A Bilbrough & Co Limited Pension & Life Assurance Scheme

Statement of Investment Principles

Barnett Waddingham LLP

23 April 2024

Contents

1. Introduction

1.1. This Statement of Investment Principles has been prepared by the Trustees of the A Bilbrough & Co Limited Pension & Life Assurance Scheme ('the Scheme'). It sets down the principles that 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;
- 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; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement, the Trustees consulted A Bilbrough & Co Limited ('the Employer'), and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

1.3. The investment powers of the Trustees are set out in the Trust Deed and Rules dated 31 December 2002, as amended. This statement is consistent with those powers.

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

1.5. The Trustees 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.

2. Choosing investments

2.1. The Trustees' policy is to set and keep under review a target asset allocation expected to meet the Scheme's financial and non-financial objectives. In doing so, the Trustees consider the advice of their professional advisers. The Trustees consider Barnett Waddingham LLP to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to professional investment managers. The Scheme's investment managers are detailed in **Appendix 1**. The investment managers are authorised by either the Financial Conduct Authority and/or the Prudential Regulation Authority. The investment managers are responsible for security selection and the exercise of any rights associated with the investments, e.g. voting rights.

2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have agreed key investment objectives in light of an analysis of:

- the Scheme's projected liability profile;
- an understanding of the relationship that exists between the value of investments and the actuarial value placed on the liabilities; and,
- the constraints the Trustees face in meeting other possible objectives.

3.2. The Trustees' main investment objectives are set out below:

- To maintain a level of assets that, together with the support of the Employer, allows benefits to be met in full when they fall due.
- To invest in a suitably liquid and diversified portfolio.
- To target a level of return consistent with the Scheme's current funding plan.
- To use the investment strategy to appropriately constrain volatility in the Scheme's funding position, taking account of the nature of the employer covenant and any practical constraints.
- To adjust the investment strategy over time to improve the ability of the Scheme to meet members' benefits with greater certainty and, ultimately, to bring the Scheme into a position where it is largely self-sufficient, and has a relatively low level of financial dependence on the Employer. At that stage, the Trustees expect that it may become feasible to consider securing the Scheme's liabilities with an insurance company.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternative asset classes, such as hedge funds, private equity and infrastructure. The Scheme is also permitted to invest in derivatives including swaps and gilt repurchase agreements.

4.2. There is currently no investment made by the Scheme in the Employer, nor in any employer-related business, and none is intended.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected, in combination, to achieve the Trustees' objectives. The target allocation between different asset classes is given in **Appendix 1**.

5.2. The Trustees consider the merits of different styles of investment management for the various elements of the portfolio. The current investment management arrangements are set out in **Appendix 1**.

5.3. From time to time the Scheme may hold cash as a working balance or for tactical reasons, and deviate from the target asset allocation in order to accommodate short-term cashflow requirements or other unexpected events.

5.4. The Trustees may also hold insurance policies such as deferred or immediate annuities that provide income to the Scheme, matching part or all of the liabilities due from it.

5.5. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time. The Scheme's asset allocation is expected to change as the liability profile matures and/or as the Trustees' funding objectives are achieved.

6. Risks

6.1. The Trustees have considered the following risks for the Scheme, associated with its investment holdings and the nature of its liabilities, and considered ways of managing/monitoring these risks:

