

Crystal Martin Group Pension Fund and Life Assurance Scheme – Annual Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended, and the guidance published by the Pensions Regulator. The table later in the document sets out the how, and the extent to which, the policies in the SIP have been followed.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

DB Section:

The Trustees' primary investment objective for the Scheme 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 Bulk Purchase Annuity (BPA) with Legal and General Assurance Society Limited (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 and that members are exposed to different types of risk at different stages of their working lifetimes.

The Trustees have determined their investment policy in such a way as to address these risks and provide members with an appropriate range of investment funds, including a Lifestyle Strategy as a default strategy.

Review of the SIP

The Scheme's SIP was not changed over the Scheme Year, but was revised on 22 February 2022 to reflect the BPA with LGAS in relation to the DB Section's investments. This replaced the previous SIP, which was dated 11 September 2020.

Trustee Governance

The Chair's Statement dated 29 June 2022 sets out information on the Trustees' Governance structure and how the Trustees demonstrated appropriate knowledge and understanding over the Scheme year. It is available online.

Assessment of how the policies in the SIP have been followed for the year to 31 December 2021

Overall, the Trustees are satisfied that the policies set out in the SIPs, which have been in place over the year, have been followed.

The information provided in the table below highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Scheme as a whole and the default investment arrangements. The SIP is available online at: <http://www.cmidsocs.co.uk/Crystal%20Martin%20Statement%20of%20Investment%20Principles%20February%202022.pdf>.

It sets out the policies referenced below.

	Requirement	Policy	In the year to 31 December 2021
1	Securing compliance with the legal requirements about choosing investments	<p>The Trustees obtain advice from their investment adviser on investment vehicles that can fulfil the Scheme's investment objectives.</p> <p>In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</p>	<p>There were no changes effected by the Trustees to the investments for the DC Section over the year.</p> <p>For the DB Section, two changes were made to the strategic asset allocation over the year.</p> <p>Firstly, the Scheme disinvested from the growth assets and invested the proceeds into the BMO Short LDI funds and the LGIM Liquidity fund, as part of the process to de-risk in preparation for the buy-in.</p> <p>Secondly, the Scheme disinvested the assets in full and transferred them to the BPA with LGAS.</p> <p>Both changes were based on appropriate advice from Mercer, the Scheme's Investment and Risk Adviser.</p>
2	Kinds of investments to be held	<p>The DC Section invests in funds managed by Aegon.</p> <p>The DB Section holds a Trustee Investment Policy with Mobius Life Limited, which enables investment into a range of underlying funds.</p> <p>All the underlying funds the Scheme invests in for both the DB and DC Sections are pooled, unitised and, in normal circumstances, daily dealt.</p>	<p>There were no changes to the kinds of investments held by the DC Section of Scheme.</p> <p>As noted above, the Scheme's DB investments were transferred in full to LGAS to secure a BPA.</p> <p>The BPA is a long-term policy under which 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.</p> <p>It is currently a 'Buy-In', which means that it remains a Scheme investment and LGAS has taken responsibility for paying the benefits as specified in the BPA agreement.</p> <p>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.</p>
3	Investment Strategy	<p>The Trustees' primary investment objective for the 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.</p> <p>In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.</p> <p>For the DC Section, the Trustees have determined their investment policy in such a way as to address the key risks</p>	<p>For the DB Section of the Scheme, the changes to investment strategy referred to in 1. and 2. above were consistent with the Trustees' investment objectives. In particular, the rationale for undertaking the BPA 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.</p> <p>For the DC Section of the Scheme, there was no formal review of the investment strategy and no changes were implemented over the year.</p>

		<p>recognised.</p> <p>They are mindful of their responsibility to provide members with an appropriate range of investment funds, and an appropriate default lifestyle strategy.</p> <p>When deciding on the investment options available to DC Section members, the Trustees take into account the expected return on such investments and is mindful to offer a range of funds with varying levels of expected returns for members to choose from.</p> <p>When it comes to realisation of DC Section investments, the Trustees consider the impact of transaction costs before making any changes.</p>	
4	Risks, including the ways in which risks are to be measured and managed	The Trustees recognise risk from a number of perspectives in relation to both the DB Section and DC Section of the Scheme.	<p>As detailed in Section 5, the Risk section of the SIP, the Trustees consider both quantitative and qualitative measures for managing these risks.</p> <p>DB Section</p> <p>The Trustees are satisfied that over the Scheme year the risks have been managed in accordance with their policies, and note in particular that de-risking the Scheme in Q1 2021 and securing the BPA with LGAS has been done to ensure that members' benefits will be paid in full without reliance on the long term covenant of the Company.</p> <p>DC Section</p> <p>The Trustees are satisfied that the default lifestyle strategy, together with the range of funds available for members to invest in, address the key investment risks identified in the SIP; investment return risk, volatility risk, pension conversion risk, lump sum risk, market switching risk, inflation risk and annuity-rate risk. In particular:</p> <ul style="list-style-type: none"> • The use of the Lifestyle Strategy has helped to protect members against potential changes in investment markets and lifestyle to cash at Normal Retirement Age helps to minimise lump sum risk. • The use of monthly switching in the Lifestyle Strategies helped to protect members against market switching risk,

