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The London Metal Exchange 1989 Pension Scheme

Statement of Investment Principles

September 2020

This Statement of Investment Principles ("the Statement") has been commissioned by and addressed to The London Metal Exchange 1989 Pension Scheme ("the Scheme").

This document has been produced by the Trustee after advice from Mark Garnett of Advisory Investment Services Limited ("AIS").

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 and as amended by subsequent regulations.

For the purposes of this report, LME (the sponsoring employer) and LME Clear (the other participating employer) are referred to collectively as the "Company".

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Introduction

Introduction

This Statement sets down the principles governing decisions about investments for the Scheme and supersedes any previous Statements prepared by the Trustee.

In preparing this statement, the Trustee has:

1. Consulted with the Company, although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustee.

2. Obtained and considered written professional advice and recommendations from AIS who is the Trustee's appointed investment consultant. AIS is authorised and regulated by the Financial Conduct Authority ("FCA"). It is confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The Trustee will review this Statement at least once every three years. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Company.

The Scheme is a defined contribution scheme. The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

Investment Objectives

The ultimate objective is to provide an income in retirement which reflects the contributions paid into their individual accounts, the timescale over which those contributions were paid and the returns achieved from the investment funds held.

The Trustee recognises that individual members have different investment needs and that these may change during the course of their working lives. The Trustee also recognises that members have different attitudes to risk. Hence, the Trustee has in place investment options that it believes will achieve a range of returns consistent with the level of risk chosen by the member.

The Trustee's key objectives for the Scheme's investment strategy are therefore to:

- Ensure the investment strategy is consistent with relevant legislation/regulations/Trust Deed and Rules, and best practice, and there is sufficient flexibility to react to legislative/regulatory changes;
- ensure the investment strategy structure and design is based on the membership profile, where practical to do so;
- offer members a reasonable range of investment options to satisfy their risk and targeted return requirements, and to reflect the range of retirement options available to members
- be mindful of the costs borne by members as a result of investing in different asset classes and using different investment management styles;
- use diversification between different types of assets to reduce investment risk where practical and cost effective to do so;
- ensure the investment strategy is capable of being communicated relatively easily to members such that members can take informed decisions in the context of their personal financial circumstances; and
- ensure the expected level of ongoing governance does not exceed the Trustee's agreed overall governance budget.

The Trustee will regularly monitor the investment strategy against these objectives.

Investment Responsibilities

THE TRUSTEE

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore the Trustee is responsible for setting the investment objectives and determining the strategy to achieve those objectives. They set the overall investment target and then monitor the performance of their investment managers against the target. In doing so the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

Their duties and responsibilities include but are not limited to:

✓	Regular approval of this Statement and monitoring compliance with this Statement
✓	Appointment, removal (where applicable) and review of their investment managers or investment adviser and their performance relative to relevant benchmarks
✓	Assessment of the investment risks run by the Scheme
✓	Monitoring and review of the default strategy and self-selection options

INVESTMENT ADVISER’S DUTIES AND RESPONSIBILITIES

The Trustee has appointed AIS as its investment advisor. AIS provides advice when the Trustee requires it and/or when AIS feels it suitable to do so. Areas on which it can provide advice are as follows:

✓	Setting investment objectives, where relevant
✓	Determining the default strategy and self-select options available to members
✓	Determining suitable funds and investment managers

It should be noted that the Trustee retains responsibility for all decisions.

Any services provided by AIS will be remunerated on either a time cost or fixed fee basis.

AIS does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of their advice. Any discounts received through the use of the Master Trust are passed in full to the Scheme.

The Trustee is satisfied that this is a suitable adviser compensation structure.

INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering suitable advice, have appointed various managers to manage the assets of the Scheme some of which are via the Standard Life investment platform.

The investment managers are detailed in the Appendix of this statement. These investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation (if managing a multi-asset portfolio) and the exercise of voting rights. All the managers are compensated by fund based charges on the value of the Scheme's assets that they hold.

Setting the Investment Strategy

INVESTMENT STRATEGY

The Trustee will offer a sufficient fund range to satisfy the risk and targeted return requirements reasonable for most members.

The Trustee has in place a range of investment options that they believe will allow members to strike appropriate balances between long-term needs for capital growth and shorter-term volatility of returns, especially in the period approaching retirement.

The Trustee's policy is to offer a default investment arrangement that is suitable for the Scheme's membership profile plus a range of other funds into which members can choose to invest contributions.

The Trustee has chosen one lifestyle investment option, which is the default strategy and targets drawdown at retirement. This lifestyle option has automated switching facilities allowing members to pre-select an investment strategy, which will move their accrued funds into lower risk investments as they approach retirement.

The lifestyle strategy and the self-select fund range offered will be reviewed from time-to-time by the Trustee to take into account changes in various considerations such as: the membership profile and experience, legislation and regulations, and developments in investment products.

TYPES OF INVESTMENT

The Scheme's assets are invested on behalf of the Trustee by Standard Life, through their investment platform, with underlying investment managers.

