LOGAN TELEFLEX (UK) LIMITED PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

OCTOBER 2019

1. INTRODUCTION

The Trustees of the Logan Teleflex (UK) Limited Pension Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act"). As required under the Act, the Trustees have consulted a suitably qualified person in obtaining advice from Rixon Matthews Appleyard (Financial Services) Limited. In preparing this Statement, the Trustees have also consulted the sponsoring company, Daifuku Logan Ltd, in particular on the Trustees' objectives and on their policy on compliance with the scheme-specific funding provisions of Part 3 of the Pensions Act 2004 ("the Funding Provisions").

Overall investment policy falls into two parts:

(1) The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by its investment objectives as set out in Section [2] of this Statement.

(2) The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment management as described in Section [3] of this Statement.

2. INVESTMENT OBJECTIVES, RISKS AND FUNDING PROVISIONS

2.1 Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have considered their objectives and adopted the following:

- To achieve, over the long term, a return on the investments which is consistent with the assumptions of their appointed actuary ("the Actuary").
- To achieve a favourable return against the benchmark of long dated gilt edged stocks (1.4% p.a. as at 30th June 2019) plus 2.25%.
- To avoid, or if this is not possible, to mitigate, the need for additional contributions arising from the Funding Provisions.
- To aim for stability in the contribution rate.

2.2 Risk

The Trustees have considered risk in relation to both the funding and solvency of the Scheme. The Trustees have reviewed the investment strategy to ensure that it is appropriate given the Scheme's liability profile and funding level.

The Trustees' policy in meeting the Funding Provisions is set out below.

It is recognised that the use of an active manager involves the risk that the day to day management of the assets will not achieve the rate of return expected by the Trustees, however they believe that such a risk is outweighed by the potential gains from successful active management. The Trustees feel that passive investment instruments within portfolio can help keep investment costs down and help with long term returns.

2.3 Policy on compliance with the Funding Provisions

The Trustees' general policy on complying with the Funding Provisions is to seek to maintain an adequate funding "cushion" such that the statutory funding objective is met.

2.4 Investment Strategy

The Trustees have given discretion to the Scheme's investment manager in their day to day management of the assets but this is reviewed by the Trustees from time to time and takes account of the following matters:

- The liability and risk profile of the Scheme.
- The best interests of the members and beneficiaries.
- The underlying strength of the employer and its ability and willingness to contribute appropriately to the Scheme.
- The aim to meet the long-term funding objectives with an acceptable level of contributions.
- Use of assets which provide growth to an acceptable degree in order to target a greater return than liability focused assets are able to provide but subject always to the overall investment strategy.
- A diversification of asset classes and return drivers.
- The Trustees take account of social, environmental and ethical considerations to the extent that they believe such considerations achieve the aims set out in the Trustees' investment strategy.

The Trustees review their investment strategy in discussions with fund managers at such times as they and their investment manager deem appropriate.

3. DAY TO DAY MANAGEMENT OF THE ASSETS

3.1 Main Assets

The Trustees invest the main assets of the Scheme in Rixons Wealth Solutions Service managed by Liontrust Investment Solutions LLP. The latter was selected for the following reasons:

- It provides access to a wide range of investment opportunities, making it simple to vary the investment strategy to reflect changing market conditions, or should the scheme risk profile change in the future.
- It provides access to a range of model investment portfolios.
- It provides access to discretionary fund management.
- The charging structure of this investment is competitive when compared to similar investments in the market place.
- There would be no redemption penalty applied on early encashment which provides enhanced flexibility should additional funds need to be raised without penalty in the short term.

Liontrust Investment Solutions LLP manage through a white label service a broad range of 25 target risk and actively managed model portfolios to meet most clients' risk and return objectives. The portfolios and investment process are designed to deliver the outcome expected by our clients and to maximise returns for our clients' risk profiles. The Growth, Income and Active Value model portfolios are managed by John Husselbee and Paul Kim, who have nearly 62 years of combined investment experience between them, on a discretionary basis.

3.2 Investment Guidelines

The investment guidelines are set out in the Risk Assessment discussions between the Trustees and their advisers. The Trustees' attitude to risk was discussed in detail with particular attention to the relationship between risk and reward.

