RLC Langford Lodge Limited Section of the Pensions Master Plan
(“the Plan”)

Statement of Investment Principles

as Required by the Pensions Act 1995 and the Pension Act 2004

January 2024

The Trustee confirms that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustee has considered written advice from the Investment Consultant prior to the preparation of this Statement and has consulted RLC Langford Lodge Limited, the Principal Employer, before agreeing this Statement and the investment strategy outlined in this document.

All day to day investment management decisions have been delegated to the Investment Manager where the Investment Manager is authorised and regulated by the Financial Conduct Authority.

The Trustee has full regard to its investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

The Investment Manager will continue to prepare quarterly reports on its activities and the Trustee will meet with representatives of the Investment Manager as required.

This Statement of Investment Principles will be reviewed at least every three years, or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate, and following consultation with the Principal Employer.

1. General

This statement sets out the principles governing decisions about the investment of the assets of the RLC Langford Lodge Limited Section of the Pensions Master Plan (the "Plan"). It has been prepared on behalf of the Trustee to comply with section 35 of the Pensions Act 1995 (the "Act") as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee reviews the Plan's investment strategy at least every three years, following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way).

2. Consulted Parties

As required under the Act, the Trustee has consulted a suitably qualified person in obtaining written advice from Isio on the suitability of the investments, the need for diversification and the principles contained in this Statement. Isio is authorised and regulated by the Financial Conduct Authority ("FCA").

The Trustee, in preparing this Statement, has also consulted RLC Langford Lodge Limited, the Principal Employer (the "Company"), in particular on the Trustee's objectives and investment strategy.

3. Investment Powers

The Trustee recognises that the assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries. The Trustee has overall responsibility for the prudent management of the Plan's assets. The strategic management of the Plan assets is fundamentally the responsibility of the Trustee, acting on advice from Isio, and is driven by its investment objectives as set out in Section 4 below.

The remaining elements of policy are part of the day-to-day management of the assets that is delegated to the professional investment manager, Legal & General Assurance (Pensions Management) Limited where the management of the assets is undertaken by Legal & General Investment Management ("LGIM" or the "Investment Manager"), who is authorised and regulated by the FCA.

4. Investment Objectives

The Trustee's primary objectives for setting the investment strategy of the Plan are set out below:

- "funding objective" - to ensure that the Plan is fully funded on a Technical Provisions basis as determined by the Scheme Actuary;

- "stability objective" – to have due regard to the Company's ability in meeting its contribution payments given its size and incidence, and to have due regard to the volatility of measures of funding and security; and

- "hedging objective" – for the assets to fully hedge the interest rate and inflation risk associated with the Plan's liabilities on a Technical Provisions basis.

The investment arrangements outlined in Sections 6 & 7 have been designed with these considerations in mind.

5. Choosing investments

The Trustee recognises that there are two main factors driving the investment characteristics of the pension liabilities:

- Firstly, the actuarial calculation of the liabilities of the Plan uses a discount rate linked to bond rates and thus investments in similar bonds would result in asset values moving in a similar pattern – “matching assets”; and

- Secondly, the liabilities include those increased annually for inflation. Thus these individual liabilities have a direct link to inflation i.e. they are “real” liabilities as opposed to “nominal” liabilities.

Therefore, it is considered that the best "matching assets" for the liabilities are a mixture of nominal and index-linked bonds of appropriate durations. Such a portfolio of assets could be considered a “minimum risk” portfolio.

In recent discussions between the Company and the Trustee, the Company has confirmed its support in funding the Plan’s funding level deficit through contributions over the short term. This support is considered to justify a “minimum risk” position, as both the Trustee and the Company recognise that holding return seeking assets will bring increased volatility of sponsor contribution requirements in anticipation of reduced costs in the long term.

6. Strategic Investment Benchmark

The Trustee has put in place the following strategic investment strategy for the Plan:

Asset Class	Fund	%
Corporate Bonds	LGIM Buy & Maintain Credit Fund	55
Liability Driven Investments (LDI)	LGIM Matching Core Funds	40
Cash	LGIM Sterling Liquidity Fund	5
Total		**100**

The objective of the LDI allocation is to hedge the interest rate risk and inflation risk associated with the Plan's liabilities on a Technical Provisions basis through the Plan's allocation to the LGIM Matching Core funds. To achieve this, the funds allocated to these LDI funds may vary from the benchmark allocation over time.

