Weetabix Executive Pension Scheme

Statement of Investment Principles – September 2025

1. Introduction

The Trustee of the Weetabix Executive Pension Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of Section 35 of the Pension Act 1995 (“the Act”), the Occupational Pension Scheme (Investment) Regulations 2005 and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). The Trustee, in preparing this Statement, have also consulted the Sponsoring Company (“the Company”), in particular in relation to the Trustee’s objectives.

This statement replaces the previous statement dated December 2023.

The Trustee seeks to maintain a collaborative approach with the Company on investing the Scheme’s assets and will discuss any proposed changes to this Statement with the Company. However, the Trustee’s fiduciary obligations are to the Scheme’s members and will take precedence over the Company’s wishes.

The Scheme’s investment arrangements, based on the principles set out in this statement, are detailed in the Scheme’s Statement of Investment Arrangements (“SIA”) document. The SIA is available to members on request.

Mercer has confirmed in writing to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Act 1995 and the Occupational Pension Scheme (Investments) Regulations 2005.

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. These investment powers do not conflict with this Statement.

2. Process for Choosing Investments

The Trustee has considered their objectives for investing the Scheme’s assets. They have considered their Investment and Funding objectives together to ensure that the two are compatible.

They have then constructed a portfolio of investments consistent with these objectives and which they hope will deliver the maximum level of return (net of all costs) for the level of risk taken on (taking into account limitations on the overall complexity of arrangements they are prepared to manage). These investments include a range of fixed income instruments such as corporate bonds, absolute return bonds, gilts and Liability Driven Investment (“LDI”) funds, as well as cash.

In considering the appropriate investments for the Scheme, the Trustee will obtain and consider the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. 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).

3. Investment Objectives

The Trustee's objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Trustee has carefully considered the Scheme's liquidity requirements and time horizon given the Technical Provisions assumptions. Based on this, the Trustee has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are set out below:

- To ensure the Scheme's obligations to its beneficiaries can be met;
- To achieve an asset return above the return from gilts over the longer term, whilst recognising the need to balance risk control and return generation;
- To ensure consistency between the Scheme's investment strategy and the return as well as Technical Provisions assumptions used by the Scheme Actuary;
- To pay due regard to the Company's interests in the size and incidence of employer contribution payments.

The objectives set out above and the risks and other factors referenced in Section 4 of this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in Section 12.

4. Risk Management and Measurement

The Trustee considers risk as the likelihood of failing to meet the objectives set out above and have, on advice from Mercer, taken several measures to minimise this so far as possible. There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management, over the Scheme's anticipated lifetime, is described below.

- The Trustee's willingness to take on investment risk is dependent on the continuing financial strength of the Company and its willingness to contribute to the Scheme. The strength of the Company and its perceived commitment to the Scheme is monitored by the Trustee and the overall level of risk being taken will be reviewed if either of these deteriorates.
- The primary risk upon which the Trustee's focus is that arising through a mismatch between the Scheme's assets and its liabilities. The Trustee aims to reduce this risk through the Scheme's Matching Portfolio, the specific objectives of which are set out in Section 6, but the Trustee agrees that mismatch risk still exists under the existing strategy.
- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted above) considered carefully the implications of adopting different levels of risk.
- The Trustee recognises that in order to achieve a return above gilts, there is a greater likelihood of volatility in returns relative to movements in the value of the Scheme's liabilities. The value of the liabilities moves in line with gilt yields (and, hence, with gilt prices), so investing a proportion of the Scheme's assets in non-gilt assets introduces a mismatching risk.

- Whilst this risk could lead to volatility in the funding level disclosed at a subsequent actuarial valuation, it is felt that this risk is acceptable in view of the potential benefits of the expected extra returns. The additional returns could lead to greater security for members of the Scheme and lower costs falling on the Company, although the Trustee recognises there are no guarantees this will happen.

- In addition to this primary mismatch risk, the Trustee also recognises the risks that may arise from the lack of diversification of investments, the risk of holding unsuitable investments and the currency risk that arises through investment in foreign markets. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio which manages currency risk; and that the documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

- 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. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in markets deemed efficient where the scope for added value is limited.
- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustee will ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and manages liquidity risk by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Trustee invests in leveraged LDI funds to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer reviews the Matching Portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

- The Trustee recognises that environment, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 12 sets out how these risks are managed.

- The safe custody of the Scheme's assets is delegated to professional custodians (either directly or via the use of pooled vehicles). A list of the custodians appointed by the investment managers on behalf of the Scheme is included in the SIA.

- Should there be a material change in the Scheme's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current strategy remains appropriate.