Risk relative to the valuation of the Scheme's liabilities	The Trustees will monitor and review the investment strategy with respect to the characteristics of the Scheme's liabilities at each actuarial valuation. Such characteristics include interest rate risk, inflation risk and longevity risk. The investment strategy will be set with consideration to the risks associated with these characteristics in the context of the Trustees' agreed funding plan and allowing for the Trustees' view of covenant risk.
Return volatility for assets that are not used to hedge changes in the value of the Scheme's liabilities	The Trustees recognise that the returns from Scheme's holdings may be volatile and seek to manage the risk of falls in the value of the portfolio (outside of assets used to hedge changes in the value of the liabilities), through the use of diversification and active management, as appropriate. The Trustees would typically aim to avoid being unnecessarily exposed to market volatility, subject to the investment strategy's expected return being consistent with the Trustees' funding plan and the associated level of risk being consistent with the Trustees' view of covenant risk.
Covenant risk	In determining their investment objectives and strategy, the Trustees consider the ability and legal obligation of the Employer to support the Scheme.
Asset allocation risk	The target asset allocation is detailed in the **Appendix 1** to this statement and any deviation from the target asset allocation is monitored on a regular basis by the Trustees.
Manager performance risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis and will seek meetings with the managers where it is felt that such engagement will help resolve performance concerns or add necessary understanding of the processes the managers are employing.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across individual securities, as appropriate to the mandate.
Liquidity risk	The Scheme invests in asset classes such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow and collateral management requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment strategy, while potential collateral requirements resulting from asset holdings are monitored by the Trustees on a regular basis.
Currency risk	The Scheme's liabilities 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. Currency hedging is employed, as appropriate, to manage the impact of exchange rate fluctuations.

Loss of assets	The risk of loss of assets by each investment manager and any associated custodians are considered on appointment and reviewed periodically by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).
Environmental, Social and Governance (ESG) related risks, including climate risks	ESG-related risks, including climate risk are potentially financially material risks across all future time periods. The Trustees will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments, in order to reduce the risk of loss and, where appropriate, to take associated opportunities. Each asset manager is expected to undertake good stewardship and positive engagement in relation to the underlying securities held, as appropriate. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.

7. Expected return on investments

7.1. In setting their investment strategy, selecting asset classes and investment managers, the Trustees have regard to the investment return that each asset class is expected to provide alone and in combination. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts.

7.2. The Trustees require the Scheme's assets to produce a return in excess of the growth in the value of the liabilities used for the purposes of the funding plan, while also meeting the return requirements of the Recovery Plan in place.

7.3. Based on the target asset allocation set out in **Appendix 1**, the Trustees expect the assets to produce a return consistent with that required under the Scheme's in-force Recovery Plan.

8. Realisation of investments

8.1. The Trustees make disinvestments from the investment managers with the assistance of their advisers and administrators, as necessary, to meet the Scheme's cashflow requirements.

9. ESG-related risks, views of members, the exercise of voting rights, engagement activities, manager incentivisation and conflicts of interest

9.1. The Trustees have set policies in relation to these matters. These are set out in **Appendix 2**.

10 Monitoring

10.1 The Trustees employ their investment consultant to assist them in monitoring the performance of the Scheme's investment strategy and investment managers.

10.2 The Trustees receive quarterly reports from their investment advisors and meet with their representatives periodically to review their investment performance and processes.

10.3 The Trustees and their advisers will monitor the investment managers' performance against their performance objectives.

10.4 The appropriateness of the investment managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

10.5 The Trustees expect the investment managers to change underlying holdings only to the extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. As the Trustees exclusively use pooled funds, the Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

10.6 The Trustees will consider on a regular basis whether the investment managers and similar providers remain appropriate to continue to manage the Scheme's investments.

11 Agreement

11.1 This statement was agreed by the Trustees and replaces any previous statements.

11.2 Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the Scheme Actuary and the Scheme Auditor upon request.

This Statement of Investment Principles was approved by the Trustees of A Bilbrough & Co Limited Pension & Life Assurance Scheme on 23 April 2024.

Appendix 1: A Bilbrough & Co Limited Pension & Life Assurance Scheme – investment implementation policy

1. The target asset allocation

The Scheme's target asset allocation is set out in the table below.

This has been agreed after considering the Scheme's liability profile, funding position, risk and return requirements and the need for an appropriate level of diversification.

Asset class	Target Asset Allocation
Global equities	35.0%±5%
Multi-asset growth	20.0%±5%
UK active corporate bonds	10.0%±5%
Liability Driven Investment (LDI) funds	27.5%±10%
Absolute return bonds	7.5%±5%
Total	**100%**

The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the target asset allocation. The Trustees monitor the asset allocation on a regular basis with the assistance of their advisers, and will consider switching assets between funds if the assets deviate outside the ranges quoted.

The Trustees also maintain an investment in a UK property fund, which as at the date of this SIP has an allocation of c.2% to the Scheme's assets. This Fund has not been included in the above table because it is in the process of winding down and capital is being returned to the Scheme.

