

# **The Avonmore Pension Plan**

Statement of Investment Principles

June 2021

# 1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the Avonmore Pension Plan (the “Plan”). This statement sets down the principles governing decisions about investments for the Plan to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and of the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018.
- 1.2 In preparing this statement the Trustees have consulted Glanbia Holdings Ltd, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees’ investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute of Actuaries for a range of investment business activities.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates) and Scheme Funding legislation.
- 1.4 The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.
- 1.5 The investment powers of the Trustees are set out in Clause 12 of the Definitive Trust Deed & Rules, dated 31 October 2008. This statement is consistent with those powers.
- 1.6 This Statement of Investment Principles was originally signed on the 7 January 2011 and has since been updated:
  - On 5 April 2012 in respect of Trigger Based De-Risking;
  - On 13 June 2012 in respect of the decision to disinvest from the BlackRock UK Property Fund;
  - In March 2013 to reflect the reduced equity allocation and increased allocation to Standard Life and Ruffer;
  - In March 2015 following the completion of the 2014 Actuarial Valuation;
  - In July 2017 in respect of the decision to disinvest from both Standard Life and Ruffer and invest in Royal London’s Multi Asset Credit Fund and Columbia Threadneedle’s Dynamic Real Return Fund;
  - In February 2019 to reflect an increase in the allocation to bonds within the Plan’s strategic allocation;
  - In September 2019 to reflect introduction of Liability Driven Investment Strategy and the change in the Plan’s policy on Environmental, Social and Governance factors, voting rights and engagement; and
  - In June 2020 to reflect an amendment to the hedging strategy in place and to set out the Plan’s Statement of Extended Stewardship and Manager Arrangements.
  - In June 2021 to reflect a decision to purchase a bulk annuity policy with Rothesay Life.

## 2 Choosing Investments

- 2.1 The Trustees’ policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Plan’s assets is delegated to one or more fund managers. The Plan’s fund managers are detailed in Appendix 1 to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3 The Trustees review the appropriateness of the Plan’s investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to

performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

### 3 Investment Objectives

- 3.1 The Trustees' main investment objectives are:
- to ensure that the Plan's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they fall due;
  - to reduce the risk of the assets failing to meet the liabilities over the long term, by taking account of the nature of the Plan's liabilities when setting investment strategy;
  - to set and monitor realistic performance targets for the appointed investment managers.
- 3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities at any time. The Trustees have secured a bulk annuity with Rothesay Life which covers the benefits due to all members.

### 4 Kinds of investments to be held

- 4.1 The Plan can invest in a wide range of asset classes including:
- Equities;
  - Bonds;
  - Liability driven investments;
  - Cash;
  - Alternatives, including property, high yield bonds, loans, private equity, commodities, hedge funds, infrastructure, currency and derivatives;
  - Annuity policies.
- 4.2 As the Plan's investments consist entirely of the bulk annuity policy with Rothesay, there should be minimal (if any) employer-related investment content within the Plan's portfolio.

### 5 The balance between different kinds of investments

- 5.1 The Plan invests in assets that are designed to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2 The Plan holds a bulk annuity policy with Rothesay which will meet the benefit entitlements of each of the Plan's members. The remainder of the Plan's assets are held in cash in the Plan's bank account.
- 5.3 The nature of the bulk annuity policy means that Rothesay will accommodate any cashflow requirements in respect of benefit payments. Expenses will be met from the residual assets.

### 6 Risks

- 6.1 The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities:
- 6.2 **Risk versus the liabilities** The risk of the assets behaving differently from the Plan's liabilities has been mitigated by purchasing an annuity policy with Rothesay that exactly matches the benefit payments due.
- 6.3 **Asset Allocation risk** The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.

- 6.4 **Fund manager risk** The Plan's main asset is the annuity policy with Rothesay and there is no exposure to investment manager risk in relation to this asset.
- 6.5 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In relation to the bulk annuity policy, it is at Rothesay's discretion how the underlying assets are invested and Rothesay bear the risk in relation to the assets' performance.
- 6.6 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustees. The biggest risk is in relation to the bulk annuity policy with Rothesay. In the event of Rothesay becoming insolvent, the Plan could suffer losses (but would still retain the liability to pay members' benefits). This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The Trustees have carried out due diligence on Rothesay and also understand that the Financial Services Compensation Scheme would apply in the event of insolvency.
- 6.7 **Liquidity risk** The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cash flow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy. Responsibility for providing the monies to pay member benefits lies with Rothesay Life as the provider of the bulk annuity policy, which mitigates the majority of the potential liquidity risk.
- 6.8 **Covenant risk** The creditworthiness of the employers and the size of the pension liability relative to the employers' earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenants.

## 7 Expected return on investments

- 7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

## 8 Realisation of investments

- 8.1 The Plan's only investment is an annuity policy with Rothesay Life which is not readily realisable, but is structured so as to pay benefits to members as they fall due.

## 9 Environmental, Social and Governance factors, Engagement and Voting Rights

- 9.1 The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

## 10 Agreement

- 10.1 This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employers, the fund managers, the actuary and the Plan auditor upon request.

