



# **Statement of Investment Principles**

**For the Trustees of the Baxters Food Group Pension Scheme**

April 2025

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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 Baxters Food Group Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme 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.

## Scheme details

The exclusive purpose of the Scheme 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.

The Scheme Actuary is John Gordon and the Investment Advisor is XPS Investment (collectively termed 'the Advisers').

## Advice and consultation

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

## Investment powers

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

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

## Review of the Statement

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

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

The Trustees 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 Trustees to manage investments on behalf of the Scheme;

**Principal Employer** - The Baxters Food Group Limited;

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

**Scheme** - The Baxters Food Group Pension Scheme;

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

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

**Trust Deed and Rules** - the Scheme's Trust Deed and Rules dated 27 March 2008, as subsequently amended;

**Trustees** - the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

**Value at Risk** - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

# 02 Strategic investment policy and objectives

## Choosing investments

The Trustees rely on professional Investment Managers for the day-to-day management of the Scheme's assets. However, the Trustees retain control over some investments. In particular, the Trustees make decisions about pooled investment vehicles in which the Scheme invests and any AVC investment vehicles.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees 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 Trustees is to seek to ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.

Having regard to the primary investment objective and subject to the strength of the employer covenant, the Trustees will seek to achieve a level of investment return which is consistent with that assumed in the Recovery Plan from the most recent Actuarial Valuation.

Having regard to the primary investment objective the Trustees will seek to achieve a balance between return seeking asset assets and liability matching assets consistent with the profile of the members of the Scheme and the profile of the liabilities.

The Trustees will seek to use the skills of investment managers and hedging strategies to reduce the interest rate risk and inflation risk of the Scheme so far as practicable.

## Expected returns

By undertaking the investment policy described in this Statement, the Trustees expect future investment returns will at least meet the rate of return underlying the Recovery Plan.

## Investment Policy

Following advice from the Investment Consultant, the Trustees have set the investment policy and objectives with regard to the Scheme's liabilities and funding level.

The Trustees intend to achieve these objectives through investing in a diversified portfolio of return-seeking assets (e.g. credit and multi asset funds) and liability matching assets (e.g. LDI). The Trustees recognise 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 Scheme to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustees, and an acceptable level of cost to the Principal Employer.

The investment policy the Trustees have 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 Trustees consider 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 Scheme 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 Trustees will ensure that the Scheme holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

Based on the structure set out in Appendix I, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through the asset allocation parameters set by the Trustees or governing the pooled funds in which the Scheme is invested.

## Strategic investment policy and objectives continued

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection/ deselection criteria set out in Section 6.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme.

The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 3, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

## 03 Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustees require the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, 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 Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage 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 Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

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

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the views of Scheme 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 Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

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

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will, through the Scheme's investment consultant, engage with their Investment Managers 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.

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

# 04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. The Trustees measure and manage these risks as follows:

**Solvency risk and mismatching risk** - 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, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustees will consider (for example) the Value at Risk.

**Strategy risk** - The risk that the Investment Managers' asset allocation deviates from the Trustees' investment policy is addressed through regular review of the asset allocation. In reviewing the investment strategy on a periodic basis, the Trustees will consider the current economic factors affecting the asset classes in which they have 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 Trustees 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 Trustees 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 the Trustees' policy on realisation of assets (see below).

**Inappropriate investments** - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see section 2).

**Counterparty risk** - The risk that a third party fails to deliver cash or other assets owed to the Scheme 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 Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- > for equities, the Trustees will consider the spread of assets across various geographic and industry sectors, the concentration of investments in individual stocks and the active positions taken by the Investment Managers;
- > for real estate secondary assets and property, the Trustees will consider the spread of assets across various geographic sectors, vintage years and property types. The Trustees will also review how each fund operates within its own defined risk controls and limits;
- > for multi asset credit funds, the Trustees will consider the type and quality of the underlying assets and the volatility of each fund both in absolute terms and in comparison, to the volatility of traditional credit markets;
- > for multi-asset funds such as diversified growth funds (DGFs) and private markets, the Trustees will consider the weightings within each fund to different asset classes;
- > for liability driven investment (LDI) funds, the Trustees will review risk through the type of instruments held and the risks associated with these investments.

**Fraud/Dishonesty** - The risk that the Scheme 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 Scheme 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 Trustees 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 Scheme.

The Trustees have considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees 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 Trustees have established the following investment restrictions:

- > The Trustees or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;
- > Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme'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 Trustees 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 Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme 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 Scheme.

