

1. Introduction

The purpose of this Statement of Investment Principles ("SIP") is to record the investment arrangements (and the rationale behind those arrangements) adopted by the Trustee of the Associated British Foods Pension Scheme ("the Scheme") in accordance with the requirements of Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and Occupational Pension Scheme (Investment) Regulations 2005.

This SIP has been prepared after obtaining written professional advice from Mercer Limited ("Mercer"), the "Investment Consultant", which is regulated by the Financial Conduct Authority ("FCA"). Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever it reviews this Statement.

The Trustee's investment powers are set out within the Scheme's governing documentation and relevant legislation. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Scheme's investment arrangements.

The Trustee will seek to maintain a good working relationship with the Associated British Foods plc (the "Company") and will discuss any proposed changes to this Statement with the Company. However, the Trustee's fiduciary obligations to Scheme members will take precedence over the Company's wishes, should these ever conflict.

The Trustee believes that the investment policies and their implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001 and the Updated Principles and best practice guidance published in 2008.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Implementation Policy Document ("IIPD"). Both are available to members on request.

The Scheme is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with this Statement.

2. Scheme Structure

The Scheme has two sections – the Defined Benefit Section ("DB Section") and the Defined Contribution Section ("DC Section").

3. Scheme Governance

A brief overview of the various parties involved in the Scheme's governance structure is set out below.

The Trustee

The Scheme's assets are held in trust by the Trustee. The Trustee is responsible for the investment of the Scheme's assets (although members of the DC Section choose the funds in which to invest from a range of funds made available by the Trustee).

The Trustee has appointed the Investment Consultant to provide relevant advice to the Trustee. The Trustee also takes advice as appropriate from the Scheme Actuary and other professional advisers.

The Trustee has established an Investment Sub-Committee (the “ISC”) to focus on investment matters. The role of the ISC is to assume decision making responsibility in the area of specialist investment matters, typically including manager selection and structure decisions.

The Investment Consultant

Mercer has been appointed as the Investment Consultant to the Trustee for both Sections. The details of the Consultant’s appointment, in terms of both obligations and remuneration, are contained in a signed agreement between the Trustee and the Consultant. Mercer provides the Trustee with sufficient information to ensure that they are fully informed as to the decisions they take and to monitor those that they delegate.

The DB Investment Managers

The Trustee has chosen to entrust the day-to-day management of the DB Section’s investments to a number of specialist managers (the “Investment Managers”), as specified in the IIPD.

Details of the DB Section’s strategic framework, within which the Investment Managers operate and a listing of the Scheme’s current portfolios managed by the Investment Managers (including a description of the mandates and benchmarks) is set out in the IIPD.

The Trustee has appointed an independent performance measurement company, the Northern Trust Company (“NT”), independent of the Investment Managers to calculate return and risk measures for each Investment Manager’s portfolio and for the assets in aggregate. NT provides quarterly reports to the Trustee and more detailed reports on an annual basis. The Investment Consultant also provides quarterly reports.

The ISC meets all investment managers regularly to review the managers actions and performance, and delegates responsibility to the Scheme Secretary to meet with them at least twice each year.

The Custodian

The Scheme’s custodian is NT. The custodian is responsible for the safekeeping of the Scheme’s assets held in segregated portfolios and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting. The Scheme’s assets that are held in pooled funds or collective vehicles will be the under the safekeeping of the pooled fund’s own custodian.

The Scheme Actuary

Mr Sam Eida of Mercer has been appointed as the Scheme Actuary. The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements (the “Actuarial Valuation”). The main purpose of the Actuarial Valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme.

The Bundled DC Provider

The Scheme’s DC default investment arrangements are Target Date Funds managed by Alliance Bernstein by way of an insurance contract using an investment platform with Mobius Life, the “Bundled DC Provider”. All other investments for the DC Section are also held on the same investment platform. The terms are contained in the documentation provided by the Bundled DC Provider to the Trustee. Either the investment managers or the specific funds in which the DC Section invests are regulated by the FCA.

4. Defined Benefit Section

4.1 Investment Objective

The Trustee believes its prime objective is to invest the Scheme assets in such a manner that it is likely that the Scheme liabilities can be met.

