British Board of Agrément
Pension and Life Assurance Scheme

Statement of Investment Principles

November 2024

Contents

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the British Board of Agrément Pension and Life Assurance Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e., that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared to comply with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004
- The Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request to the Trustees and online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees. The Trustees' investment powers are set out in Clauses 15 – 16 of the Definitive Trust Deed and Rules dated 29 March 2000, as amended. The investment powers granted to the Trustees under these Clauses are wide and this Statement is consistent with those powers.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation, and is authorised and regulated by the Financial Conduct Authority (FCA).

The Trustees have consulted the Principal Employer, The British Board of Agrément, when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

3 Investment Objectives

The Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme when setting the investment objectives and strategy. They have decided that the employer covenant allows them to take a long-term view in determining their investment objectives and strategy.

The Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer, and members, as it determines the Scheme's funding requirements and members' long-term benefit security.

The Trustees' investment objectives are as follows:

- To adhere to the provisions contained within the Scheme's Statement of Funding Principles.
- To acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Principal Employer, the cost of the benefits which the Scheme provides, as set out in the Trust Deed and Rules.
- To limit the risk of the assets failing to meet the Technical Provisions over the longer term, by considering the Scheme's liability profile when setting the asset allocation policy.
- To minimise the long-term costs of the Scheme by optimising the return on the assets whilst having regard to the objectives shown above.

The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

The Trustees have appointed Legal & General Investment Management (LGIM) (the Investment Manager) to undertake the day-to-day investment management of the Scheme's assets backing defined benefits.

The Trustees' policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.
Balance of Investments	The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.
Delegation to the Investment Manager	The Trustees will delegate the day-to-day management of the Scheme's assets to a professional Investment Manager and will not be involved in the buying or selling of investments.

Policy	
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees will monitor the asset allocation and hedging ratios on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the asset allocation or hedging ratios move significantly away from the Target Asset Allocation or Target Hedging Ratios.
Employer Related Investments	Neither the Trustees nor the Investment Manager directly hold any employer-related investments.

Details of the investment strategy are set out in the Appendix to this Statement.

5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds, and are fully and readily realisable.

The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, Broadstone Consultants & Actuaries Limited and investment adviser, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

Investments or disinvestments required in connection with the Scheme's cashflow management will be made to maintain the Target Asset Allocation and Target Hedging Ratios, as far as possible.

6 Expected Returns

The Trustees' overall return target is for the Scheme's assets to produce a return that supports the value of its liabilities calculated under the Technical Provisions funding basis.

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Multi-asset income	In excess of UK price inflation, as measured by the Retail Prices Index, and in excess of the market yield available on longer-dated low risk assets, such as gilts, but with significantly lower volatility in returns than UK equities.
Self-sufficiency credit	Broadly in-line with changes of a notional pension scheme with liabilities of similar nature and duration to the Scheme and to generate quarterly cashflows to pay the benefits of that notional portfolio as they fall due. The funds used in this asset class are also expected to generate a return that is in excess of the yield available on a portfolio of fixed interest government bonds, to compensate for the additional risk associated with the proportion of underlying assets that are invested in a diversified portfolio of corporate bonds.
Liability Driven Investment (LDI)	In-line with the sensitivity of the Scheme's funded Technical Provisions liabilities to changes in interest rates and inflation expectations, subject to the Target Hedging Ratios and in conjunction with any contributions to hedging exposure provided by other hedging assets held.
Cash	In-line with the return on comparable money market funds and the prevailing rates of short-term interest rates.

7 Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, duration mismatch risk, default risk, concentration risk, manager risk, and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant and the long-term nature of the Scheme.

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's liabilities calculated on the Technical Provisions funding basis.

The calculation of the Scheme's Technical Provisions liabilities uses assumptions for future investment returns and price inflation that are based upon market values of a range of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions liabilities are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions liabilities.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a wide range of asset classes through the funds and strategies they use and consider the Scheme's strategy to be sufficiently diversified.

The Trustees will review the investment and funding risks faced by the Scheme with the assistance of their investment adviser and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safekeeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by the Investment Manager.

The Trustees have considered the security of the Scheme's holdings with the Investment Manager, allowing for their status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as responsible asset owners.

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

The Trustees' policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustees recognise that Environmental, Social, and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Manager, when exercising discretion in investment decision-making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.
Engagement and Voting Rights	The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager. The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.
Capital Structure of Underlying Companies	Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	ESG Views
Multi-asset income	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use their discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Self-sufficiency credit	Active	These funds consist primarily of a mix of corporate bonds and hedging assets. With respect to the corporate bonds, the Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the underlying funds and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect the Investment Manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights. With respect to the other hedging assets, these consist of government bonds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the securities.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

10 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, whilst also setting out a process for their management.