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

## Performance objectives

The individual benchmarks and objectives 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 Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees receive, and consider, quarterly performance monitoring reports from the Investment Consultant which review 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 Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees meetings as requested.

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 Trustees' 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 Trustees 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:

## Investment Manager Arrangements and fee structure continued

- > The Investment Manager fails to meet the performance objectives set out in Appendix II;
- > The Trustees believe 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 Scheme's assets under management and, in some cases, through the application of a flat fee. In addition, a performance related fee may be payable. Details of the fee arrangements are set out in Appendix II. 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 Trustees.

### Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including detail of the costs associated with turnover, how turnover compares with the range that the Investment

Manager expects and the reasons for any divergence. The Trustees do not believe it appropriate to set a specific turnover target or limit, but they expect their Investment Managers to keep turnover to a minimum and be able to justify any turnover in terms of improved performance or reduced risk.

### 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 Trustees in undertaking their responsibilities.

# 07 Additional Voluntary Contribution arrangements

## Provision of AVCs

The Scheme provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustees' objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with their reasonable expectations.

The investment funds are provided by Clerical Medical and Utmost Life.

The Trustees selected these vehicles as they were believed to meet the Trustees' objective of providing investment options that enabled AVC members to generate suitable long-term returns, consistent with their reasonable expectations.

## Review process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of the monitoring of performance and process. The Trustees will review the appointment of the AVC providers periodically in the light of their performance.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

# 08 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 scheme, 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 schemes.

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

## Signatures

On behalf of XPS Investment Limited:

Sian Pringle FIA  
Partner – Investment  
Date: 8/4/2025

## Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustees:

Date: 8/08/04/2025

# Appendix I

## Investment Strategy & Structure

### Overall strategy

The Trustees have adopted a strategy where assets are invested in liability matching assets along with growth assets (credit and multi asset funds).

The Trustees have identified the following long-term structure as appropriate to meet the objectives of the Scheme.

| Asset Class                      | Long term Target Allocation (%) |
|----------------------------------|---------------------------------|
| <b>Matching Assets</b>           | <b>45</b>                       |
| LDI and cash                     | 30                              |
| Investment grade corporate bonds | 15                              |
| <b>Return Seeking Assets</b>     | <b>55</b>                       |
| Multi-asset                      | 25                              |
| Illiquid credit                  | 30                              |
| <b>Total</b>                     | <b>100</b>                      |

### Liability matching assets

The Scheme invests in LDI funds to provide a hedge against the Scheme's interest rate and inflation sensitivities. Some of the 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 Trustees). Where any additional collateral payments are required it is the Trustees' intention that these will be met through disinvestments from the Scheme's return seeking assets or cash.

The Scheme's LDI manager follows a collateral management policy, as agreed by the Trustees. This collateral management framework instructs LGIM to source any capital calls or re-distributions from the LGIM Sterling Liquidity Fund as a first port of call. In the event that the Sterling Liquidity Fund is exhausted, the framework extends to the LGIM Diversified Fund. The Trustee and its adviser believe that this is a prudent buffer to meet future LDI recapitalisation events.

The bond allocation invests predominantly in sterling denominated investment grade corporate bonds that provide interest rate exposure that contributes to the Scheme's liability interest rate hedging level.

**Investment Grade Credit** – In order to mitigate the price impact of rising interest rates and to enhance returns by capturing yield premiums over government bonds, the Trustees have decided to invest in this asset class through the AAA-AA-A Bonds-Over 15 Year Index.

The combined LDI and corporate bond allocations aim hedge around 95% of the Scheme's liability interest rate and inflation sensitivities as measured on the Technical Provisions funding basis.

### Return-seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the Trustees have decided to invest in a diversified range of return seeking assets comprising both traditional (e.g. multi asset) and alternative asset classes (e.g. illiquid credit).

**Illiquid credit** – The Scheme has exposure to an illiquid credit mandate that provides return through income and maturity payments. This has been achieved via an investment in the M&G Illiquid Credit Opportunities Fund II. This fund has exposure to a variety of underlying assets in the credit space.

**Multi Asset** – The Trustees have decided to invest in the Diversified Fund in order to provide additional diversification and/or return. Multi asset funds are expected to provide a long term return similar to equities but with a lower degree of volatility.

### Rebalancing and cashflow

The Trustees have instructed the administration team to review the bank balance regularly and monitor if there are any surplus cash in the bank account, or if more cash is required to meet cashflow requirements. The Trustees will take advice on any larger investments or disinvestments at the time.

Any cash released or required for rebalancing the LDI leverage levels will be invested or disinvested from the LGIM Sterling Liquidity Fund.