The estimated liabilities are a series of projected cash flows calculated on assumptions contained in the valuation basis. In theory, the matching asset would be a portfolio of UK Government bonds that provided these projected cash flows in all future economic scenarios. Given the discrete number of UK Government bonds available, such a combination is unlikely to exist in practice. It is nonetheless a valid reference point against which to assess investment strategies that can be implemented in practice.

In agreeing to adopt this investment objective, the Trustee has taken into account the Company's view that some risk should be taken in an attempt to reduce the cost of providing the benefits that which would be expected from adopting a fully matched investment strategy.

4.2 Investment Policy

Strategic Management

There is a broad target benchmark split between asset classes for the DB Section. The strategic framework including benchmarks is outlined in the IIPD. With effect from 1st October 2023, the Trustee is in the process of transitioning the DB Section's investment strategy, and associated benchmark split between asset classes, to a low dependency strategy.

The low dependency strategy notionally splits the DB Section asset allocation between a "liability portfolio" – currently consisting of global credit, multi-asset credit, UK property, senior private debt, LDI and cash – and an "unallocated portfolio" – consisting of equity, opportunistic private credit and a cash buffer. The primary objective of the liability portfolio is to reduce liability interest rate and inflation risk while broadly aligning the expected liability cash-flows with the expected asset cash-flows. The portfolio has a secondary objective of generating a modest level of return in order to support the Actuarial Valuation assumptions. The objective of the unallocated portfolio is to generate additional risk-adjusted returns for the Scheme, which can potentially be used to help meet other pension needs.

The target allocation to the liability portfolio shall be determined such that the assets within it are sufficient to fully-fund the DB Section liabilities of the Scheme on the prevailing valuation basis. Any excess assets will make-up the unallocated portfolio. This target allocation, and the transition to it, is reviewed at least annually.

To transition to the low dependency portfolio, the allocation to the liability portfolio will increase, funded primarily by a reduction in the equity allocation. To facilitate this transition, the Trustee can will disinvest from the equity portfolio, using the proceeds to meet the cash-flow requirements of the DB Section and partially fund the transition. In tandem, the target allocation to global credit and LDI within the liability portfolio will be increased, while the allocation of UK property is decreased. The Trustee aims to minimise trading and associated cost during the transition, which is expected to be completed over a three to five year period, allowing for market movements.

The Trustee has agreed with the Company a framework for utilising any surplus within the DB Section. If certain funding criteria are met at the Scheme's Annual Funding Assessment on 5 April each year, the Company may be granted a contribution abatement. Any agreed contribution abatement will start from the 1st October following the Annual Funding Assessment and will last for a period of 12 months.

Interest rate and inflation risk exposures are managed via Insight, the Liability Driven Investments ("LDI") manager. The management of these exposures is implemented using a combination of a swap and derivative overlay and the interest rate and inflation characteristics of existing physical bond holdings within the portfolio.

The Trustee selected the strategic benchmark to reflect that the Scheme liabilities would change in value in a similar manner to changes in the level of the UK government bond markets. The Trustee expects that there will be a small return premium above government bonds from non-government bonds and a larger return premium from equity markets. The Trustee expects there will be periods when equities, property and credit underperform government bonds and is prepared (as is the Company) to accept this risk.

Implementation of the strategy is via a range of active investment managers whose roles are set out in the IIPD, as well as Insight (the LDI manager), directly held property and BlackRock (the passive currency manager). The Trustee uses NT as the overall custodian of the Scheme assets.

When considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitability qualified investment adviser. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

Day-to-day Management

The Trustee implements its investment strategy by delegating the day-to-day management of the DB Section's assets to the Investment Managers. Details of the Investment Managers as well as the mandates are set out in the IIPD.

The Trustee employs more than one manager to limit the risk to the Scheme as a whole of one manager underperforming for a period.

The Trustee's policy on apportioning assets between the managers is to invest the assets such that the resulting asset allocation reflects the Scheme-specific benchmark.

Currency Hedging

BlackRock has been appointed as a passive currency manager for the Scheme. This is done by hedging 30% of the overseas equity, plus hedging 100% of the overseas public and private debt exposure in the six major currencies – US Dollar, Canadian Dollar, Swiss Franc, Euro, Japanese Yen and Australian Dollar. The hedging arrangements, particularly the level of hedging and asset classes included, were developed in consultation with the Scheme's Investment Consultant and are reviewed regularly.