11 Duration of Investment Arrangements

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the Investment Manager. However, the arrangement will be reviewed in conjunction with any review of the investment strategy.

12 Incentivisation of the Investment Manager

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach it adopts for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

13 Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

14 Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager.

The Trustees receive quarterly reports from the Investment Manager and meet with their representatives periodically to review their investment performance and processes.

The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise the manager has had in meeting its objectives, both financial and non-financial.

The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

The Trustees will consider on a regular basis whether or not the Investment Manager and Additional Voluntary Contribution (AVC) providers remain appropriate to continue to manage the Scheme's investments and AVCs.

15 Review of Statement

The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.

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For and on behalf of the Trustees of the British Board of Agrément Pension and Life Assurance Scheme

Date: 29 November 2024

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme's invested assets is as follows:

Asset Class	Fund	Target Asset Allocation
Growth Assets		
Multi-asset income	LGIM Retirement Income Multi-Asset Fund	10.0%
Total Growth Asset Allocation		**10.0%**
Protection Assets		
Self-sufficiency credit	LGIM Self-Sufficiency Credit Fixed Short Fund LGIM Self-Sufficiency Credit Fixed Long Fund LGIM Self-Sufficiency Credit Real Short Fund LGIM Self-Sufficiency Credit Real Long Fund	70.0% ± 10.0%
LDI solution (including Cash)	LGIM Matching Core Fixed Short Fund LGIM Matching Core Fixed Long Fund LGIM Matching Core Real Short Fund LGIM Matching Core Real Long Fund LGIM Sterling Liquidity Fund	20.0% ± 10.0%
Total Protection Asset Allocation		**90.0%**
Total Asset Allocation		**100.0%**

The LDI solution includes holdings in the LGIM LDI funds and the LGIM cash fund, where the latter is in place to provide a collateral pool to facilitate effective management of collateral calls and distributions made by the LDI manager. The LGIM cash fund is the first source of capital in the Scheme's 'collateral waterfall', followed by the LGIM multi-asset income fund.

The balance of assets invested within protection assets can be expected to vary over time, as market conditions and levels of hedging exposure provided by the self-sufficiency credit and LDI funds change. The allocation ranges to self-sufficiency credit and the LDI solution are intended to reflect expected ranges of these asset classes as market conditions change, as well as allowing for the cashflow requirements of the Scheme and to meet the Trustees' underlying objective to maintain the Target Hedging Ratios.

A.2 Investment Managers

The Trustees entered into a contract with LGIM in September 2017. The Investment Manager undertakes day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.3 Target Hedging Ratios

The LGIM self-sufficiency credit and LDI funds provide the Scheme's hedging exposure, where the Target Hedging Ratios, set relative to the value of the funded liabilities calculated on the Technical Provisions funding basis, are as follows:

	Target Hedging Ratio
Interest rate risk	100%
Inflation risk	100%

A.4 Fund Performance Benchmarks and Objectives

The multi-asset income fund and cash fund used by the Scheme are actively managed, with objectives to outperform specified market benchmarks, as summarised below:

Fund	Benchmark	Performance Objective
LGIM Retirement Income Multi-Asset Fund	Bank of England base rate	To outperform the benchmark by 3.5% p.a. (gross of fees) over the course of an investment cycle with lower levels of volatility compared to equity markets.
LGIM Sterling Liquidity Fund	Sterling Overnight Index Average (SONIA)	To provide a cash-like return, comparable with the benchmark.

The LGIM Retirement Income Multi-Asset Fund has an additional objective to support the sustainable drawdown of around 6% per annum of its assets over the longer term, with limited transaction costs applying on withdrawal of income.

The LGIM Self-Sufficiency Credit Funds and LGIM Matching Core Funds are also actively managed, and aim to each provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate risk, and inflation risk in the case of the 'real' funds. The LGIM Self-Sufficiency Credit Funds also have an objective to generate income to match defined profiles of benefit payments.

The practical implementation of hedging and income generation within the self-sufficiency credit and LDI funds is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method.

A.5 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
LGIM Retirement Income Multi-Asset Fund	0.350% p.a.
LGIM Self-Sufficiency Credit Funds	0.180% p.a.*
LGIM Matching Core Funds	0.180% p.a.
LGIM Sterling Liquidity Fund	0.125% p.a.

*Discounted from 0.200% p.a. until further notice.

In addition, LGIM also charge a flat administration fee of £1,000 per annum.

A.6 Additional Voluntary Contributions

In the past, the Scheme provided a facility with the Equitable Life Assurance Society (which was subsequently transferred to Utmost Life and Pensions) and the Prudential Assurance Company for members to pay AVCs to enhance their benefits at retirement. Since the Scheme is now closed to future accrual, no new contributions can be made in respect of AVCs. However, members who paid AVCs in the past retain investments in respect of those contributions.