Capital Radio Pension and Assurance Scheme

Statement of Investment Principles

Barnett Waddingham LLP

November 2023

Contents

1. Introduction

1.1. This is the Statement of Investment Principles for the Capital Radio Pension and Assurance Scheme ("the Scheme"), as prepared by the Trustees of the Scheme ("the Trustees"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted Global Radio Limited (the "Employer"), and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in policy for any of the areas covered by the statement.

1.5. The investment powers of the Trustees are set out in Clause 7 of the Definitive Trust Deed & Rules, dated 26 October 2004. This statement is consistent with those powers.

1.6. This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the fund managers, the actuary and the Scheme auditor upon request.

1.7. The Trustees completed a bulk annuity insurance transaction with the Pension Insurance Corporation (the "Insurer") in the contract dated 7 September 2023 to secure the benefits under the Scheme.

1.8. The asset switch to the insurer was completed on the settlement date 14 September 2023 from the Scheme bank account, following disinvestment of all of the holdings held with Legal & General Investment Management ("LGIM") on 7 September 2023.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional adviser, who they consider to be suitably qualified and experienced for this role.

2.2. Effective from 7 September 2023, the Trustees entered into a bulk annuity insurance contract with the Insurer, which is expected to match all defined benefits due to members of the Scheme. All investment management decisions concerning the assets underlying the bulk annuity policy are delegated to the Insurer who may, in turn, outsource investment management arrangements to third parties.

2.3. The Insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

2.4. The non bulk purchase annuity assets held by the Trustees are held as gilts or cash. The day-to-day management of the Scheme's remaining assets is delegated to one investment manager. The Scheme's investment managers are detailed in the Addendum to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection.

2.5. The Trustees continue to review the appropriateness of the Scheme's investment strategy on an ongoing basis but would consider it unlikely that any material future changes will be made prior to the insurance policy with the Insurer being assigned to individual members and the Scheme then being wound up.

2.6. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to invest in assets of appropriate liquidity to meet potential remaining liabilities that are not covered by the bulk annuity policy;
- to reduce the risk of the assets failing to meet the liabilities over the long term; and
- to invest surplus assets appropriately.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets and asset classes including equities, bonds, cash, property, diversified growth funds and target return funds, alternatives (e.g. private equity, commodities, hedge funds, infrastructure, currency, high yield debt, and derivatives), and annuity policies. The Scheme's current investment strategy involves holding the majority of the Scheme's assets in a bulk annuity insurance contract, potentially with a small cash/gilt holding to meet ongoing cashflow requirements and cover the small remaining uninsured liabilities.

4.2. Given the Scheme's investment strategy, it is not expected that the Scheme will hold any employer-related investments. However, this is typically checked annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. . The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Scheme holds a bulk annuity policy expected to produce cashflows that exactly match the benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held in the Trustees' bank account and potentially a small cash/gilt holding.

5.3. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's residual asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The various types of investment risk which may affect the Scheme's liabilities are covered under the bulk annuity purchase with the Insurer. Therefore, the vast majority of the risks set out below are effectively delegated to the Insurer to manage as part of the buy-in policy and are therefore judged to have minimal impact on the Scheme's ability to meet the liabilities as they fall due. However, the Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

Risk versus the liabilities	The Trustees note that by securing the Scheme's benefits with an insurer, the residual liabilities will be completely determined by the small residual cash/gilt holding, and therefore the risk of benefits not being met is now limited.
Covenant and solvency mismatching risk	The Scheme is less reliant on the strength of the Employer's covenant as the Scheme's benefits have largely been secured with an insurer. When converting the buy-in policy into a buy-out policy with the Insurer, the Scheme will be reliant on the Employer to make good any shortfall in excess of the small amount of assets held outside of the insurance contract.
Insurer counter party risk	The risk of the Insurer defaulting has been managed through the selection of a reputable UK regulated insurer backed by strong levels of solvency capital and supported by the insurance compensation regime in place should an insurer fail.
Investment manager risk	The Trustees monitor the performance of the residual assets (i.e. those held in cash and gilts outside the bulk annuity policy) as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	The investment manager and the Insurer are expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the practices in their annual Implementation Statement where possible.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors (as well as climate risk). While the Trustees consider these factors to be potentially financially material, management of these risks over the lifetime of the contract are delegated to the Insurer and investment manager given the limited opportunity for Trustees to engage.
Concentration risk	The investment manager and the Insurer are expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. The Insurer invests the assets supporting the bulk annuity contact in a way that reflects UK insurance regulatory requirements, allowing for the need for appropriate diversification and quality of assets.
Liquidity risk	The Scheme invests in assets, including cash, such that there is a sufficient allocation to liquid investments to meet the Scheme's remaining cashflow and liability requirements that are not covered by the bulk annuity insurance contract.