Rebalancing

Under normal circumstances at the end of each calendar quarter, the actual bond/equity allocation will be reviewed. If the portfolio allocation is outside the agreed range for bonds then, under normal circumstances, the portfolio allocation will be moved back towards the neutral position. In order to reduce dealing costs, the allocation may not be rebalanced to the neutral allocation, but to 2% away from this position. Under normal circumstances, property and cash will not form a part of the rebalancing process. Any decision to not rebalance if the allocations fall outside of the stated ranges will not be deemed as a breach of this SIP.

The Trustee has determined a target allocation for the low dependency strategy, which is reviewed at least annually. The Trustee expects the Scheme's asset allocation to evolve towards the target low dependency asset allocation over a 3 to 5 year transition period, allowing for market movements.

4.3 Investment Risk

Before deciding to take investment risk relative to the liabilities, the Trustee received advice from the Investment Consultant and Scheme Actuary and held discussions with the Company. In particular, the Trustee considered carefully the following possible consequences:

- The assets might not achieve the excess return relative to the liabilities anticipated. This would result in deterioration in the DB Section's actuarial position.
- The relative value of the assets and liabilities will be more volatile than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the DB Section. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.
- This volatility in the relative value of assets and liabilities may also increase the volatility of the Company's contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

The Trustee's willingness to take investment risk, and the degree of investment risk, is dependent on the continuing financial strength of the Company and their willingness to contribute appropriately to the DB Section. The financial strength of the Company and their perceived commitment to the DB Section is monitored and the Trustee will consider reducing investment risk relative to the liabilities should either of these deteriorate.

The degree of investment risk the Trustee is willing to take also depends on the financial health of the DB Section and its liability profile. The Trustee monitors these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in either. The Trustee notes that the decision to run the Scheme on in the short to medium term and adopt a low dependency strategy has been driven by the strong funding position of the DB Section.

A review of the Scheme's investment strategy was last completed in 2023. The most recent review followed strong improvements in funding level and focused on a transition to a lower-risk, low dependency strategy, which the Trustee expects to transition to over three to five years, allowing for market movements.

The Trustee believes that the arrangements adopted, and those they plan to transition to, represent a satisfactory trade-off between target return (net of all costs) and investment risk after taking into account the resources available to implement and monitor the arrangements.

In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which the Trustee expects to be rewarded over time, in the form of excess returns. The Trustee believes that diversification limits the impact of any single risk.

To implement the hedging strategy, the Trustee appointed a specialist LDI manager, who is responsible for managing interest rate and inflation hedging strategies for the Scheme.

Investment risk is measured by reference to the likely annual variation in return between the matching portfolio of investments and the investment arrangements adopted.

The Trustee has also considered various combinations of assets and investment management approaches that might minimise the required degree of risk for a level of return expectation consistent with the assumptions in successive actuarial valuations.

The risks identified below is not exhaustive, but covers the key risks considered by the Trustee to be financially material to the DB Section.

Interest Rate and Inflation Risk

The DB Section's funding position is sensitive to changes in interest rates and inflation expectations. The Trustee mitigates this risk by setting a strategic benchmark for the LDI manager that broadly aligns with the interest rate and inflation sensitivities of the DB Section's liabilities. The Trustee has put in place a policy whereby the LDI manager hedge a large proportion of this sensitivity.

Currency Risk

A risk where the Trustee does not expect excess returns over time is currency risk. As part of the most recent strategy review, the Trustee agreed to hedge 30% of its non-Sterling equity and 100% of its public and private debt currency exposure on a passive basis to the six major foreign currencies. This is implemented by the investment managers and BlackRock.

Credit Risk

The DB Section is subject to credit risk as the Trustee elects to invest in bonds, OTC derivatives, has cash balances and enters into repurchase agreements. The DB Section also invests in pooled investment vehicles and is therefore in-directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. With respect to the Scheme's bond assets, this risk is managed via the strategic asset allocation and by investing actively in diversified portfolios of bonds managed by specialist credit managers. Credit risk arising from the Scheme's derivative counterparties is significantly reduced, but not altogether eliminated, by the process of daily collateralisation. The Trustee diversifies their counterparty exposures in order to avoid undue reliance on any one investment bank.

