

General Mills UK Pension Plan

Statement of Investment Principles

February 2025

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Section 1: Introduction

- 1.1 This document constitutes the Statement of Investment Principles (“the Statement”) for the General Mills UK Pension Plan (“the Plan”).
- 1.2 The Plan's benefits are provided from a pension fund ("the Fund") where the assets are held under the legal control of the Plan's trustee, the General Mills Pension Trustee Limited ("the Trustee"), under a trust constituted between the Principal Company, General Mills UK Limited ("the Company"), and the Trustee. The operation of the Plan is governed by a Definitive Trust Deed, dated 4 April 2014, and any subsequent Deeds of Amendment.
- 1.3 The purpose of this Statement is to document the investment principles, guidelines and procedures which are appropriate for the Plan, in a manner conforming to the Pensions Act 1995 (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement has been prepared in accordance with Section 35 of the Act.
- 1.4 This statement was formally established by the Trustee after taking professional advice from Willis Towers Watson (the “Investment Adviser”). The Plan’s Investment Adviser is believed by the Trustee to be qualified by their ability in and practical experience of the management of investments of trust-based occupational pension schemes. This statement will be reviewed from time to time (see section 12 below).
- 1.5 Any party providing services in connection with the operation of the Plan shall accept and adhere to this Statement. However, the Trustee recognises that its contractual relationship with its Investment Manager is governed by the terms of the Investment Management Agreement (“the Mandate”).

This statement remains the property of the Trustee. Reproduction of any kind by other parties, otherwise than for the purpose of the Plan, is not permitted without prior agreement of the Trustee Directors.

- 1.6 This document is not to be read as the Trustee Directors giving financial advice to members.

Section 2: Trustee objectives and administration of the fund

- 2.1 The Trustee is responsible for all aspects of the Plan, including this Statement. However, the Company has been consulted regarding the contents of the Statement as required by the Act.

Objectives

- 2.2 The Trustee has a duty to act in interests of the beneficiaries of the Plan. The Trustee's primary investment objective, therefore, is to maintain solvency and control of the risk of insolvency at an appropriate level.
- 2.3 One of the Trustee's objectives is to ensure that the investment strategy (i.e. mix of the Plan's investments between the various asset classes) does not jeopardise the payment of benefits. Protection of solvency can be achieved in the short term by investment in assets that seek to match so far as possible the nature and term of the liabilities. However, it is not possible to match the liabilities exactly over the long term. Consequently longer-term protection of solvency depends on the continued support from the Company, both in terms of its future contributions and its underwriting of the benefits.
- 2.4 The expected long-term contributions required from the Company, depend in part on the long-term real rate of return (i.e. return in excess of inflation) earned on the Plan's assets. The investment strategy adopted by the Trustee affects the realised long-term return. Although an investment strategy with a relatively low expected real return may reduce the volatility of the Plan's funding level and contribution rate, it may jeopardise the Company's continued support of the Plan since the strategy would lead to relatively higher anticipated costs.
- 2.5 Key short term funding objectives for the Plan are that:
- a the value of assets should at least equal the value of liabilities calculated on a scheme-specific funding basis; and
 - b the Plan should have access to adequate readily available funds so as to ensure that benefits can be paid as and when they fall due.
- 2.6 The Trustee recognises the importance of maintaining solvency of the Plan. Solvency can be measured in various ways for example, it may be measured as the cost of securing benefits with an insurance company in the event of the Plan being discontinued or on the Plan's funding basis, which is used to determine the contributions to be paid by the Company.

Administration

- 2.7 The Trustee also seeks regular advice from the Plan's Actuary and Investment Adviser.
- 2.8 The Trustee maintains a description of the manager structure and keeps current copies of all Investment Manager Mandates, insurance policies, proposal forms and related documents.