2. Hedging ratios

The target hedging ratios against interest rate risk and inflation risk, set relative to the value of the funded liabilities/assets, are as follows.

	Target hedging ratio
Interest rate risk*	90%-100%
Inflation risk*	90%-100%

**No hedge should be expected to provide a perfect match between assets and a specific liability measure, with a range of factors and risks expected to lead to deviation in the hedge from target over time*

3. Strategies used

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme's assets.

- Legal & General Investment Management ('LGIM').
- CBRE Global Investors ('CBRE').

The investment benchmarks and objectives for each investment manager are given below:

Asset class	Fund	Objective
Global equities	LGIM All World Equity Index Fund	To track the performance of the FTSE All-World Index (less withholding tax where applicable) to within ±0.5% per annum for two years out of three (before fees).
Multi-asset growth	LGIM Dynamic Diversified Fund	To outperform the Bank of England base rate by 4.5% per annum (before fees) over a full market cycle, while constraining return volatility to a maximum of 2/3rds of that of equity markets.
UK active corporate bonds	LGIM Active Corporate Bond All Stocks Fund	To outperform the Markit iBoxx £ Non-Gilts Index by 0.75% p.a. (before fees) over a three year rolling period.
LDI funds	LGIM Matching Core Funds	To produce returns consistent with defined sensitivities to real and nominal interest rates.
Absolute return bonds	LGIM Absolute Return Bond Fund	To outperform the ICE BofA SONIA 3-month Constant Maturity Total Return Index by 1.5% p.a. (before fees) over rolling 3-year periods.
UK property fund	CBRE Osiris Property Fund	The performance objective ceases to be applicable as a result of the wind-down; the objective is to maximise the return of capital to investors.

4. Use of investment platform

The funds strategies used are all accessed through LGIM's Investment-only Platform ('IoP').

5. Investment management charges

The fees paid by the Scheme are recorded in the contracts agreed between the Trustees and the investment managers, through the IoP.

6. Remuneration of investment consultant

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are remunerated on a mixture of pre-agreed fixed fees and time-cost rates.

Appendix 2: ESG-related risks, views of members, the exercise of voting rights, engagement activities, manager incentivisation and conflicts of interest

1. ESG-related risks (including climate change)

The Trustees recognise that Environmental, Social and Governance ('ESG') issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the investment managers. The Trustees have an expectation that the investment managers will consider ESG 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 expected to improve the long-term return on the associated assets.

In choosing investment managers, the Trustees and their advisers take the following factors into account in the selection, retention and realisation of investments:

Selection of investments: assessment of the investment managers' ESG integration credentials and capabilities, including stewardship.

Retention of investments: developing a process to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: requesting information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

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

The Trustees do not currently impose any specific restrictions on the investment managers with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the investment managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees will continue to monitor market developments in this area in conjunction with their investment adviser.

2. Views of Members and Beneficiaries

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues (referred to as 'non-financial matters' in the relevant regulations). The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

3. The exercise of voting rights

Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the investment managers. The Trustees can therefore only influence engagement and voting policy indirectly.

The Trustees expect that the investment managers will use their influence as institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The investment managers provide information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the investment managers.

4. Engagement activities

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the investment managers. The Trustees expect the extent to which the investment managers monitor capital structure to be appropriate to the nature of the mandate.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should the Trustees' investment advisers raise any concerns about the performance of an investment manager in these respects, the Trustees will, in conjunction with their advisers, seek to engage with the investment manager to improve the position.

5. Incentivisation arrangements with investment managers

The investment managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund. The Trustees do not directly incentivise the investment managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the investment managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

The Trustees do not directly incentivise the investment managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or engage with those issuers to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate by the investment managers and where necessary to meet the investment objectives of the funds used by the Scheme.

6. Conflicts of interest

The Trustees maintain a separate conflicts of interest policy and register. Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the investment managers, while also setting out a process for their management.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA-regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations.

The Trustees therefore believe they have managed the potential for conflicts of interest in the appointment of their investment advisers and investment managers, and conflicts of interest between the Trustees, investment advisor, investment managers and the investee companies.