Brambles United Kingdom Pension Plan (the "Plan")
Statement of Investment Principles (the "Statement")

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 30 September 2020. PTL Governance Limited as sole trustee to the Brambles Consolidated Pension Schemes (the Trustee) will review this Statement and the Plan's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

Consultations Made

The Trustee has consulted with the employers, Brambles U.K. Limited, and Brambles Holdings (UK) Limited, prior to writing this Statement and will take the employers' comments into account when they believe it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Plan. The Trustee has obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited which is authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Plan's assets has been delegated to the investment manager which is authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Plan.

Objectives and Policy for Securing Objectives

The Trustee's objectives for setting the investment strategy of the Plan have been set with regard to the Plan's Actuarial Valuation Report.

The Trustee's primary objectives are:

- "funding objective" - to ensure that the Plan is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employers;

- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Plan's investment strategy; and

- "security objective" – to ensure that the solvency position of the Plan (as assessed on a gilt basis) is expected to improve. The Trustee will take into account the strength of employers' covenant when determining the expected improvement in the solvency position of the Plan.

Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Plan, its cashflow requirements, the funding level of the Plan and the Trustee's objectives.

The assets of the Plan are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Plan’s technical provisions (the liabilities of the Plan) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.

The assets of the Plan are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made by the Plan's investment manager in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Plan’s investment strategy targets a return of 1.6% p.a. above that of an investable proxy of the Plan’s liabilities.

The Plan has a target inflation-linked hedge of 100% and a target interest hedge of 100%, both scaled to the value of the Plan’s investments. The Trustee has allowed **Aon Investments Limited (“AIL”)**, the fund manager responsible for the Scheme's liability hedging, the discretion to actively manage the target hedge ratios.

The Balance Between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from investment strategy.

It therefore retains responsibility for setting the investment strategy and takes expert advice as required from its professional advisers.

Additionally, the Trustee has appointed AIL's Delegated Consulting Service ("DCS") to manage the Plan's assets. Within both the Growth Component and Liability Hedging Component of DCS, the Trustee has delegated responsibility to set the asset allocation to AIL. This has been done to further aid the diversification of the Plan's assets and to reduce the investment risk relative to the Plan's liabilities.

The Trustee reviews the investment strategy following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way). The Trustee takes written advice from their professional advisers regarding an appropriate investment strategy for the Plan.

A broad range of available asset classes has been considered. This includes consideration of so called “alternative” asset classes (including but not limited to property, absolute return funds and insurance linked securities) and liability driven investment (LDI), which seeks to match the movement of the liabilities. AIL will retain oversight of the alternative asset classes and allocation decisions related to them.

Investment Risk Measurement and Management

The key investment risks are recognised as arising from investment strategy. These are assessed triennially in conjunction with the actuarial valuation of the Plan, following which the Trustee takes advice on the continued appropriateness of the existing investment strategy. A check is made as to whether the funding and investment strategy remains on target to achieve the original objectives, and within acceptable parameters. If not, then corrective action is considered by adjusting investment policy or through amendments to the contribution plan.

The Trustee and its advisers considered the risk of failure of the Plan’s sponsoring employer when setting investment strategy and have consulted with the sponsoring employer as to the suitability of the proposed strategy.

The Trustee monitors the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by its professional advisors. Manager out-performance targets are detailed in the Appendix to this Statement. The Trustee has appointed Aon Hewitt Limited to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside of the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than mandated.

The Trustee recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustee also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

Arrangements with Asset Managers

The Trustee recognises that the arrangements with AIL, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustee receives regular reports and verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy and assess AIL over rolling 3-year time periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustees in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with AIL and request that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying asset managers to AIL. AIL monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

This includes monitoring the extent to which the underlying asset managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment.

The Trustee relies on appropriate governing documentation, with clear expectations and regular monitoring, to ensure AIL make decisions that align with its policies based on assessments of medium- and long-term financial and non-financial factors.

Where AIL is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically engage with AIL to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with AIL although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the employers.

Expected Returns on Assets

Over the long-term the Trustee's expectations are:

- for the "growth" assets (DCS Growth Component), to achieve asset growth in excess of the growth of the Plan's liabilities over the long term. The Trustee is willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;

- for the "matching" assets (DCS Liability Hedging Component), to match a percentage of the Plan's fixed and interest and inflation-linked liabilities through the use of bonds and gilt derivative instruments, interest rate swaps, and / or inflation swaps. The Trustee is willing for the percentage match to move underweight versus its target to take advantage of pricing opportunities in these instruments.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and fund managers.

Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

Environmental, Social, and Governance ("ESG") considerations

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee considers investment risk (defined as "financially material"[1]) to include ESG factors (which includes climate change). These risks could negatively impact the Plan's investments. The Trustee considers these risks by taking advice from its investment adviser.

The Trustee has appointed AIL to manage the Plan's assets. AIL invests in a range of underlying investment vehicles. As part of AIL's management of the Plan's assets, the Trustee expects AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;

- Use its influence to engage with underlying managers to ensure the Plan's assets are not exposed to undue risk; and

- Report to the Trustee on its ESG activities as required.

Stewardship – Voting and Engagement

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.

The Trustee annually reviews the stewardship activity of AIL to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustee receives annual reports on stewardship activity carried out by AIL. These reports include detailed voting and engagement information from underlying asset managers where appropriate and relevant.

As part of AIL's management of the Plan's assets, the Trustee expects it to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustee's voting rights in relation to the Plan's assets; and

- Report to the Trustee on stewardship activity by underlying asset managers as required.

The Trustee will engage with AIL as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained. Where voting is concerned the Trustee would expect underlying asset managers, to recall stock lending, as necessary, in order to carry out voting actions.

The Trustee may engage with AIL, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

Members' Views and Non-Financial Factors

In setting and implementing the Plan’s investment strategy the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[2]).

Additional Voluntary Contributions (“AVCs”) Arrangements

Some members obtain further benefits by paying AVCs to the Plan. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of the AVC providers and fund options are included in the Appendix to this Statement.

The Trustee reviews the choice of AVC investments available to members triennially to ensure that they remain appropriate to the members' needs.

This Statement of Investment Principles, taken as a whole with all the Appendices, was approved by the Trustee of the Brambles United Kingdom Pension Plan on 25 September 2020.

Brambles United Kingdom Pension Plan
Appendix I to the Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below.

1. Investment Management Arrangements

The following describes the mandates given to the fiduciary manager within each asset class.

Fiduciary management Portfolio Component	Manager	Benchmark	Performance Objective
DCS Liability Hedging	AIL	Plan's liabilities proxied by their sensitivity to inflation and interest rate movements, rescaled to 100% of the Plan's total asset value	Outperform the benchmark by 1.6% p.a. over rolling 3 year periods (net of fees and costs)
DCS Growth	AIL		

1.1 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Plan's administrator.

2. Fee structure for advisers and managers

2.1 Advisers

The Trustee's investment advisers are paid for advice received on the basis of an agreed annual fee which covers all services needed on a regular basis, including quarterly monitoring of the performance of the Plan's investments and its managers as well as attendance at Trustee meetings. For significant areas of advice that are agreed to be outside of the contract, the Trustee will endeavour to agree a project budget.

2.2 Cost Transparency

The Trustee is aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred.

The Trustee receives annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Plan;
- The fees paid to AIL;
- The fees paid to the underlying asset managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the asset managers appointed by AIL;

    - The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying asset managers appointed by AIL;

- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc)

- The impact of costs on the investment return achieved by the Plan.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying asset managers appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by AIL in two key cost areas:

- The ability of AIL to negotiate reduced annual management charges with the appointed underlying asset managers;

- The ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying asset managers and achieve efficiencies where possible

The Trustee assesses the (net of all costs) performance of AIL on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The remuneration paid to AIL and fees incurred by third parties appointed by the AIL are provided annually by AIL to the Trustee. This cost information is set out alongside the performance of the AIL to provide context. The Trustee monitors these costs and performance trends over time.

3. Additional Voluntary Contributions

The Trustee has made available a with-profits fund managed by Prudential for AVCs. The Trustee reviews the Plan's AVC arrangements from time to time. The last review took place in February 2018.

The funds are managed by Prudential, BlackRock Investment Management (UK) Limited ("BlackRock") (formerly Barclays Global Investors) and Aberdeen Asset Management ("AAM"). The current structure is listed below.

Fund	Manager
Cash Fund	Prudential
Fixed Interest Fund	Prudential
Global Equity Index Tracker	BlackRock Aquila 60/40
Discretionary Fund	AAM
Socially Responsible Fund	Prudential
UK Equity Fund	AAM
Global Equity Fund	Prudential
Property Fund	Prudential
Lifestyle Fund	BlackRock Aquila 60/40 / Prudential Cash
With Profits	Prudential

A default investment option has also been implemented using Prudential's Lifestyle Fund. BlackRock Aquila's 60/40 Global Equity Index Fund is the default for the initial/'growth' stage, and a switching period of 5 years has been implemented. A 'Lifestyle into Cash' route is followed for the 'matching' stage.