

Booker Pension Scheme

Statement of Investment Principles – September 2025

1. Introduction

The Trustee of the Booker Pension Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) . The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustee’s investment responsibilities are governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with Booker Limited (the “Sponsor”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme’s investment arrangements and, in particular on the Trustee’s objectives.

2. Process For Choosing Investments

The Trustee has agreed an investment strategy for the Scheme that it believes best reflects the investment objectives described in Section 3 below, and has delegated the implementation of the strategy to Mercer, who act as the fiduciary investment manager.

In this capacity, and subject to agreed restrictions, the Scheme’s assets are invested in pooled 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 day-to-day management of the Mercer Funds to third party investment managers. Those underlying investment managers will manage either a sub-fund or certain segments of a sub-fund.

Mercer as the fiduciary manager has been appointed to use its 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 towards meeting the Scheme’s Investment Objectives (see Section 3 below). This allows the Trustee to focus on strategic investment matters.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee understands that taking some investment risk, with the support of the Sponsor, may be necessary to improve the Scheme's funding position. The Trustee recognises that investment in credit investments will bring some volatility to the funding level relative to a portfolio that is 100% in liability matching assets, but this risk is accepted in the expectation of improvements in the Scheme's funding level through asset outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective the Trustee's further objectives are:

- By means of an agreed combination of investment return and funding from the Sponsor, to reach full funding on a "safe harbour" (gilts + 0.5% p.a.) funding target by 31 December 2028. The safe harbour target broadly reflects a low-risk investment strategy designed to meet future benefit payments.
- To recognise that full funding on the "safe harbour" basis may be part of a longer journey plan towards securing members' benefits in full with an insurance company. This may influence the extent to which investment risk is removed over time depending on the level of financial support available from the Sponsor.

The Trustee recognises that the safe harbour target ultimately suggests investing in a portfolio predominantly consisting of liability matching investments, but believes that at the current time some investment in credit assets is justified to target enhanced return expectations and thereby funding level improvements. The Trustee recognises that this introduces some investment risk and these risks are discussed below.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 8.

4. Risk Management and Measurement

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 as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities, and the Sponsor's ability to support this mismatch risk.
- The Trustee recognises that whilst increasing investment risk increases potential returns over the long term, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities, as well as producing more volatility in the funding position. To mitigate this risk, the Trustee carefully considers the implications of adopting different levels of investment risk, taking into account the Sponsor covenant. Having taken advice, the Trustee has set the asset allocation such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3 taking into account agreed levels of contributions from the Company.
- Whilst moving towards the target funding level, the Trustee recognises that even if the Scheme's assets are fully invested in liability matching assets there may still be a mismatch between the interest rate and inflation sensitivity of the Scheme's assets and its liabilities. To mitigate this risk, the Trustee has put in place an interest rate and inflation protection strategy .

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated asset allocation decisions within the liability matching (“hedge management”) and credit portfolios (“non hedge-management”) to its fiduciary manager, Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the portfolio.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return targeted. To help the Trustee ensure the continuing suitability of the investments, Mercer provides the Trustee with quarterly reports regarding the performance of the investment strategy and underlying asset managers appointed to enable the monitoring of differences between the expected and experienced levels of risk and return.
- The Trustee recognises that the use of active investment managers involves risk. The Trustee has delegated decisions regarding management style to Mercer. For specific asset classes, active manager risk may be outweighed by potential gains from successful management. Likewise, passive management may be used for one of a number of reasons, such as to diversify and reduce risk and cost, and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.
- To help diversify manager-specific risk, the Trustee expects that the Scheme’s assets, through the fiduciary management arrangements, are managed by appropriate underlying asset managers.
- The Trustee does not typically invest in long term illiquid securities that are not traded on regulated markets. However, should the Scheme’s assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would 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 would 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 and Mercer as the fiduciary manager have carefully considered the Scheme’s liquidity requirements and time horizon when setting the investment strategy. The Trustee has considered the potential benefits of illiquid assets such as private debt, but following receipt of advice and in consultation with the Sponsor, the Trustee has decided not to invest in such assets in order to retain flexibility in the investment strategy and to mitigate illiquidity risk.
- At some point in the future the Trustee may wish to investigate securing some of the Scheme’s liabilities with an insurance company through a “buy-in” policy. The Trustee and Mercer as the fiduciary manager recognise that investment in illiquid assets in the meantime may have implications for the purchase of a buy-in policy, and this is another reason why the Trustee has decided that private markets are not currently suitable for the Scheme.
- For leveraged mandates held by the Scheme (such as those within Liability Driven Investment assets), a collateral framework is in place with ongoing monitoring by Mercer of the levels of liquidity, leverage and collateral buffers.
- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging arrangements.

- The Trustee recognises that environmental, social and governance (ESG) concerns, including climate change, have a financially material impact on return. Section 8 sets out how these risks are managed.
- In relation to the safekeeping of assets, responsibility for the safe custody of the Scheme's assets is delegated to MGIM who has appointed State Street Custodial Services (Ireland) Limited as custodian of the assets invested in their funds. MGIM is responsible for keeping the suitability of the custodian under ongoing review

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.

5. Investment Strategy

Given the funding strategy and investment objectives, the Trustee has established the investment strategy detailed in the table below. The Trustee believes that the investment strategy is appropriate for controlling the risks identified in previous sections.