In addition, the corporate bond allocation will contribute to the Plan's interest rate hedge while earning a higher expected return efficiently through credit spreads.

All investments held are to be managed by an FCA authorised and regulated investment manager.

7. Performance Benchmark and Expected Return on Investments

The Trustee expects the performance of the Funds to match the benchmarks as detailed below:

Asset Class	Benchmark Index
LGIM Buy & Maintain Credit Fund	None provided by LGIM, so iBoxx All Stock Sterling Non-Gilt Index used as a comparator
LGIM Matching Core Funds	Custom benchmarks
LGIM Sterling Liquidity Fund	SONIA (Sterling Overnight Index Average)

LGIM's objective for all of the funds invested in is to achieve the performance of the relevant benchmark within an appropriate tolerance range.

8. Realising investments and rebalancing

In general, the Investment Manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

As the Plan is currently cashflow negative, there is generally a need to realise investments for cashflow purposes. Where possible, income distributions received from the investments to be used as the primary source of cashflows. Additionally, the Trustee will disinvest (or invest) assets in order to hold an appropriate short-term cash reserve to fulfil its liquidity objective.

The Trustee will consider requesting specific advice from its investment advisor before undertaking any rebalancing.

When rebalancing using cashflows or to move back towards the strategic benchmark, the LDI funds will generally not be rebalanced as this would alter the level of hedging that the Plan is exposed to. The level of investment in the LDI portfolio will be considered as part of larger strategic reviews of the Plan's investment strategy.

9. Collateral Management Policy

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Plan's liability hedging (LDI) portfolio.

At the time of writing, the Trustee is targeting a level of collateral over and above that within the Plan's LDI portfolio that is sufficient to withstand a yield rise to exhaustion of 300bps and that can be realised within 5 working days.

The Trustee will review its collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The latest collateral waterfall is set out below.

Asset Class	Dealing Frequency	Notice Period	Settlement Period
Cash	Weekly	T-2	T+ 2
Corporate Bonds	Weekly	T-2	T+ 2

10. Risk

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below:

- *the risk of failing to meet the objectives set out in Section 4* – the Trustee will regularly take advice and monitor the investments to mitigate this risk;
- *funding and asset and liability mismatch risk* – the Trustee addresses this through the asset allocation strategy and through regular actuarial and investment reviews;
- *underperformance risk* – this is addressed through investment in passive funds, monitoring the performance of the Investment Manager and taking necessary action when this is not satisfactory;

- *risk of inadequate diversification or inappropriate investment* – the Trustee addresses this by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector;

- *organisational risk* – this is addressed through regular monitoring of the Investment Manager;

- *sponsor risk* – the Trustee seeks to maximise overall investment returns subject to an acceptable level of risk and, as far as possible, is mindful of the impact of any volatility on the rate of contribution;

- *liquidity risk* – the Trustee may need to pay pension and lump sum benefits in the short-term and, therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short notice. In practice, all of the funds invested in by the Plan provide at least weekly liquidity; and

- *credit and market risks* – the Trustee accepts a degree of each of these risks in the expectation of being rewarded by excess returns. The degree to which these risks are currently exposed to is expanded on further below.

The Trustee will monitor these risks from time-to-time, particularly those deemed to have high likelihood or significant adverse impact and will look to introduce further control measures as appropriate to contain the overall level and distribution of risks to within acceptable limits.

11. Environmental, social and governance (ESG) policies and voting rights

The Trustee has considered the financial materiality of ESG issues, including climate change, in relation to the selection, retention and realisation of the Plan's investments.

When setting investment strategy and selecting investments, the Trustee's first priority is the financial interests of their members. The Trustee regularly reviews the return objectives, risk characteristics, investment approach and investment guidelines of each of the Plan's current investments. The Trustee is satisfied that all existing fund investment fulfil the needs of their target investment strategy and by extension, that LGIM is managing the Plan's assets in a manner which is consistent with members' financial interests.

