

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME STATEMENT OF INVESTMENT PRINCIPLES

FEBRUARY 2022

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Crystal Martin Group Pension Fund and Life Assurance Scheme, (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles. It replaces the Statement dated September 2020.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Scheme.

The Scheme is Exempt Approved and consists of two sections, the Final Salary/Defined Benefit (DB) section and the Money Purchase/Defined Contribution (DC) section.

The Trustees will review the Statement formally at least every three years. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT RESPONSIBILITIES

2.1 Trustees' Duties and Responsibilities

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment adviser
- The appointment and review of the investment platform provider
- The choice of appropriate funds to implement the agreed investment strategy
- The assessment and review of the performance of each investment manager
- The assessment of the risks assumed by the Scheme at a total scheme level as well as on a manager by manager basis
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in this Statement

2.2 Investment Adviser's Duties and Responsibilities

The Trustees have appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware.

With the DB Section securing a Bulk Purchase Annuity (BPA) as described later in this Statement, there are expected to be few further investment advice requirements.

Matters on which Mercer expects to provide advice or assistance to the Trustees, largely in relation to the DC Section include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Determining funds that are suitable to meet the Trustees' objectives
- Monitoring the investment managers to ensure their continuing appropriateness to the mandates given
- Advising the Trustees in respect of updates to this Statement

The Trustees may seek advice from Mercer with regard to strategic investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions.

Mercer monitors the performance of the Scheme's investment managers against their benchmarks.

Mercer will also advise the Trustees of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives.

If the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustees accordingly.

Mercer primarily charges on a time-cost basis.

Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of its advice.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority (“FCA”).

2.3 Arrangements with Investment Managers

DB Section

The Trustees, after considering appropriate investment advice, have entered into a BPA with Legal and General Assurance Society Limited (LGAS). LGAS have underwritten the Plan’s liabilities, and will therefore invest in such a manner to ensure that the liabilities will be paid when they fall due.

The Trustees paid an initial premium to LGAS in December 2021. There are no ongoing fees in respect of the policy, although there may be an additional premium to pay once the data cleanse has been completed.

There is no performance related fee associated with the BPA.

LGAS is authorised and regulated by the Prudential Regulation Authority (“PRA”), regulated by the FCA and adheres to Solvency II Capital Requirements regulation.

The primary responsibility of LGAS is to ensure that the correct amount as specified under the BPA is paid to the Plan.

As the main DB Plan assets do not have any appointed investment managers, the Trustees do not currently need to consider how manager appointments are aligned with investment strategy, how managers are incentivised to consider long-term financial and non-financial performance, how managers are evaluated and remunerated, portfolio turnover costs, or manager turnover.

DC Section

The Trustees are intending to secure the benefits for the Scheme’s DC members with LGAS, alongside the BPA taken out on behalf of the DB members. However, at this stage the existing arrangements remain in force and this Statement sets out the position in respect of these arrangements.

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

The assets of the DC Section have been invested through the Aegon (formerly BlackRock) investment platform, which facilitates investment into a range of underlying funds managed by third party investment managers.

All the underlying investment managers in which the assets are invested are authorised and regulated by the FCA. Further details on the range of funds available for the DC Section are given in Appendix 2.

The underlying investment managers used by the Trustees through the Aegon platform are chosen based on advice from the Investment Adviser. This is based on the Investment Adviser’s view of their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

Mercer’s rating of investment managers is based upon forward looking analysis on the likelihood of them achieving their medium to long-term performance objective(s) and recognises that short-term performance could potentially deviate from this objective.

When rating investment managers, Mercer also considers the potential risks arising from ESG factors and how these may potentially impact upon the investment manager’s ability to achieve its performance objective(s).

In the event that the investment manager changes its performance objective(s), the appointment will be reviewed to ensure that it remains appropriate.

The Trustees only invest in pooled investment vehicles. The Trustees therefore cannot specify the risk profile and return targets of the underlying investment managers, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy, including the policies set out in this SIP.

The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

If the investment objective for an investment manager changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

Aegon and the underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. The Trustee believes that this is the most appropriate basis for remunerating investment managers.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees cannot influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics.

The Trustees are therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with their policies as set out in this SIP.

2.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Scheme administrators, so far as they relate to the Scheme's investments, is set out at Appendix 3.

