The Bakkavor Pension Scheme

Statement of Investment Principles

February 2025

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Contents

1 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Bakkavor Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Laura Amerasekera of Towers Watson, the Investment Adviser is Schroders Solutions ("Schroders") (part of Schroders IS Limited) and the Legal Adviser is Squire Patton Boggs (collectively termed 'the Advisers').

The Trustee is responsible for the investment of the Scheme's assets and arranges administration of the Scheme. Where it is required to make an investment decision, the Trustee always receives advice from the relevant Advisers first and it believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme.

1.1 Declaration

The Trustee confirms that this SIP reflects the Investment Strategy it has implemented for the Scheme. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles:

Signed . . . . **Date** . . . .

Signed . . . . **Date** . . . .

The Trustee adopted this on .... on behalf of the Trustee of the Bakkavor Pension Scheme

2 Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme's assets and has appointed an Investment Committee ('IC') to deal with investment matters on their behalf. The IC deals with day to day investment matters and acts as a coordinator between the Investment Advisers, Investment Managers and the Trustee. The IC has the power to make decisions on behalf of the Trustee.

3 Defined Benefit Investment Objectives

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustee has set the following qualitative objectives:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Employer, the cost of current and future benefits which the Scheme provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter term basis.
- To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown above.

In order to meet these qualitative objectives, the Trustee is seeking to achieve a return in excess of a Liability Benchmark by 2.0% p.a., where the Liability Benchmark is based on the change in value of the Scheme's Self-sufficiency liability cashflows taking into account changes in gilt interest rates and inflation expectations. By monitoring performance of the investment strategy relative to a liability related benchmark, the Trustee is more readily able to ascertain if performance of the investment strategy directly contributes to funding level improvement.

4 Defined benefit investment strategy

Having considered advice from the Advisers, and also having due regard for the objectives, the liabilities of the Scheme, the risks of and to the Scheme and the covenant of the Employer, the Trustee has decided upon the strategic target asset allocation tabled below.

To further assist the Trustee in their asset allocation decisions, they have adopted a strategic asset allocation framework whereby each allocation is assigned into one of five categories determined by its core objective in meeting the Trustees' funding goals.

(1) **Opportunistic Growth –** tactical investments made to take into account the Trustees prospective views for financial markets or to allocate to a holding bought at what is deemed to be an attractive price, and expected to produce strong risk adjusted returns over a particular period. Investments may be made for return-seeking or defensive purposes. The holding period for such investments may be relatively short in the context of a pension scheme.

(2) **Market-return Focused Growth –** investments with performance ultimately driven by traditional investment markets such as equities or corporate bonds, and are therefore subject to the accompanying volatility of general markets, and reliant on economic growth as the key driver of return. In the context of the investment strategy, market return focused investments may be referred to as 'high beta'.

(3) **Stable Growth –** investments where performance is less sensitive to markets in general, less reliant on economic growth and more driven by manager skill or alternative sources of return. In the context of the investment strategy, Stable return focused investments may be referred to as 'low beta'.

(4) **Cashflow Matching –** investment grade credit which aims to generate a modest return above gilts while providing income to the Trustee Bank Accounts to pay benefits.

(5) **Off-risk / Liability Hedge –** investments which are low risk and aim to match the movements of the Scheme's liability values for movements in interest rate and inflation.

The Trustee has delegated authority over the strategic target for the five categories to the IC, subject to the following ranges:

Asset Allocation	Target Range %
Opportunistic Growth	***0-10***
Market Return Focused Growth	***43-53***
Stable Growth	***5-15***
Cashflow Matching	***15-25***
Off Risk / Liability Hedge*	***17-27***
Total Fund	**100**

**Structured equity allocation held within 'Market Return Focussed' portfolio also provides exposure to fixed interest gilts as underlying collateral. As a result, the Scheme's aggregate exposure to gilts is higher than the allocation to the liability hedge.*

In respect of the Opportunistic allocation, the Trustee have established a governance framework which allows nimble decision making and implementation such as to allow the Scheme to take advantage of such investment opportunities as and when they arise. It has been agreed with the Sponsor that, for any return-seeking Opportunistic holdings that need to be funded or redeemed at short notice, the Trustee will do so from the Stable Growth allocation. Any Opportunistic holdings may also be funded from the Market Return allocation or elsewhere after consultation with the Sponsor. Hence there are allowable ranges on these allocations to provide that additional flexibility in the investment strategy.

The Scheme also uses a liability hedging strategy of gilts and swaps, which targets hedging 85% of interest rate and inflation risk embedded in the Scheme's Liabilities as measured on a Self-sufficiency basis. The Scheme's gilts are used to support the collateral requirements for both the Liability Hedging swaps and the Structured Equity strategies.

4.2 Rebalancing Policy

The IC, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme. If the actual allocation moves outside the agreed strategic target range then the Trustee will make a decision as to whether to switch funds between classes to move back to the strategic target range after consideration of advice. New money will be invested (or disinvested as required for cashflow) on a regular basis taking into account the target ranges and market conditions.

