated above, it is one of the aims of the Trustees' investment policy in conjunction with the Scheme's contribution arrangements, to achieve an SFO funding level of at least 100%.

Additional Voluntary Contributions (AVCs)

There are no remaining AVC arrangements for the Defined Benefit section of the Scheme.

Contacts: -

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CR0 6BA

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55 Gracechurch Street
London EC3V 0RL

Sign for and on behalf of the Lion Group Pension Plan Trustees

Signed: Patrick Martin

Date: 30 September 2019

APPENDIX

Scheme Asset Holdings as at 31 May 2020

Fund	Value	Allocation
RLP Global Managed	£3,016,804.47	61.96%
RLP Property	£0.00	0.00%
RLP Short (5yr) Index Linked	£26,571.92	0.55%
RLP Medium (10yr) Index Linked	£164,808.09	3.39%
RLP Long (15yr) Index Linked	£235,526.44	4.84%
RLP Short (5yr) Corporate Bond	£68,806.67	1.41%
RLP Medium (10yr) Corporate Bond	£284,172.98	5.84%
RLP Long (15yr) Corporate Bond	£271,142.01	5.57%
RLP/Rathbone Total Return	£404,384.82	8.31%
RLP Deposit	£396,349.64	8.14%
Total Value	**£4,868,567.04**	**100.00%**

Source: Royal London Asset Management Ltd.

Key: -

RLP: Royal London Asset Management Ltd (Pensions)