CRU International Limited Pension and Assurance Scheme

Statement of Investment Principles

May 2024

Contents

01 **Introduction**

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 for the CRU International Limited Pension and Assurance Scheme ("the Scheme"). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Mark Poyner of XPS Pensions and the Investment Adviser is XPS Investment (collectively termed "the Advisers").

The Trustees confirm that, before preparing this SIP, they have consulted with the employer, CRU International Limited ("the Company") and the Advisers and have obtained and considered written advice. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and the administration of the Scheme. Where they are required to make an investment decision, the Trustees always receive advice from the Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

The Trustees have decided to implement the Scheme's asset class exposures using a combination of pooled funds and segregated arrangements. Decisions about which pooled funds to invest into, or which organisation to appoint to run the Scheme's segregated mandates, are made after receiving advice from an FCA regulated firm.

01.01 Declaration

The Trustees confirm that this Statement of Investment Principles reflects the investment strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

02 **Scheme governance**

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, leaving day-to-day investment decisions to the organisations managing the pooled funds and segregated mandates ("The Investment Managers") , while seeking advice on the key matters that influence investment decisions from the relevant Advisers.

03 **Investment objectives**

The investment objectives of the Scheme are:

> To hold assets in a wide range of different asset classes to minimise the risk of failing to meet the Scheme's liabilities in the long term.

> To hold sufficiently liquid assets to avoid the risk of being unable to disinvest funds at a predictable price as and when required to meet immediate benefit outgoings.

> To have a significant holding of government and high quality corporate bonds and similar assets in order to provide a match against a proportion of the Scheme's liabilities, with more sophisticated investment techniques also considered, in order to provide a leveraged match. The remaining assets will be invested in equities and other return seeking assets with a view to achieving longer-term growth to help return the Scheme to a fully funded status on a technical provisions basis.

> To ensure consistency between the long term return expectations used within the actuarial valuation and the level of risk taken and return expectations of the strategy.

It is accepted that at different times within the economic cycle, acceptable levels of risk may change according to market conditions.

In developing a strategy to achieve these objectives, the Trustees will review the Scheme's investments from a volatility and risk perspective at regular intervals.

04 **Asset allocation Strategy**

The Trustees have taken the view that the investment objectives are best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. structured equity, diversified growth, and diversified credit funds) and "off-risk" assets (e.g. liability driven investment ("LDI") and high quality corporate bonds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the profile of the liabilities, the perceived relative value of the different asset classes and the perceived risk to the investment objectives arising from any material change in the shortfall in the funding of the Scheme. The current benchmark and target allocation is set out in Appendix B and any changes in such allocations will only be made after receiving written advice from the Investment Advisers that such allocation remains consistent with the investment objectives.

The Trustees have decided to use a combination of pooled funds and segregated arrangements to invest the Scheme's assets whilst minimising costs by investing in passive funds except to the extent there is a high expectation that a manager can add value.

The Trustees have taken the view that active investment management within most asset classes is unlikely to deliver sufficient excess returns to justify the additional cost and risks.

04.01 Alignment of incentives

Based on the structure set out in Appendices A and B, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in guidelines and fund agreements and documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation guidelines set by the Trustees or the parameters governing the pooled funds and segregated arrangements in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

04.02 Rebalancing Policy

All of the pooled funds are managed by Legal & General Investment Management ("LGIM") or BlackRock. The segregated mandate is managed by Schroders IS Limited ("Schroders"), consisting of LDI and Structured Equity.

Cash flows from the Scheme will be disinvested according to advice provided by the Investment Adviser.

In addition, the Investment Adviser, along with the Trustees, will monitor the allocations to all of the investment funds used to implement the Trustees' investment strategy and a decision to rebalance between them will be made if deemed appropriate following advice from the Investment Adviser.

04.03 Rates of Return

The performance targets and the expected returns for each of the funds making up the investment strategy are detailed in Appendix A. In the case of the passively managed funds the benchmark indices are shown.

04.04 Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified given the Scheme's circumstances.

The Trustees have also sought to achieve diversification by investing in pooled funds which have investment restrictions i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers.

The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

04.05 Suitability

The Trustees have taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives, its liability profile, any legal requirements, regulatory guidance and specifications in the Trust Deed.

04.06 Liquidity

The majority of the assets are held in asset classes and securities that are sufficiently liquid to be realised easily if the Trustees require (i.e. the underlying investments are traded regularly on a public exchange or invested via units in a pooled fund with frequent dealing dates).

05 **Strategy Implementation**

The Trustees have decided to invest in passively managed funds unless the Advisers recommend that an active approach is preferable for investment in certain asset classes.

05.01 Mandate and Performance Objectives

The Trustees receive advice on the appropriateness of each pooled fund and segregated mandate that the Scheme is invested in from the Advisers and believe the overall mix of funds to be suitable to meet the Scheme's investment objectives. The benchmark for each fund and mandate currently held and their objectives are set out in Appendix A.