5	Manager review and monitoring	<p>The funds in which the Scheme is invested are expected to provide a long term investment return consistent with their benchmark, acknowledging that it is important to consider the impact of financial market conditions as this can have a significant impact on short term performance.</p>	<p>The investment performance reports for both the DB and DC Sections are reviewed by the Trustees on a quarterly basis.</p> <p>The investment performance reports include how each investment manager is delivering against their specific mandates, and provide background on general financial market developments to put the performance into context from both a return and risk perspective.</p> <p>DC Section:</p> <p>All members, except two are invested in the default Lifestyle Strategy, and the Trustees are satisfied that over the Scheme year, the funds underlying this, performed broadly in line with their expectations given the prevailing market conditions. Noting that:</p> <ul style="list-style-type: none"> • The performance of the BlackRock Dynamic Allocation fund over 2021 was slightly disappointing at 4.0%, but the 3 and 5 year performance of 7.5% p.a. and 5.3% p.a. remains consistent with expectations. • The passive equity fund performed in line with its benchmark <p>The new funds invested in were the Aegon BlackRock 50/50 Global Growth (BLK) Class M and the Aegon BlackRock American Growth (BLK) Class M and the Trustees note that both of these funds performed consistently with their respective benchmarks over 2021.</p> <p>DB Section:</p> <p>The Trustees are satisfied that overall the Scheme's assets were able to deliver their strategic objective to significantly reduce the level of the Scheme's funding level risk. In particular, the changes made to the investment strategy in Q1 2021 and the funds held, achieved the objective of reducing volatility of the shortfall against the cost of securing a BPA.</p>
6	Financially Material Considerations	<p>The Trustees recognise that environmental, social and corporate governance ("ESG") factors, such as climate change, can have a financially material impact over 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.</p> <p>The Trustees expect the pooled funds in which they are invested to approach investments in a responsible way and take account of ESG related risks as far as</p>	<p>Mercer's ESG scores were included in Mercer's quarterly reports over the Scheme Year for the DB Section. This enables the Trustees to monitor developments in the funds in which the Scheme is invested.</p> <p>Based on this information, the Trustees are satisfied that the Scheme's fund managers incorporate ESG appropriately in relation to their specific portfolios. In particular, it is noted:</p> <ul style="list-style-type: none"> • The only manager with a low score over the year was LGIM for the Sterling Liquidity Fund (SLF), and this rating is due to the fact that ESG scores don't naturally apply to a short term, money market fund, rather than a concern with the way the LGIM SLF is managed.

		<p>appropriate to their particular mandate.</p> <p>DB Section:</p> <p>In setting their investment strategy, the Trustee 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 paramount.</p> <p>DC Section:</p> <p>In setting their investment strategy for the default Lifestyle Strategy for the DC Section, the Trustees prioritised funds which served different purposes: a low cost passive equity fund to provide growth, a diversified growth fund to provide more stable growth as the members approach NRA, and a cash fund for further stability.</p> <p>The Trustees have built an ongoing review of ESG considerations into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.</p>	
7	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<p>Non-financial matters, such as member views, are not taken into consideration.</p>	<p>No comment required.</p> <p>In practice, no members have expressed views on non-financial investment matters to the Trustees.</p>
8	The exercise of the rights (including voting rights) attaching to the investments	<p>The Trustees only invest in pooled investment funds, with the DB Section's assets being invested through an investment platform.</p> <p>The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment</p>	<p>Over the Scheme year, the Trustees have not been invited to vote on any matters of corporate policy and have therefore not cast any votes.</p> <p>A summary of the votes and proxy use for BlackRock, the manager used by the DC Section, is detailed in Appendix B.</p> <p>Information for the DB Section has not been included, because the Scheme no longer invests in any of</p>