Signed: ..... Date: .....

On behalf of the Avonmore Pension Plan

# Appendix 1 Note on investment policy of the Plan as at June 2021 in relation to the current Statement of Investment Principles

## Choosing investments

### Investment provider

The Plan has secured a bulk annuity policy with Rothesay Life which will meet the benefit entitlements of each of the Plan's members.

## The balance between different kinds of investment and rebalancing

### Bulk annuity policy and cash holding

The Plan has secured a bulk annuity policy with Rothesay which will meet the benefit entitlements of each of the Plan's members.

As the Plan had surplus assets at the point of securing the annuity policy, a portion of the Plan's assets are held in the Plan's bank account.

Investment	Value
Bulk annuity policy	The value of the policy will move in line with the value of the Plan's liabilities.
Cash*	£534,000

\*This was the value of the cash holding as at 21 June 2021 when the Plan bought the bulk annuity policy. It is expected that this holding will be used to meet the expenses of the Plan during the wind-up process and therefore will be gradually drawn down over time.

## Fees

There are no ongoing fees attached to the bulk annuity policy purchased through Rothesay.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are remunerated on a time cost basis for the advice provided, except where fixed fees are agreed for particular projects. Barnett Waddingham have confirmed to us that they do not receive commission or other payments in respect of the Plan that might affect the impartiality of their advice.

## Appendix 2 Note on financially material considerations, the exercise of rights and engagement activities and non-financial matters

### Policies on financially material considerations

- 1 The Trustees have received training from their investment advisors on the financial materiality of environmental, social and governance (“ESG”) factors, including climate change, within their investment strategy. The Trustees considered the research findings presented when forming their views on the financial materiality of ESG factors as they apply to the Plan’s current investments.
- 1.1 The Trustees believe that environmental, social and governance (“ESG”) factors are potentially financially material. However, the Plan’s investment portfolio consists solely of a bulk annuity policy alongside a small cash holding and ESG considerations cannot be meaningfully applied to either of these investments.
- 1.2 The Trustees have not considered it appropriate to take into account individual members’ views when establishing the policy on ESG issues, engagement and voting rights.
- 1.3 The Trustees’ views on how ESG factors are taken into account for the selection, retention and realisation of the Plan’s investments are set out below.
  - **Corporate Bonds** - The Trustees believe that ESG factors will be financially material to the risk-adjusted returns for the Plan’s corporate bonds. The corporate bonds are actively managed and the Trustees expect the investment manager to take ESG factors into consideration. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.
  - **Gilts, LDI and Cash** - The Trustees do not believe there is significant scope for ESG issues to improve risk-adjusted returns within the Plan’s gilts, Liability Driven Investment (“LDI”) and cash holdings. It is worth noting that when transacting in derivatives and money market funds, the Trustees expect due diligence to be undertaken to assess the credit worthiness of the counterparty both initially and ongoing, whilst at the same time looking to achieve best execution. The Trustees expect the fund manager to incorporate ESG factors where these assist with the credit worthiness assessment.
- 1.4 The Trustees aim to predominantly invest in pooled funds and delegates the consideration of all financially material factors in relation to determining the underlying holdings within the pooled funds, including ESG factors, to the Plan’s investment managers as part of their day-to-day management. The Trustees’ policy on appointing, monitoring and replacing the managers are as follows:
  - When selecting new investments, the Trustees will request information on ESG integration credentials as part of the proposals. However, an investment manager’s excellence in this area will not necessarily take precedence over other factors, including (but not limited to) historical performance or fees.
  - The Trustees monitor their investments regularly with the help of their investment consultant. If, as part of this monitoring process, any issues specifically related to the ESG factors are identified, the Trustees may request further information from the Plan’s managers and engage with them in relation to these matters.
  - If any significant ESG related issues are identified for a fund or a manager, the Trustees may choose to replace them. However, as per the appointment of funds and managers, the investment manager’s shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.
- 1.5 The Trustees will also take ESG factors into account as part of determining the strategic asset allocation, and consider these factors as part of ongoing reviews of the Plan’s investments.

### Policy for taking into account non-financial matters

- 1.6 The Trustees have not included any non-financial matters (such as ethical views) as constraints when setting investment strategy and/or when selecting or reviewing fund managers. The Trustees have not considered it appropriate to take into account the Plan members’ and beneficiaries’ views on ethical

considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Plan (i.e., “non-financial matters” in the relevant regulations) in the selection, retention and realisation of investments. The Trustees will review the policy on whether to take account of non-financial matters periodically.