05.02 Manager Agreement

There is an Investment Management Agreement in place between the Trustees and Schroders which sets out how they will operate on behalf of the Trustees. Where there are separate investments in pooled funds and other investment products there is no formal agreement between the Trustees and an individual fund manager.

05.03 Diversification

The assets are invested in a diversified range of suitable investments of different types in order to reduce investment risk given the circumstances of the Scheme. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved.

The range of, and any limitation to, the proportion of the Scheme's assets held in any asset class will be agreed between the Investment Adviser, Investment Manager(s) and the Trustees. This range and set of limitations will be specified in writing and may be revised from time to time according to appropriate investment strategy advice provided to the Trustees and having regard to the investment powers of the Trustees as defined in the Trust Deed.

05.04 Custody

Custody of the underlying assets invested in pooled funds is at the discretion of the Investment Manager that runs the pooled fund, whilst shares and/or units in the funds are held in book form only. Schroders do not hold and control the Scheme's assets but the Trustees appointed CACEIS to look after the relevant assets. CACEIS and the pooled fund custodians are authorised and regulated by the FCA. Cash is held securely in separate accounts with approved counterparties.

06 **Monitoring**

06.01 Pooled Funds and Segregated Arrangements

The Trustees will monitor the performance of the funds and the segregated mandate against their stated performance objectives.

The Trustees, or the Advisers on behalf of the Trustees, will regularly review the performance of the funds and Investment Managers to satisfy themselves that they remain suitable.

06.02 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

06.03 Trustees

The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

06.04 Portfolio turnover costs

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Managers expect and the reasons for any divergence.

06.05 Investment manager duration

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities.

06.06 Performance and remuneration reporting

The Trustees receive regular investment performance reports from the Investment Managers to help inform their understanding of the long term performance of the portfolio and will discuss these with the Investment Adviser when it is deemed appropriate. In addition, any significant changes relating to the Trustees' selection and deselection criteria that the Investment Adviser is aware of may be taken into account by the Investment Adviser in recommending that a particular fund is/continues to be used as part of the overall portfolio.

If there are concerns about an Investment Manager's ongoing role in implementing the investment strategy, the Trustees may carry out a more in-depth review of a particular Investment Manager and/or ask the Investment Manager what steps they intend to take to rectify the situation. Investment Managers will also attend Trustees' meetings as requested. If the funds still do not meet the Trustees' requirements, they will look to purchase other funds - potentially with a different organisation - after consultation with the Investment Adviser.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Adviser to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Adviser to be appropriate for the particular asset class and fund type.

07 **Fees**

07.01 Funds and Investment Managers

The Trustees will ensure that the fees charged by funds and the Investment Managers, and their expense ratios, are consistent with levels typically available in the industry and the nature of services provided.

The Trustees are aware of the Investment Managers' policies regarding soft commission arrangements. Information about the Investment Managers' fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ("FCA") Disclosure Code and from the Investment Adviser, on request.

07.02 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

07.03 Custodian

The Trustees will ensure that the charges applied by CACEIS are consistent with levels typically available in the industry and the nature of the services provided.

07.04 Trustees

None of the Trustees are paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend appropriate training, meetings with their Advisers and the periodic Trustees' meetings.

08 **Risks**

The Trustees recognise a number of risks involved in the investment of assets of the Scheme and have adopted the following strategies to manage such risks:

i. The risk of failing to meet the objectives as set out in Section 3 – the Trustees will regularly monitor the investments to mitigate this risk.
ii. The risk of adverse consequences arising through a mismatch between the Scheme's assets and its liabilities. This is addressed (at least in part) through the asset allocation strategy and through regular actuarial and investment reviews and the funding target
iii. Risk of lack of diversification of investments – addressed through investing in pooled funds with diversification requirements and through the higher level asset allocation policy.
iv. Risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds with frequent dealing dates.
v. Underperformance risk – addressed through investing mainly in passive funds, monitoring closely the performance of each fund and mandate and taking necessary action when this is not satisfactory.
vi. Organisational risk – addressed through regular monitoring of the Investment Manager and the Advisers.
vii. Sponsor risk – the risk of the Company ceasing to exist, which for reasons of prudence, the Trustees have taken into account when setting the asset allocation strategy.
viii. Liquidity risk – investing in assets that are generally realisable at short notice.
ix. The risk that environmental, social and governance factors are not given significant consideration. This is addressed by having a policy whereby such factors should be given appropriate consideration in relation to current and future investment decisions made.

The Trustees will keep these risks under regular review.

09 **Other issues**

09.01 Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to the investment objectives and in conjunction with discussions around statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers any change to the investment strategy that may be appropriate prior to, or in conjunction with, the setting of assumptions for the Scheme's actuarial valuations and will ensure continued compliance with the statutory funding requirement.

