



Statement of Investment Principles

Lion Group Pension Plan - DB Section
August 2024

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01 Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Defined Benefit ('DB') Section of the Lion Group Pension Plan ('the Plan'). It describes the investment policy being pursued by the Trustees of the Plan and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Plans (Investment) Regulations 2005.

A separate SIP has been produced for the Defined Contribution ('DC') section of the Plan.

Plan details

The exclusive purpose of the Plan is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Plan's Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Plan's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Plan invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and attitude to risk of either the Trustees or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

Investment Manager – An organisation appointed by the Trustees to manage investments on behalf of the Plan;

Principal Employer – Lion Laboratories Limited;

Recovery Plan - The agreement between the Trustees and the Principal Employer to address the funding deficit;

Plan – Lion Group Pension Plan;

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Plan's liabilities;

Trust Deed and Rules - The Plan's Trust Deed and Rules dated 11 June 2009 as subsequently amended;

Trustees – The collective entity responsible for the investment of the Plan's assets and managing the administration of the Plan;

Value at Risk - A technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

02 Strategic investment policy and objectives

Choosing investments

The Trustees rely on professional Investment Managers for the day-to-day management of the Plan's assets. However, the Trustees retain control over some investments. In particular, the Trustees make decisions about pooled investment vehicles in which the Plan invests.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The primary investment objective of the Trustees is to provide pension and lump sum benefits for members on their retirement, and benefits on death (whether before or after retirement) for their dependants.

The Trustees aim to ensure that in normal market conditions the assets of the Plan (at their realisable value) are sufficient to cover 100% of the liabilities in respect of pensions in payment, deferred pensions, and liabilities in respect of the completed service of employee members, assuming they were to leave pensionable service at the date of the test.

Expected returns

By undertaking the investment policy described in this Statement, the Trustees expect future investment returns will at least meet the rate of return underlying the Recovery Plan.

Investment Policy

The Trustees intend to achieve these objectives through investing in a portfolio of return-seeking assets (e.g. fixed interest) and liability matching assets (e.g. gilts and cash). The Trustees recognise that the return on return-

seeking assets, whilst expected to be greater over the long-term than that of liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustees, and an acceptable level of cost to the Principal Employer.

The investment policy the Trustees have adopted is detailed in the Appendix.

Alignment of Interests

Based on the structure set out in the Appendix, the Trustees consider the arrangements with the Investment Managers to be aligned with the Plan's overall strategic objectives. Details of each specific mandate are set out in pooled fund documentation with each Investment Manager.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection/deselection criteria set out in Section 6.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Plan. The Trustees expect engagement with management of the underlying issuers of debt and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 3, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

03 Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long-term time horizon of the Plan and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan’s Investment Managers. The Trustees require the Plan’s Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises.

Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this Statement.

The Trustees have also delegated responsibility for the exercise of rights (including voting rights) attached to the Plan’s investments to the Investment Managers.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Plan, although it has neither sought, nor taken into account, the beneficiaries’ views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their investment managers to discuss engagement which has taken place. The Trustees will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustees on the stewardship credentials of their managers. The Trustees will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustees recognise the Code as an indication of a manager’s compliance with best practice stewardship standards.

04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Plan. The Trustees measure and manage these risks as follows:

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustees will consider (for example) the Value at Risk.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustees cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustees' policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Plan can invest (see section 2).

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in the Appendix and through the monitoring of the Investment Managers as set out in section 6. In

monitoring the performance of the Investment Managers, the Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Plan is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Fraud/Dishonesty - The risk that the Plan assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk – the risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Plan to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

05 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Plan.

The Trustees have considered how easily investments can be realised for the types of assets in which the Plan is currently invested. As such, the Trustees believe that the Plan currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustees will hold cash to the extent that it considers necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment restrictions

The Trustees have established the following investment restrictions:

- > The Trustees or the investment managers may not hold in excess of 5% of the Plan's assets in investments related to the Principal Employer;
- > Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Plan's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustees may impose additional restrictions.

06 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustees may appoint one or more Investment Managers and delegate to them the responsibility for investing the Plan's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Plan. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Plan invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Plan.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Plan.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in the Appendix.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an

assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees will receive regular performance monitoring reports from any investment managers appointed which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- > Parent - Ownership of the business;
- > People - Leadership/team managing the strategy and client service;
- > Product - Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;

Investment Manager Arrangements and fee structure continued

- > Performance - Past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG - The consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives;
- > The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future;
- > The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Plan's assets under management.

It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

07 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act.

Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Plan are invested in accordance with these Principles.

Appendix

Investment Strategy & Structure

Overall strategy

The Asset Allocation of the strategy as implemented in June 2024 is as follows.

Asset Class	Fund	Benchmark	Allocation (%)
Corporate Bonds	RLP/BlackRock UK All Stocks Corporate Bond Index Fund	Markit iBoxx Sterling Non Gilts Overall Index	21
Gilts	RLP/BlackRock Long Gilt Index Fund	FTSE A British Govt Over 15 Years Index	44
Cash & Cash Equivalents	RLP Deposit Fund	SONIA	35
Total			100



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