Liquidity Risk

The Trustee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon of the Scheme, the Trustee believes that a degree of liquidity risk is acceptable because it expects to be rewarded for assuming it. The amount invested in illiquid investments, such as property and private debt, will take into account the Scheme's cashflow requirements (for example the payment of member benefits and possible collateral requirements arising from the Scheme's derivative positions). The strategy is designed to be sufficiently liquid to meet these potential cashflow requirements under stressed scenarios.

Counterparty Risk

The Trustee is also exposed to a risk associated with a counterparty to a financial contract not meeting its obligations. The derivative portfolio managed by Insight primarily restricts the collateral to UK investment grade government bonds and cash, except for two legacy derivatives whereby the collateral is restricted to North American and Western European investment grade government bonds and cash. The Trustee will consider winding up the positions under these legacy agreements should an appropriate price be available.

Operational Risk

The Trustee mitigates operational risk, being the loss resulting from inadequate or failed internal processes, people, systems or external events, by monitoring and evaluating investment managers at regular intervals, reviewing the results of the control assurance reports from investment managers as part of the annual audit and segregation of funds for each asset class.

The Trustee has also considered various combinations of assets and investment management approaches that might minimise the required degree of risk for a level of return expectation consistent with the assumptions in successive actuarial valuations. The Trustee considers the risks highlighted above to be financially material and these risks are considered over the anticipated lifetime of the DB Section.

Manager Risk

There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. The Trustee appoints a range of active investment managers to mitigate this risk.

4.4. Responsible Investment and Corporate Governance

The Trustee believes that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment performance and risk, and that good stewardship can create and preserve value of companies and markets. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given its investment managers discretion when evaluating ESG factors (including climate change considerations) and in exercising rights and stewardship obligations attached to the Scheme’s investments. This is in accordance with the investment managers own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee has not set any restrictions on the appointed investment managers in relation to products or activities but may consider this in future. The Trustee has set carbon intensity reduction targets for the DB Section’s aggregate equity portfolio and fixed income - public investment grade credit portfolio. The Trustee monitors managers against these carbon intensity targets.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new managers and monitoring existing investment managers. The Trustee may also consider the degree of alignment of managers’ engagement priorities with their own priorities in any new appointments and ongoing monitoring. Monitoring is undertaken on a quarterly basis at Investment Sub-Committee meetings.

The Trustee does not currently explicitly consult members when taking account of the selection, retention and realisation of investments, but may consider ways to incorporate member views in future.

The Scheme’s voting rights are exercised by its investment managers in accordance with their own corporate governance policies and should take account of current best practice. The Trustee expects its FCA registered managers to comply with the UK Stewardship Code. The Trustee encourages its non-FCA authorized managers to adhere to the Stewardship Code on a best efforts basis. The Trustee may, from time to time, ask the Scheme’s Investment Managers to explain their corporate governance policy and practices, and review their voting activities. These reviews may include consideration of the Investment Manager’s engagement priorities and the degree of alignment with the Trustee’s own engagement priorities and definition of significant votes. Additionally, the Trustee asks the Investment Managers to provide annual reports indicating the overall level of voting activity and detailing any instances where they have not voted in line with their stated policy.

4.5 Liquidity

With the DB Section being mature, the transition to a low dependency portfolio and the potential for continuing contribution abatements, the Trustee understands liquidity planning is becoming an increasingly important consideration, especially where the annual cash flow requirements can represent a significant proportion of the Section’s assets.

The Trustee currently carries out monthly disinvestments from the DB Section’s equity portfolio. The proceeds of these disinvestments are used to meet the Scheme’s cash flow needs as well as part-funding the transition to the low dependency strategy.

Once the low dependency strategy is in place the Trustee aims to meet the Scheme monthly cash outflows, to the extent possible, using income generated from the Scheme’s assets.

5. Defined Contribution Section

5.1 Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives.

The Trustee believes that most members do not have the detailed knowledge or desire to manage their pension investments. The Trustee regards it as its duty to make available (as the default investment option) a fund which:

- is suitable for most members;
- is dynamically managed; and
- has a risk and reward profile that reflects the period until its participating members reach retirement age.

The Trustee also regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs if they wish to do so. The Trustee has the objective of grouping these investments into 'tiers' based on the amount of member involvement required in investment management.