The Trustee is permitted to invest across a wide range of asset classes, including but not limited to equities, bonds, cash, property and alternative asset classes. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

The Trustee's policy is not to invest in employer-related investments.

BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENT

The Trustee has provided a range of fund options to suit member needs that aim to achieve the Scheme's objectives detailed previously. The Trustee also offers a lifestyle strategy where the asset allocation changes depending on the member's age and moves from riskier assets to less riskier assets as they approach retirement.

The Trustee is aware that the appropriate balance between different types of investments will vary over time and the asset allocation may change depending on the individual member's choice.

The Trustee has considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The current mangers are shown in the Appendix.

EXPECTED RETURN ON INVESTMENTS

The Trustee has noted the long-run relationships that exist between the real and nominal net returns from different asset classes and have noted the different expected risk/return characteristics of the various different asset classes.

In particular, that equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from corporate bonds, fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns.

REALISATION OF INVESTMENTS

The Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary.

FINANCIALLY MATERIAL CONSIDERATIONS FOR DEFAULT STRATGEY

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine the investment strategy over the length of time during which the benefits are provided by the Scheme to the members.

The Trustee believes that financially material considerations (including climate change) are allowed for in the asset liability modelling that is carried out when setting the investment strategy.

To invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the fund managers and investment consultant are expected to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own philosophy and processes to ESG issues. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;

- Use ESG ratings information, to assess how the Scheme's investment managers take account of ESG issues; and

- Request that all of the Scheme's investment managers share information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

NON-FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

STEWARDSHIP

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND CLIMATE CHANGE RISKS

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

INVESTMENT MANAGER ARRANGEMENTS

Incentives to align investment managers investment strategy and decisions with the trustees' policies

The Scheme invests in pooled funds. The Trustee acknowledges the fund's investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers incentive.

The Trustee uses the fund objective/benchmark as a guide on whether the fund's investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustee also considers the managers voting and ESG policies and how it engages with the company as it believes that these can factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

The Trustee believes the annual fee paid to the fund managers incentivise them to execute their investment policies consistently, as the longer the units are held the larger income to the investment manager.

If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the individual funds over at least a 3-5 year period or over a market cycle, if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The charges are monitored regularly with the help of its investment consultant to ensure they are in line with the Trustee's policies for each fund. The Trustee believes that its and each fund manager's goals are aligned.

How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

The duration of the arrangement with the asset manager

The Trustee plans to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustee measures and monitors their risks by receiving monitoring reports which report on the performance of their assets and their managers. The key risks and the policies are as follows:

Inflation risk	This is the risk that the investments don't give a return above inflation, eroding the purchasing power of the pension pot. The risk is managed by providing members with investment options that are expected to provide a rate of return in excess of inflation.
Concentration Risk	This is the risk that the investment manager invests in a concentrated portfolio of individual stocks or securities. It is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities, and different investment managers.
Investment Manager Risk	This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.
Conversion Risk	This is the risk that the value of a member's pension falls significantly in the period leading up to retirement relative to their chosen retirement option to purchase an annuity, drawdown or take cash. This means the value of the pension pot does not move in line with annuities, or the value at retirement used to drawdown or take as cash will be smaller than expected. This is managed by offering a lifestyle option where assets are switched from higher risk assets to lower risk assets as the member approaches retirement.

Liquidity Risk	The risk is managed by having a suitable amount of readily realisable investments. The Scheme invests in assets that there are invested in quoted markets and are readily realisable as the Trustee feels suitable given the Scheme's cashflow.

Currency Risk	Members are able to invest in assets and currencies that are not denominated in sterling and so they can be exposed to currency risk depending on their investment choices.

Loss of Investment Risk	There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustee undertakes regular reviews of the internal controls and processes of the investment manager.

Compliance

The Trustee confirms that it has received and considered written advice from AIS on the establishment and implementation of their investment strategy.

The Trustee confirms that it has consulted with the Company regarding their strategy.

Copies of this statement and any subsequent amendments will be made available publicly on the Company’s website.

The Trustee will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

Signed on behalf of the Trustee of the London Metal Exchange 1989 Pension Scheme
Name: Position: Date:

Appendix

The Trustee has invested the Scheme assets with Standard Life. Standard Life provides investment administration for the Scheme and so carries out the day to day management of the underlying investment managers.

DEFAULT STRATEGY

The default strategy targets drawdown at retirement and is invested in the Standard Life Passive Plus III Universal Strategic Lifestyle Profile, which is based on a medium risk profile and has a life styling period of 10 years. It is made up of the following funds:

Name	Objective	Lifestyle Phase	Investment Period	Active/Passive investment
Standard Life Passive Plus III Pension Fund	To provide long term growth while being managed to a medium level of risk	Growth	Prior to 10 years before retirement	Active
Standard Life Pre Retirement (Passive Plus Universal) Pension Fund	To start gradually moving money out of the growth phase, into a mix of lower risk investments	Consolidation	10 years before retirement	Active
Standard Life At Retirement (Passive Plus Universal) Pension Fund	Invests in a portfolio to target drawdown at retirement	Consolidation	5 years before retirement	Active

Please note the default lifestyle profiling is not suitable for members looking to buy an annuity on retirement.

