The Baby & Child Retirement Benefit Plan

Statement of Investment Principles

Barnett Waddingham LLP

January 2025

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Baby & Child Retirement Benefit Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan 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 Trustee has consulted Mayborn (UK) Limited, 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.

2. Choosing investments

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

2.2. The day-to-day management of the Plan's assets is delegated to an investment manager. The Plan's investment manager is detailed in Appendix 1 of this Statement. The investment manager is authorised and regulated by the Financial Conduct Authority, and is responsible for stock selection and the exercise of voting rights.

2.3. The Trustee is closely involved in the issues relating to overall investment strategy but are not involved in day-to-day decisions. In particular, the selection of particular investments is left to the investment manager.

2.4. The Trustee is aware that, when investing in managed funds, the suitability of a particular kind of investment is at the fund manager's discretion and this is taken into account when deciding on the appropriateness of a particular managed fund.

2.5. The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment manager with respect to performance within any guidelines set. The Trustee will also consult the Employer before amending the investment strategy.

2.6. In addition to appointing investment managers, the Trustee may choose to invest in bulk annuity insurance transactions from time-to-time in order to provide payments linked to specific member benefits. These contracts are illiquid in nature and whilst the Trustee does not have discretion over the assets held, appropriate due diligence is undertaken when selecting a provider.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure, so far as practicable, that the obligations to the beneficiaries of the Plan can be met out of the assets of the Plan when due (the "primary objective");
- whilst seeking to meet the primary objective, to seek to achieve some level of excess return over the liabilities consistent with prudence;
- to pay due regard to the Employer's interests on the size and incidence of its contribution;
- to seek to hedge the Plan's exposure to inflation risk and interest rate risk.

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

4. Kinds of investments to be held

4.1. Subject to the requirements of the Plan's documentation and legislation generally, the Trustee is not restricted in the kind of investment they can make.

4.2. Investments in currencies other than Sterling are permitted. The Trustee may also invest in collective funds such as managed fund arrangements or units in unit trusts.

4.3. The Trustee monitors from time-to-time the Employer-related investment content of its portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

5. The balance between different kinds of investments

5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 of this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 of this Statement.

5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis and will consider the appropriate balance between these objectives when taking investment decisions.
Asset allocation risk	The asset allocation is detailed in Appendix 1 of this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of the Plan's investment manager on a regular basis in addition to having meetings with the manager from time to time as necessary. The Trustee has a written agreement with the manager, which contains a number of restrictions on how they may operate.
Governance risk	The asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in its annual Implementation Statement.
ESG/ climate risk	The Trustee has considered the long-term financial risks to the Plan and ESG factors, as well as climate risk, are potentially financially material and the Trustee will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
Concentration risk	The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

Currency risk	The Plan's liabilities are denominated in sterling. The Plan 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 to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by the investment manager and custodians is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee undertakes a review of the internal controls and processes of the investment manager as frequently as is appropriate.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment manager.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustee monitors the performance of the investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustee meets the Plan's investment manager as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment manager. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

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

9.1. Social, environmental and ethical considerations are set by the investment manager, who also exercises the rights attaching to the investments in any pooled funds. The Plan's investment manager will ultimately act in the best interests of the Plan's assets to maximise returns for a given level of risk.

9.2. The Trustee has set policies in relation to these matters, which are set out in Appendix 2 of this Statement.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how its policies are aligned with the Trustee's own investment beliefs.

10.2. 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 Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with its own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustee carries out an investment strategy review when appropriate, where they assess the continuing relevance of the strategy in the context of the Plan's funding position, funding targets, liability and membership profile and the Trustee's aims, beliefs and constraints. The Trustee monitors the investment manager's approach to ESG and climate related risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected, its appointment will be terminated. Prior to terminating the appointment, the manager will be given the opportunity to correct or improve its performance and actions in order to meet the desired aims.

10.5. 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

10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises 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 Trustee acknowledges this in its investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing its effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes 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 Trustee expects this longer-term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustee expects the investment manager to be voting and engaging on behalf of the Plan's holdings and the Trustee monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

10.9. The Trustee monitors the performance of its investment manager over medium to long-term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

10.10. The Plan invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager and/ or through market movements, they receive more and as values fall, they receive less.

10.11. The Trustee believes that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting its revenue.

10.12. The Trustee asks the Plan's investment consultant to assess if the asset management fees are in line with the market when a manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of its investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustee 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 Trustee acknowledges 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

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

10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed 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 manager, and the specific funds used, is assessed.

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 investment manager, the actuary and the Plan auditor upon request.

Signed on behalf of the Trustee of the Baby & Child Retirement Benefit Plan on 10 January 2025

Appendix 1 Note on investment policy of the Plan as at January 2025 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

All of the Plan's invested assets are managed by Legal & General Investment Management ("LGIM").

Portfolio	LGIM Fund	Target allocation (%)
Growth portfolio	Diversified Fund	5.0
	Absolute Return Bond Fund	17.5
	Absolute Return Bond Plus Fund (GBP Currency Hedged)	17.5
Protection portfolio	Liability Driven Investment Portfolio	60.0
Total		**100.0**

2. Rebalancing and cashflow management

The Trustee recognises that the above allocation will vary over time as a result of market movements and disinvestment requirements.

The Trustee holds a sufficient amount of cash in the Trustee bank account to cover pension payroll over a 6 to 12 month period into the future. However, from time to time, investments of surplus cash or disinvestments to cover a shortfall of cash will be required.