- 2.9 The Trustee shall not select securities for the Plan except for the selection of Pooled Funds. The Trustee shall retain one or more independent professional investment managers to invest the Fund.
- 2.10 The Trustee may rely on independent experts for certain aspects of the Plan's operations where expert knowledge is required or desired or where a potential or actual conflict of interest exists.
- 2.11 Financial statements of the Plan will be audited by an independent auditor in accordance with applicable statutory requirements.
- 2.12 The Trustee invests entirely in pooled funds. The custodian for the assets of those funds is appointed by the funds or their managers rather than by the Trustee.
- 2.13 The Trustee does not consult with members when determining the investment strategy.

Section 3: Plan overview

- 3.1 The Plan has the following provisions:
- a for members who joined the Standard Defined benefit section between 31 October 2002 and 21 March 2007, 1.6% of Final Pensionable Pay accrued for each year of Pensionable Service. This section was closed to new entrants on 21 March 2007.
 - b for members active prior to 31 October 2002, there are three levels of cover
 - I. Silver – 1.6% of Final Pensionable Pay accrued for each year of Pensionable Service
 - II. Gold – 2.0% of Final Pensionable Pay accrued for each year of Pensionable Service
 - III. Executive – 2.5% of Final Pensionable Pay accrued for each year of Pensionable Service.
- 3.2 The Plan closed to future accrual of benefits on 5 April 2023.
- 3.3 Plan members have no direct exposure to investment risk, although they have an interest in the security of the accrued benefits (i.e. the extent to which the Fund is sufficient to meet the present value of the accumulated benefits earned to date).
- 3.4 The Trustee, in conjunction with the Plan's Actuary, undertake a formal actuarial valuation every three years to assess the Plan's assets and liabilities (technical provisions) and the level of contributions required by the Company (documented in the Plan's Schedule of Contributions). The last formal valuation was carried out with an effective date of 5 April 2020. The funding level and contribution rates are to be reviewed at regular intervals.
- 3.5 Member contributions are detailed in the Trust Deed and Rules and can be paid using salary exchange.

Section 4: Permitted categories of investment

- 4.1 The Trustee has very wide powers of investment under the Trust Deed and Rules and Section 34(1) of the Pensions Act 1995. Details of the investment powers and permitted categories of investment can be found in clause 2 of the Trust Deed and Rules.

In addition to such limits as are set out in the Trust Deed and Rules, individual managers are required to adhere to the specific limitation set out in the individual investment manager agreements, insurance policies or proposal forms and this statement.

Section 5: Asset allocation, expected return and risk

Asset allocation

- 5.1 The policy asset allocation reflects a balance between investment in liability-matching assets (which are sensitive to movements in interest rates and inflation) and return-seeking assets (which are expected over the long term to provide higher returns and some level of inflation protection). Consideration was given to the factors outlined in Section 2, together with:
- a the long-term nature of the liabilities; and
 - b the Company's ability to absorb cost fluctuation.
- 5.2 The approximate asset allocation and relevant performance benchmarks for the individual funds are as follows:

Asset Class	Performance Benchmark Index	Approximate allocation (%)
Diversified Growth Fund (DGF)*	FTSE Developed World Index - 50% GBP Hedged**	30.0
LDI portfolio***	Plan-specific benchmark	70.0
TOTAL		100.0%

* LGIM's Diversified Fund

** This is a 'comparator' index, rather than a benchmark. The long-term expected rate of return of the Fund is broadly similar to that of a developed market equity fund

*** Initial allocation, following implementation the allocation to this fund will not be automatically rebalanced

- 5.3 The non-LDI assets are invested with Legal & General Investment Management in pooled funds. The LDI portfolio is managed on a delegated basis – see 5.5 to 5.8 below.
- 5.4 Cash and cash equivalents may also be held from time to time on a short-term, temporary basis.

LDI portfolio

- 5.5 The Trustee has implemented an LDI portfolio in order to reduce the risks posed to the Plan by future changes in interest rates and inflation.
- 5.6 The Trustee has delegated authority of the design and ongoing management of the LDI portfolio to the LDI investment manager (currently LGIM). That is, LGIM have discretion to choose the specific funds in which the Plan is invested. LGIM will select appropriate funds in order to meet the objectives set by the Trustees and monitor the performance of the portfolio against these agreed objectives.

- 5.7 The LDI portfolio has been designed to broadly hedge 100% of the impact of changes in interest rates and inflation on the Plan’s technical provisions liabilities. For convenience, this has been defined as 87% of the Plan’s liabilities, valued on a gilts-flat basis. LGIM have been provided with an investable liability proxy for this purpose.
- 5.8 The hedge design will be reviewed periodically, typically in conjunction with the Plan’s triennial valuation, or sooner in the event of a significant change in the membership profile. The hedge design is currently in the process of being reviewed and is set to be updated in the first half of 2025 with the aim of hedging 95% of the Plan’s liabilities, valued on a gilts-flat basis.

Future cashflows

- 5.9 The Plan holdings at LGIM are currently split into two sections: DGF (012) and LDI (000). Each time cash flows are made into or out of the Plan’s holdings, the Trustee will instruct the investment manager on the section to which the cash flows should be applied. If the LDI section is chosen, LGIM will determine which assets to buy/sell in line with the arrangement set out in 5.5 to 5.8.
- 5.10 The current default option is to apply cash flows to the LDI section, but the Trustee will keep this under review.

Expected Risk and Return

- 5.11 Based on analysis undertaken as at 31 December 2023, the Plan’s expected risk and return metrics based on the portfolio set out in 5.2 are as follows:

General Mills UK Pension Plan	Risk/Return
Best estimate return (10 year) above gilts	0.94% pa
One year 95% Value at Risk (VaR) excluding longevity risk	£2.8m

Risk commentary

- 5.12 The risks inherent in the investment strategy over a market cycle (a five to ten year period) are:
 - a the risk that the market returns will not be in line with expectations; and
 - b the risk of annual volatility of returns, which means that in any one year the actual return may be very different from the expected return (such return may also be negative).

- 5.13 The Trustee recognises that the investment of assets in financial markets results in an exposure to risk. Risks take many forms. In an attempt to control the level of risk to which the Plan’s assets are exposed, the Trustee has introduced a number of policies and procedures. These include investing assets in pooled funds so that there is sufficient liquidity for the needs of the Plan and that diversification of investment is achieved.

The table below sets down some key risks identified by the Trustee and the measures taken to control these risks in a satisfactory way. The measures do not render the investment strategy free of risk. Rather, the measures endeavour to balance the need for risk control and the need

to allow the investment managers sufficient flexibility to manage the assets in such a way as to achieve the required performance target:

Summary of Risks and Control Measures	
Risk	Control Measure
Under funding on a discontinuance or ongoing basis	Regular monitoring of funding position
Future changes in interest rates and inflation	Implementation of an LDI portfolio to limit the impact on the Plan's technical provisions basis.
The investment manager adopting extreme positions to achieve Trustee's performance target	Investing in pooled funds with defined goals and restrictions
Security of Plan assets	Appointment of an independent custodian by the Manager
Underperformance against the benchmark by the investment manager	Monitoring of performance on a quarterly basis
The assets not being marketable when cash requirement enforce security sales	Investing in pooled funds which in turn invest in liquid marketable securities
The concentration of assets in any particular investment	The approach adopted by the Trustee deliberately targets a diversified asset allocation
The level of overseas investment	Hedging a proportion of the overseas currencies that can be hedged efficiently.

Section 6: The Investment Manager

- 6.1 The DGF mandate is managed on an active basis by Legal & General Investment Management, whose performance targets are set out in section 5.2.
- 6.2 The LDI mandate is actively managed by Legal & General Investment Management, whose performance targets have been defined in relation to the Plan's liabilities, as set out in section 5.5 to 5.8.
- 6.3 Legal & General were appointed by the Trustee following advice given by the Investment Adviser.
- 6.4 The Trustee believes that it has taken reasonable steps to satisfy itself, and it is satisfied, that the Investment Adviser has appropriate knowledge and experience for advising on the Plan's investments.
- 6.5 The Trustee believes that it has taken reasonable steps to satisfy itself, and it is satisfied, that the Manager has the appropriate knowledge and experience for managing the Plan's investments.
- 6.6 The Trustee will monitor the investment returns relative to the performance targets (details in Section 11).
- 6.7 The Plan may use different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular vehicle are consistent with its policies, where relevant to the mandate in question.
- 6.8 To maintain alignment, managers are provided with the most recent version of the Plan's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.
- 6.9 Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
- 6.10 For most of the Plan's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies (e.g. the LDI portfolio) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Plan's allocation to such mandates is determined in the context of the Plan's overall objectives.
- 6.11 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's

performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Fee details

- 6.12 The Trustee has set the fee structure for the Manager and to the Investment Adviser with reference to standard industry practice.
- 6.13 The Manager charges a percentage of the average value of the Plan's holding. This percentage varies between pooled funds. In addition, a fee is paid for the management of the LDI portfolio.
- 6.14 Fees are outlined in the Manager's Agreement and the Investment Advisers Agreement.
- 6.15 The Trustee reviews the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Section 7: Adviser responsibility

7.1 In accordance with the Acts and the Trust Deed and Rules, the Trustee has appointed independent parties to assist with certain aspects of the Plan’s operations where expert knowledge is required. Reliance on advice is conditional on the suitability of the adviser at the point of hiring as well as their ongoing suitability.

7.2 The following independent experts have been appointed by the Trustee:

- investment managers;
- the Plan Actuary;
- an investment adviser;
- an auditor;
- an administrator; and
- a solicitor.

7.3 The above advisers belong to one of three categories:

- statutorily required advisers;
- additional Trustee appointed parties; and
- other administrative support.

	Statutory Role	Additional Parties Appointed By Trustee	Administrative Support
Investment Manager		X	
Plan Actuary	X		
Investment Adviser		X	
Auditor	X		
Administrator			X
Solicitor		X	

Investment managers

The investment managers will be responsible for:

- investment of the assets allocated to them in accordance with a mandate as described in this Statement;

- compliance with the terms of the Investment Management Agreement;
- reporting to the Trustee and its Investment Adviser on a quarterly basis and in writing in respect of their performance for the quarter, the investment holdings and transactions, the intended strategy for the future quarter, deviation from the intended strategy for the preceding quarter and compliance with the mandate and agreement;
- provision to the Trustee on an annual basis, or whenever changes occur, of their policies and procedures relating to voting rights on securities, soft commission, professional standards, conflicts of interest and internal controls;
- advising the Trustee on an ongoing basis of any changes in their organisation, ownership, personnel or investment process;
- attending meetings of the Trustee board regularly;
- being available for meetings or discussions with the Trustee or its appointed advisers or committees on a reasonable basis; and

Plan Actuary

The Plan Actuary will perform all the services required of the actuary under the Plan's governing documents and will be the actuary in relation to the Act. The Plan Actuary is responsible for the provision of advice on financial questions relating to the funding of the Plan and on questions in respect of probabilities relating to mortality and other contingencies and any other matters relating to the actuarial affairs of the Plan.

Investment adviser

The investment adviser will be responsible for:

- advising the Trustee on investment policy;
- advising the Trustee on issues relating to the Plan and the investment managers as they arise; and
- monitoring the consistency of other documents with this Statement.

Auditor

The auditor will be responsible for auditing and preparing an auditor's report on the financial statements of the Plan as prepared by the Trustee with the assistance of its advisers.

Administrator

Amongst other roles, the administrator will be responsible for:

- administering the Trustee's bank account;
- paying benefits out of the Trustee's bank account; and
- transferring money to the investment managers as instructed by the Trustee.

The administrator will advise the Trustee in a timely manner of any cash needs which require disinvestment from the portfolio of invested assets.

Section 8: Diversification, restrictions, cash flow and disinvestment

Diversification

- 8.1 The uncertainty of future returns within each asset class and the uncertainty of future economic conditions mean that prudent diversification should be undertaken. The degree of diversification required will depend on the nature of each asset class.
- 8.2 Within each asset class, the Manager will be responsible for ensuring that a prudent level of diversification is maintained. As the Plan is invested through pooled funds, the Trustee recognises that it is unable to impose specific restrictions on the underlying investments (other than through its choice of funds and internal constitutions).