The investment objective of each Target Date fund (default fund) is designed and managed for an investor saving to retire in or around the years stated in its name (the "target date"). The investment manager's aim is to maximise, for a typical such investor, their eventual retirement income while taking account of their decreasing capacity to afford losses as they approach and, possibly, go past the target date of retirement. On retirement, the investor is assumed to use their built-up pension savings to provide pension income from the options available when they retire. The Target Date funds will progressively move from riskier, capital growth-oriented assets such as equities and property, into lower-risk retirement income protection oriented assets, such as bonds, as it approaches and passes its target date. The investment manager seeks to ensure that the mix of assets remains appropriate given the Target Date Fund's aim and will also employ a dynamic asset allocation strategy which seeks to mitigate the effects of large market movements without detracting from long-term returns. The manager will manage the Target Date Funds in such a way that, for an individual investing over the whole term of each Target Date Fund, a return of beating inflation over the life of the funds is being targeted.

A review of the default strategy and the performance of the default funds was undertaken during the 2024 Scheme year against the aims and objectives as set out in this SIP. The review included the following key areas:

- Value of Assets in the TDFs
- Introduction of private debt assets into the TDFs
- Consideration of whether all TDF Vintages had outperformed or underperformed their objective

Overall, the review concluded that the default strategy and its returns remain consistent with the Trustee's objectives as set out in the SIP and that TDFs remain an appropriate default investment vehicle for the Scheme.

5.2 Investment Risk

The Trustee has considered risk from a number of perspectives in relation to the DC section, including the default option. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

Risk	How it is Managed	How it is measured
Market Risk The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension.	The Trustee provides members with a range of funds, across various asset classes, including actively and passively managed options. Members are able to set their own investment strategy in line with their aims and risk tolerances.	The performance of the available funds is monitored on a quarterly basis.
Interest Rate Risk The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure.	The Trustee provides members with a range of funds, across various asset classes, which will have varying sensitivities to interest rate risk.	The performance of investment funds and market fundamentals, including interest rates, are monitored on a quarterly basis. This helps the Trustee understand the effect that changes in interest rates are having on the funds.
Inflation Risk The risk that investments do not keep pace with inflation.	The Trustee provides members with a range of funds, across various asset classes, which have varying exposure to inflation risk. These include inflation index linked funds, as well as equities which are generally viewed to have inflation hedging properties.	Quarterly performance reports consider the long-term performance of the funds to help the Trustee assess whether the returns have kept pace with inflation.
Manager Risk The risk that the chosen underlying investment managers underperform the benchmark against which the managers are assessed.	In particular, the Trustee has considered the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark. The Trustee believes active management skills exist and can be identified but not with complete certainty. As such the Trustee makes available to members both actively managed and passively managed funds.	The Trustee considers the ratings of investment strategies from their DC Investment Consultant during the selection process. It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.
Mismatch Risk The risk that the financial assets a member is invested in as they approach retirement are not suited to the way they will access their retirement benefit.	The Trustee has made available to members a range of funds including shares, cash and bond funds that can be selected by members as they approach retirement. The default option follows a lifestyle strategy which progressively switches to assets the Trustee expects will be less volatile to reduce mismatch risk for members targeting income drawdown.	It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis and identify how the characteristics of certain funds are suitable for different retirement options.

Risk	How it is Managed	How it is measured
Liquidity Risk The risk that assets may not be readily marketable when required.	The pooled funds in which the Trustee allows members to invest provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are believed to be readily redeemable.	When considering new investment options or reviewing existing options, the Trustee considers the pricing and dealing terms of the underlying funds.
Concentration Risk The risk that a portfolio has an over-allocation to a single asset class, sector, country or counterparty, thereby having a high exposure to non-systemic risk factors.	The Trustee has made a range of funds available to members, so that they can choose to invest in a well-diversified portfolio. The range of funds enables diversification by asset class (e.g. equity, bonds, cash), by region and includes both passively and actively managed funds, which can help achieve diversification.	It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis. The Trustee also periodically reviews the default investment option and self-select range, and as part of this considers the correlations or similarities between the available funds.
Sponsor Risk The risk that the sponsoring company of the Scheme will cease financial sponsorship.	The Trustee has considered the risk that the Company may be unwilling or unable to continue to contribute to the Scheme in the future.	The Trustee has concluded that this risk is acceptable and that no further action is necessary to mitigate this risk at the current time. The Trustee will review this position in the event of any material changes in the circumstances of the sponsor.
Exchange Rate Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	With a diverse spread of assets geographically, the Trustee accept that there is a degree of risk for members as a result of varying sensitivities of fluctuating exchange rates.	Monitoring the performance of investment funds on a quarterly basis, including quarterly market reviews considering the movements in foreign currencies relative to pound sterling.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Scheme, e.g., extreme weather events, poor governance.	The Trustee's policy on ESG risks is set out in Section 5.7 of this Statement.	As set out in Section 5.7, monitoring is undertaken on a regular basis and is documented annually.

