

1. Introduction

This edition of the Statement has been prepared by the Trustee of the Quartzelec Pension Scheme in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended), and Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005, and any subsequent additional regulations.

In preparing this edition, the Trustee has taken appropriate written advice from a suitably qualified individual, Simon Jagger FIA, Director of Jagger & Associates Limited. The Trustee has also consulted with the sponsoring employer. This Statement supersedes previous editions, and is consistent with the Scheme's governing documents.

The Scheme provides final salary related benefits. There is no formal employer-related investment made by the Trustee, and none is intended. The employer intends to remit all relevant contributions to the Trustee within the relevant timescales. The Scheme is registered with HM Revenue and Customs.

2. Delegation of Investment Management

The Trustee uses a range of pooled funds provided by Legal & General Investment Management (L&G), a high yield bond fund provided by Royal London Asset Management (RLAM), and an absolute return product provided by Newton Investment Management (Newton). The Trustee also uses cash products, including the Trustee's bank account, for managing short-term cash flows.

The details of the investment managers' appointments, covering the roles of each organisation and its various subsidiaries and associated companies, are covered in an agreement with an effective date of 15 December 2004 (L&G), 23 November 2012 (RLAM), and 18 April 2017 (Newton), and in any legally valid amendments thereof. The providers, where relevant, are suitably authorised under the Financial Services and Markets Act 2000.

The Trustee considers these investment products to be appropriate investments for the Scheme. In deciding to invest in these funds, the Trustee sought advice from their professional advisers as to the products' suitability. The Trustee will review their decision from time to time with their advisers.

3. The Investments Held

Full details of the investment restrictions placed on the managers are contained within the investment agreements mentioned above.

The assets of the Scheme are held in a range of pooled funds provided by L&G, drawn from Global Equity Funds, Gilt Funds, Index-Linked Gilt Funds, Investment Grade Corporate Bond Funds, a Property Fund, and a Cash Fund. The Scheme also uses a High Yield Bond Fund with RLAM, and an Absolute Return fund with Newton.

The target split of the assets between the funds is 15% Corporate Bonds, 35% Index-Linked Gilts, 25% High Yield, 10% Property, and 15% BNY Mellon Real Return Fund. The Cash Fund may be used to assist in cashflow management, and the SIP will not be revised unless there is a change of more than 10% to any one asset's weighting, including those asset classes that are currently zero but listed in the available range above.

The Gilt products used are passively managed funds of varying maturities that track the relevant FTSE-A Government Gilt Indices on a total return basis. The mix of funds may be varied without triggering a review of this SIP.

The Index-Linked Gilt products used are passively managed funds of varying maturities that track the relevant FTSE-A Government Index-Linked Gilt Indices on a total return basis. The mix of funds may be varied without triggering a review of this SIP.

The Corporate Bond products used include both active and passive funds, but they invest primarily in sterling-denominated investment grade corporate bonds with a relevant term to maturity across a range of issuers. The funds may hold gilts to provide short-term liquidity when needed, but they only amount to a small proportion of each fund. Each fund either aims to replicate the relevant iBoxx Sterling Non-Gilts Index on a total return basis, or for the active funds, aims to outperform the relevant iBoxx Sterling Non-Gilts Index over a three-year rolling period. The mix of funds may be varied without triggering a review of this SIP.

The Property Fund has the discretion to invest in UK commercial property. The Trustee expects that the proportion of the Scheme's assets held in the property fund will be around 10%, although any rebalancing may be done on an infrequent basis due to the higher investment costs associated with property.

The RLAM Sterling Extra Yield Bond Fund is an actively managed bond fund that invests primarily in unrated corporate bonds and out-of-favour investment grade bonds, as well as conventional high yield stocks defined as corporate bonds of lower than investment grade.

The BNY Mellon Real Return Fund (managed by Newton) is an actively managed product that does not have a fixed market-based benchmark. Instead, it targets 30-day SONIA + 4% p.a., with volatility expected to be in the range of 10-12% over the long-term.

The Trustee has placed no additional constraints on the fund managers. The Trustee will keep the allocation of the Scheme's assets between the funds under review.

4. Expected Return on Investments

Absolute Return and Property products are designed to produce returns in excess of both general salary and price inflation over the long term. The Absolute Return and Property Funds are therefore expected to enhance the real value of the Scheme's assets over the long term, which is a fundamental element of the Trustee's investment policy.

The aim of the Gilt products is to match the performance, including reinvested income of the relevant FTSE Government Gilt Indices with a tracking deviation of +/- 0.25% p.a. in two years out of every three.

