



Statement of Investment Principles

The Pension and Life Assurance Plan of NG Bailey

August 2024

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01 Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for The Pension and Life Assurance Plan of NG Bailey ('the Plan'). It describes the investment policy being pursued by the Trustee of the Plan and is in accordance 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.

Plan details

The exclusive purpose of the Plan is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Plan's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Plan's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Plan invests to the Investment Managers.

Review of the Statement

The Trustee will review this Statement and its investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustee will also review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs - Additional Voluntary Contributions;

Investment Manager - An organisation appointed by the Trustee to manage investments on behalf of the Plan;

Principal Employer - NGBF Holdings Limited;

Recovery Plan - The agreement between the Trustee and the Principal Employer to address the funding deficit;

Plan - The Pension and Life Assurance Plan of NG Bailey;

Statement - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Plan's liabilities;

Trust Deed and Rules - the Plan's Trust Deed and Rules.

Trustee - the collective entity responsible for the investment of the Plan's assets and managing the administration of the Plan;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the difference between the median and the 'worst-case' outcome for a portfolio of assets over a specified period.

02 Strategic investment policy and objectives

Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Plan's assets. However, the Trustee retains control over some investments. In particular, the Trustee makes decisions about pooled investment vehicles in which the Plan invests.

The Trustee's policy is to regularly review the investments over which it retains control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The primary investment objective of the Trustee is to invest the assets of the Plan to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

Investment Policy

Following advice from the Investment Consultant, the Trustee has set the investment policy and objectives with regard to the Plan's liabilities and funding level.

The Trustee intends to achieve these objectives through investing in a diversified portfolio of return-seeking assets and liability matching assets. The Trustee recognises that the return on return-seeking assets, whilst expected to be greater over the long-term than that on liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns

required by the Plan to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustee, and an acceptable level of cost to the Principal Employer.

The investment policy the Trustee has adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix II.

Range of assets

The Trustee considers that the combination of the investment policy detailed in Appendix I and the specific manager mandates detailed in Appendix II will ensure that the assets of the Plan include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Managers, the Trustee will ensure that the Plan holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

The Trustee encourages the Investment Managers to make decisions in the long-term interests of the Plan. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers effectively manage risk and improve investment outcomes. As covered in more detail in Section 3, the Trustee also requires the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

03 Responsible investment

The Trustee has considered its approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Plan and believe there can be financially material risks relating to them.

In order to ensure sufficient oversight of the engagement and voting practices of its managers, the Trustee may periodically meet with its investment managers to discuss engagement which has taken place. The Trustee will also expect its Investment Consultant to engage with the Managers from time to time as needed and report back to the Trustee on the stewardship credentials of its Managers. The Trustee will then discuss the findings with the Investment Consultant, in the context of its own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a Manager’s compliance with best practice stewardship standards.

The Trustee will seek advice from the Investment Consultant on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee’s requirements as set out in this Statement.

As the Plan invests in pooled funds, the Trustee acknowledges that it cannot directly influence the

policies and practices of the companies in which the pooled funds invest. The Trustee has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan’s investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that it deems inadequate or that the results of such engagement are mis-aligned with the Trustee’s expectation, then the Trustee may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Plan, although it has neither sought, nor taken into account, the beneficiaries’ views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustee will review this policy if any beneficiary views are raised in future.

04 Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Plan. The Trustee measures and manages these risks as follows:

Solvency risk and mismatching risk - This is the risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position. This is addressed through the strategic asset allocation, ongoing triennial actuarial valuation and through holding a significant proportion of the Plan's assets in matching assets that will move in line with the liabilities.

Strategy risk - The risk that the Investment Managers' asset allocation deviates from the Trustee's investment policy is addressed through regular review of the asset allocation. In reviewing the investment strategy on a periodic basis, the Trustee will consider the current economic factors affecting the asset classes in which it has invested and the short to medium term outlook for performance by reference to e.g. current and historic yields, GDP growth forecasts and other relevant factors. The Trustee will also consider how far the actual asset allocation has drifted from the strategic asset allocation and take action to rebalance if necessary.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through holding the majority of assets in liquid funds.

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on

the range of assets in which the Plan can invest (see section 2).

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Plan is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in Section 6. In monitoring the performance of the Investment Managers, the Trustee measures the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustee will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

Fraud/Dishonesty - The risk that the Plan's assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk - the risk of losses through depreciation of non-Sterling currencies is measured by reference to the exposure of the Plan to pooled funds with unhedged currency risk and is managed by investing predominantly in Sterling assets and only taking currency risk where it increases the level of diversification.

05 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Plan.

The Trustee has considered how easily investments can be realised for the types of assets in which the Plan is currently invested. As such, the Trustee believes that the Plan currently holds an acceptable level of readily realisable assets. The Trustee will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustee will hold cash to the extent that it considers necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment restrictions

The Trustee has established the following investment restrictions:

- > The Trustee or the investment managers may not hold in excess of 5% of the Plan's assets in investments related to the Principal Employer;
- > Whilst the Trustee recognises that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Plan's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustee may impose additional restrictions and any such restrictions are specified in Appendix II.

06 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustee has appointed one or more Investment Managers and delegated to them the responsibility for investing the Plan's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Plan. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Plan invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Plan.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Plan.

Performance objectives

The individual benchmarks against which each investment mandate is assessed are given in Appendix II.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with its responsibilities. Such reviews will include analysis of each Investment Managers' performance and processes and an assessment of the diversification of the assets held by the Investment Managers. The review will include consideration of the continued appropriateness of the mandate given to the Investment Managers within the framework of the Trustee's investment policies.

The Trustee receives quarterly performance monitoring reports from the Investment Consultant which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the criteria

below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

The Investment Consultant monitors the incorporation of ESG factors into the Investment Manager's processes on behalf of the Trustee. The Trustee undertakes a review of the voting and engagement activities on an annual basis in the Implementation Statement.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- > Parent - Ownership of the business;
- > People - Leadership/team managing the strategy and client service;
- > Product - Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance - Past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives set out in Appendix II;
- > The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future;
- > The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Plan's assets under management and, in some cases, through the application of a flat fee. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

Portfolio turnover

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is

appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee in undertaking its responsibilities.

Oversight of investment manager approach

In order to ensure sufficient oversight of the engagement and voting practices of its managers, the Trustee may periodically meet with its Investment Managers to discuss engagement which has taken place. The Trustee will also expect its Investment Consultant to engage with the Investment Managers from time to time as needed and report back to the Trustee on the stewardship credentials of its Investment Managers.

The Trustee will then discuss the findings with the Investment Consultant, in the context of its own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a Investment Manager's compliance with best practice stewardship standards.

07 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension plan, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such Plans.

The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by the Act.

Signatures

On behalf of XPS Group:

Duncan Maloney

Senior Consultant – Investment

Date:

12 August 2024

Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from its Advisers, to ensure the assets of the Plan are invested in accordance with these Principles.

On behalf of the Trustee:

Jon Sharp

Trustee Director

Date:

19 August 2024

Appendix I

Investment Strategy & Structure

Overall strategy

The Trustee has adopted a strategy where assets are invested in liability matching assets along with growth assets.

The Trustee has identified the following long-term structure as appropriate to meet the objectives of the Plan.

<u>Asset Class</u>	<u>Long term Target Allocation (%)</u>	<u>Control Range %</u>
<u>Matching Assets</u> Hedging assets (e.g. gilts) ⁽¹⁾	44%	+/-10%
<u>Return Seeking Assets</u> Equities ⁽²⁾ Multi Asset Semi-Liquid Credit Global Diversified Credit Buy & Maintain Credit Asset Backed Securities	6% 4% 13% 11% 9% 13%	+/-10%
<u>Total</u>	100%	

Note: ⁽¹⁾ May include an allocation to a cash or sterling liquidity fund. ⁽²⁾ Equity exposure is synthetic and the 6% allocation above is expected to achieve an exposure of c.12% of Plan assets.

Liability matching assets

The Plan invests in leveraged LDI funds to provide a target c.100% hedge against the Plan's interest rate and inflation sensitivities on the Technical Provisions basis. Some of these LDI funds are leveraged in order to increase the degree of hedging.

The leveraged nature of some of these funds means that there is an expectation that additional collateral will be required to be paid into these funds from time to time (and any excess collateral repaid to the Trustee). Where any additional collateral payments are required it is the Trustee's intention that these will be met through disinvestments from the Plan's return-seeking assets or cash.

Rebalancing and cashflow

The Trustee reviews the asset allocation on a periodic basis to ensure that the Plan's assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

There is no automatic rebalancing back to the target, however the Trustee will periodically review the position and take action to rebalance if considered appropriate.

Appendix II

Fund benchmarks

Fund	Benchmark index
LGIM LDI	The allocation is managed on a passive basis, whereby the objective is to match, rather than exceed the performance of the nominated liability-based benchmark.
LGIM Diversified Fund	Bank of England Base Rate + 3.75%
LGIM Global Diversified Credit SDG Fund (GBP Hedged)	40% blended 50/50 benchmark comprising the JPM EMBI Global Diversified Index and the JPM CEMBI Diversified 3-5 Years Index, 40% Bank of America Merrill Lynch Global High Yield BB-B Rated 2% Constrained Ex-Financial Index Fund, 20% Bloomberg USD/EUR/GBP Corporates 1% issuer capped.
LGIM Synthetic Leveraged Equity Fund	Markit World Equity Unhedged Leveraged
LGIM Synthetic Leveraged Equity Fund (Hedged)	Markit World Equity Hedged Leveraged
LGIM Maturing Buy & Maintain Credit 2040-2054 Fund	N/A
Apollo Total Return Fund	ML HY/S&P LLI 50/50 Blend (GBP Hedged)
Aegon European ABS Fund	Bloomberg Barclays Capital Euro ABS Fixed and Floating Index (Hedged to GBP)



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