CHARGES

Name	Fund Management (FMC)	Additional expenses	Scheme rebate	Effective total annual fund charge
Standard Life Passive Plus III Pension Fund	1.00%	0.03%	0.40%	0.63%
Standard Life Pre Retirement (Passive Plus Universal) Pension Fund	1.00%	0.03%	0.40%	0.63%
Standard Life At Retirement (Passive Plus Universal) Pension Fund	1.00%	0.02%	0.40%	0.62%

The charges and rebates are regularly reviewed and may be changed in the future.

LIFESTYLING

This profile is designed for members who want to take their full tax-free lump sum, and have the flexibility to take the rest of their pension savings the way they want.

Years to Retirement	Standard Life Passive Plus III Pension Fund	Standard Life Pre Retirement (Passive Plus Universal) Pension Fund	Standard Life At Retirement (Passive Plus Universal) Pension Fund	Total
10	100%	-	-	100%
9	90%	10%	-	100%
8	80%	20%	-	100%
7	70%	30%	-	100%
6	60%	40%	-	100%
5	50%	50%	-	100%
4	40%	48%	12%	100%
3	30%	42%	28%	100%
2	20%	32%	48%	100%
1	10%	18%	72%	100%
3 Months	0%	0%	100%	100%

SELF-SELECT FUND RANGE

The Trustees have provided a range of fund options if members wish to make their own choices. Details of the funds are set out below.

Name	Volatility Rating (Set by Standard Life)	FMC	Additional expenses	Scheme rebate	Effective total annual fund charge	Active/ passive investment
SL Invesco Perpetual Global Equity Income Pension Fund	5	1.88%	0.01%	0.40%	1.49%	Active
SL Invesco Perpetual High Income Pension Fund	5	1.88%	0.01%	0.40%	1.49%	Active
SL Investec Cautious Managed Pension Fund	3	1.68%	0.11%	0.40%	1.39%	Active
SL SLI UK Smaller Companies Pension Fund	6	1.40%	0.10%	0.40%	1.10%	Active
Standard Life Active Plus III Pension Fund	4	1.10%	0.02%	0.40%	0.72%	Active
Standard Life Active Plus IV Pension fund	5	1.15%	0.02%	0.40%	0.77%	Active
Standard Life Annuity Purchase Fund	4	1.00%	0.01%	0.40%	0.61%	Active
Standard Life At Retirement (Active Plus Universal) Pension Fund	3	1.08%	0.01%	0.40%	0.69%	Active
Standard Life At Retirement (MyFolio Managed Universal) Pension	3	1.00%	0.28%	0.40%	0.88%	Active
Standard Life At Retirement (Passive Plus Lump Sum) Pension Fund	3	1.00%	0.01%	0.40%	0.61%	Active

Standard Life Deposit and Treasury Pension Fund	1	1.00%	0.01%	0.40%	0.61%	Active
Standard Life Ethical Pension Fund	5	1.00%	0.01%	0.40%	0.61%	Active
Standard Life Global Equity 50:50 Pension Fund	6	1.00%	0.01%	0.40%	0.61%	Active
Standard Life Global Equity 50:50 Tracker Pension Fund	5	1.00%	0.01%	0.40%	0.61%	Passive
Standard Life International Equity Pension Fund	5	1.00%	0.02%	0.40%	0.62%	Active
Standard Life Managed Pension Fund	4	1.00%	0.02%	0.40%	0.62%	Active
Standard Life Money market Pension Fund	1	1.00%	0.01%	0.40%	0.61%	Active
Standard Life Multi-Asset Manged (20-60% Shares) Pension Fund	3	1.00%	0.02%	0.40%	0.62%	Active
Standard Life MyFolio Managed IV Pension Fund	5	0.80%	0.66%	0.40%	1.06%	Active
Standard Life Passive Plus I Pension Fund	2	1.00%	0.01%	0.40%	0.61%	Active
Standard Life Passive Plus III Pension Fund	4	1.00%	0.03%	0.40%	0.63%	Active
Standard Life Pension Millennium With Profits 2006 Fund	4	_	_	0.40%	_	_
Standard Life Pension Millennium With Profits Fund	4	_	_	0.40%	_	_

Standard Life Pension With Profits Fund	2	_	_	0.40%	_	_
Standard Life Pre Retirement (Active Plus Universal) Pension Fund	3	1.10%	0.01%	0.40%	0.71%	Active
Standard Life Pre Retirement (MyFolio Managed Universal) Pension Fund	3	1.00%	0.38%	0.40%	0.98%	Active
Standard Life Stock Exchange Pension Fund	5	1.00%	0.02%	0.40%	0.62%	Active
Standard Life UK Equity Select Pension Fund	6	1.40%	0.01%	0.40%	1.01%	Active

The charges and rebates are regularly reviewed and may be changed in the future.