The items set out in this section of the SIP are those that the Trustee considers to be financially material considerations in relation to the Defined Contribution Section and the default investment arrangement. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. Members are reminded to review the suitability of their investment choices via their annual benefit statements and other Scheme communication.

5.3 Investment Strategy

The Trustee believes that the risks identified in chapter 5.2 are best managed by, and the objectives in chapter 5.1 are best met by, a default range of Target Date Funds which are linked to a target retirement age of 65 for each particular member and by offering members a range of investment vehicles from which to choose. The

current range has been grouped into four 'tiers' (1 to 4) with increasing levels of member involvement required. The range offered in each tier will be reviewed periodically and changed in response to member demand.

The composition of each tier is summarised as follows:

- Target Date Funds
- Diversified growth / multi asset investment funds
- Single Asset Funds (Equity Funds, Bond Funds and Diversifiers/ Alternatives)
- Any other fund from the 'Corporate Investment Services' range on the Bundled DC Provider's platform

Members are free to choose any of the funds available within the four tiers. They can invest in one or more tiers and they can elect for their accrued funds to be invested differently from the future contributions.

The investment strategy of the Defined Contribution Section and the default funds will be reviewed at least every three years and without delay after any significant change in investment policy or to the demographic profile of relevant members.

5.4 Investment Management Structure

The Trustee has appointed AllianceBernstein as investment manager of the Target Date Funds (tier 1). All funds (in all four tiers) are administered on the Mobius Life platform. There are a variety of funds available across different asset classes and with a range of investment managers. Details of the funds available and their objectives can be accessed at www.abfpensions.com/dc.

5.5 Monitoring the Investment Manager and Platform Provider

The Trustee monitors the performance of the tier 1, tier 2, and tier 3 investment options – and tier 4 investment options which the Trustee has made available – on a regular basis. The Trustee also monitors the effectiveness of the platform provider. To assist the Trustee, the platform provider regularly supplies the Trustee with unit reconciliations and fund factsheets.

5.6 Investment Restrictions

As the assets of the Defined Contribution section are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the investment manager. The Trustee is satisfied that the investment manager's policy on investing in individual securities held in each vehicle provides adequate diversification of investments.

5.7 Responsible Investment and Corporate Governance

The Trustee believes that environmental, social and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

That said, the Trustee has elected to invest in pooled funds and cannot therefore directly influence the ESG policies, as well as the ethical policies and practices of the companies in which the pooled funds invest.

However, the Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The DC investment managers acknowledge that ESG issues are recognised as having an impact on the investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The governance approach used by AllianceBernstein where they directly hold individual investments is to incorporate this through “integration”, whereby a bottom-up integration of ESG factors into the research and investment process is key to identifying investment risks as well as opportunities.

The method for implementing this is via a two-pronged approach to active ownership:

1. By engaging directly with equity and bond issuers as part of the research process, and
2. By utilising the in-house proxy voting policy which incorporates ESG factors.

The TDFs primarily utilise a selection of underlying third-party investment managers’ funds, selected by Alliance Bernstein, to gain access to a broad range of investments. As these underlying funds are predominantly passive/systematic approaches, the incorporation of active ESG consideration when making any single investment is limited. Furthermore, as these underlying funds are not managed by Alliance Bernstein, the ability to incorporate their own ESG policies is somewhat limited.

To address this, Alliance Bernstein are increasingly making use of custom fund arrangements that provide the flexibility to impose their own ESG policies. However, in cases where this is not possible, Alliance Bernstein review shortlisted managers’ UNPRI signatory status, ESG and ownership/stewardship policies, and proxy voting history to ensure that any appointed manager is as closely aligned to their policies as possible.