09.02 Environmental, social and corporate governance

The Trustees have determined their approach to financially material considerations over the Scheme's long term funding horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustees has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustees require the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, recognising that how, and the extent to which, they do this will be dependent on factors including the characteristics of the asset classes in which they invest. In pooled funds the Trustees have limited influence over the Investment Managers' investment practices, particularly in relation to those pooled funds which are designed to track an index, where the choice of the index dictates the assets held by the Investment Manager.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement. The Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments at this time.

09.03 Voting rights

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers.

The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their Investment Managers to discuss engagement which has taken place. The Trustees will also expect their Investment Adviser to engage with the Investment Managers from time to time as needed and report back to the Trustees on the stewardship credentials of their Managers. The Trustees will then discuss the findings with the Investment Adviser, in the context of their own preferences, where relevant. This will include considering whether the Investment Manager is a signatory to the UK Stewardship Code. The Trustees recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

Appendix A - Fund holdings

The Trustees have appointed three Investment Managers: Legal & General Investment Management ("LGIM"), BlackRock, and Schroders IS Limited ("Schroders") to manage the assets of the Scheme.

The mandate for the Investment Managers is as follows:

Asset Classes	Manager	Fund	%	Investment Style	Target	Expected Returns (net of fees) p.a.[1]
Liability Driven Investment	Schroders	Liability Hedge Portfolio	60.0	Active	Overall liability-based benchmark – 100% of liabilities +/- 5% (interest rates and inflation)	Gilts + -0.10%
Structured Equity	Schroders	EDOS 1 Portfolio		Active	Composite of global equities[3] with full downside protection for a fall in the total return of the composite index of up to 20% and full participation in an increase of the total return of the composite index up to SONIA + 7.6% p.a.	Gilts + 4.30%
Diversified growth fund	LGIM	Dynamic Diversified Fund	11.0	Active	Bank of England base rate + 4.5% p.a. over full market cycle	Gilts + 3.30%
Diversified credit fund	BlackRock	Multi Strategy Credit Fund	11.0	Active	3 Month SONIA + 5.0% p.a. (gross of fees)	Gilts + 1.80%
Corporate Bonds	LGIM	AAA-AA-A Bonds All Stocks Index Fund	18.0	Passive	Markit iBoxx £ non-Gilts (ex-BBB) Index	Gilts + 0.90%

Notes:
1. Expected returns are based upon XPS Investment's asset class assumptions as at 31st March 2024.
2 Additional charges related to the Schroders segregated mandate are passed through directly by the custodian for the mandate, CACEIS.
3. Composite of global equities consists of 73.7% S&P500 Price Index, 12.0% Eurostoxx50 Price Index, 6.9% FTSE100 Price Index and 7.4% Nikkei225 Price Index, all hedged to GBP.

The targets for the passive funds are net of withholding tax, if applicable, and allow for certain tolerances as follows:

> Within +/- 0.5% p.a. for 2 years out of 3: AAA-AA-A Bonds All Stocks Index Fund

Custody

Custody of the LGIM assets is sub-contracted to two banks, HSBC and Citibank. HSBC deal with the following funds: AAA-AA-A Bonds All Stocks Index Fund. HSBC and Citibank both act as Custodians to the Dynamic Diversified Fund.

Custody of the BlackRock assets is sub-contracted to JPMorgan Dublin, who are also the Administrator of the Fund.

The Trustees have appointed CACEIS as the custodian for the assets they appoint Schroders to run.

Appendix B – Scheme Asset Allocation

Having considered advice from the Advisers, and also having due regard for the objectives, the current liabilities of the Scheme together with their expected timing, the risks of and to the Scheme and the covenant of the Company, the Trustees have decided upon the following benchmark allocation as being the basis for measuring investment performance:

Asset allocation

Asset Class	Benchmark Allocation (%)	Target range (%)
On-risk assets	22.0	
Diversified growth funds	11.0	9.9 – 12.1
Diversified credit funds	11.0	9.9 – 12.1
Off-risk assets	78.0	
UK corporate bonds	18.0	16.2 – 19.8
On-risk and off-risk assets		
Structured Equity + LDI	60.0	54.0 – 66.0
Total	100.0	

The Trustees have chosen to hold a portion of the Scheme's assets in a segregated arrangement invested in LDI with a smaller portion in pooled funds invested in bonds (the 'off-risk' assets) to provide some degree of matching with the Scheme's liabilities. A corporate bond fund has been selected in order to benefit from the higher expected long-term returns over fixed interest gilts and the Trustees consider the additional credit risk to be consistent with the investment objectives.

In the event that asset allocations deviate outside the target range, the Trustees can then consider whether rebalancing would be appropriate.

The aim of the 'on-risk' assets (i.e. structured equity, diversified growth and diversified credit holdings) is to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

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