The Corporate Bond products may produce more volatile absolute returns over short-term periods than the Gilt products of equivalent maturity. However, in the longer term, it is the Trustee's expectation that each passive Corporate Bond fund will produce a return in line with the relevant iBoxx Sterling Non-Gilt Index to within +/- 0.5% p.a. for two years in three. Each active Corporate Bond Fund will aim to outperform the relevant iBoxx Sterling Non-Gilts Index by 0.75% p.a. (before fees) over a three-year rolling period.

The aim of the Index-Linked Gilt products is to match the performance, including reinvested income of the relevant FTSE-A Index-Linked Indices with a tracking deviation of +/- 0.25% p.a. in two years out of every three.

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The Property Fund aims to exceed the AREF/IPD Quarterly All Balanced Funds Index over rolling three and five-year periods.

The RLAM Sterling Extra Yield Bond Fund aims to achieve a high level of income, and seeks to achieve a gross redemption yield of 1.25 times the gross redemption yield of the FTSE Actuaries British Government 15 Year Index. In addition, RLAM and the Trustee broadly expect the fund to outperform the iBoxx Sterling Non-Gilts All Maturities Index by 1.5% per annum (net of fees) over rolling 3-year periods.

The BNY Mellon Real Return Fund aims to outperform the 30-day SONIA by 4% p.a. (gross of fees) over rolling 3-5 year periods.

The investment performance of the Scheme is monitored six-monthly on an independent basis through Jagger & Associates.

5. Risk Management & Risk Measurement

The Trustee is satisfied that their managers are prudent and professional in their general approach to investment. The products used involve holding units in pooled investment funds that maintain diversified portfolios of underlying assets (e.g. shares, bonds, units in property funds and other financial instruments). This reduces the risk to the Scheme of investing in any specific individual asset. The use of passive funds for some asset classes reduces the risk involved with following a purely active investment strategy.

The products used are viewed as appropriate investment vehicles for the investment strategy of an ongoing pension scheme. Risk measurement forms part of the periodic performance monitoring.

6. Realisation of Investments

The Trustee's policy is to ensure that the assets invested are sufficiently realisable to enable the Trustee to meet its obligation to provide benefits as they fall due. The Trustee is satisfied that the arrangements in place conform to this policy. The Trustee monitors their net cashflow position, the likely need to realise capital, and hence any effect on asset allocation and the choice of investment funds.

7. Additional Voluntary Contributions

The Scheme has available facilities with Legal & General for members who wish to contribute to enhance their retirement benefits. The Trustee believes these to be appropriate facilities for this purpose, but notes that the decisions on the level of contributions paid rest entirely with the members. The facility to use additional voluntary contributions to purchase additional years service is also available to some members.

8. Environmental, Social and Governance (ESG) Considerations including Voting and Engagement

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest in pooled funds and cannot therefore directly influence the environmental, social, and governance policies and practices of the companies in which the pooled funds invest. The Trustee excludes non-financial matters in the selection, retention and realisation of investments.

The Trustee has no formal policy on either ESG or delegation of voting rights. Instead, they have delegated the responsibility for these matters to their investment managers, who will from time to time report on their current and future actions in these areas.

The Trustee will consider a manager's ESG credentials during their appointment process, and will ask for at least an annual written update on each manager's activity for the products used by the Trustee. The Trustee will include a statement in the annual report to advise members that this has been done.

As the Trustee uses pooled funds, their asset managers are not incentivised to align their investment strategy and decisions with the Trustee's policies, nor are they incentivised to make decisions based on assessments about medium to long-term performance of an issuer of debt or equity, nor to engage with those issuers in order to improve their performance. However, the managers may make such decisions and/or engage of their own accord.

Performance monitoring, manager remuneration and duration of manager appointments are covered elsewhere in this Statement, or in the Trustee's Annual Report. As the Trustee uses pooled funds, there is no targeted portfolio turnover or turnover range.

As the Trustee uses pooled funds, they do not need to have an engagement policy in relation to monitoring the capital structure of companies they invest in, or any associated potential conflicts of interest.

The Trustee publishes their SIP online for general public access. They also publish annually online an engagement policy implementation statement that outlines how the various requirements (set out above) have been followed during the year, and describes the voting behaviours of the asset managers on their behalf.

9. Compliance

The Trustee will formally review this statement as and when required, and at least every three years, with the assistance of its advisers. A copy of this statement is available for inspection by Scheme members.

This statement has been agreed by the Trustee on 2 November 2022

Signed on behalf of the Trustee by

Name Oliver Wright – Trustee Director

Name Lindsey Moffitt – Trustee Director