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

September 2020

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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 May 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 to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. 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 Manager and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- 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. Matters on which Mercer expects to provide advice or assistance to the Trustees 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 for the DC Section
- Liaising with JLT Investment Management (JLT IM) to determine funds and investment managers that are suitable to meet the Trustees objectives for the DB Section
- Setting cashflow management (investment and withdrawal) policies (see Appendix 3)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 3). Whilst Mercer may be proactive in advising the Trustees regarding tactical investment decisions, the Trustees do not expect Mercer to provide proactive advice in all circumstances.

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.

In respect of the DC Section, if the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustees accordingly.

Section 2.3 below describes the responsibilities of JLT Investment Management (JLT IM) as investment manager to the DB Section of the Scheme.

Mercer makes a fund based charge in respect of the DB Section assets for the services it provides in accordance with its investment agreement with the Trustees.

Any additional services provided by Mercer will be remunerated primarily 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, and as noted below, any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Scheme.

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

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

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Scheme.

For the DB Section, the Trustees have appointed JLT IM as investment manager. JLT IM was first appointed in November 2015.

The key duty of JLT IM is to select investment managers suitable to each mandate within the Trustees' agreed asset allocation.

JLT IM will only invest in pooled investment vehicles. The Trustees therefore cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

Investment managers are selected by JLT IM based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

Furthermore, JLT IM select the underlying investments managers based upon their knowledge of the Scheme (including the Trustees' objectives, goals and preferences) and the investment manager research undertaken by Mercer .

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).

Mercer will monitor the underlying investment managers to ensure their continuing appropriateness to the mandates given. If a manager is downgraded by Mercer, JLT IM will replace that manager with a suitable alternative.

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

JLT IM is also responsible for appointing a suitable Platform provider, which will provide the infrastructure to support the Scheme's investments and host the underlying investment managers' funds. The current Platform provider is Mobius Life Limited (Mobius), whose appointment foregoes the need for a Custodian. Mobius is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA.

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.

JLT IM is authorised and regulated by the FCA. All of the investment managers that will be appointed by JLT IM will be authorised and regulated by the Prudential Regulation Authority (PRA), the FCA or both.

JLT IM makes a fund based charge for the services it provides. This charge is specified in the contractual agreement between the Trustees and JLT IM.

JLT IM does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of its actions and any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Scheme.

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

The underlying investment managers used by the Trustees through the Aegon platform are chosen based on advice from Mercer. This is based on Mercer'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.

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 remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

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 5.

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 doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

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 2.

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 after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, 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.

Taking all these factors into consideration, the Trustees have determined that the benchmark asset allocation as set out in Appendix 1 is currently suitable for the Scheme.

In making this decision, the Trustees have been satisfied that this is consistent with their investment objectives and is supported by both the Sponsoring Employer, and the Sponsoring Employer's covenant.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to re-balance the assets in accordance with their overall strategy. This approach is set out in Appendix 3.

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 2.

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 4.

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.

For the DB Section, these decisions are the responsibility of JLT IM.

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 the investment managers of the pooled funds in which the Scheme is invested.

4.3 Types of Investments to be Held

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

Details relating to the pooled funds in which the Scheme is invested can be found in Appendix 4.

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.

Similarly, for the DB Section, the Trustees have invested in a pooled Absolute Return Bond ("ARB") / Multi Asset Credit Fund ("MAC") Fund whose manager selects and manages allocations across a diversified spectrum of bond 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.

The Trustees note that the actuarial value of the DB Section's future benefit payments to members is sensitive to changes in long term interest rates and long term inflation expectations. The Trustees have therefore decided to invest in Liability Driven Investment ("LDI") funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Scheme's funding position. This is referred to as hedging.

4.4 Financially Material Considerations

The Trustees consider many risks which they anticipate could impact the financial performance of the Scheme's investments over its lifetime. Such risks are set out in the next section of this statement.

The Trustees recognise that environmental, social and corporate governance ("ESG") factors, including climate change, can influence the investment risk and return outcomes of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustees further 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.

In setting their investment strategy for the DB Section, the Trustees have prioritised funds which provide leveraged protection against movements in the Scheme's liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be most important.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the DB Section invests, whilst managers typically do not put ESG considerations at the heart of their asset allocation decisions, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The DB Section has a strategic allocation to equities, and the Trustees note that the current equity manager seeks to invest in companies with long term, sustainable policies and places an importance on the quality of corporate governance, which includes consideration of the approach of company management to ESG factors.

In considering the investments for the DC Section, 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 note that two ESG funds have recently been made available on the Aegon platform. The Trustees will monitor the development of these funds and will also take into consideration feedback from members, with a view to potentially making them available to DC members, and potentially including them within the default investment strategy at the next strategic review.

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 believe that the importance of ESG considerations will increase over time and have therefore built an ongoing review of this into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

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 and the DC Section at this point in time. The Trustees will give this consideration at the next review of the investment strategy.

4.6 Stewardship

The Scheme 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 the pooled fund investment managers 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.

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 are managed by setting a scheme-specific strategic asset allocation within a long term framework which takes into account the requirements of the Statutory Funding Objective and takes an appropriate level of risk.

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, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

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.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of 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 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.

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 Scheme 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.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in MAC / ARB funds with diversified portfolios and by investing in LDI funds with sound collateralisation and risk management procedures.