3 INVESTMENT OBJECTIVES

DB Section

The Trustees' primary investment objective for the Scheme's DB Section is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In order for the Trustees to ensure that they can meet their obligations to the beneficiaries both in the short and long term without recourse to the Company, the Trustees have entered into a BPA with LGAS.

The policy has not been structured with expected return in mind, but instead aims to exactly match the Scheme's benefit obligations.

DC Section

The Trustees aim to provide suitable investment options that are aligned to the needs of their members.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. These risks are set out in Section 5 of this statement.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 5 of this statement. To help mitigate the most significant of these risks, the Trustees have:

- Made a lifestyle strategy available as a default option, which aims to provide long term investment growth to build up a savings pot which will be used in retirement, before transitioning to investments that are appropriate to the form of the benefits which members are expected to take at retirement, and
- Offered a range of self-select funds across asset classes.

It is expected that most DC members will take their fund value as a cash sum at retirement and this has been allowed for in setting the default lifestyle strategy. This expectation will be monitored and reviewed in light of experience.

Information on the approach the Trustees have taken to meet these investment objectives is set out in Section 4. Details of the Trustees' key investment principles in respect of the default strategy are set out in Appendix 1.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and was mindful to offer a range of funds with varying levels of expected returns for members to choose from.

When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.

In considering appropriate investments for the Scheme, the Trustees will obtain and consider written advice from Mercer, whom the Trustees believe to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

This Statement addresses what the Trustees deem as 'financially material considerations' both for the Scheme's self-select fund choices and the default strategy. The Trustees believe the appropriate time horizon for which to assess these considerations should be based on an individual member's expected membership period. This will be dependent on the members' age and when they expect to retire. It is for this reason that the default is a

lifestyle strategy. Details of the approach the Trustees have taken to meet these considerations are set out in Section 4.

4 INVESTMENT STRATEGY

4.1 Setting Investment Strategy

DB Section

The Trustees have determined their investment strategy, a BPA, after considering their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

Under the contract, LGAS will provide payments to the Scheme in line with the benefits promised under the BPA agreement.

The rationale for this approach is to secure the benefits of the DB Section and ensure that all benefits will be met whilst removing the risk of any shortfall in benefits, which could occur if the Sponsoring Employer ever became insolvent or was no longer able to support the Scheme.

Currently the BPA is a 'Buy-In', which means that it remains a Scheme investment and LGAS have taken responsibility for paying the benefits as specified in the BPA agreement.

The Trustees are undertaking a data cleansing stage, to ensure the Trustees and LGAS are confident that all liabilities have been correctly addressed. After the data cleansing process has been completed, the individual policies will be assigned to the Plan's DB members and the responsibility for paying the DB pensions will be fully transferred to LGAS.

DC Section

The Trustees have adopted a Lifestyle Strategy as the Default arrangement for the Defined Contribution Section. The approach to setting Lifestyle Strategy is set out in Appendix 1.

In addition to the Default Lifestyle Investment Strategy, members have the option to invest in the full range of funds on the Aegon Platform. To help narrow down the investment choice for members the Trustees have determined a core range of funds which they believe provide members with a good range of options. A list of the core funds and their fees is set out in Appendix 2.

4.2 Investment Decisions

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the matching portfolios
- Determining the allocation to asset classes within the growth and matching portfolios

- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

Tactical investment decisions are no longer relevant for the DB Section, given that a BPA has been secured, and are not appropriate and therefore not taken by the Trustees in relation to the DC Section.

Where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of either LGAS as the BPA provider, or the investment managers of the pooled funds in which the DC Section is invested.

4.3 Types of Investments to be Held

The Trustees are permitted to invest across a wide range of asset classes, including a BPA.

Details relating to the pooled funds in which the DC Section is invested can be found in Appendix 2.

The Trustees recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustees have therefore invested in pooled Diversified Growth Funds (“DGFs”), which are actively managed multi-asset funds and invest across a diversified range of assets.

The Trustees note that it would not be practical (or appropriate) for them to commit the resources necessary to make these decisions across a wide range of asset classes themselves.

As noted previously for the DB Section, LGAS is responsible for making payments to the Scheme as set out in the BPA agreement. LGAS solely determines the underlying asset allocation backing the BPA. The Trustees have no responsibility for setting the underlying asset allocation.