# Appendix II

## Fund benchmarks, objectives & fees

### LGIM

#### AAA-AA-A Bonds-Over 15 Year Index

|                  |                                                        |
|------------------|--------------------------------------------------------|
| <i>Benchmark</i> | Market iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index   |
| <i>Objective</i> | To track the performance of the benchmark              |
| <i>Fees</i>      | AMC: <input type="text"/><br>OCF: <input type="text"/> |

#### Matching Core Funds

|                  |                                                                                                                                                                                                    |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Benchmark</i> | Index produced in conjunction with Markit – designed to include both swaps and gilts.                                                                                                              |
| <i>Objective</i> | To move broadly in line with the movements of the Scheme's liabilities.                                                                                                                            |
| <i>Fees</i>      | AMC: <input type="text"/> p.a. for the first £7.5m,<br>plus <input type="text"/> p.a. on the next £20m, plus<br><input type="text"/> p.a. on the balance above £27.5m<br>OCF: <input type="text"/> |

#### Single Stock Gilt Fund Range

|                  |                                                                                                                                                                                                                    |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Benchmark</i> | In line with respective benchmarks                                                                                                                                                                                 |
| <i>Objective</i> | To move broadly in line with the movements of the Scheme's liabilities.                                                                                                                                            |
| <i>Fees</i>      | AMC: <input type="text"/> p.a. on the first £5m, plus<br><input type="text"/> p.a. on the next £5m, plus<br><input type="text"/> p.a. on the next £20m, plus<br><input type="text"/> p.a. on any balance over £30m |

#### Diversified Fund

|                  |                                                                                                                                         |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <i>Benchmark</i> | FTSE Developed World - 50% GBP Hedged                                                                                                   |
| <i>Objective</i> | The investment objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes |
| <i>Fees</i>      | AMC: <input type="text"/><br>OCF: <input type="text"/>                                                                                  |

### M&G Investments

#### Illiquid Credit Opportunities Fund II

|                  |                                                                                                                                                                           |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Benchmark</i> | SONIA+ 5%                                                                                                                                                                 |
| <i>Objective</i> | The investment objective of the fund is to achieve a total return of SONIA +5% per annum, net of fees.                                                                    |
| <i>Fees</i>      | AMC: <input type="text"/><br>OCF: <input type="text"/><br><br>*Fees depend on the make-up of the underlying portfolio at a given point in time and are subject to change. |

#### Note:

AMC: Annual Management Charge

OCF: Ongoing Charges Figure

ADL: Anti-Dilution Levy

Any execution costs and OCFs stated above are the latest available at the time of writing and are subject to change



**Contact us**  
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XPS Pensions Consulting Limited, Registered No. 2459442, XPS Investment Limited, Registered No. 6242672, XPS Pensions Limited, Registered No. 03842603, XPS Administration Limited, Registered No. 9428346, XPS Pensions (RL) Limited, Registered No. 5817049, XPS Pensions (Trigon) Limited, Registered No. 12085392, Penfida Limited Registered No. 08020393, Polaris Actuaries and Consultants Ltd, Registered No. 09640309

All registered at: Phoenix House, 1 Station Hill, Reading RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).



# **Baxters Food Group Pension Scheme Implementation Statement for the year ended 31 December 2024**

## **Purpose**

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Baxters Food Group Pension Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31 December 2024 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## **Background**

In Q2 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustees' new policy was first documented in the updated Statement of Investment Principles dated September 2019 and remains in the updated Statement of Investment Principles dated May 2022. In Q4 2022, the Trustees completed the ESG beliefs survey conducted by XPS Investment, capturing the views of the board as a whole.

The Trustees have since updated their SIP following the manager selection exercise during the reporting year.

## **The Trustees' updated policy**

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

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

## **Manager selection exercises**

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustees introduced the M&G Illiquid Credit Opportunities Fund II as part of a wider review of the Scheme's investment strategy. This fund was recommended by XPS, using various criteria. One of the criteria, in acknowledgement of the Trustees' ESG policy, was that the investment manager had been found to have a credible ESG capability, with decisions linked to that capability applied to the fund to an acceptable degree.

## Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring the selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the results of those votes deemed by the manager to be most significant in order to determine whether specific priorities should be introduced and communicated to the manager.

## Adherence to the Statement of Investment Principles

XPS provide the Trustees with quarterly monitoring reports which details the asset values, investment managers performance, and XPS's formal ratings of each of the funds and managers – including an ESG rating. With help from XPS, the Trustees have monitored and reviewed the information provided by the investment managers in relation to their stewardship policy and engagement activities. During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree, and therefore no further action is required.