The Trustees agreed the following understanding, which is reviewed on an annual basis:

- Investment Attitude to Risk: 4 - Lowest Medium Risk

Investments such as cash deposits and bonds issued by the UK Government (known as gilts) are considered low risk. UK commercial property, corporate bonds issued by UK companies as well as other types of global bonds issued by overseas governments and companies are considered medium risk. In the case of global bonds, generally those which pay a higher income are riskier than those which pay a lower income level. Shares in companies in the UK and other developed markets are considered high risk, while shares from companies in emerging markets are considered very high risk. The overall risk in a portfolio can be reduced by using 'diversification' – in other words, spreading the money across different investments. By doing this, the Trustees can match the overall portfolio to the level of risk that is right for the scheme.

It is important that the investment portfolio matches the willingness and ability to take investment risk. A 'lowest medium' risk profile shows that the willingness and ability to accept investment risk is about average. A portfolio which matches this risk profile is likely to experience both rises and falls in value. So, while there is potential for returns from the investment to match or exceed the rate of inflation (in other words, the rate at which the prices of goods and services rise), the Trustees also need to accept that the investment could fall in value, particularly in the short term.

A portfolio for this risk profile is most likely to contain low-, medium- and high-risk investments, including cash, government bonds, UK corporate bonds and other higher-income types of global bonds as well as UK commercial property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets, and also a small amount in other higher-risk investments such as shares in emerging markets.

3.3 Investment Performance Benchmark

The performance of the investment is compared with long dated gilts plus 2.25%.

3.4 Expected Return on Investments

The return expected on the Scheme's investments is as defined by the performance benchmark set out above.

3.5 Additional Assets

Assets in respect of members' additional voluntary contributions are invested in with-profit contracts with the Equitable Life Assurance Society and the Clerical Medical Investment Group.

3.6 Realisation of Investments

In general, the Trustees have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments. The Trustees have the responsibility for generating any cash required for benefit payments.

3.7 Monitoring the Investment Managers

The performance of investment is measured against the long dated gilts plus 2.25%.

Rixon Matthews Appleyard (Financial Services) Limited are retained as investment consultants to assist the Trustees in fulfilling their responsibility for monitoring investments.

3.8 Policy in relation to arrangements with asset managers

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage the managers to improve their practices where appropriate. The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements which appear to be investing contrary to those policies.

The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone. The Trustees' policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment adviser to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

3.9 Account taken of Non-financial Matters

The Trustees welcome the views of Scheme members and beneficiaries on the selection, retention and realisation of Scheme investments. However, they recognise that they have a duty to act in the best interests of the Scheme membership as a whole and that the view of individual members should not affect the Trustees' dealings with Scheme investments to the detriment of the wider interests of Scheme members and beneficiaries. The Trustees would therefore take note of non-financial matters only to the extent that they believe such considerations achieve the aims set out in the Trustees' investment strategy.

4. STEWARDSHIP POLICY

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. The Trustees do not monitor or engage directly with issuers or other holders of debt or equity.

The Trustees expect the investment managers to demonstrate good stewardship practices with regard to exercising ownership rights and undertaking monitoring and engagement, considering the long-term financial interests of the beneficiaries. The Trustees will review how their managers are performing in this respect, for example by reviewing managers' general policies on stewardship, as provided to the Trustees from time to time, and discussing this subject with managers at regular ISC meetings. The Trustees seek to appoint managers with strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

5. SOCIALLY RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Trustees consider that it is appropriate for the investment to take account of environmental, social and governance (ESG) issues and ethical considerations insofar as they believe such considerations will benefit performance or reduce risk.

As the assets of the Scheme are managed in a collective arrangement the Trustees accept that the assets are subject to the fund managers' own policies on ESG and ethical investment and corporate governance.

The Trustees have reviewed the fund managers' policies in these areas and are satisfied that they broadly meet with the Trustees' views. The Trustees will continue to monitor the managers' actions on a regular basis.

6. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this Statement annually and the Trustees undertake to advise their investment consultants promptly and in writing of any material change to this Statement.

7. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the employer which they judge to have a bearing on the stated investment policy.

This review will occur no less frequently that every three (3) years to coincide with the actuarial valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the employer.

Signed on behalf of the Trustees of the Logan Teleflex (UK) Limited Pension Scheme:

Christine Boyd

Date: 27/11/2019