Chrysalis Group plc Retirement Benefits Scheme

Statement of Investment Principles

March 2022

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Chrysalis Group plc Retirement Benefits Scheme (the Scheme). This Statement sets down the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015;
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted BMG Rights Management Services (UK) Limited (formerly Chrysalis Group plc), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham 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 Trustee will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement.

1.5. The investment powers of the Trustee are set out in Clause 6 of the Definitive Trust Deed & Rules dated 14 January 2000. This statement is consistent with those powers.

2. Choosing investments

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

2.2. The Trustee has secured a bulk annuity policy with Rothesay Life plc (Rothesay). Rothesay is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The remainder of the Scheme's assets are held as cash in the Scheme's bank account.

2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. The Trustee will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to reduce the risk of the assets failing to meet the liabilities over the long term.

3.2. The Trustee has 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 can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3. As the Scheme's investments consist entirely of the bulk annuity policy (plus cash held in the Scheme's bank account), there should be minimal (if any) employer-related investment content within the Scheme's portfolio.

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 Appendix 1 to this Statement.

5.2. The Scheme holds a bulk annuity policy which will meet the main benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held in cash in the Scheme's bank account.

5.3. The nature of the bulk annuity policy means that the insurer will accommodate any cashflow requirements in respect of benefit payments. The Trustee notes that additional top up payments may be payable to former Defined Contribution members with historic Defined Benefit underpins. Any such top up payments will be met from the residual assets,.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to the investment policy and the Scheme's liabilities:

Risk versus the liabilities	The risk of the assets behaving differently from the Scheme's liabilities has been mitigated by purchasing an annuity policy that matches the main benefit payments due. Any top up payments due to former Defined Contribution members are

	expected to represent a small proportion of the Scheme's total liabilities and will be met from the residual assets.
Covenant risk	The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Scheme's main asset is the annuity policy and there is no exposure to investment manager risk in relation to this asset.
Concentration risk	In relation to the bulk annuity policy, it is at the insurer's discretion how the underlying assets are invested and the insurer bears the risk in relation to the assets' performance.
Liquidity risk	Responsibility for providing the monies to pay member benefits lies with the insurer as the provider of the bulk annuity policy, which mitigates the majority of the potential liquidity risk. The residual cash holdings are expected to be liquid given their nature.
Loss of investment	The biggest risk is in relation to the bulk annuity policy. In the event of the insurer becoming insolvent, the Scheme could suffer losses (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 Trustee carried out due diligence on the insurer prior to investing in the policy.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts.

7.2. The Trustee has chosen to invest in a bulk annuity policy with the intention of achieving returns in line with movements in the value of the Scheme's liabilities. The expected income from the annuity contract will be that required to meet the main benefit payments. The Trustee's objective with the residual cash holding is for this to be relatively low-risk and highly liquid given its purpose within the Scheme's investment strategy.

8. Realisation of investments

8.1. The Scheme's only investment is an annuity policy which is not readily realisable, but is structured so as to pay members' benefits as they fall due. In the short term the Trustee retains additional cash holdings in the Scheme bank account, which can be used to meet short term cashflow needs as well as any top up payments that may be payable to former Defined Contribution members. The Trustee has considered the risk of liquidity as referred to above.

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

9.1. The Trustee believes that Environmental, Social and Governance considerations, which include climate change (hereafter referred to as "ESG"), have the potential to have a financially material impact – that is, they have the potential to impact the value of the Scheme's investments.

9.2. The Trustee are also cognisant of the different investment timeframes that may apply to investments. The Trustee believes that ESG issues, including climate change issues, are likely to have a greater impact over a longer timeframe, compared to investments that are held for a shorter timeframe.

9.3. The Trustee appreciates that the method of incorporating ESG in the investment strategy and process may differ between asset classes. A high-level summary of the Trustee's views for each asset class in which the Scheme invests is outlined below.

- The Trustee believes there is limited scope for the consideration of ESG issues to improve risk-adjusted returns in relation to funds held within the Scheme bank account, because of the fact that these investments are intended to be short term.
- In terms of the bulk annuity policy with Rothesay, there is limited scope for the consideration of ESG issues from a financial materiality perspective given the investment is illiquid and its main objective is to match member experience.

9.4. Except for the residual cash holding, the Scheme's only asset is the bulk annuity policy, which is fully illiquid. For this reason, there is not any selection, or realisation of invested assets, and therefore there are no financially material considerations that are taken into account in relation to this, or indeed in relation to the retention of the contract.

9.5. There are no voting rights attached to the bulk annuity contract (or indeed the residual assets) and the Trustee does not carry out engagement activities with the insurer given these are not expected to have a material impact on the investment. This includes issues such as capital structure, and management of actual or potential conflicts of interest. The Trustee would, however, expect the insurer to have (and follow) a conflict management policy given their regulated status.

9.6. The Scheme's investment consultant, Barnett Waddingham, is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment recommendations they make are free from conflict of interest.

9.7. The Trustee does not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future qualify of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments on the grounds that the investment objectives of the Scheme will take priority over other considerations.

10. Policy on arrangements with asset managers

10.1. The Trustee is required by legislation to have a policy covering various aspects of the Scheme's arrangement with the asset managers through which the Scheme invests. This is no longer applicable as the Scheme does not invest with any asset managers.

11. Agreement

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

AGREED BY THE TRUSTEE ON 29 MARCH 2022

Appendix 1 Note on investment policy in relation to the Statement of Investment Principles dated March 2022

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below.

Asset class	Strategic allocation
Rothesay Life annuity policies	100%

The Scheme will also hold cash in the bank account to cover any top up payments that may be payable to former Defined Contribution members, as well as expenses.

2. Choosing investments

The Trustee has secured insurance contracts in respect of the Scheme's liabilities with Rothesay Life plc ("Rothesay"). Rothesay is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

3. Fee agreements

There are no ongoing fees in respect of the Rothesay Life annuity policies.

Barnett Waddingham are remunerated on a fixed fee and time cost basis depending on the work carried out.

4. Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- Annuity policies
- Cash

5. Realisation of investments

The annuity policies have been structured to provide sufficient income to meet benefit payments as they fall due. Therefore, the Trustee does not foresee any need to surrender (i.e. realise) the value of its annuity policies. However, in such an event, the Trustee will take appropriate advice before making any decisions. The Trustee expects any top up payments that may be payable to former Defined Contribution members, as well as any fees and other expenses to be met using the existing bank reserves.