## Voting activity

The main asset class where the investment managers have voting rights is equities. The Scheme has an allocation to the LGIM Diversified Fund which holds equities as part of its strategy. The other funds do not hold any voting rights. Therefore, a summary of the voting behaviour and most significant votes cast by LGIM within the Diversified Fund is shown below.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers

*Disclaimer: Neither XPS nor the Trustees have vetted these votes. These summaries have been provided by the investment manager(s) and any reference to "our", "we" etc. is from the investment manager's perspective.*

### LGIM Diversified Fund

| Legal and General Investment Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment Manager Client Consultation Policy on Voting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we</p> |

continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

#### Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

#### How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations.

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

#### Does the manager utilise a Proxy Voting System? If so, please detail

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We

have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

| Voting information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |                       |                                                                                 |                                     |        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------|---------------------------------------------------------------------------------|-------------------------------------|--------|
| Legal and General Investment Management - Diversified Fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |              |                       |                                                                                 |                                     |        |
| The manager voted on 99.8% of resolutions out of 108,048 eligible votes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |              |                       |                                                                                 |                                     |        |
| The manager voted against management on 22.4% of the resolutions which they voted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |                       |                                                                                 |                                     |        |
| Top 5 Significant Votes during the Period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |              |                       |                                                                                 |                                     |        |
| Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Date of Vote | Size of fund holdings | Voting Subject                                                                  | How did the Investment Manager vote | Result |
| Apple Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 28/02/2024   | 0.4%                  | Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy | Against                             | Fail   |
| <p><b>Why the vote was deemed significant:</b></p> <p>Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p><b>Where voted against the company, was this communicated:</b></p> <p>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics</p> <p><b>Rationale:</b></p> <p>Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.</p> <p><b>Implication:</b></p> <p>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p> |              |                       |                                                                                 |                                     |        |
| Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Date of Vote | Size of fund holdings | Voting Subject                                                                  | How did the Investment Manager Vote | Result |

|                       |            |      |                                                         |     |      |
|-----------------------|------------|------|---------------------------------------------------------|-----|------|
| Microsoft Corporation | 10/12/2024 | 0.3% | Resolution 9: Report on AI Data Sourcing Accountability | For | Fail |
|-----------------------|------------|------|---------------------------------------------------------|-----|------|

**Why the vote was deemed significant:**

High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

**Where voted against the company, was this communicated:**

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

**Rationale:**

Shareholder Resolution - Governance: A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models

**Implication:**

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

| Company   | Date of Vote | Size of fund holdings | Voting Subject                                              | How did the Investment Manager vote | Result |
|-----------|--------------|-----------------------|-------------------------------------------------------------|-------------------------------------|--------|
| Shell Plc | 21/05/2024   | 0.3%                  | Resolution 22: Approve the Shell Energy Transition Strategy | Against                             | Pass   |

**Why the vote was deemed significant:**

Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

**Where voted against the company, was this communicated:**

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

**Rationale:**

Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, we would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonization strategy.

**Implication:**

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

| Company                   | Date of Vote | Size of fund holdings | Voting Subject                                           | How did the Investment Manager vote | Result |
|---------------------------|--------------|-----------------------|----------------------------------------------------------|-------------------------------------|--------|
| Tiencent Holdings Limited | 14/05/2024   | 0.3%                  | Resolution 3a: Elect Charles St Leger Searle as Director | Against                             | Pass   |

#### Why the vote was deemed significant:

**Thematic - Climate:** LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors. More information on LGIM's Climate Impact Pledge can be found here: <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/>

#### Where voted against the company, was this communicated:

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Rationale:

**Audit Committee:** A vote against is applied as LGIM expects the Committee to be comprised of independent directors.  
**Climate Impact Pledge:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.

#### Implication:

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

| Company           | Date of Vote | Size of fund holdings | Voting Subject                                    | How did the Investment Manager vote | Result |
|-------------------|--------------|-----------------------|---------------------------------------------------|-------------------------------------|--------|
| National Grid Plc | 10/07/2024   | 0.2%                  | Resolution 17:<br>Approve Climate Transition Plan | For                                 | Pass   |

#### Why the vote was deemed significant:

**Thematic - Climate:** LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

#### Where voted against the company, was this communicated:

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Rationale:

**Climate Change:** LGIM is voting in favour of the National Grid Climate Transition plan. We commend the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5°C -aligned near term science based targets. We also appreciate the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating.

**Implication:**

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Signed:

on behalf of the Trustees

Date: 01 July 2025