4.4 Financially Material Considerations

DB Section

The Trustees understand that they must aim to consider all factors that have the ability to impact the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that environmental, social and corporate governance (“ESG”) factors, such as climate change, can influence the long term investment risk and return outcomes of the Scheme’s portfolio and in normal circumstances it would be in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

However, the Trustees have secured a BPA and are working towards the wind up of the Scheme. The lifetime of the Scheme is therefore expected to be very short and the Trustees are satisfied that it is appropriate not to embed ESG considerations into the Scheme’s investment strategy.

DC Section

The Trustees recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustees would seek to invest in funds which incorporate ESG principles.

The Trustees note that BlackRock is a well-respected investment manager and are satisfied with its policy on voting and engaging with the companies in which it invests.

The Trustees receive ESG scores provided by the Investment Consultant in relation to the funds in which the Scheme is invested and will monitor how these develop over time.

The Trustees will update this Statement to reflect any developments as appropriate.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

4.5 Non-Financial Matters

The Trustees have determined that the financial interests of the Scheme members are their first priority when choosing investments.

They have decided not to consider non-financial matters, such as ethical views, or to take members' preferences into account when setting the investment strategy for the DB or the DC Section.

4.6 Stewardship

The DB Section is invested solely in a BPA, whilst the DC Section is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to LGAS for the DB Section and the pooled fund investment managers for the DC Section and expects the investment managers to use their discretion to act in the long term financial interests of investors.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

If a new investment manager is selected, the Trustee will consider the Investment Adviser's ESG score, which incorporates an assessment of engagement and voting as part of the process.

5 RISK

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- They have been managed by entering into a BPA with LGAS.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.
- For the DB Section, it has been managed by entering into a BPA with LGAS to remove the risk of investment managers underperforming
- For the DC Section, it is managed by monitoring and advice from the Investment Adviser where there have been significant changes to the managers' capabilities, and by using the Aegon Platform, which enables quick and efficient replacement of managers if appropriate.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Scheme over a specified period.
- For the DB Section, this has been managed by entering a BPA to pay to the Scheme the contractual payments agreed within the BPA agreement in order to pay the Scheme's pensions as they fall due.
- For the DC Section it is managed by investing in daily dealing, liquid funds through the Aegon platform.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- For the DB Section, it is managed by entering into a BPA with LGAS.
- For the DC Section it is managed by regular reviews of the investments and through investing in funds which give a wide degree of regional diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the BPA provider and the DC Section pooled fund managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available to the Trustees on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes to comply with changes in legislation as required.

- The Trustees note that once the wind up of the Scheme has been completed, they will have removed this risk.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The DB Section is exposed to direct credit risk in respect of the BPA with LGAS, in the event of the LGAS failing. In order to manage this risk, the Trustees carried out appropriate due diligence when selecting LGAS and the Trustees note that there are considerable protections through the regulatory regime that applies to insurance companies.
- The DC Section invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For the DB Section, this has been removed by entering a BPA.
- Members in the default strategy of the DC Section also have exposure to currency risk through the passive equity fund which is used. This exposure is managed by balancing the equity exposure with a DGF allocation, by reducing the exposure towards a member's chosen retirement age and by making available a range of alternative funds for members to choose to invest in.

Interest Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- For the DB Section, this has been removed by entering a BPA.
- For the DC Section, the default lifestyle strategy doesn't contain funds with significant interest rate risk.

Other Price Risk

- This is the risk of volatility in fund values and principally arises in relation to the return seeking assets.
- For the DB Section, this has been removed by entering a BPA.
- For the DC Section, the Trustees have put in place a lifestyling strategy as the default investment option to reduce other price risk as a member approaches retirement. Members are also offered a range of funds and therefore have the opportunity to select a different level of risk if appropriate to their circumstances.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- This risk has been removed by entering a BPA.

Life Expectancy Risk

- This is the risk that members live longer than expected, resulting in an increase in the liabilities for the DB Section.
- This risk has been removed by entering a BPA.

- For the DC Section, the risk of living longer than expected would be borne by the Scheme's members, and the Trustees have designed a suitable lifestyle policy to give members the opportunity for balanced investment growth to maximise their pot at retirement, and a range of alternative funds so that members can choose to take more, or less risk as appropriate to their circumstances.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- For the DB Section, this risk has been removed by entering a BPA.
- For the DC Section, the Trustees manage this risk by investing in well-respected investment managers where ESG principles are an established part of the investment decision making process, by regularly reviewing the investment adviser's ESG scoring of the Scheme's managers and by considering ESG on an annual basis to make sure that emerging trends and new information are taken into account as appropriate.

