

Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment objectives and strategy were derived from the Trustee’s Investment Beliefs, set out in Appendix A. The beliefs have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (‘IID’).

Context for the buy-in policy

During Q4 2024, the Trustee purchased an insurance buy-in policy with Aviva Life & Pensions UK Limited (‘Aviva’), a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. In due course the intention is that the buy-in policy will be moved to a buy-out policy, and the Scheme will be wound up.

Under the current policy, Aviva are obliged to make payments to meet the Scheme’s benefit payments due to members covered by the policy. The Trustee selected Aviva after having considered appropriate advice from their advisors.

In addition to the buy-in policy, there are assets invested in cash and gilts, which are reserves to pay the ‘true-up’ premium, the ongoing benefit rectification exercise and the costs of benefits not covered by the buy-in policy including the outstanding Guaranteed Minimum Pension equalisation (‘GMPe’) liability.

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. This is expected to be achieved by investing the majority of the Scheme’s assets in the buy-in policy with Aviva.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The majority of the Scheme’s assets are invested in the buy-in policy, which covers the majority of the Scheme’s liabilities. The remaining assets are invested in cash and gilts, which are reserves to pay any outstanding costs or liabilities not covered by the buy-in policy.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, and also the strength of the sponsoring company’s covenant. The Trustee considered the merits of a range of asset classes.

The benefits of a buy-in policy have been deemed appropriate, having taken the Trustee's objectives into account.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The Scheme's buy-in policy with Aviva is expected to closely match the performance of the Scheme's liabilities.

The Trustee has appointed Legal & General Investment Management ('LGIM') to manage the residual assets of the Scheme that are not part of the buy-in policy with Aviva.

Outside of the buy-in policy, the Scheme consists of investments which are traded on regulated markets. Further details on how the Scheme's assets are invested are provided in the IID.

Investment Management Arrangements

For the investments that are made outside of the buy-in policy, they are made through a platform provider. With advice, the Trustee selects underlying funds from the platform to implement the chosen strategy. The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly performance reports and asset valuations;
- Providing any initial asset transition plan for the investment consultant to review; and
- Asset rebalancing and meeting cashflow requirements, when required.

The Trustee has selected several funds on the platform in which to invest the underlying assets of the Scheme as listed in the IID. The investment manager and platform provider are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to an investment manager via the platform provider. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes the investment manager's policies into account when selecting and monitoring the manager. The Trustee also takes into account the performance targets the investment manager is evaluated on. The investment manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The platform provider's and investment manager's remuneration is based upon a percentage value of the assets under management.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the underlying investment manager.

Investment Manager Monitoring and Engagement

The residual gilt assets hedge the true-up premium in respect to the buy-in insurance policy and the Trustee periodically monitors that the Scheme has sufficient assets to make the payment. If this is not the case, the Trustee may need to intervene.

The Trustee acknowledges the importance of ESG. As the majority of assets are invested in the buy-in policy, there is limited scope for the Trustee to incorporate ESG for assets invested directly by the Scheme.

The Trustee will work with the investment manager to improve their alignment with their policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in Collective Investment Schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustee will monitor this periodically to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers and platform providers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Name and Position:

Signed:

Date:.....

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long-term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There is more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost, and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Scheme's investments around our required objectives.

True diversification: We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objectives.

4 A long-term mind-set can be used to enhance returns

As a long-term investor we pursue incremental growth that rewards adherence to our strategic plan, rather than pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks for which we are not rewarded.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Scheme.

We monitor the performance of our strategy and investment manager to improve our decision making.

7 Our investment process reflects our beliefs on responsible investing and Stewardship

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated with this framework and how they are managed are stated below:

| Risks | Definition | Policy |
|--------------|---|---|
| Investment | The risk that the Scheme's position deteriorates due to the assets underperforming. | Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. |
| Funding | The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows. | Following the buy-in of the majority of Scheme liabilities (excluding a small portion set aside for GMPE). The Scheme's funding risk is expected to be negligible. |
| Covenant | The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme. | Following the buy-in of the majority of Scheme liabilities (excluding a small portion set aside for GMPE) the requirement for the sponsor company to provide support to the Scheme is expected to be significantly reduced. |

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

| Risk | Definition | Policy |
|------------------------------|---|---|
| Interest rates and inflation | The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations. | To hedge the vast majority of these risks through the buy-in policy and the residual asset portfolio. |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due. This is achieved through the buy-in policy (which is expected to make monthly payments to meet routine cashflows) and investment of the residual assets in funds with daily liquidity. |

| | | |
|--------------------------------------|--|---|
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To remain appropriately diversified and hedge away any unrewarded risks, where practicable. This is predominately achieved through the buy-in policy. |
| Credit | Default on payments due as part of a financial security contract. | <p>To appoint an investment manager who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.</p> <p>The insurer will manage credit risk within their portfolio as they see fit.</p> <p>The residual assets are invested into UK Government Bonds and Money Market Instruments which have a high credit rating and low level of default risk.</p> |
| Environmental, Social and Governance | Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments. | To delegate to the insurer and investment manager the consideration of ESG factors in determining the appropriate holdings within their portfolios. |
| Currency | The potential for adverse currency movements to have an impact on the Scheme's investments. | <p>The management of currency risk within their respective portfolios is delegated to the insurer and investment manager.</p> <p>The buy-in policy will make payments in GBP and the underlying investments in the residual assets are predominantly invested in the GBP instruments.</p> |
| Non-financial | Any factor that is not expected to have a financial impact on the Scheme's investments. | Non-financial matters are not taken into account in the selection, retention or realisation of investments. |

Appendix C – Manager Remuneration

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

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| <p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p> | <ul style="list-style-type: none"> As the Scheme is invested in pooled funds and a buy-in policy, there is not scope for these assets to tailor their strategy and decisions in line with the Trustee’s policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective. |
| <p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p> | <ul style="list-style-type: none"> The Trustee reviews the investment manager’s performance relative to medium and long-term objectives of the funds. The Trustee does not incentivise the investment manager to make decisions based on non-financial performance. |
| <p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p> | <ul style="list-style-type: none"> The Trustee reviews the performance of all of the Scheme’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustee evaluates performance over the time period stated in the investment manager’s performance objective, which is typically 3 to 5 years. |
| <p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p> | <ul style="list-style-type: none"> The Trustee does not directly monitor turnover costs. However, the investment manager is incentivised to minimise costs as they are measured on a net of cost basis. |
| <p>The duration of the Scheme’s arrangements with the investment managers</p> | <ul style="list-style-type: none"> The duration is flexible and, from time-to-time, the Trustee will consider the appropriateness of the investments and whether they should continue to be held. |
| <p>Voting Policy - How the Trustee expects investment managers to vote on their behalf</p> | <ul style="list-style-type: none"> The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme’s investment manager on their behalf. |
| <p>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about ‘relevant matters’</p> | <ul style="list-style-type: none"> The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme’s investment manager on their behalf. |