- The Trustee monitors the various risks to which the Scheme is exposed via quarterly investment performance reports provided by Mercer.

5. Portfolio Construction

The Trustee has adopted the following principles subject to the overriding constraint that at the total Scheme level, the expected level of risk is consistent with that outlined in sections 3, 4 and 6 and subject to the Trust Deed & Rules:

- There is a role for both active and passive management. Passive management involves employing investment managers to deliver a return equal to a chosen benchmark appropriate to the asset class held. Active management involves employing investment managers who aim to outperform a benchmark but with a risk that they will underperform. By employing both, the Trustee aims to take advantage of active management where they believe it is likely to lead to outperformance net of fees, while using passive management in other areas or alongside active management to control overall manager risk and to manage overall fee levels.

- Decisions on segregated vs pooled investments will be taken based on the particular circumstances, including the need for diversification, available vehicle, investment restrictions contained in pooled funds, the need for and availability of an independent custodian, ease of administration and portability of underlying investments. However, the Trustee anticipates investing on a pooled basis given the operational practicalities.

- Specialist mandates (including access via a manager of managers) are preferred over generalists because of the potential to access a higher level of expertise. However, the Trustee limits the number of directly appointed managers so as to manage their overall monitoring requirements. Also there should be some flexibility to move between asset classes notwithstanding the appointment of specialists.

- At the total Scheme level investments should be broadly diversified to ensure there is not a concentration of exposure to any one market or issuer, to the extent that this is not protected (e.g. by collateral). This restriction does not apply to investment in UK Government debt.

- The amount invested in highly concentrated portfolios will take into account the level of risk this represents taking into account the Scheme's assets overall.

- The amount invested in illiquid investments will take into account the implications of not being able to readily liquidate a proportion of the Scheme's investment on the operation of the Scheme.

- Investment in derivatives is permitted directly or within pooled funds for risk reduction purposes or to facilitate efficient portfolio management. In particular, the Trustee has agreed that they are comfortable with the use of financial derivatives for the purpose of managing the risk of changes in long-term interest rates and inflation expectations within pooled funds.

- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing risk or to facilitate efficient portfolio management. In any event the Trustee will ensure that the assets of the Scheme are predominantly invested in regulated markets.

- The Trustee will not invest directly in the Scheme sponsor or associated companies, but acknowledge that indirect investment is possible as a result of the investment policies of the Scheme's pooled investment managers. The Trustee has agreed that the use of leverage is appropriate within the Scheme's Matching Portfolio (within pooled funds) to enable target hedge ratios (for interest rate and inflation exposure) to be achieved and maintained. The Trustee has not set a formal target with respect to the use of leverage but will monitor actual leverage levels over time. The Trustee will not borrow for any other purpose, except to cover short term liquidity requirements.

6. Investment Strategy

The Trustee has determined, based on expert advice, a suitable mix of investments based on the return required in order to meet the funding objectives, given the Technical Provisions liabilities, and an appropriate level of risk. The majority of the Scheme's assets are invested in the Matching Portfolio with a small amount (typically 15% or less) invested in the Growth Portfolio. However, the actual position will vary over time (a detailed split between asset classes is set out in the SIA). The Trustee reviews the suitability of the Scheme's investment strategy on an ongoing basis.

Assets held in the Growth Portfolio are investments held with the primary aim of delivering returns in excess of those available from risk-free assets.

The Trustee has specifically agreed that the overall aim of the Scheme's Matching Portfolio will be to reduce the mismatch between the assets and liabilities in terms of changes to long term interest rates and market implied inflation. With this in mind, the Trustee has agreed that the overall Matching Portfolio should be constructed so that it provides a broad liability hedge rather than accumulate exposure in any single part of the interest rate or inflation curve (i.e. to avoid "curve" risk). Further information on target hedge ratios for interest rate and inflation hedging as well as the underlying structure of the Matching Portfolio is included in the SIA.

The Trustee believes that the Scheme's investment strategy is consistent with the investment objectives and risk management decisions set out in Sections 3 and 4.

As required by the Pensions Act 1995 and as a matter of good practice, the Trustee has consulted with the Company concerning the investment arrangements set out above and will consult with the Company prior to making changes to the investment strategy, which would result in a change in the expected investment return of the Scheme's investments in total.

7. Day-to-Day Management of the Assets

The Trustee has appointed Mercer Global Investments Europe ("MGIE") and Legal & General Investment Management ("LGIM") to manage the Scheme's assets, the details of which are included in the SIA.