4.3 Rates of Return

Over the long term, the Trustee expects to achieve a return of 2.0% above the change in the gilt-based Liability Benchmark (as defined in Section 3).

4.4 Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified given the Scheme's circumstances. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

4.5 Suitability

The Trustee has taken advice from the Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its liability profile, any legal requirements, regulatory guidance and specifications in the Trust Deed.

4.6 Liquidity

The majority of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustee requires.

5 Defined Benefit Strategy Implementation

Where the Trustee believes an Investment Manager can add value over and above the benchmark in the medium to long term, the Trustee will select an active Investment Manager. Otherwise, low cost "passive" Investment Managers will be employed.

5.1 Mandates and Performance Targets

The Trustee has received advice on the appropriateness of each Investment Manager's target, benchmark and risk tolerance from the Advisers and believes them to be suitable to meet the Scheme's investment objectives.

5.2 Manager Agreements

The Trustee and Investment Managers have agreed, and will maintain, formal Manager Agreements setting out the scope of each Investment Manager's activities, its charging basis and other relevant matters. Where this is for a pooled fund, and where no Investment Management Agreement is used by the Investment Managers, the Trustee has accepted the standard terms of engagement with the Investment Managers as set out in the Prospectus and have provided the Investment Managers with a signed Application Form.

5.3 Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute in derivative transactions. The Trustee has taken advice on the suitability of the contracts and set restrictions on the use of derivatives where they think this is appropriate.

5.4 Suitability

The Trustee has taken advice from the Advisers to ensure that the Investment Managers are suitable for the Scheme, given its objectives.

5.5 Custody

The Trustee is required to ensure that adequate custody arrangements are in place. For most of the pooled fund holdings, the Trustee has delegated the custody of the investments of the Scheme to the Investment Managers.

The Trustee has appointed Caceis Bank as custodian for the Scheme's segregated liability hedge and structured equity holdings.

6 Monitoring

6.1 Investment Managers

The Trustee will monitor the performance of the Investment Managers against the agreed performance objectives.

The Trustee monitors directly, and by delegation to the Investment Advisor, the Investment Managers used by the Scheme to satisfy themselves that each Investment Manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee will consider whether or not each Investment Manager:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising its powers of investment in a way that is consistent with the principles contained in this SIP.

If the Trustee is not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee’s requirements, they will remove the Investment Manager and appoint another.

6.2 Advisers

The Trustee will monitor the advice given by the Advisors on a regular basis. Formal objectives have been set for the Investment Adviser and the Trustees monitor against these objectives.

6.3 Other

The Trustee will review this SIP regularly (and at least triennially), or following any significant changes to the investment strategy, and modify it with consultation from the Advisers and the Employer if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Adviser as part of such a review.

7 Financially material investment considerations

Financial material considerations, which include (but not limited to) environmental, social and governance (ESG) considerations (including, but not limited to, climate change), which the Trustee consider to be financially material.

The Trustee believes that certain ESG factors can have an impact on financial performance and part of its fiduciary duty is to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the length of time needed for the funding of future benefits of the Scheme. The Trustee considers a wide range of ESG risks, including corporate governance, human rights, labour and environmental standards and so on and it believes that climate risk presents a material financial risk to the assets invested in its portfolio.

The Trustee currently does not have standalone ESG policy but the Trustee's policy is to delegate the monitoring and overall management of financially material ESG risks and opportunities to the investment advisor and investment manager. The Trustee is comfortable with the delegation given the approach they take towards ESG and climate related risks and opportunities is aligned with the Trustee's beliefs which was confirmed on appointment of the investment managers with the advice from the Investment Adviser.

The Trustee receives regular training and updates on ESG-related topics from the Investment Adviser, such as portfolio ESG characteristics and voting and engagement examples.

The Trustee delegates the integration of climate related risks into the investment process of the investment managers.

The Trustee expects their investment advisor to take their policy into account as part of manager selection.

8 Risks

The Trustee recognises a number of risks involved in the investment of assets of the Defined Benefit section of the Scheme. These risks, and how they are measured and managed, include:

i. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:

- A liability benchmark is used as a proxy for the Self-sufficiency liabilities (as described in Section 3) in order to measure the approximate changes in the liabilities (due to changes to interest rates and inflation only). The Trustee monitors this change relative to the change in asset values on a quarterly basis. The Liability Benchmark is reviewed following each actuarial review.
- The Trustee also recognises the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than implied by the liabilities.
- When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk as set out in Section 3.
- This risk is also monitored through regular actuarial and investment reviews.
- A Liability Hedge has been implemented specifically to help mitigate this risk.

ii. **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:

- Appropriate diversification across asset classes, and delegating to the Investment Managers diversification decisions within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
- The use of instruments and strategies designed to control the extent of downside exposure.
- The use of passive management for assets classes where the downside risk of active management is considered too high.
- Regular monitoring of active Investment Managers ' performances, processes and capabilities with respect to their mandate, and by use of more than one Manager to avoid over exposure to one organisation.