In relation to the DC Section of the Scheme, the Trustees also consider the following risks:

Investment Return Risk

- The risk is that a member is not invested in those asset classes that are expected to generate the highest returns over the long run.
- To manage this risk the Trustees make available a range of funds across various asset classes, and within the default strategy use a combination of a passive equity fund, together with the BlackRock Dynamic Allocation Fund with the aim of generating long term investment growth for the accumulation phase.

Volatility Risk

- This is the risk that the value of a member's pot will fluctuate substantially over the investment term.
- To manage this risk the Trustees make available a range of funds across various asset classes, so that members can select funds which match their own appetite for investment volatility.
- Within the Crystal Martin Lifestyle Investment Strategy, starting from 15 years before retirement, the passive equity allocation is transitioned to the BlackRock Dynamic Allocation Fund, which the Trustees expect to exhibit lower volatility than a fund that invests solely in equities. Volatility is then reduced further in the 5 years before retirement as the members pot is transitioned into the BlackRock DC Cash Fund.

Pension Conversion Risk

- This is the risk that a member is invested in a strategy that does not reflect the way in which they intend to access their savings at retirement.
- The Trustees make available a range of funds which enable members to manage this risk.
- The Trustees will review the default strategy at least triennially to assess whether the targeted destination remains appropriate.

Lump Sum Risk

- The risk is that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a lump sum in those asset classes (every type except cash), which are subject to volatility in capital-value terms.
- To manage this risk the Crystal Martin Lifestyle Investment Strategy transitions 100% of a member's pot to the BlackRock DC Cash Fund as a member approaches their normal retirement age. This is on the expectation that members will take their pot as a cash sum at retirement.

Market Switching Risk

- The risk arises if there is to be switching between investment vehicles. The risk is that large investment switches are made at one point in time, thereby unnecessarily exposing members to unfavourable market pricing on a particular day.

- This risk is managed by de-risking switches being undertaken on a quarterly basis over a 15 year transition period within the Crystal Martin Lifestyle Investment Strategy.

Inflation Risk

- This is the risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).
- To manage this risk the Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.
- Within the Crystal Martin Lifestyle Investment Strategy, members' funds are invested in the BlackRock Global Equity 60/40 Fund and the BlackRock Dynamic Allocation Fund which the Trustees expect to provide returns sufficient to outpace inflation.

Annuity-Rate Risk

- This is the risk that, when close to retirement, a member who is intending to convert part of their pot to an annuity has not invested the part of their fund that will be used to purchase a pension in those asset classes (principally bonds), which protect against annuity-rate movements.
- It is managed by making bond type funds available as part of the core range of funds for the DC Section members to invest in.

Foundation Risk

- This is the risk that capital value losses in early years could potentially discourage members from saving.
- To manage this risk the Trustees make available a range of funds across various asset classes, so that members can select funds with a lower chance of capital value loss.
- The Trustees note that the DC Section has been closed for a number of years, and there are no members who they believe that this would apply to.
- However, the Trustees make available a range of funds across various asset classes, so that members can select funds with a lower chance of capital value loss.

6 MONITORING OF INVESTMENT ADVISER AND MANAGER

6.1 Investment Adviser

The Trustees continually assess and review the performance of their adviser in a qualitative way. In doing so, the Trustee will consider the objectives they set for the Investment Advisers in October 2019.

6.2 Investment Managers

With the securing of a BPA, there is no further investment performance to monitor in relation to the Scheme's DB assets.

The Trustees receive quarterly monitoring reports on the performance of the DC investment managers from Aegon, as the Platform provider.

The Aegon quarterly reports present performance information over 3 months, 1, 3 and years and shows the absolute performance on a net of fees basis, and the performance of the manager's stated target benchmark (over the relevant time period). It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

In conjunction with advice and information from their Investment Adviser, the Trustees have the role of replacing the underlying investment managers where appropriate. They take a long-term view when assessing whether to replace the underlying investment managers and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will also be made to the underlying managers if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

6.3 Portfolio Turnover Costs

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

Following the investment into the BPA, the Trustees do not monitor turnover costs, or define or monitor an appropriate turnover range for the DB Section.