Currency risk	The Scheme's liabilities and the income produced by the bulk annuity contract and residual assets are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management, but this is not expected. Currency hedging may be employed to manage the impact of exchange rate fluctuations.
Loss of investment	In the event of the Insurer becoming insolvent, the Scheme could, in theory, suffer losses on the contract, but would still retain the liability to pay members' benefits. This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The Trustees have carried out due diligence on the Insurer and also understands that the Financial Services Compensation Scheme would apply in the event of insolvency. The risk of loss of investment by the investment manager is also assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustees have chosen to invest the majority of assets in a bulk annuity policy to match the Scheme's projected benefit payments with income form the policy. The remaining assets are held bearing in mind the nature of potential additional liabilities that may fall due on the Scheme that are not covered by the policy including ongoing expenses.

7.2. The Trustees have not set an expected return on the bulk annuity policy, given that its primary purpose is an insurance contract rather than a return-seeking investment.

7.3. Considering the investment of the residual assets, the Trustees recognise:

- The need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- That different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

8. Realisation of investments

8.1. The annuity policy with the Insurer is not readily realisable and the Trustees do not expect to need to surrender or realise the contact given its nature and purpose. The income from the bulk annuity policy will be used to pay benefits covered by the policy.

8.2. The remaining assets of the Scheme/Plan are held in assets that can be realised at short notice.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1. Setting policies with respect to these matters are fully delegated to the Insurer. This is reflected in the Trustees' own policies, as summarised in Appendix 2. This includes policies with respect to the investment managers holding the Scheme's residual assets.

10. Agreement

10.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Signed:.. **Date:**.....................

On behalf of the Trustees of the Capital Radio Pension and Assurance Scheme

Appendix 1: Note on investment policy of the Scheme as at 7 September 2023 in relation to the current Statement of Investment Principles

1. Choosing investments

The Trustees have appointed the following investment manager/insurer to carry out the day-to-day investment of the Scheme:

- Pension Insurance Corporation ("PIC" annuity policy)
- Legal and General Investment Management ("LGIM" residual assets)

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the investment managers on suitability of residual investments. The investment strategy for the residual assets has yet to be determined, this will be a cash or gilt portfolio, invested as required once the Scheme's residual liabilities have been determined.

The fee arrangements with LGIM are summarised in a separate addendum to this document. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

The Trustees hold AVC assets invested separately from the main fund in the form of individual with-profits deposit administration insurance policies held with Legal & General securing additional benefits on a money purchase basis for those members that elected to pay AVCs.

The AVC arrangement is reviewed from time to time.

2. The balance between different kinds of investment

Most of the Scheme's assets are held in a bulk annuity policy. The remaining assets are currently held in the Scheme's bank account, bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme that are not covered by the policy. Following the identification of the Scheme's residual liabilities, the Trustees will determine an appropriate investment strategy for residual assets.

3. Investments and disinvestments

The Scheme's cashflow requirements are expected to be met by the Scheme's residual assets and the annuity policy.

Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially material considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) have the potential to be financially material over the long-term. However, as the Trustees have completed a purchase of a bulk annuity policy intended to match the majority of the Scheme's liabilities, the Trustees are largely reliant on the Insurer to manage these risks. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme and are not covered by the policy.

The Trustees have an expectation that the Insurer and investment manager will consider ESG-related issues in selecting securities and other investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is appropriate for the nature of the assets under consideration.

2. Approach to monitoring ESG policy

The Scheme's assets are held as a bulk annuity policy and in cash/gilts. Given the nature of the current holdings in the Scheme, the Trustees will review and monitor the ESG policy as they deem appropriate, considering the risks that present themselves.

Residual cash/gilt investments

Residual assets will be held in pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments. The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

- **Selection of investments:** assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.
- **Retention of investments:** The Trustees will monitor ESG considerations on an ongoing basis by seeking information on the responsible investing policies and practices of the investment managers as and when necessary.
- **Realisation of investments:** The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used within cash and gilt funds and the fact that money market investments are short term.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

The Trustees will obtain training on ESG considerations from time to time in order to understand how ESG factors including climate change could impact the Scheme and its investments;

As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and

Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

3. Policy on the exercise of voting rights and engagement activities

The Trustees note that by securing the Scheme's benefits with an insurer, they have limited ability to influence the voting and engagement activities undertaken on behalf of the Insurer. Responsibility for engagement with the issuers of investments underlying the bulk annuity policy, including voting policy (where applicable), is fully delegated to the Insurer.

The Scheme retains cash and liquidity holdings but the Trustees note that the ability to engage and the effect of engaging with investment managers and counterparties is limited for these holdings. The Trustees therefore have not set stewardship priorities. If the Trustees' decision results in further investment of the Scheme's residual assets, the Trustees will set stewardship priorities if appropriate.

4. Policy on arrangements with residual asset managers

Incentivising alignment with the Trustees' investment polices

Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

The Trustees consider the Scheme's investment strategy at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

The Scheme will invest exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered as frequently as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments.

During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is considered every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is considered.