iii. **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

iv. **Currency risk** – the risk that fluctuations in the value of overseas currencies affect the total return of the Scheme's investments when compared to a Sterling benchmark. The Trustee mitigates this risk through the use of active management, granting discretion in the management of currency exposures in respect of the Scheme's Investment Fund mandates to each Investment Manager (subject to the provisions and restriction in the respective fund documentation).

v. **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

vi. **Mismanagement risk** – the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions. The activity of the Investment Managers and their processes are monitored regularly by the Investment Advisers on behalf of the Trustee.

vii. **Default risk –** the risk of income from assets not being paid when promised. This is addressed through restrictions for the Investment Managers e.g. a minimum credit rating of the bonds within the Investment Manager Investment guidelines they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.

viii. **Organisational risk –** the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Managers and Advisers.

ix. **Counterparty risk –** the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments must be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

x. **Cash flow risk** – addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets. The Trustee has also put in place a dedicated cashflow matching credit mandate that is intended to mitigate the risk caused by significantly high levels of benefit payments.

xi. **ESG risk including Climate risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the investment manager and as part of the ongoing investment manager monitoring process carried out by the Trustee. The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme’s investments.

xii. **Sponsor risk –** the risk of the Employer ceasing to exist, which for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Employer.

xiii. **Transition risk –** the risk of paying unnecessary costs or being at increased risk of adverse market movements, when transitioning assets from one Manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion with the advice of the Advisers or by using a specialist transition Manager, if appropriate.

The Trustee will keep these risks and how they are measured and managed under regular review.

9 Other issues

9.1 Defined Benefit Section - Statutory Funding Objective

The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements, including the Scheme's Specific Funding Requirement.

The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years. On an annual basis, in intervening years, the Scheme Actuary will review the Schedule of Contributions.

The Trustee will consider with the Advisers, whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the Statutory Funding Objective.

9.2 Corporate Governance and Stewardship

The Trustee and the investment managers have agreed, and will maintain, formal Manager Agreements and/or fund documentation setting out the scope of each Investment Manager's activities, its charging basis and other relevant matters.

As part of the appointment of the investment managers to the Scheme, the Trustee has entered formal manager agreements and/or accepted the terms of pooled investment vehicles, setting out the scope of each investment manager's and/or pooled investment vehicle's activities, their charging basis and other relevant matters. The appointment of the investment managers is ongoing . The Trustee periodically reviews the overall value-for-money of using the Investment Advisor (as specified in the Scheme's Investment Consulting objectives) and investment managers.

The Scheme investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to the investment managers.

The investment managers where appropriate adopt an active approach to corporate governance. The Trustee would prefer to engage with companies rather than boycott particular shares or companies. The Trustee is aware of the policy of the investment managers concerned regarding corporate governance and have delegated the responsibility for activity in this area to the investment managers.

The Trustee has retained the use of voting (and other) rights attached to their mandates; however the respective managers of the mandates retain responsibility for voting on their underlying holdings. The Trustee will monitor investment managers' voting records, and will seek explanations and discussions as appropriate. The Trustee has made the decision to consider the six themes their Investment adviser believe to be most financially material when setting its engagement priorities. These engagement themes include Climate, Natural Capital and Biodiversity, Human Rights, Human Capital Management, Diversity and Inclusion and Corporate Governance. The Trustee expects the investment advisor to take its stewardship priorities into account as part of manager selection exercise.

The Trustee and Investment Adviser undertake regular reviews of the investment managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance). The Investment

Advisor and Trustee review the governance structures of the investment manager, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Trustee and Investment Advisor assess whether the investment manager remuneration arrangements are aligned with the Trustee's objectives. The Trustee expects the investment managers:

- to have an investment strategy and make decisions that are aligned with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement/pooled fund investment documentation, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with the issuers to improve this medium- to long -term performance. The success of such engagement will contribute to the Scheme's performance, which are reflected and measured relative to the Trustee's long-term performance objectives.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. Where investment managers are regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Trustee and Investment Adviser monitor this as part of ongoing review. As an FCA regulated firm, the Investment Advisor is required to prevent or manage conflicts of interest. The Investment Advisor's Conflict of Interest policy has been passed to the Trustees.

The Trustee oversees the turnover costs (where available) incurred by the investment managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Advisor's expectations. Where there are material deviations the Trustee engages with investment managers to understand the rationale for such deviations and take appropriate action.

9.3 Additional Voluntary Contributions (AVCs)

Under the Scheme's Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. The Trustee has selected a range of investment funds with Friends Life, Phoenix Life and Standard Life for members.

The Trustee reviews these arrangements regularly having regard to their performance, the objectives and the views of the Adviser

9.4 Non-financial matters

The Trustee do not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.