Investment restrictions

- 8.3 The investment restrictions imposed on the Manager are set out in the Investment Manager Agreement.

Cash flow management

- 8.4 The Trustee will regularly consider the likely cash flow position of the Plan and determine whether investment or disinvestment will be required. Procedures will be adopted to manage the cashflow position as follows:
- a Disinvestment procedures: the Trustee will, when possible, provide the Manager with reasonable notice of future cash needs.
 - b Disinvestment approval: the Manager may act only on written instruction containing two original signatures of authorised signatories as set out in the Investment Manager Agreement.
 - c Destination: any disinvestment to be paid anywhere other than to the Plan's bank account will require signatures of at least two of the Directors of the Trustee.
- 8.5 The Trustee will advise the Manager of any additions or deletions of authorised signatories when they occur and will provide the relevant specimen signatures.

Section 9: Corporate Governance and Socially Responsible Investment

- 9.1 The responsibility of exercising and directing voting rights acquired through Fund investments is delegated to the Manager, as the equity assets are invested in pooled funds. The Manager shall provide a copy of the Manager's voting rights policy, and any amendments thereto, to the Trustee.
- 9.2 The Manager shall maintain a record of how Fund voting rights have been exercised and shall, no less frequently than annually, affirm to the Trustee that they have complied with their voting rights policy. Where the Manager has voted in a manner different from their voting rights policy, the Manager shall provide the Trustee with an explanation regarding the rationale for departing from said policy.
- 9.3 The Trustee take account of financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of the Plan's investment time horizons and objectives. The Trustee consider sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework. The Trustee recognise the risk that if companies or governments in which the Plan (or members) invests fail to appropriately manage environmental, social and governance risks this may harm long term returns.
- 9.4 The Trustee policy is that day-to-day decisions relating to the selection, retention, and realisation of the Plan's assets is left to the discretion of the investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant. The Trustee explore these issues with its advisers to understand how the investment managers exercise these duties in practice.
- 9.5 Given the size of the Plan and its use of mainly passive management, the Trustee believe that shareholder engagement is the most effective approach through which it can best effect positive change and enhance long-term financial performance to the benefit of members. The Trustee have delegated responsibility for active shareholder engagement to the Plan's investment managers. The Trustee will review the investment managers' approach to shareholder engagement and voting records as part of their overall investment monitoring.

Section 10: Monitoring Investment Performance

- 10.1 The Trustee shall review on a regular basis, as needed:
- a the assets and net cash flow of the Fund;
 - b the current asset mix of the Fund;
 - c statistics on the investment performance of the Fund relative to any benchmark indices;
and
 - d the fees and expenses incurred in managing the Fund.
- 10.2 The Trustee shall meet with the Manager as necessary to discuss investment performance, investment strategies, expected future performance and any changes in the Manager's organisation, investment processes and professional staff.
- 10.3 The primary focus of performance assessment will normally be based on a moving three to five-year timeframe, however performance over shorter time periods will also be monitored and assessed. The Plan's assets are invested in passive pooled funds and are therefore expected to deliver returns broadly in line with the selected benchmark (before Manager fees). The Trustee will review the Managers if the actual performance differs from the benchmark return by a meaningful amount and over a sustained period.

Section 11: Policy Review

- 11.1 This Policy shall be reviewed at least annually in order to determine whether any modifications are necessary or desirable. Such a review shall consider whether there has been:
- a a fundamental change in the design of the Plan;
 - b significant revisions to the expected long-term trade-off between risk and reward on key asset classes;
 - c a major change in the actuarial calculation basis, the membership/liability distribution, or the contribution/expense expectation in respect of the Plan;
 - d a significant shift in the financial risk tolerance of the Company;
 - e shortcomings of the Policy that emerge in its practical operation;
 - f significant recommendations by the Manager;
 - g changes in applicable legislation; or
 - h changes in the Plan's governance structure.
- 11.2 A copy of this Policy and any amendments to it shall be delivered to the Actuary for the Plan