Information on portfolio turnover costs is monitored and reviewed for the DC Section as part of the production of the annual Chair's Statement.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, some of which invest across a wide range of investments, the Trustees do not have an overall portfolio turnover target for the DC Scheme.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (“AVC’S”)

The DB Section has no active members remaining and so contributions are no longer being made. AVCs for the DB Section are invested in the Prudential With Profits Fund and also in Managed Funds with Royal London.

DC members are able to invest their AVCs in the range of funds through the Aegon platform as described in Appendices 1 and 2.

8 CODE OF BEST PRACTICE

DB Section

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees have worked with their investment adviser to ensure that the Scheme has complied with the guidance as far as is appropriate to its circumstances.

Now that the Scheme has secured a BPA, the Trustees note that the much of the guidance is no longer relevant.

DC Section

The Pensions Regulator also publishes guidance on governance in relation to defined contribution arrangements.

The investment adviser attends each Trustee meeting which enables developments to be monitored, both in relation to the Scheme's circumstances and in relation to evolving guidance, so that the investment approach can be revised if considered appropriate.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request and is also available online.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others.

Approved by the Trustees on 31 January 2022, and finalised on 22 February 2022 following consultation with the Company.

APPENDIX 1: DC SECTION – DEFAULT STRATEGY

A lifestyle arrangement, the Crystal Martin Lifestyle Investment Strategy, has been designed by the Trustees as a default arrangement for members of the DC Section of the Scheme who do not make an explicit choice regarding the investment of their funds. In designing the Crystal Martin Lifestyle Investment Strategy, the Trustees received investment advice from Mercer, their investment adviser.

The Crystal Martin Lifestyle Investment Strategy provides a broad level of protection against the key risks identified. This is achieved by using a lifestyling transition strategy.

Under a lifestyle transition strategy, members that are some way from retirement are provided with appropriate opportunities for asset growth, but with some volatility in asset values. Members' assets are automatically switched from growth assets to lower risk assets as they approach retirement and this helps to manage the above risks.

The Crystal Martin Lifestyle Investment Strategy is aimed at members who anticipate taking all their pension pot as a cash lump sum at retirement. The Scheme does not allow drawdown and the investment aim is designed to reflect this.

The Crystal Martin Lifestyle Investment Strategy is described in more detail as follows:

Under the Lifestyle Investment Strategy, members who are more than 15 years away from retirement are invested in the BlackRock Global Equity (60:40) Fund. This is a passively managed equity investment fund which aims to perform in line with the relevant equity benchmark and is used by the Trustees with the aim of delivering long-term growth with lower investment costs, while accepting that these funds will be subject to greater volatility than other types of investments.

Starting 15 years before retirement the strategy aims to start reducing volatility by gradually increasing the allocation to the BlackRock Dynamic Allocation Fund, which is a type of Diversified Growth Fund (DGF).

DGFs generally invest across a diversified pool of investments and aim to deliver broadly equity like returns in the long run, with lower short term volatility. Although this fund is actively managed, its investment charges are only slightly higher than for the passively managed funds.

Starting from 5 years before retirement, the strategy starts to be moved into the BlackRock DC Cash Fund which is a low risk money market investment fund. The aim of this is to provide capital stability and prepare for the release of cash at retirement. Over this period the expected volatility will continue to reduce, so that at the point of retirement the strategy is fully invested in the low risk money market investment fund to stabilise its value.

The Trustees have determined that the Crystal Martin Lifestyle Investment Strategy should be the default option for those members that feel unable to, or wish not to make their own investment decision. Details of the lifestyling transition strategy are set out on the following page.

Under the Crystal Martin Lifestyle Investment Strategy member funds are invested in accordance with the following table:

Years to Retire	BlackRock Global Equity 60/40 Fund (%)	BlackRock Dynamic Allocation Fund (%)	DC Cash Fund (%)
15 and above	100.0	0.0	0.0
14	90.0	10.0	0.0
13	80.0	20.0	0.0
12	70.0	30.0	0.0
11	60.0	40.0	0.0
10	50.0	50.0	0.0
9	45.0	55.0	0.0
8	40.0	60.0	0.0
7	35.0	65.0	0.0
6	30.0	70.0	0.0
5	25.0	75.0	0.0
4	20.0	60.0	20.0
3	10.0	50.0	40.0
2	0.0	40.0	60.0
1	0.0	20.0	80.0
0	0.0	0.0	100.0

This transition is undertaken on a monthly basis over an extended period of time to avoid placing reliance on asset values on any one particular transition date. Members have the choice to target a different retirement age and if so, the lifestyling would commence earlier or later as required.

