

British Beer & Pub Association Group Pension Fund

Statement of Investment Principles

December 2024

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1. Introduction

1.1. What is the purpose of this Statement of Investment Principles ("SIP")?

This SIP sets out the policy of the Trustees on matters governing decisions about the investments of the British Beer & Pub Association Group Pension Fund (the "Fund").

The Fund is a Registered Pension Scheme with His Majesty's Revenue & Customs ("HMRC") for the purpose of the Finance Act 2004. It is classed as a Defined Benefit ("DB") pension scheme.

1.2. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 (the "Act") and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension schemes.

1.3. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Quantum Advisory ("Quantum"), the Trustees' investment adviser, and consulting British Beer & Pub Association Group (the "Sponsoring Employer") as required by the Act and subsequently by the Regulations. Quantum has the knowledge and experience required under the Regulations to provide professional advice on the management of the Fund's investments.

2. Investment policy, objectives and strategy

2.1. Investment policy

The Fund's assets are held in trust by the Trustees. The investment powers of the Trustees are set out in the Fund's Trust Deed.

The Trustees are aware of the need to invest assets in the best and sole interest of the members and that the powers of investment must be exercised in a manner which supports the security, quality, liquidity and profitability of the Fund as a whole.

The Trustees recognise that the assets of the Fund must consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must, in any event, be kept to a prudent level.

2.2. Investment objective

The Trustees' key objective is to act in the best financial interests of the Fund's beneficiaries and to meet all liabilities as they fall due.

The investment objective is to achieve an overall return that supports the long-term funding plan (which has been discussed with the Sponsoring Employer), that is consistent with a prudent and appropriate level of risk.

Secondly, the investment strategy should offer the possibility of receiving excess investment returns at an acceptable level of risk.

The current investment strategy was set in 2023 following a review of the Fund's objectives and requirements. When setting the investment strategy, the Trustees consider an expected level of return that supports the Fund's current Recovery Plan, whilst not unduly impacting the level of risk the Fund can afford to take, taking into consideration the Trustees view on the strength of the Sponsoring Employer's covenant. The Trustees reviewed the Fund's hedging levels in 2024 and made some small changes to the investment strategy following this.

2.3. What is the investment strategy?

The investment strategy uses two key types of assets:

- "Matching assets": these exhibit characteristics similar to those of the Fund's liabilities. Typically, matching assets are low risk fixed income investments and the return from them is similar to the return on UK government bonds (referred to as the 'minimum risk' return). The Fund uses a mix of leveraged and unleveraged Liability Driven Investment ("LDI"), and corporate bonds for this purpose.
- "Return seeking assets": these target a rate of return in excess of the minimum risk return. Typically, these are equities or a diversified pool of other non-matching assets.

Following the investment review in 2023, an investment strategy was agreed. The strategy aims to deliver an appropriate mix of investments, which support the Fund's investment objectives. During 2024, the Trustees reviewed the Fund's interest rate and inflation hedging levels, and decided to hedge 95% of the Fund's uninsured liabilities (on both interest rates and inflation). Small changes were made to the Fund's strategic asset allocation to facilitate this. The strategic asset allocation is set out in Appendix 1.

The Trustees have agreed the appropriateness of the asset allocation benchmarks, performance benchmarks and the various controls adopted by the incumbent managers in managing each fund in which Fund assets are invested.

The Trustees also considers non-financial factors, when monitoring and selecting their investments. Further detail on these policies is provided in section 6.2.

2.4. Fund managers, style and target returns

The Fund implements its investment strategy by investing in pooled funds, which the Trustees believe are appropriate given the size and nature of the Fund. Details of the funds, managers, benchmarks and investment objectives used by the Fund can be found in Appendix 1.

2.5. What risks were considered and how are they managed?

The Trustees' primary concern is to act in the financial interests of the Fund's members. As such, the primary risk is the inability of the Fund to meet member benefit payments as they fall due.

The Trustees identified the following investment risks that might impact the Fund's ability to meet its funding and investment objectives:

- investment returns in general do not achieve expectations;
- an investment manager will not meet its targets;
- the value of liabilities may increase due to changes in actual and expected inflation and interest rates;
- there is a mis-match between the value and timing of the Fund's income and outgoings making it difficult to make payments as they fall due;
- the risk of a shortfall in the liquid assets held by the Fund relative to its immediate liabilities;
- the risk that the performance of any single investment within the Fund assets may disproportionately affect the ability of the Fund to meet its overall investment objectives;
- the risk of misappropriation, unauthorised use or mis-delivery of Fund assets;
- the risk that Environmental, Social and Governance ("ESG") factors, including climate change, adversely impact the value of the Fund's assets if this is not given due consideration and/or misunderstood. Sponsor risk – the risk of the Company ceasing to exist, which for reasons of prudence, the Trustees have taken into account when setting the asset allocation strategy; and

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

The Trustees recognise these different types of risk and seek to minimise them as far as possible by the use of regular monitoring of investment performance; a deliberate policy of diversification; taking into account the timing of future payments; and by regularly reviewing the appropriateness of the prevailing strategy against the Fund's objectives.

2.6. Financially material considerations, non-financial matters and stewardship policies

2.6.1. Financially material considerations

The Trustees acknowledge the potential impact upon the Fund's investments (both in terms of risk and return) arising from financially material matters. The Trustees define these as including, but not limited to, ESG factors (including climate change).

With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing existing investment managers. The Trustees have provided the appointed investment managers with full discretion concerning the evaluation of ESG factors. Representatives of the incumbent investment managers may attend Trustee meetings, at a frequency determined by the Trustees, to present on various matters including its ESG policies. The Trustees also periodically consider publicly available ESG related publications pertaining to the incumbent investment managers.

ESG is built into the core of its active investment managers' investment processes. Where the Fund's investments are implemented on a passive basis, the Trustees acknowledge that this restricts the ability of the manager to take active decisions on whether to hold securities based on the investment managers consideration of ESG factors. The Trustees do however expect the incumbent managers, where relevant, to utilise their position to engage with companies on these matters.

The Trustees also consider ESG factors when determining future investment strategy decisions. To date, the Trustees have not established any restrictions on the appointed investment managers but may consider this in future.

2.6.2. Stewardship

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Fund's investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with its investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees have provided the appointed investment managers with full discretion concerning the stewardship of its investments.

The Trustees review their investment managers' policies on the exercise of voting rights and monitors its engagement practice and proxy voting activity via their annual reports.

2.6.3. Non-financial matters

The Trustees do not consider non-financial factors and do not employ a formal policy in relation to this when selecting, retaining and realising investments. However, where members have been forthcoming with their views, the Trustees may consider these when setting investment strategy.

2.8. Re-balancing

The Trustees, in conjunction with their investment advisers, monitor the actual asset allocation of the Fund on a quarterly basis via the quarterly performance report. If the allocation is deemed to be sufficiently far from the target allocation (set out in Appendix 1), the Trustees will consult with the investment adviser to discuss the most appropriate solution.

2.9. Collateral Management

The Fund uses leveraged LDI funds as part of its investment strategy. In order to ensure the level of leverage in these funds remains appropriate (and within the tolerance ranges), the LDI manager may “call” for additional collateral to be provided, or may return capital to the Fund. The Trustees have provided Mobius Life Limited (the implementation solution provider) with instructions to automatically manage these events as they occur. Further details on the instructions that have been provided are set out in Appendix 2.

3. Appointment of investment managers

3.1. How many investment managers are there?

Details of the appointed investment managers, together with fund objectives and characteristics are outlined in the Appendix 1 and 2.

All of the funds the Fund uses are accessed through the Mobius Life Limited (the Fund's implementation solution provider). Mobius Life Limited were appointed in August 2023.

3.2. What formal agreements are there with the investment managers?

The Trustees select investment managers and funds which are appropriate to implement the investment strategy.

The Trustees will sign the appropriate policy documents, agreements and application forms with the implementation solution provider.

The Trustees keep the appointment of all investment managers and implementation solution providers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Fund's investment strategy.

3.3. What are the investment managers' responsibilities?

The investment managers are responsible for the day-to-day management of the Fund's investments and are responsible for appointing custodians, if required.

The investment managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Any performance requirements for the investment managers are detailed in the Appendix.

3.4. Custodians and administrators

The Fund's investments are through pooled investment vehicles. Therefore, there is no need for the Trustees to formally appoint a custodian as the investment comprises units held in listed investment vehicles rather than the underlying stocks and shares. However, the underlying managers have appointed custodians for the safe custody of assets and these are detailed in Appendix 1 and 2. Note, as the Fund's assets are held through an implementation solution provider (Mobius Life Limited), custody of assets held with managers is under the Mobius Life Limited name.

4. Investment implementation solution

4.1. What is an implementation solution and why use it?

An Investment implementation solution is a service that enables pension schemes to buy, sell and hold their investments all in one place. This allows greater flexibility and efficiency when switching investments as the Fund strategy changes or fund managers have to be replaced.

The centralisation of funds also allows consolidated reporting to be obtained more easily and more regularly, ensuring an investment strategy and associated flight path can be effectively tracked and monitored. All of these features allow pension schemes greater administrative efficiency, enhanced ease of strategy implementation and potential fee reductions.

4.2. How to access an Investment implementation solution?

Each pension scheme enters into a unit linked life policy through a Trustee Investment Policy (TIP). The policy's value is linked to the underlying investments, which the Investment implementation solution provider, in this case Mobius Life, has been directed to purchase. Mobius Life is responsible for investing into the underlying funds and takes responsibility for the relationship with the underlying fund managers. This includes transactions, reporting and governance. This differs from a traditional relationship that a pension scheme would have had with their fund managers where they would have invested directly with these managers and maintained a number of these individual relationships.

5. Other matters

5.1. How are various parties who are involved in the investment of the Fund's assets remunerated?

The Fund's investment adviser is remunerated on a fixed fee or time-cost fee basis, with budgets agreed in advance for ad hoc project work wherever possible.

The Trustees have selected its investment managers to implement the investment strategy in an efficient manner, in line with the Fund's investment objectives. The Trustees do not directly incentivise the managers to align their investment strategy and decisions with the Trustees policies.

The Trustees do not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustees do however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The growth assets typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustees consider the fees and charges associated with each investment before investing.

Mobius Life and the investment managers are remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Fund's assets they hold under management. Mobius Life also charge a flat monthly fee for the investment platform's administration services of £250 per calendar month (which increases annually in line with inflation). The fee will accrue daily and be collected quarterly, by way of a disinvestment from the largest valued liquid asset held by the Fund at the point the fee is paid.

In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets. The Trustees obtains an annual statement from the investment managers setting out all the costs of the investments of the Fund.

5.2. Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly.

The Trustees policy is to review its direct investments (if any) and to obtain written advice about them at regular intervals. When deciding whether to make any new direct investments or terminate any direct investments, the Trustees will obtain written advice from the Fund's investment adviser. If the Trustees believes that an investment is no longer suitable for the Fund, it will withdraw the assets from the arrangement deemed to be unsuitable and select a suitable alternative.

The written advice from the Fund's investment adviser will consider the suitability of the investments, the need for diversification and the principles contained in this SIP. The adviser

will have the knowledge and experience required under Section 36(6) of the Pensions Act to provide this advice.

5.3. Governance

The Trustees are responsible for the governance and investment of the Fund's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Fund as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the relevant Advisers.

When deciding which decisions to take, and which to delegate, the Trustees consider whether they have the appropriate training and expertise in order to make an informed decision.

The Trustees have established the following decision-making structure:

Trustees

- Set structures and processes for carrying out its role.
- Determining the investment objectives of the Fund.
- Agree structure for implementing investment strategy.
- Select and monitor planned asset allocation.
- Select and monitor investment advisors and fund managers.
- Select and monitor direct investments.
- Prepare and maintain the SIP.

Investment adviser

- Advises on the Fund's assets, including implementation.
- Advises on this SIP.
- Provides required training.

Investment managers/Implementation solution

- Operate within the written contracts and agreements.
- Select individual investments with regard to their suitability and diversification for the individual pooled vehicles.
- Ensure the suitability of the chosen benchmark for the respective investment vehicle.

5.4. Conflicts of interest

The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of materiality) at the start of each Trustees meeting and documents these in the minutes. The investment managers report on conflicts of interest annually.

5.5. Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment managers. Investment managers are expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

6. Review

6.1. How often are investments reviewed?

Strategy reviews for the Fund are undertaken periodically. Typically, a review of the Fund will occur alongside triennial actuarial valuations; but more frequent reviews can occur in light of a material change in circumstances. Any change in investment strategy may necessitate a change in investment managers, regardless of the underlying performance of the funds.

