

Benjⁿ. R. Vickers & Sons Limited Retirement Benefits Plan (1975)

Statement of Investment Principles

Barnett Waddingham LLP

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Benjⁿ. R. Vickers & Sons Limited Retirement Benefits Plan (1975) ("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; 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 Trustee has consulted the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. 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 22 of the Definitive Trust Deed & Rules, dated 27 February 2007. 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 manager 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 day-to-day management of the Plan's assets is delegated to an investment manager. The Plan's investment manager is detailed in the Appendix to 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 reviews the appropriateness of the Plan'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 Trustee will also consult the Principal Employer before amending the investment strategy.

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 that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Plan's Participating Employer, the cost of current and future benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives;
- to take account of the long-term risks, including those relating to non-financial factors, when making investment decisions.

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. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustee monitors from time-to-time the employer-related investment content of their 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 the Appendix to 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 the Appendix to 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 Principal Employer and the size of the pension liability relative to the Principal 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.
Asset allocation risk	The asset allocation is detailed in the Appendix to 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 investment manager, which contains a number of restrictions on how the investment manager may operate.
Governance risk	The investment 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 manager's practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered that long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and 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 custodian 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 an annual review of the internal controls and processes of the investment manager.

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 their 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.

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-financially material considerations, the exercise of voting rights and engagement activities

- 9.1. The Trustee has set policies in relation to these matters. These policies are set out in the Appendix.

10. Policy on arrangements with asset manager

Incentivising alignment with the Trustee's investment policies

- 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 their 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 their 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 a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their 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 of them, their appointment will be reviewed.
- 10.5. The Scheme's investment adviser reviews the investment manager's ESG policies in the context of best industry practice and provides feedback 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 their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their 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 Plan reports 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 their 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, they receive more and as values fall they receive less.
- 10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustee asks the Plan'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 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 their 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. AVCs

11.1. The Trustee recognises that the needs of members who have AVCs will vary according to their attitude to risk, investment sophistication and time to retirement. They have therefore put in place AVC arrangements with an AVC provider that give members access to a range of investment funds.

12. Agreement

12.1. 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 Principal Employer, the investment manager, the Scheme Actuary and the Plan auditor upon request.

Approved by the Trustee on 24 June 2024

**For and on behalf of BESTrustees Ltd
Trustee of the Benjnⁿ R. Vickers & Sons Limited Retirements Benefits Plan (1975)**

Appendix 1 – Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Plan has an initial 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.

Portfolio	Initial asset allocation (%)
Growth Assets	20%
LGIM Future World Global Equity Index Fund	10%
LGIM Diversified Fund	10%
Protection Assets	80%
LGIM Matching Core Fund range	34%
LGIM Maturing Buy and Maintain Credit Funds	17%
LGIM Absolute Return Bond Fund	16%
LGIM Investment Grade Corporate Bond – Over 15 Year Index Fund	13%

Rebalancing

The Trustee has adopted a matching asset portfolio in order to maintain an overall hedge of approximately 90% of the total DB liabilities against changes in interest rates and inflation (on a Technical Provisions basis). This hedging ratio is the driver of the allocation between hedging and growth assets. The amount of assets required to provide a hedge of approximately 90% of the total DB liabilities defines the amount allocated to matching assets, with the excess allocated to the growth portfolio.

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. Rebalancing of the assets may take place if the Trustee deems it appropriate to do so.

2. Choosing investments

The Trustee has appointed Legal and General to manage the assets of the Plan via a single policy through Legal and General's Investment Manager platform.

The Trustee has AVC contracts with The Prudential Assurance Company Limited for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time. The investment manager and AVC providers are authorised and regulated by the Financial Conduct Authority.

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

Investment Manger	Fund	Fees(p.a.)	Benchmark	Objective
Legal and General	Future World Global Equity Index Fund	0.135%	Solactive L&G ESG Global Markets Index	+/-0.6% p.a. for two years out of three
	Diversified Fund	0.24%	FTSE Developed World Index (50% GBP Hedged) ¹	No official outperformance target
	Absolute Return Bond Fund	0.225%	ICE BofA 3 Month Deposit Offered Rate Constant Maturity Index	+ 1.5% p.a. gross of fees over a rolling three-year period
	Buy and Maintain Credit Funds	0.126%	No official benchmark	Provide investors with credit risk exposure through investing in a globally diversified portfolio of non-government bonds.
	Investment Grade Corporate Bond – Over 15 Year – Index Fund	0.108%	Markit iBoxx £ Non-Gilts Over 15 Years Index	To track the benchmark within +/-0.5% p.a. for two years out of three.
	Matching Core Funds	0.162%	Bespoke liability profile Benchmark	To hedge a proportion of the Liability Cash Flows against changes in interest rates and inflation expectations.

The performance of the investment manager is reviewed from time to time.

3. Investments and disinvestments

The Trustee will consider how any investments or disinvestments involving the LGIM Matching Core 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 Matching Core Funds unless a change in the hedging level is required, or under other circumstances at the Trustee's discretion.

Unless the Trustee indicates otherwise, then in the normal course of events, any cashflow investments or disinvestments should be made to or from the LGIM Absolute Return Bond Fund. In the event of an LDI de-leverage event and there is insufficient capital available in this fund to meet collateral requirements, this will then be met by the LGIM Diversified Fund, followed by the LGIM Future World Global Equity Index Fund. The Trustee may make ad hoc re-balancing transactions or deviate from the above policy at their discretion in the event that the asset allocation moves away from its strategic benchmark.

¹ The Diversified Fund does not have a specific benchmark but LGIM measure performance against a comparator of Developed World Equities.

Appendix 2 – Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1. Financially material considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will 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. Moreover, the Trustee believes that:

- The willingness and ability of companies to adopt the highest standards of social responsibility is increasingly important to long term growth in the value of their business
- Successful enterprises are a partnership between the providers of capital, the labour force, the suppliers and the customers: investee companies should have appropriate policies in these areas
- Good corporate governance, in addition, includes the management of the company's impact on society and the environment

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 their investment consultant. The Trustee, and the manager of the underlying funds, takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

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

Selection of investments: assessing 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: developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment manager.

Realisation of investments: requesting 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 will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- As part of ongoing monitoring of the Plan's investment manager, the Trustee will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Plan's investment manager takes account of ESG issues; and
- Through their investment consultant the Trustee will request that the Plan's investment manager provides information about their ESG policies, and details of how they integrate ESG into their 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 quality 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 investments.

The Trustee will review its policy on whether or not to take account of non-financial matters on a regular 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 their 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.

The Trustee will monitor and engage with the investment manager about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.

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

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment manager they provide their 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 their investment manager's roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also consider it to be part of their investment manager's 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 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 their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their 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 their business provides asset management services. This, and their 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 their 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 their investment manager, where appropriate, the Trustee will consider the investment manager's policies on engagement and how these policies have been implemented.

5. Stewardship priorities

Climate change, board ethics and governance and diversity, equality and inclusion are stewardship priorities for the Scheme. Following training sessions and consideration of data and trends, the Trustees have agreed that the impact of climate change, board ethics and governance and diversity, equality and inclusion may be financially material for the Scheme.

In addition, the Trustees expect their asset manager to be able to evidence their stewardship activity in this area which the Trustees will monitor annually. For example, by considering the voting and engagement activity of the asset manager. Therefore, this is also an area which the Trustees believe they can meaningfully monitor progress and engage with their asset manager over time.