The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Plan's investments and the likelihood that the Plan's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Plan's membership been consulted on such issues.

As part of the selection, retention and realisation of the Plan's investments, the Trustee, in consultation with Isio, has reviewed LGIM's ESG and stewardship policies and is comfortable that these policies are consistent with its views. In particular, the Trustee notes the following:

- LGIM has clear views on ESG factors and stewardship, which are clearly articulated in formal policies on these issues.
- The nature of the Plan's LDI assets dictates that ESG factors are less likely to be financially material. The Trustee however has confidence that LGIM has adequate governance practices in place to capture key regulatory developments that might influence the future management and/or performance of these assets.

- LGIM regularly publishes detailed results of how its stewardship policies are enacted in practice and the Trustee expects LGIM to provide regular updates on how they exercise those rights, including how often they vote against company proposals. The Trustee will review this on a regular basis in line with its monitoring policy mentioned above.

The Trustee recognises the importance of ESG factors on long-term investment performance and both immediate and future downside risks. The Trustee has set an appropriate monitoring framework to ensure the Plan's investment managers are regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures, and also engagement activity and compliance with the Trustee's stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise LGIM to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The Trustee recognises the importance of regular monitoring of LGIM's performance, remuneration and compliance against the ESG policy to ensure that the Plan's assets are being managed appropriately. The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager. In addition to performance measures, the Trustee will review LGIM's engagement activity to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustee will also monitor LGIM's voting activity to ensure votes are being used and are aligned to their views on ESG.

The Trustee's policy is to invest in pooled investment vehicles. LGIM is responsible for managing the Plan's investments in accordance with the management agreements in place with the Trustee. The Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to LGIM.

The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Plan's interests in the investments, having regard to appropriate advice. The Trustee expects LGIM to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee expects LGIM to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustee will review this on a regular basis in line with its monitoring policy mentioned above.

If the Trustee believes that the Plan's investment managers are no longer acting in accordance with the Trustee's policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustee will take the following steps:

- engage with the investment manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and

- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustee's policies and views.

The Trustee believes that this approach will incentivise the investment managers to align their actions with the Trustee's policies.

12. Governance

The Trustee of the Plan is responsible for the investment of the Plan's assets. The Trustee takes some decisions and delegate others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether the Trustee has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee • Select and monitor planned asset allocation strategy; • Select and monitor investment advisers and fund managers; • Select and monitor direct investments; • Responsible for all aspects of the investments of the Plan's assets, including implementation.
Investment Adviser • Advises on this statement; • Advises the Trustee on areas of strategy, manager selection and implementation as required; • Provides required training when engaged on a separate basis by the Trustee.
Fund Manager • Operate within the terms of this statement and their written contracts; • Select individual investments with regard to their suitability and diversification.

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement. Isio was appointed to provide investment advisory services including the provision of this advice.

The Trustee recognises that, as the Plan is invested in a range of pooled funds, there is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds.

LGIM's objective is to invest so as to replicate the benchmark indices and their performance.

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate to the fund manager through a written contract. These duties include:

- Realisation of investments;
- Taking into account socially responsible factors;
- Voting and corporate governance in relation to the financial potential of the Plan's assets.

The Trustee expects the fund manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The fund manager is remunerated on a percentage value of assets basis. In addition, the fund manager pays commissions to third parties on many trades they undertake in the management of the assets.

13. Custodian

The Plan's investments are accessed via insurance policies. The investments in pooled pension funds are a share (measured in units) of larger pools of investments managed by Investment Managers. The custodianship arrangements are those operated by LGIM for all clients investing in the relevant pooled funds. The Investment Managers are expected to provide a statement of the security of the underlying assets annually.

14. Fees

LGIM levies the following annual management charges. The Plan benefits from the discount obtained as part of the Pensions Master Plan.

Fund	Fee (p.a.)
LGIM Buy & Maintain Credit Fund	0.12%
LGIM Sterling Liquidity Fund	0.075%
LGIM Matching Core Funds	0.12%

January 2024

15 January 2024

Chairman **Date**

For and behalf of the Trustee of the RLC Langford Lodge Limited Section of the Deloitte Pensions Master Plan