Investment return experience and the performance of individual funds is reviewed with assistance from Quantum quarterly. Managers are reviewed against their agreed performance benchmarks and targets over both short-term and long-term time periods, to ensure they remain appropriate to implement the investment strategy for the Fund.

6.2. How do the Trustees monitor portfolio turnover and costs?

The Trustees have delegated the selection of holdings to the appointed investment managers. The Investment Consultant reviews the portfolio turnover and the associated costs of all funds on behalf of the Trustees at least on an annual basis.

The Trustees have not set a specific portfolio turnover target for each investment manager and recognises that portfolio turnover and costs may vary with market conditions. Each manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.


On behalf of the Trustees, the Investment Consultant will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager’s process and philosophy remain consistent.

6.3 How often is this SIP reviewed?

The Trustees will review this SIP periodically and without delay after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and practical experience of, financial matters, and to have the appropriate knowledge and experience of the management of pension scheme investments; and consulting with the Sponsoring Employer.

Signed by:

Signature:



Trustees

Date:

29 January 2025 | 09:10 PST

For and on behalf of the Trustees of the British Beer & Pub Association Group Pension Fund

Appendix 1 – Managers and asset allocation

Managers and asset allocation

The following table shows the strategic asset allocation for the Fund as at 31 July 2024. All investments are accessed through the Mobius Life. The Fund's strategic asset allocation, level of hedge and performance is reviewed periodically, with assistance from the Fund's investment adviser as required.

Asset class	Manager	Fund	Strategic asset mix (%)
Return Seeking Assets			54
Equities	Fundsmith	Equity	20
Diversified Growth	BNY Mellon	Multi Asset Diversified Return	17
Corporate Bonds	M&G	Total Return Credit Investment	17
Liability Matching Assets			46
Corporate Bonds	Insight	Long Corporate Bond	19
LDI	Insight	LDI Fully Funded Gilts and Index-Linked Gilts	27
	Insight	LDI Partially Funded Gilts and Index-Linked Gilts	
Total			100

Totals may not sum due to rounding. The asset allocation targets interest rate and inflation exposure equivalent to 95% of the Fund's uninsured liabilities as at 31 July 2024. The strategic asset allocation is subject to change and is based on liability interest rate and inflation sensitivities as at 31 July 2024.

Managers and fund details

The table below shows the benchmarks, outperformance targets and annual management fees for each fund the Fund is invested in.

Fund	Benchmark	Objective / Outperformance target	Custodian	Annual management fee (ex Mobius fees)	Date of appointment
Fundsmith Equity	Notional benchmark (MSCI World NTR)	The Fund aims to deliver the highest return, over a long period of time adjusted for risk.	State Street Bank	0.90%	August 2023
BNY Mellon Multi Asset Diversified Return	SONIA	Outperform the benchmark by 3% p.a. (gross of fees) over rolling 5-year periods.	BNY Mellon	0.63%	August 2023
M&G Total Return Credit Investment	SONIA	To outperform benchmark by 3-5% gross of fees over full credit cycle (typically last between 3 and 7 years).	State Street Bank International	0.40%	January 2024
Insight Investment UK Corporate Long Maturities	iBoxx GBP Non-Gilts Over 10 Years Index	To outperform benchmark by 1% p.a. (gross of fees) over a rolling 5-year period.	BNY Mellon	0.25%	July 2012
Insight LDI Fully Funded Gilts/ Index-Linked Gilts Fund Range	--	To provide liability matching by investing primarily in UK government bonds without the use of leverage or derivatives.	Northern Trust	0.05%	March 2022
Insight LDI Partially Funded Gilts/ Index-Linked Gilts Fund range	--	Provide nominal and real interest rate exposure by investing primarily in UK government gilts and index-linked gilts, on a partially funded basis.	Northern Trust	The AMC is 0.06% p.a. on the value of the economic exposure being hedged.	March 2022

Appendix 2 – Collateral instructions

The Trustees have provided Mobius Life (its implementation solution provider) with instructions to automatically manage collateral flows to and from the LDI funds. Details of these instructions are provided below.

Collateral calls

Collateral calls are met using a collateral waterfall based on the order of priority set out below.

Collateral layer	Fund
1	M&G Total Return Credit Investment Fund
2	BNY Mellon Multi Asset Diversified Return Fund
3	Fundsmith Equity Fund

Collateral distributions

Any collateral distributions that are received from the LDI manager are invested in the M&G Total Return Credit Investment Fund.