The default investment strategy is invested in pooled funds via the Aegon (formerly BlackRock) Platform; these funds are all daily dealt and readily realisable, reducing the liquidity risk to members.

In addition to the Default Lifestyle Investment Strategy, members have the option to invest in the full range of funds on the Aegon Platform. To help narrow down the investment choice for members the Trustees have determined a core range of funds which they believe provide members with a good range of options.

A list of the core range of funds and their fees is included in Appendix 2.

The Trustees' policy on Financially Material Considerations, including environmental, social and corporate governance ("ESG") factors and climate change are set out in Section 4 of the Statement of Investment Principles (SIP), along with their policy on Non-Financial Matters and Voting.

The Trustees have determined the investment policy in relation to the Crystal Martin Lifestyle Investment Strategy, as described above, in such a way as to address the main investment risks, which are set out in Section 5 of the SIP.

Aegon produce quarterly investment monitoring reports, which the Trustees review in conjunction with their investment adviser, Mercer. This enables the performance of the funds underlying the Crystal Martin Lifestyle Investment Strategy to be reviewed and to determine whether they are performing and managing the risks as expected.

A copy of the SIP is available on request from the Trustees on request. It is also available online.

APPENDIX 2: INVESTMENT MANAGER INFORMATION

DB Section

All the assets are invested in a BPA with LGAS.

DC Section

Members have the option to invest in the full range of funds on the Aegon (formerly BlackRock) platform. To help narrow down the investment choice for members, the Trustees have determined a core range of funds which they believe provide members with a good range of options.

A list of the core range of funds and their fees is set out in the table below:

Investment Funds	Annual Charge (%)
BLK DC Aquila 50:50 Global Equity Index	0.36
BLK Standard Life GARS	1.16
BLK DC Dynamic Allocation Fund	0.45
BLK DC Alpha Smaller Companies	0.75
BLK DC Inst Emerging Markets Equity	0.80
BLK DC Cash	0.33
BLK 60/40 Global Equity Index Tracker	0.31
BLK DC Pre Retirement	0.50
BLK DC Diversified Growth	0.70
BLK DC 60/40 Global Growth	0.75
BLK DC UK Growth	0.75
BLK DC Index Linked Gilt	0.40
BLK DC Property	1.09

The charges shown above are at April 2021 and may vary over time. Further details on all of the funds listed above, including the fund charge, are available on the Scheme's section of the Aegon website.

The Scheme first invested through the Aegon (formerly BlackRock) platform in 1999.

APPENDIX 3: RESPONSIBILITIES OF PARTIES

Trustees

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy for the DC Section in consultation with the Investment Adviser
- Choosing the Platform provider for the DC Section and choosing appropriate funds for members
- Assessing the quality of the performance and processes of the Investment Manager(s), and the underlying investment managers, by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

Investment Adviser

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in the review of this Statement of Investment Principles
- Review of Aegon's performance monitoring reports for the DC Section and highlighting any significant issues for the Trustees
- Informing the Trustees of any significant changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when the Investment Adviser is made aware of them
- Advising the Trustees, at their request, on the following matters:
 - How any significant changes in the Investment Managers' organisation, or that of underlying investment managers, could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
- Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

Investment Managers

For the DB Section, the primary responsibility of LGAS is to ensure that the correct amounts are paid to the Scheme on a timely basis as set out in the buy-in contract.

For the DC Section, the Trustees have selected investment managers through the Aegon platform.

The responsibilities of the underlying investment managers include:

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

The underlying investment managers are not directly appointed by the Trustees and therefore do not have any direct responsibility to the Trustees.

Platform provider

Aegon's responsibility includes the following:

- Ensure members' contributions are invested/disinvested appropriately, including ensuring that the Lifestyle Investment Strategy is implemented in accordance with the Trustees' instructions
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur
- Providing the Trustees, on a quarterly basis (or as frequently as agreed), with a statement and valuation of the assets and appropriate management information and reporting.

Scheme Actuary

The Scheme Actuary's responsibilities in relation to the DB Section include the following:

- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

Administrator

For the DB section, the Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments