Bic UK Pension Scheme

Statement of Investment Principles

January 2023

1 Introduction

1.1 This is the Statement of Investment Principles prepared by the Trustees of the Bic UK Pension Scheme ("the Scheme"). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010. It also incorporates changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2 In preparing this statement the Trustees have consulted Bic UK Limited ("the Principal Employer") and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4 The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

1.5 The investment powers of the Trustees are set out in Clause 8.5 of the Definitive Trust Deed & Rules, dated 16 January 2006. This statement is consistent with those powers.

2 Choosing investments

2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisors, whom they consider to be suitably qualified and experienced for this role.

2.2 The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in Appendix 1 to this statement. The fund managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights.

2.3 The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

3 Investment objectives

3.1 The Trustees' main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to reduce the risk of the assets failing to meet the liabilities over the long term;

3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as far as possible.

4 Kinds of investments to be held

4.1 The Scheme can invest in a wide range of asset classes including:

- equities;
- bonds;
- cash;
- property;
- alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives; and
- annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

5 The balance between different kinds of investments

5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different types of assets is contained within Appendix 1 to this statement.

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

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

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

6 Risks

6.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

6.2 **Risk versus the liabilities** The Trustees will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

6.3 **Asset allocation risk** The types of assets held are detailed in Appendix 1 to this statement and are monitored on a regular basis by the Trustees.

6.4 **Fund manager risk** The Trustees review the performance of the Scheme's fund managers on a regular basis.

6.5 **Governance risk** Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held.

6.6 **ESG/Climate risk** The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments to avoid unexpected losses.

6.7 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across several individual shares and securities.

6.8 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustees.

6.9 **Liquidity risk** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held to limit the impact of the cashflow requirements on the investment policy.

6.10 **Covenant risk** The creditworthiness of the Principal Employer and the size of the pension liability relative to the Principal Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

6.11 **Solvency and mismatching** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

6.12 **Currency risk** The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7 Expected return on investments

7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, whom they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

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

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

7.4 Having established the investment strategy, the Trustees monitor the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position.

8 Realisation of investments

8.1 The Trustees have delegated the responsibility for buying and selling investments to the fund managers. The Trustees have considered the risk of liquidity as referred to above.

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

9 Financially material considerations and non-financial matters

Policy on financially material considerations

9.1 Following discussion at a Trustees' meeting, the Trustees believe that Environmental, Social and Governance ("ESG") factors, including but not limited to climate change, are financially material – that is, they have the potential to impact the value of the Scheme's investments from time-to-time. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes. A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Corporate Bonds

9.2 The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's credit holdings over the Trustees' intended time horizon for the investment in question. The investment process for the manager should take ESG into account when selecting holdings. The Trustees also support engagement activities, although they appreciate that fixed income assets do not typically provide voting rights. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Passive gilts

9.3 The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's passive gilts over the Trustees' intended time horizon for the investment in question. This is because gilts are considered "least risk" when constructing the investment strategy.

9.4 The Trustees are comfortable that the funds currently invested in by the Scheme are managed in accordance with their views on financially material factors, as set out above. This position is monitored from time-to-time. In the future, the views set out above will be considered when appointing and reviewing managers to avoid unexpected losses.

9.5 As the investments are held in pooled funds, social, environmental and governance considerations are set by each of the asset managers. The Trustees will assess how this aligns with their own policies as set out in Appendix 2.

Policy for taking into account non-financial matters

9.6 When constructing the investment strategy and selecting investment managers the Trustees do not prioritise non-financial matters. Based on the size of the Scheme, the Trustees are utilising pooled investment vehicles, which mean that it is less practical and efficient (from a return and cost perspective) to take account of such non-financial matters.

10 Policy on stewardship

10.1 The Trustees believe that good stewardship and positive engagement can lead to improved governance and potentially better risk-adjusted investor returns.

10.2 As an investor in pooled funds, the Trustees delegate the exercising of the rights (including voting rights) attaching to the Scheme's investments to the asset managers, who are signatories to the UK Stewardship Code or equivalent. The Trustees expect the asset managers to take account of ESG factors and climate risk when exercising these rights.

10.3 The Trustees also delegate the undertaking of engagement activities to the asset managers, which includes entering discussions with company management to influence behaviour. As part of this, the Trustees expects their active investment managers to assess and monitor developments in the capital structure for each of the companies in which the manager invests. This should include monitoring developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure. The Trustees recognise the role of a passive investment manager is less relevant to monitoring the capital structure of the assets held. However, the Trustees will also monitor developments in ESG, climate risk and related issues at their passive investment manager. This expectation has been communicated to the Scheme's asset managers.

10.4 In selecting and reviewing their asset managers, where appropriate and applicable, the Trustees will consider the asset managers' policies on engagement and ESG and how those policies have been implemented. If the Trustees find that any asset manager is not engaging with the companies in which the manager invests in a suitable manner or is not taking sufficient account of ESG matters in its exercising of voting rights, it will engage with that asset manager with the help of the Scheme's investment consultants.