The Scheme's assets invested within Mercer Funds are in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE") as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to appointed sub-investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. MGIE has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis. The Scheme's assets invested with LGIM are within pooled funds. MGIE is regulated by the Central Bank of Ireland and LGIM is regulated by the Financial Conduct Authority.

The Trustee is responsible for regularly monitoring the investment and asset managers to ensure they have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently. The Trustee receives quarterly investment monitoring reports provided by Mercer.

The Trustee regularly reviews the continuing suitability of the Scheme's investments, including the appointed investment managers and the balance between active and passive management which may be adjusted from time to time. Any adjustments to the Scheme's investments, determined by the Trustee, would be made with the aim of ensuring that the risks identified in Section 4 are appropriately managed.

Details of the appointed investment managers can be found in the SIA.

8. Expected Return

The return earned on the Scheme's investments is dependent on the markets in which the Scheme invests and the proportions held in them. Government bond returns are dependent on prevailing market yields. The Trustee expects to generate a return, over the long term that is above government bonds and in line with that required to reach the Scheme's funding target (based on asset class return assumptions).

The Trustee expects to generate a return, over the long term, in the region of 0.5% per annum above the return available on long-dated Government bonds (i.e. a gilts plus 0.5% per annum return). This return is a "best estimate" of future returns that has been determined based on the Scheme's refreshed strategy modelled as at 31 March 2025 and Mercer Capital Market assumptions as at 31 March 2025. The expected return (and margin above gilts) will vary over time but the Trustee reviews this on a reasonably regular basis. The Trustee has agreed to consult with the Company before making any investment decisions that will materially affect this estimated return.

The Trustee recognises that, over the short term, performance may deviate significantly from this long-term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose, a more prudent estimate of returns will generally be used, as agreed by the Trustee on the basis of advice from the Scheme Actuary for the Actuarial valuation and Recovery Plan if needed.

9. Realisation of Investments

The Trustee has implemented a policy to manage the Scheme's cash flow management, details of which are contained in the SIA.

The Trustee on behalf of the Scheme hold shares in Mercer Funds. MGIE, the underlying managers appointed by MGIE and LGIM have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation. In practice, this means that the underlying managers appointed by MGIE and LGIM will monitor their relevant markets and trading environments to seek attractive selling points for their individual investments such that it is in the best interest of achieving their stated investment objective.

10. Cashflow and cashflow management

In the event of cashflows into, or out of, the Scheme, the Trustee has in place a cashflow policy which sets out the process for meeting the cashflow requirements of the Scheme. Further detail on this process is set out in the SIA.

11. Rebalancing

There is currently no centrally defined benchmark or automatic rebalancing in place and therefore the asset allocation will drift over time based on market conditions and cashflow policy.

12. ESG, Stewardship and Climate Change

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.

As noted above the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's corporate bond and absolute return fixed income assets and such assets are invested in a range of Mercer Funds managed by MGIE and the Trustee has appointed LGIM as the asset manager for the Scheme's LDI assets (both leveraged and unleveraged gilts). Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors where appropriate, including climate change considerations, and exercise 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 UK Stewardship Code. The MGIE assets held lean on Mercer's Investment Philosophy which uses a holistic approach, considering market-wide and systemic risks and incorporating sustainability considerations objectives, governance, rewarded risk and value maximization considerations. Mercer's full investment philosophy is also available here: Investment philosophy.

The Trustee has reviewed Mercer's Sustainability Policy, which sets out the key principles and guidelines used by Mercer to consider and respond to sustainability risks and opportunities in investment process decision-making

Mercer screens and monitors listed portfolios for high-severity incidents as flagged according to the UN Global Compact ("UNGC") Principles that relate to human rights, labour, environment, and corruption issues, as identified by our appointed external research provider and will prioritise engagement with the managers owning those companies based on an internally developed framework.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers, including the Scheme's investment with LGIM, in the monitoring process. However, the Trustee acknowledges that given the nature of their investments (bond and bond like assets that do not have associated voting rights that would allow the Trustee and Mercer to directly impact an issuer's policies) and the limited data currently available, there is a limited scope for integration. Mercer, and MGIE, is expected to provide reporting to the Trustee on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics. The Trustee expects Mercer to enhance their monitoring, reporting and engagement and integration as the industry evolves and the level and quality of data available improves.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Based on Mercer and MGIE's assessment and the sub-investment managers' reporting, all else equal, managers who display better ESG capabilities will be appointed by Mercer and MGIE. Following these appointments, on an ongoing basis the regular assessments and reporting form a key part of Mercer and MGIE's policy to engage on the Trustee's behalf with investment managers to improve ESG practices across the industry and further integrate ESG considerations into the investment decision making process.