Alliance Bernstein regularly monitors appointed managers as part of their ongoing due diligence process.

The Trustee accepts the investment managers’ policy on the voting rights attached to investments, which can be found online: www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/AB-Proxy-Voting-and-Governance-Policy.pdf.

The Trustee may review the DC Investment managers engagement priorities from time to time and notes the alignment of the manager’s current priorities - of climate change, modern slavery and executive compensation – with the priorities set by the Trustee, as outlined in the following section. The DC Investment manager produces an annual report on their engagement within these priority areas which is available online www.alliancebernstein.com/corporate/en/corporate-responsibility/responsible-investing.html

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis by the Investment Sub-Committee and documented annually.

These policies apply across the range of investment options made available to members including the default investment arrangement and the self-select investment fund range.

Member views have not explicitly been taken into account in the selection, retention and realisation of investments, although feedback received from members is welcomed and considered by the Trustee. However, specialist funds are available within the fund range to cater for members who wish to invest their assets accordingly e.g. the Storebrand Global ESG Plus Lux Fund, the HSBC Islamic Global Equity Index and the Legal & General FTSE4 Good Developed Equity index.

In line with the requirement to conform to the Task Force on Climate-Related Financial Disclosures (TCFD) and the statutory requirements prescribed by the Department of Work and Pensions, the Trustee produces an annual TCFD report.

5.8 Liquidity and Realisation of DC Investments Policy

The TDFs have exposure to illiquid assets, including private equity, global property, and sustainability-oriented infrastructure (in a sleeve called “Sustainable Opportunities”). These exposures are accessed through listed vehicles (e.g., investment trusts) to support greater liquidity, though there is potential for some reduced liquidity when compared to listed securities issued by large issuers (e.g., corporates, governments). The TDFs also have exposure to private debt, which takes the form of unlisted investment into illiquid assets. The Trustees believe that, subject to suitable investments being available, some allocation to illiquid assets can, overall, provide potential for improved risk-adjusted returns for members invested in the default arrangements. The whole asset allocation of the TDF is holistically managed, which is critical for the effective management of cashflows and liquidity. It is the responsibility of the appointed investment manager, AllianceBernstein, to monitor liquidity daily.

They must ensure there is sufficient liquidity available to meet calls from the private debt fund managers within each private debt allocation, and this is managed via a sub-fund. The sub-fund comprises a liquid equity fund (for younger members) and a short duration credit fund (for older members), through which all cashflows in and out of private debt are directed. In addition to being a liquidity reserve and destination for cashflows, the sub-fund’s exposure to public capital markets minimises the cash drag. The sub-fund will be prudently managed to ensure a high level of private credit exposure, while ensuring a sufficient buffer should it be required. Given that cashflows are managed at the TDF strategy level, the need for significant outflows is unlikely. Income distributions will be paid to the listed market sub-fund and may be retained in this buffer allocation or reinvested into private debt.

In the unlikely event that liquidity is unavailable in the sub-fund of listed funds, it is agreed that this can be funded from other allocations held within the TDFs.

The Trustees intend to keep investment in illiquid assets, and whether to increase the investment in illiquid assets, under consideration into the future periodically and no later than the next review of the default strategy.

6. Engagement Priorities and Significant Votes

6.1 Engagement Priorities

The Trustee’s engagement priorities are based on their belief that ESG issues, across each of the three factors, may have a material impact on investment performance. As such the Trustee has determined what they consider the most salient topic within each of the three ESG factors, as listed below.

Engagement Priority	Rationale
Environment: Climate Change	<p>Climate-related financial impacts are driven by the associated transition to a low-carbon economy and the physical damages of different climate outcomes.</p> <p>The Trustee believes climate change issues present risks and opportunities that increasingly may require explicit consideration.</p>

Engagement Priority	Rationale
Social: Human rights including modern Slavery	<p>Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation and other human rights abuses – these can contribute to economic instability, the threat of social tension and subsequent political instability which, in turn, may have a negative impact on investment performance.</p> <p>The Trustee notes alignment of this priority with the Company's Supplier Code of Conduct and the commitments made therein.</p>
Governance: Executive remuneration	<p>Executives have significant influence over the financial success of the companies which they manage. Therefore, executive remuneration policies can have a meaningful impact on the return of investors in companies. These policies should attract and retain talent whilst ensuring alignment of incentives with company and shareholder objectives.</p>

6.1 Significant Votes

The Trustee considers a vote to be significant if the holding makes up more than 2% of the relevant fund's value and:

- It relates to any of the Trustee's engagement priorities, as set out above; or
- It has a direct financial impact on the company.