The Plan's Liability Driven Investment ("LDI") Portfolio consists of unleveraged and leveraged gilt funds, that has been designed to hedge approximately 100% of the interest rate risk and 100% of the inflation risk as measured on the gilt curve +0.35% funding basis. The value of these investments can change materially over time due to movements in long-term interest rates and market-implied inflation and will therefore deviate from the strategic allocation set out in the table above. The Trustee should consider how any investments or disinvestments involving the LGIM LDI funds will affect the level of interest rate and inflation hedging before taking action.

Therefore, through the normal course of events, cashflow management transactions will not be made using the LGIM LDI funds unless a change in the hedging level is required, but may be deemed appropriate in other circumstances at the Trustee's discretion.

The Trustee has an agreed automatic rebalancing policy in place with LGIM to meet any potential collateral calls from the LDI funds.

Investments and disinvestments should be made in order to bring the Plan's asset allocation in line with the target allocation (noting the comments above about the LDI funds), although all transactions are made at the Trustee's discretion.

3. Choosing investments

The Trustee has appointed LGIM to carry out the day-to-day investment of the Plan. LGIM is authorised and regulated by the Financial Conduct Authority. The Trustee accesses all the Plan's invested assets via an investment platform operated by LGIM.

The investment benchmarks and objectives for each Fund is given below (which are unaffected by the platform arrangement):

LGIM Fund	Benchmark	Objective
Diversified Fund	FTSE Developed World Index (50% GBP Hedged)*	No official outperformance target
Absolute Return Bond Fund	ICE BofA British Pound 3 Month Deposit Offered Rate Constant Maturity Total Return Index	ICE BofA British Pound 3 Month Deposit Offered Rate Constant Maturity Total Return Index +1.5% p.a. over rolling 3-year periods (before fees)
Absolute Return Bond Plus Fund (GBP Currency Hedged)	ICE BofA USD 3-Month Deposit Offered Rate Constant Maturity Index (GBP Hedged)	ICE BofA USD 3-Month Deposit Offered Rate Constant Maturity Index (GBP Hedged) +3.5% p.a. over rolling 3-year periods (before fees)
LDI Portfolio	Respective unleveraged/ leveraged gilt/ index-linked gilt benchmark	Perform in line with respective benchmark

*The Diversified Fund does not have a specific benchmark but LGIM measure performance against a comparator of Developed World Equities.

The performance of the investment manager will be monitored quarterly and takes into account both short-term and long-term performance.

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

1. Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) could be financially material for the Plan over the length of time during which the benefits provided by the Plan for members require to be funded to a level which would allow the benefits to be bought out with an insurer. This is likely to be not less than five years from the date of this statement of investment principles.

The Trustee has elected to invest the Plan's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from its investment consultant. The Trustee looks to the pooled funds manager (in taking decisions in relation to the selection, retention and realisation of investments) to positively engage with the investee companies where there is scope to improve the way ESG issues are taken into account when running the company. However, engagement activities (including the exercise of rights) should be consistent with, and proportionate to, the rest of the investment process.

The Trustee takes those factors into account in its selection, retention and realisation of investments as follows:

Selection of investments: Assess the investment manager's 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: Where appropriate, the Trustee will receive updates from its investment consultant on the ESG credentials of the investment manager. The Trustee does however note that ESG integration and engagement (including the exercise of voting rights) is limited for the Plan's current funds, given the nature of the assets held.

Realisation of investments: The Trustee will request information from the investment manager about how ESG considerations are taken into account in decisions to realise investments.

The Trustee 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 Plan's investments.

The Trustee understands the fund manager take those factors into account in its selection, retention and realisation of investments by continuing to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- Where appropriate, the Trustee will obtain training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- Through the preparation of its Implementation Statement and the supporting information provided by its investment consultant, including information derived from or issued the by the investment manager, the Trustee will obtain an annual assessment of the investment manager's ESG credentials from its investment consultant; and
- Through its investment consultant the Trustee will request that the Plan's investment manager provides information about its ESG policies, and details of how it integrates ESG into its investment processes on an annual basis.

2. Non-financially material considerations

The Trustee does not take into account the views of Plan 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 Plan (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of fund managers, nor do they require the fund managers to take non-financial matters into account in their selection, retention and realisation of investments.

The Trustee will review its policy on whether or not to take account of non-financial matters on an annual basis.

3. The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment manager on the Trustee's behalf. In doing so, the Trustee expects that the investment manager will use its influence as major institutional investors to exercise the Trustee's 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. However, the Trustee invests in pooled funds and therefore recognise that they cannot require the fund manager to engage with investee companies or vote in a particular way.

The Trustee will monitor the investment manager and its engagement with investee companies on an annual basis and will request information on engagement which includes business performance, strategy, capital structure, management of potential or actual conflicts of interest, risks, social and environment impact and corporate governance matters. The Plan's investment consultant will provide an annual update on the levels of engagement of the fund manager.

The investment manager will be asked to provide details of its stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from its investment consultant, monitor and review the information provided by the investment manager. Where possible and appropriate, the Trustee will engage with its investment manager for more information and ask them to confirm that its policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code. The Trustee's investment consultant will report on this this on an annual basis.

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within its investment framework. When delegating investment decision making to its investment manager, the Trustee provides its investment manager with a benchmark they expect the investment manager to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of its investment manager's roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the pooled fund in which the Plan holds units.

The Trustee also considers it to be part of its investment manager's role 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 manager invests on behalf of the Plan.

Should the investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment manager is granted full discretion over whether or not to invest in the Principal Employer's business. Through its consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of its policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

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

The Trustee expects the investment manager to have a conflict of interest policy in relation to its engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/ investment manager and the investee companies.

In selecting and reviewing its investment manager, where appropriate, the Trustee will consider investment manager's policies on engagement and how these policies have been implemented.