
Scottish Milk Limited Retirement Benefits Plan

Statement of Investment Principles

1. Background

This Statement sets down the principles governing decisions about investments for the Scottish Milk Limited Retirement Benefits Plan (the “Plan”) to meet the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent Regulations. Before preparing it we have consulted First Milk Limited (the “Company”) and obtained and considered written professional advice from our investment consultant. We will review this Statement every three years.

Our investment responsibilities are governed by the Plan’s trust deed: a copy of the relevant clause, of which this Statement takes full regard, is available on request.

2. Investment Policy

Our main aims are:

- To make sure that we can meet our obligations to the beneficiaries of the Plan;
- To pay due regard to the Company’s interests on the size and incidence of employers’ contribution payments.

As a key step to achieving these aims, the Trustees, following consultation with the Company, entered into a bulk annuity contract with Just. Just is authorised by the Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK. All future benefits payable from the Plan will be funded by the bulk annuity policy.

3. Day to Day Management of the Assets

The Trustees have appointed Just as their annuity provider, having considered the written advice from their risk transfer advisor, PwC, who the Trustees consider to be suitably qualified to provide such advice, and their legal advisor.

The Trustees also hold cash within the Trustee Bank Account to meet ongoing expenses.

4. The Trustees' Risk Management Methodology

Whilst the majority of Plan assets are invested through the purchase of the bulk annuity policy with Just, the Trustees appreciate that there does remain an element of risk, such as:

- **Counterparty risk:** The principal risk facing the Trustees and Plan members is that Just may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contract, the Trustees obtained and carefully considered professional advice regarding the suitability of Just as a provider. In addition, the Trustees are aware of regulatory oversight and intervention, and ultimately that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS") and the Pension Protection Fund ("PPF").
- **Liquidity risk:** This is measured by the level of cashflow required by the Plan over a specific period. The Trustees do not expect to be able to obtain cash/liquidity from the bulk annuity policy other than in respect of benefits insured with Just. The Trustees hold the residual assets in the Trustee Bank Account, which can provide additional liquidity for the Plan when required.
- **Lack of diversification:** The Trustees recognise that the decision to invest in a bulk annuity contract with a single provider, whilst reducing operational risks and complexity, represents a concentration of risk. However, after careful scrutiny of the provider prior to transacting, the Trustees are satisfied that the degree of risk taken is acceptable. In addition, Just invest in a diverse portfolio of assets to mitigate this risk.

5. Rebalancing and Cashflow Policy

The Plan's principal assets are the bulk annuity policy with Just. As a result, all of the Plan's assets are represented by this policy, with the exception of the residual cash held in the Trustees bank account.

The residual cash is being held in order to aid the Trustees in meeting imminent cash outgo in connection with ongoing expenses that are to be met by the Plan.

6. Environmental, Social and Governance Issues

ESG, Governance and Climate Change

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Plan's assets are invested predominantly in an annuity contract with Just. The Trustees are reliant on the policies of Just on responsible investment and corporate governance and may review the policy from time to time as appropriate. To the extent

that it is applicable, the Trustees have delegated consideration of ESG factors, including climate change consideration, and exercising voting rights and stewardship obligations attached to the investment to Just. Given the investment arrangement, the Trustees recognise that they have low exposure to risks arising from long-term sustainability issues, including climate change.

The Trustees do not consider the ESG policies of the AVC providers and associated investments funds as these are a small proportion of total assets.

Member views

The Trustees do not explicitly consult members when making investment decisions but regularly update members via newsletters and by making a copy of the Statement of Investment Principles available on request.

7. Additional Voluntary Contributions

The Scheme provided a facility for members to pay AVCS that are invested in a range of options through Clerical Medical and the Standard Life Assurance Company. The AVC facility was closed many years ago and the assets invested now make up a very small proportion of the Plan's total assets. The Trustees monitor the AVC arrangements on an annual basis and seek expert advice (when required) to ensure the charges and performance remain competitive.

8. Compliance with this Statement

We, the Trustees, and Mercer, our consultants, each have duties to perform to ensure compliance with this Statement. These are:

The Trustees will review this Statement regularly (or following any changes to the investment arrangements) on the advice of Mercer.

Mercer, our consultants, will provide the advice needed to allow us to review and update this Statement regularly.

Signed Zahir Fazal

Date 9 September 2024

For and on behalf of the Trustees of the Scottish Milk Limited Retirement Benefits Plan

Date of Amendments

First Amendment:	June 2000	Ninth Amendment:	May 2009
Second Amendment:	September 2000	Tenth Amendment:	February 2012
Third Amendment:	April 2002	Eleventh Amendment:	May 2015
Fourth Amendment:	October 2002	Twelfth Amendment:	October 2016
Fifth Amendment:	December 2003	Thirteenth Amendment:	May 2019
Sixth Amendment:	July 2005	Fourteenth Amendment:	September 2020
Seventh Amendment:	January 2006	Fifteenth Amendment:	October 2022
Eighth Amendment:	June 2008	Sixteenth Amendment:	July 2024