10.5 The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the asset manager recommendations they make are free from conflict of interest.

10.6 The Trustees expect all asset managers to have a conflict-of-interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have appropriately managed the potential for conflicts of interest in the appointment of the asset manager and conflicts of interest between the Trustees/asset manager and the companies in which the manager invests.

11 Agreement

11.1 This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Principal Employer, the fund managers, the actuary, and the Scheme auditor upon request.

Signed:……………………………………………….. **Date:** …………………

On behalf of the Trustees of the Bic UK Pension Scheme

Appendix 1 - Note on investment policy of the Scheme as at January 2023 in relation to the current Statement of Investment Principles

Choosing investments

The Trustees have appointed Mobius Life Limited to manage the Scheme's assets through their investment platform. Mobius Life Limited are authorised and regulated by the Financial Conduct Authority.

The Trustees have instructed Mobius Life to invest in funds managed by Legal and General Investment Management ("LGIM").

Details of the fee structures for the Scheme's investments are contained in the Trustees Investment Manager Arrangement Summary document, which does not form part of this Statement.

The Trustees have an AVC contract with the Prudential Assurance Company for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

Kinds of investments to be held

The Trustees have considered all asset classes and can gain exposure to the following investment mandates:

- Gilts
- Index-linked gilts;
- Corporate bonds.

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The investment benchmarks and objectives of the funds within the investment platform are given below:

Fund	Benchmark	Objective
LGIM		
Core Plus Fund	iBoxx Sterling Non-Gilt Index	Outperform the benchmark by 1.15% p.a. over rolling three year periods
Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries Index-Linked (Over 5 Year) Index	Track the performance of the benchmark to within +/- 0.25% p.a. for two years out of three
Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Track the performance of the benchmark to within +/- 0.25% p.a. for two years out of three
Sterling Liquidity Fund	Sterling Overnight Index Average	Provide capital stability, liquidity and diversification while providing a competitive level of return

The performance of fund managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring considers both short-term and long-term performance.

The Trustees have undertaken several de-risking exercises and the current investment strategy targets full hedging of the Scheme's exposure to risks associated with changes in interest rates and inflation. The exact allocation to each of the above-named funds will fluctuate as yields change however the proportion of liabilities hedged is intended to remain at approximately 100%.

Appendix 2 - Note on asset manager arrangements as at January 2023 in relation to the current Statement of Investment Principles

Aligning the investment strategy and decisions of the asset manager with the Trustees' investment policies

When choosing an asset manager, the Trustees select the manager that most closely aligns with their own investment strategy and policies, including their policy on ESG and climate risk.

The Trustees recognise that when investing in pooled funds there is limited scope to influence the asset managers' strategy and decisions but has resolved to do the following:

- Monitor the performance of the funds relative to the stated investment objectives and philosophy, on which basis the manager has been appointed, to ensure the investment strategy and decisions continue to be in line with the Trustees' expectations.
- In the event that the asset manager ceases to invest in line with the Trustees' policies and expectations, including the management of ESG and climate related risks, their appointment will be reviewed.

Incentivising asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity to improve their performance in the medium to long-term

In making investment decisions, the Trustees expect the Scheme's active asset managers to assess the long-term financial and non-financial prospects of any investment. The Trustees believe that non-financial factors – such as ESG risk, climate risk and the engagement of asset managers with the companies in which they invest – may have a long-term impact on returns and therefore asset managers should take these into consideration when making decisions.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer-term performance target. In the case of assets that are actively managed, the Trustees expect this to be sufficient to ensure an appropriate alignment of interests.

The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies

Evaluation of asset managers' performance

Trustees monitor the performance of their asset managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.

Remuneration of asset managers

Details of the fee structures for the Scheme's asset managers are contained in the Trustees' Investment Manager Arrangement Summary document.

The Scheme invests exclusively in pooled funds. In all cases, the asset manager's remuneration is linked to the value of the assets they manage on behalf of the Scheme. Therefore, as the assets grow in value, due to successful investment by the asset manager, the manager receives more in fees and as values fall, they receive less. The Trustees believe that this fee structure incentivises the manager to invest in a way that benefits the Scheme; in particular, it enables the asset manager to focus on long-term performance.

The Trustees ask the Scheme's Investment Consultant to assess whether the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered from time to time.

How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. However, equally the Trustees believe that active managers can add value through turnover of investments.

When underperformance is identified, the level of turnover may be investigated with the asset manager concerned if it is felt this may have been a significant contributor to the underperformance. In these cases, the Trustees define the target turnover with respect to the market conditions and peer group practices.

The duration of the arrangement with the asset manager

All the Scheme's investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment. However, the Trustees' approach to investing means that investments are expected to be held over a period of 3 years or more.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims beliefs and constraints is assessed periodically as appropriate. As part of this review the ongoing appropriateness of the asset managers, and the specific funds used, is assessed.