Mercer's approach to managing climate transition risks and opportunities is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). Mercer's Climate-Related Financial Disclosures Report highlights Mercer's approach in more detail. Disclosure consistent with the TCFD recommendations is also encouraged for appointed managers of the MGIE funds.

Member Views

Member views are currently not taken into account in the selection, retention and realisation of investments. However, the Trustee aims to appoint investment and asset managers and make portfolio construction decisions that will lead to ESG considerations that are in the best interests of the Scheme as a whole. Furthermore, the Trustee believes that, for the portion of assets managed by MGIE, their portfolio construction processes are expected to lead to ESG considerations that are in the best interests of Scheme members overall.

Investment Restrictions

The Trustee has not currently set any additional investment restrictions on the appointed investment and asset managers. For the assets invested within the Mercer Funds, the appointed investment managers have been given restrictions in relation to particular products or activities by MGIE.

13. Investment and Asset Manager Appointment, Engagement and Monitoring

The Trustee has appointed MGIE and LGIM based on the strength of their capabilities and, therefore, the perceived likelihood of achieving the expected return and risk characteristics required for the asset classes in which the Scheme invests.

The Trustee looks to their investment consultant for their forward looking assessment of the investment and asset manager's ability to deliver upon their stated objectives over a full market cycle. This view will be based on the consultant's assessment of the investment and asset manager in relation to the particular strategies that the Scheme invests in. The consultant's manager research ratings assist with due diligence and (where available) are used in decisions around selection, retention and realisation of direct asset manage appointments. Where the Trustee invests in Mercer Funds, the Trustee has delegated the responsibility for decisions around selection, retention and realisation of sub-investment manager appointments to MGIE (see Section 7).

If the investment objective for a Mercer Fund and/or fund managed by LGIM changes, the Trustee will review the respective manager's appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

As the Scheme invests in pooled investment vehicles, the Trustee accepts that they have no ability to specify the risk profile and return targets of the manager, but that appropriate mandates can be selected to align with the overall investment strategy.

The investment managers and asset managers are incentivised as they will be aware that their continued appointment by MGIE (in the case of the Mercer Funds) or the Trustee (in the case of MGIE as an investment manager and LGIM) will be based on their success in meeting MGIE's, and the Trustee's expectations respectively. If the Trustee is dissatisfied with MGIE and/or LGIM, then they will, where appropriate, seek to replace MGIE and/or LGIM. Similarly, if MGIE is dissatisfied with a sub-investment manager appointed within a Mercer Fund, then it will, where appropriate, seek to replace the appointed manager.

The performance of the investment and asset manager are not measured independently at present. However, sense checks are used to calculate whether the performance is reasonable.

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over various time periods. The Trustee reviews the absolute performance of the relevant funds, as well as their relative performance versus a suitable benchmark index (where appropriate) and against the manager's stated performance targets (over the relevant time period).

The Trustee’s focus is on long term performance. However, as noted above, they may review a manager’s appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager of a fund;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to the investment consultant’s rating of the manager.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees instead of terminating the appointment.

The Trustee does not actively monitor portfolio turnover costs. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In the future, the Trustee may ask the manager to report on portfolio turnover and turnover costs in their presentations and reports to the Trustee and engage with them if portfolio turnover is higher than expected. This may be assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager’s specified portfolio turnover range in the investment guidelines or prospectus (where available). This will be to ensure that potential asset performance is not eroded by unnecessary frequent trading which could result in the managers underperforming their stated performance objectives.

The Trustee is a long-term investor and is not seeking to change investment arrangements on a frequent basis. As the Trustee is invested in open-ended pooled funds, there is no set duration for the appointment of the investment and asset manager. The Trustee will therefore retain an investment and asset manager unless there is a strategic change to the overall strategy that no longer requires exposure to a particular asset class or manager, or the Trustee decides to terminate a mandate following a review of the manager’s performance.

Mercer assists the Trustee in fulfilling their responsibility for monitoring the investment manager.

From time to time the Trustee will review their advisers and the effectiveness of their own decision making.

14. Compliance with this Statement

The Trustee will aim to monitor compliance with this Statement regularly and monitor the investment managers to ensure that they have given effect to the investment principles in this Statement so far as reasonably practicable.

15. Review of this Statement

The Trustee will review this Statement at least every three years to coincide with the Actuarial Valuation and immediately after any significant change in investment policy, in accordance with the Occupational Pension Schemes (Investment) Regulations 2005. Any such review will be based on written expert advice and will be in consultation with the Company.

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For and on behalf of the Trustee of the Weetabix Executive Pension Scheme

September 2025