Any vote on exposures, irrespective of the purpose of the vote, that make up more than 5% of the relevant fund are considered significant.

To aid reporting, the Trustee reports on the most significant votes, defined as votes in relation to the largest three fund holdings that meet the above significant criteria, on an annual basis within the Implementation Statement. This statement is available to members online or upon request.

7. Additional Voluntary Contributions (AVCs)

7.1 Defined Benefit Arrangements

For members that wish to pay AVCs, the Trustee has made available the investment fund range referred to in 5.3 and applies to all AVC Investments.

8. Other assets

The only other Scheme assets relate to un-invested cash, maintained for the day-to-day management of the Scheme. This is managed by Associated British Foods Pensions Department, liaising with the Company's Treasury Management division to ensure a market rate of interest is obtained.

The monthly cash out flows are currently more than the monthly cash inflows from contributions and therefore a specific investment strategy is followed to generate cash through non-reinvestment of dividends, bond maturities etc.

9. Realisation of Investments

In general, the Investment Managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments, subject to not exceeding the Trustee's powers as set out in the Trust Deed and Rules. The Investment Managers are responsible for generating any cash required for benefits and other expenditure on the instructions of the Trustee.

10. Aligning Manager Appointments with Investment Strategy

The managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustee looks to Mercer, where appropriate, for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in and makes available to DC members. Mercer's manager research ratings assist with due diligence (and questioning the investment managers during presentations to the Trustee) and are used in decisions around selection, retention and realisation of manager appointments. The Trustee will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. If the investment objectives for a particular manager's fund change, the Trustee will review the fund appointment to ensure that it remains appropriate and consistent with the wider Trustee's investment objectives. The Trustee accepts that it has no ability to specify the risk profile and return targets of the manager. Such issues are taken into consideration when selecting and monitoring the managers to align with the overall investment strategy requirements.

11. Incentivising Managers to consider Long-Term Financial and Non-Financial Performance

The Trustee has considered how each manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's beliefs around responsible investment. This includes the managers' policy on voting and engagement (where relevant). The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments where applicable. The Trustee meets with the investment managers periodically and can challenge decisions made including voting history and engagement activity to ensure the best performance over the medium to long term. The managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then they will consider replacing the manager.

12. Evaluating Investment Manager Performance and Remuneration

The Trustee receives investment performance reports from Mercer and AllianceBernstein on a quarterly basis, which present performance information over 1 quarter, 6 month, 1 year, 3 year and 5 year periods. As well as considering each manager's style over the course of an economic cycle, the Trustee reviews absolute performance and in many cases relative performance against a suitable index used as a benchmark. The Trustee's focus is primarily on long-term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or portfolio management team;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to Mercer's rating of the manager.

The investment managers are generally remunerated by way of a fee calculated as a percentage of assets under management. If managers are not meeting performance objectives, or investment objectives for mandates have changed, the Trustee may ask managers to review the Annual Management Charge or decide to switch managers.

As part of the annual value for members assessment, the Trustee reviews the DC investment managers' fees.

13. Manager Turnover

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. For all funds apart from the Private Debt contracts, there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

- For the DB Section, there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- For the DC section, the mandate is no longer considered to be optimal nor have a place in the default investment strategy or self-select fund range;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

14. Portfolio Turnover Costs

The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and report to the Trustee. The Trustee also receives MiFID II reporting from their investment managers. All reporting is analysed to ensure consistency between reporting periods and any inconsistencies are investigated with the investment manager. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. For the DC Section, the Trustee considers portfolio turnover costs as part of the annual value for money assessment.

15. Compliance with this Statement

The Trustee will monitor compliance with this Statement periodically. The investment managers are provided with copies of this Statement periodically. The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated investment policy. This review will occur no less frequently than triennially to coincide with the Actuarial Valuation. Any such review will again be based on written expert advice and will be in consultation with the Company.