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.
- The Trustees have invested less than 50% of the Scheme's growth assets in equities, which are subject to currency risk. The balance is held in DGFs which have a sterling benchmark and where the management of the currency risk related to overseas investments is delegated to the underlying investment managers, but by investing in a diversified investment portfolio, the impact of currency risk is mitigated.
- 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.
- The Trustees recognises that the DB Section's liabilities are exposed to a significant level of interest rate risk movement and for this reason it is desirable for the Scheme's assets to be exposed to an appropriate level of interest rate risk and the Trustees have invested in LDI funds to manage this risk.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the investment managers through a combination of strategies, such as diversification, duration and yield curve management.

Other Price Risk

- This is the risk of volatility in fund values and principally arises in relation to the return seeking assets, for which the Scheme invests in equities and DGFs. By investing in DGFs the Scheme benefits from access to a wide range of investments across a range of investment markets.
- 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.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. The Trustees receive regular updates from senior staff of the sponsor.
- It has also been managed by securing a guarantee from the Crystal Group.

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 is managed by seeking to build up a funding cushion, in order to protect the Scheme's funding against such impacts.
- It can also be managed by securing a buy-in policy with an insurer in respect of all, or part of the Scheme's members.
- 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.
- 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 Trustees will consider the objectives they set for the Investment Adviser in October 2019.

6.2 Investment Managers

The Trustees receive quarterly monitoring reports on the performance of the investment managers from Mercer, and also from Aegon, as the Platform provider in relation to the DC Section.

The quarterly reports present performance information over 3 months, 1 year and 3 years (and 5 years in the Aegon report for the DC Section) 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.

The reporting for the DB Section also reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark and that JLT IM is performing the functions delegated to it in line with expectations.

JLT IM, as Investment Manager has the role of replacing the underlying investment managers where appropriate. It takes 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.

The Trustees do not currently monitor portfolio turnover costs for the funds in which the DB Section of the Scheme is invested, although note that the performance monitoring which they receive is net of all charges, including such costs.

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, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested.

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 Scottish Life.

DC members are able to invest their AVCs in the range of funds through the Aegon platform as described in Appendices 2 and 4.

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 receive investment advice which ensures that the principles contained within this guidance are applied to the Scheme as far as relevant to its circumstances.

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.

DC Section

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

Similar to the DB Section, 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 at: http://uk.crystal-martin.com/docs/Statement-of-Investment-Principles.PDF.

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 11 September 2020

APPENDIX 1: ASSET ALLOCATION BENCHMARK

DB Section

The Scheme's asset allocation benchmark is set out below.

	Allocation (%)	Guideline Range (%)
Growth Assets	**45**	
Diversified Growth Funds (DGF)	35	+/-10
Equities	10	+/-5
Stabilising Assets	**55**	
Multi Asset Credit / Absolute Return Bonds (MAC/ARB)	25	+/-10
Real Liability Driven Investment	10	+/-5
Nominal Liability Driven Investment	15	+/-7.5
Pooled Cash Funds	5	+/- 5

Appendix 4 provides information about the selection of investment managers.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 3.

APPENDIX 2: 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 4.

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 at the following address: http://uk.crystal-martin.com/docs/Statement-of-Investment-Principles.PDF.

APPENDIX 3: CASHFLOW AND RE-BALANCING POLICY

DB Section

Rebalancing Policy

The asset allocation will be monitored by the Investment Manager and a suitable procedure has been put in place for rebalancing.

Details of this procedure are specified in the Investment Management Agreement (IMA) with JLT IM.

Any change to the Central Allocation or guideline range will require a signed revision to IMA.

Cashflows Policy

The Trustees have put in place a suitable procedure for managing the Scheme's cashflows.

Details of this procedure are specified in the IMA with JLT IM.

LDI Recapitalisation

The Trustees note that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds or may release assets from time to time. The Trustees have put in place a policy regarding this recapitalisation/release procedure.

This policy is set out in the IMA with JLT IM.

DC Section

The investments relate to the individual member, and therefore no cashflow or rebalancing policy is required.

APPENDIX 4: INVESTMENT MANAGER INFORMATION

DB Section

The Scheme invests with JLT Investment Management (JLT IM), whose key responsibility is to appoint suitable underlying investment managers to each of the mandates within the Trustees` agreed investment strategy as set out in Appendix 1.

If one of the underlying managers is significantly downgraded by Mercer's Manager Research Team, JLT IM will replace that fund with a suitable alternative as soon as is practicable.

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers, although it will continue to be reviewed on a regular basis.

The Trustees monitor the underlying managers appointed from time to time, and are informed by Mercer of any changes to those managers.

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	0.81
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	1.10

The charges shown above are at April 2020 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 with BlackRock in 1999.

APPENDIX 5: 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 following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) for the DB Section
- 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
- Production of performance monitoring reports for the DB Section
- 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:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - 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

As noted in this SIP, JLT IM has been appointed as Investment Manager for the DB Section and will appoint underlying investment managers on behalf of the Trustees.

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

The responsibilities of the investment manager, which for the DB Section is JLT IM, include the following:

- Providing the Trustees, on a quarterly basis (or as frequently as required), with a statement and valuation of the assets, and any changes to the processes applied to their portfolios
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing the Scheme's assets in accordance with the mandate set out in the Investment Management Agreement
- Appointing a suitable Platform provider

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

For the DC section, the Platform Provider's responsibilities include 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:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- 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

- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees` instructions