		<p>managers and expect the investment managers to use their discretion to act in the long term financial interests of investors.</p> <p>If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.</p>	the funds which were invested in over the Scheme Year.
9	Compliance with Best Practice	The Investment Adviser attends each Trustee meeting so that developments can be monitored, both in relation to the Scheme's circumstances and in relation to evolving guidance. This enables the Scheme's investment approach to be revised if considered appropriate.	Over the Scheme Year, the investment adviser attended each full virtual Trustee meeting. There were also several project meetings relating to the buy-in, which were attended by the investment adviser and the risk transfer adviser as appropriate.
10	Cash Flow and Re-Balancing and LDI Recapitalisation Policy	<p>DB Section</p> <p>The cashflow, re-balancing and LDI Recapitalisation policy was the responsibility of JLT IM under the fiduciary management policy whilst that was in place.</p> <p>When the fiduciary overlay with JLT IM was removed, an appropriate replacement policy was put in place with Mobius Life Limited.</p> <p>Similar policies are not required to govern the BPA with LGAS.</p> <p>DC Section</p> <p>Not applicable. The investments relate to the individual member, and therefore no cashflow or rebalancing policy is required.</p>	<p>The Trustees are satisfied that the policy in place with JLT Investment Management was followed over the period to 11 March 2021 for which it was in place.</p> <p>The Trustees are also satisfied that the policy subsequently put in place with Mobius was followed for the period until the BPA was undertaken with LGAS.</p>
11	Policies in respect of arrangements with asset managers	Set out in Appendix A	

Appendix A – Policies in respect of arrangements with asset managers

The policies below are included within the 11 September 2020 SIP, which was in force over the Scheme Year.

- How the arrangement with the investment managers incentivises the investment managers to align their investment strategies with the Trustees' investment policies, including in relation to ESG

The Scheme only invests in pooled funds and 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.

The Trustees also 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.

Comment: The Trustees are satisfied that this policy has been followed over the Scheme Year. This is no longer relevant for the DB Section following the BPA with LGAS.

- How the arrangement incentivises the investment managers to make decisions based on their assessment of investee companies' medium to long term financial and non-financial performance and engage accordingly

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, they 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.

Comment: The Trustees are satisfied that this policy has been followed over the Scheme Year. This is no longer relevant for the DB Section following the BPA with LGAS.

- How the method and time horizon for evaluating the investment manager's performance, and the basis of their remuneration, are aligned with the Trustees' other investment policies;

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.

Whilst the fiduciary overlay was in force, JLT IM, as Investment Manager had the role of replacing the underlying investment managers where appropriate. Subsequently, this role was the responsibility of the Trustees, based on advice from Mercer.

Both JLT IM and then the Trustees 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.

Comment: The Trustees are satisfied that this policy has been followed. Changes which were made to the investment managers over the Scheme Year were due to strategic changes relating to the process to secure a BPA with LGAS.

- How they define and monitor portfolio turnover (frequency of buying or selling) costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range;

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 it receives is net of all charges, including such costs. Portfolio turnover cost means the cost incurred as a result of the buying, selling, lending or borrowing of investments.

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.

Comment: The Trustees policy is not to have an overall portfolio turnover target for the Plan and are satisfied that this remains appropriate. This is no longer relevant for the DB Section following the BPA with LGAS.

- The duration of the arrangements with the investment managers

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

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

For the DC Section, the Trustee has appointed Aegon (formerly BlackRock) (appointed 1999), as investment manager.

Comment: The Trustees are satisfied that this policy has been followed. The fiduciary overlay provided by JLT IM was removed on 11 March 2021 due to a change of corporate policy by Mercer, rather than a decision by the Trustees. The BPA implemented with LGAS is for strategic reasons, and this is a long term policy of insurance.

Appendix B - Voting Activity

The Scheme does not hold any equities directly and the Trustees have not been asked to vote on any specific matters over the Scheme Year. Nevertheless, this Appendix sets out a summary of the key voting activity of the pooled funds in which the Scheme’s assets are ultimately invested for which voting is possible.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will consider relevant developments before the production of next year’s’ statement.

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
BlackRock	ISS and Glass Lewis – for research and recommendations only. ISS ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. BlackRock makes its own voting decisions.	BlackRock’s annual stewardship (https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2021.pdf) includes their overall voting numbers. Over 2021, BlackRock voted on 164,074 proposals globally over 17,212 meetings. BlackRock voted against management recommendation in 12% of these proposals. BlackRock also engaged with 3,642 companies in 2021.			BlackRock Investment Stewardship periodically publish detailed explanations of specific key votes in “vote bulletins”. These bulletins are intended to explain their vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. This information is made public shortly after the shareholder meeting, so clients and others can be aware of their vote determination.	Vote bulletins containing explanations of the most significant votes can be found at https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins

Source: BlackRock