	Benchmark Allocation (%)
Diversified credit	39
Tailored credit	26
Liability matching	35

- The diversified credit portfolio is expected to include a diversified portfolio of investments which may include multi-asset credit, trade finance, absolute return fixed income, and emerging markets debt.
- The tailored credit portfolio is comprised of corporate bonds. The portfolio seeks to generate income by investing in fixed income securities, primarily denominated in Sterling.
- The liability matching portfolio is comprised of liability driven investment (LDI) funds, government bonds, and cash.

6. Realisation of Investments

The Trustee on behalf of the Scheme holds shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Rebalancing and Cash Flow

Responsibility for monitoring the Scheme's asset allocation, and undertaking any rebalancing activity, is delegated to Mercer. As a predominantly buy and hold portfolio, there is no automatic rebalancing. The sub-allocations within the main asset categories documented in section 5 above will be updated by Mercer from time to time in accordance with the Investment Objectives and Mercer's latest investment views. In certain scenarios and as Mercer deems appropriate, the balance between the main asset categories may be reviewed and amended towards the benchmark allocations shown in Section 5 above. Cash flows, whether positive or negative are invested or disinvested as soon as reasonably practicable at Mercer's discretion. Mercer is responsible for raising cash flows to meet the Scheme's requirements in conjunction with the Scheme's administrator and the Trustee. Mercer is also responsible for putting a robust collateral framework in place and monitoring collateral requirements for any leveraged mandates held by the Scheme.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer. Any significant adjustments to the investment strategy or the Investment Management Agreement, including the strategic asset allocation, will be carried out in consultation with the Sponsor.

8. Environmental, Social, and Governance (ESG) Issues including Climate Change

Overview

The Trustee believes that 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.

The Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their corporate governance policies and current best practice, including the UK Stewardship Code.

The United Nations' Sustainable Development Goals inform Mercer's long term investment beliefs and direct the overall approach when it comes to converting systemic risks into investment opportunities as outlined in Mercer's Sustainability Policy.

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 in the monitoring process. 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 such as carbon footprinting for asset classes where relevant and data is available, and / or climate transition analysis for relevant portfolios.

The Trustee has established a "net zero" absolute carbon emissions target by 2050. This target is aligned with Mercer's fiduciary management of the portfolio and with the targets of the Scheme's employer. Mercer has committed to net zero absolute carbon emissions by 2050 for all UK fiduciary management clients with discretionary portfolios such as the Scheme.

Mercer undertake climate scenario modelling and stress testing on the Mercer multi-sector funds used by the Scheme, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The findings of the modelling are integrated by Mercer into the Scheme's asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

The Trustee recognises potential conflicts 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.

Member Views

Whilst members' views are not taken into account in the selection, retention and realisation of investments, the Trustee welcomes views from members. Members have a variety of methods by which they can make views known to the Trustee. The Trustee informs members of its investment policies and their implementation annually via the Engagement Policy Implementation Statement.

Monitoring Arrangements

The Trustee receives the following reporting on at least an annual basis:

- The Mercer Sustainability Policy. This policy includes details of sustainability-related disclosures in the financial services sector ("SFDR") implementation, as well as information on the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, MGIE's signatory status to the UK chapter of the 30% Club.
- Stewardship reporting which assesses each underlying manager's record of executing and disclosing voting activity (where voting rights apply, though we note that as the Trustee no longer invests in equities, voting rights are unusual), and the extent to which they are engaging with the underlying companies in which they invest. These details are included in the Engagement Implementation Policy Statement as part of the annual report and accounts and is available online.
- Research ratings of the underlying investment managers, which incorporate ESG research and views. These ratings are disclosed in the quarterly performance report which is reviewed by the Trustee.
- Carbon footprint analysis on relevant asset classes where data is available. In addition, Mercer's Climate Change Management report highlights the approach to the TCFD framework in more detail, including example analysis on strategy and targets and metrics.

The Trustee has considered MGIE's exclusion framework. MGIE has given their appointed third party asset managers investment restrictions in relation to particular products or activities, which the Trustee will continue to monitor.

9. Policies with Respect to Arrangements with Asset Managers

When engaging Mercer as fiduciary investment manager to implement the Trustee's investment strategy, the Trustee seeks to ensure that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that it does not have the ability to determine the specific risk profile and return targets of individual Mercer Funds, but the Trustee expects Mercer to manage the assets in a manner that is consistent with the overall investment strategy. The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets managed by Mercer, to seek to renegotiate commercial terms, or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's investment strategy and the Mercer Funds in which the assets are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on medium to long-term financial and non-financial performance. From time to time, the Trustee will take independent advice on the performance of Mercer as its fiduciary manager against the investment objectives set by the Trustee.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of securities. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 8 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives and policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and is not looking to change the investment arrangements on an unduly frequent basis. However, the Trustee keeps those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described in this Statement.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee. The Trustee also takes periodic independent advice on the competitiveness of the fee arrangements in place.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annual MiFID II compliant Personalised Cost & Charges

statement. The Scheme's Personalised Cost & Charges statement also includes details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the strategy, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

10. Additional Voluntary Contribution (AVC) Assets

The Trustee is responsible for the investment of any AVCs paid by members, including legacy arrangements which are closed. The Trustee reviews these arrangements as appropriate, and takes investment advice as to the providers' continued suitability.

11. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes 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.