## Policy on the exercise of voting rights and engagement activities

- 1.7 The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.
- 1.8 The Trustees delegate the exercise of the rights (including voting rights) attaching to the Plan’s investments to the investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long-term stakeholder value. The Trustees will monitor how these delegated powers are exercised by the managers.
- 1.9 The Trustees also expects managers to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators, and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.
- 1.10 The Trustees assess their investment managers’ approach to engagement and voting rights with the support of their investment consultant and consider these to be of a satisfactory standard. The Trustees will monitor and engage with the investment managers in relation to stewardship activities as follows:
  - The Trustees will, with support from the investment consultant, request and review the stewardship policies, voting and engagement activities of the Plan’s investment managers periodically. In the event of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Plan’s investment managers for more information and discuss any remedial actions taken.
  - The Trustees will also ask managers to attend meetings from time to time to present and discuss their stewardship activities, including details of any voting rights exercised.
  - When selecting and reviewing their investment managers, where appropriate and applicable, the Trustees will consider the investment managers’ policies on stewardship and engagement, and how those policies have been implemented.

## Policy on Stewardship

- 1.11 The Trustees believe that good stewardship and positive engagement may lead to improved governance and better risk-adjusted returns. The Trustees currently adopt a policy of delegating the exercise of rights (including voting rights) attached to the Plan’s investments to the investment managers.
- 1.12 The Trustees also delegate undertaking engagement activities, which include entering into discussions with the management of companies they are investing in, in an attempt to influence behaviour, to the investment managers.
- 1.13 The Trustees assessed the current stewardship approach of its investment managers based on information provided by the respective managers and consider these to be of a satisfactory standard.
- 1.14 In general, the Trustees will monitor and engage with the investment managers in relation to stewardship activities as follows:
  - The Trustees will, with support from the investment consultant, request and review the stewardship policies, voting and engagement activities of the Plan’s investment managers on a regular basis. In case of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Plan’s investment managers for more information and discuss any remedial actions taken.
  - The Trustees will request that any future manager presentations include an update on stewardship activities, including details of any voting rights exercised.
  - When selecting investment managers, where appropriate and applicable, the Trustees will consider the investment managers’ policies on stewardship and engagement, and how those policies have been implemented.

- The Trustees will take into account whether the Plan's investment managers are signatories to the UN backed PRI and UK Stewardship Code (or equivalent).
- 1.15 The Trustees will ensure that the investment managers monitor the investee companies' capital structure as follows:
- When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
  - The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and so too are the products available within the investment management industry to help manage these risks.
  - The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Plan or as part of the pooled fund in which the Plan holds units. The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan. Where the Trustees use pooled funds the Trustees expect the investment manager to employ the same degree of scrutiny.
  - The Plan's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustees have made the Sponsoring Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.
- 1.16 The Trustees will monitor actual and potential conflicts of interest in relation to their engagements as follows:
- The Plan's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, make the Trustees confident that the investment manager recommendations they make are free from conflict of interest.
  - The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.
- 1.17 The Trustees will ensure that the arrangements with the investment managers incentivise the investment managers to align their investment strategy and decisions with the Trustees' investment policies as follows:
- Prior to appointing an investment manager, the Trustees will discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the investment manager and/or the Plan's investment consultant, and consider how they are aligned with the Trustees' own investment aims, beliefs and constraints.
  - When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees will also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they may use another manager for the mandate.
  - The Trustees carry out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Plan and their aims, beliefs and constraints. The Trustees will monitor the investment managers' approach to ESG and climate related risks on an annual basis.

- In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated.
  - Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager from time to time as deemed appropriate.
- 1.18 The Trustees will ensure that the arrangements with the investment managers incentivise the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term as follows:
- The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. The Trustees have acknowledged this in their investment management arrangements.
  - When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.
  - The Trustees expect investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.
- 1.19 The Trustees will ensure that the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for investment management services are in line with the Trustees' investment policies as follows:
- Trustees monitor the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.
  - The Plan invests solely in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Plan's investment managers are contained in the Fee agreements section mentioned above in Appendix 1.
  - The Trustees believe that this fee structure enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
  - The Trustees ask the Plan's investment consultant to assess if the investment management fee is in line with the market when the manager is selected, and the appropriateness of the investment management charges are considered every three years as part of the review of the Statement of Investment Principles.
- 1.20 The Trustees will monitor "portfolio turnover costs" incurred by the investment managers, and consider the portfolio turnover as follows:
- The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.
  - During the investment manager appointment process, the Trustees will consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.
- 1.21 The durations of the arrangements with the investment managers are open-ended rather than being subject to a fixed duration contract. The Plan has had holdings with both LGIM and RLAM since October 2007.

- 1.22 The suitability of the Plan's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

## Appendix 3 Myners principles

The Trustees recognise the relevance to the Plan of the Myners investment principles. A revised set of six principles was adopted in October 2008, replacing the original ten principles. The Plan's compliance (or otherwise) with the Myners principles is set out below:

Principle		Do we comply ?	Comments/action to be taken
<b>1.</b>	<b>Effective decision making</b>		
	Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.	Yes	The Trustees rely on advice received from its advisors. Day-to-day investment decisions have been delegated to the Plan's fund managers.
	Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	Yes	Trustee training requirements are reviewed regularly and the Trustees receive training on investment issues. The Trustees have established a policy for managing conflicts of interest.  The Trustees are setting up a central register to record training provided. This is currently recorded on the Business Plan.
<b>2.</b>	<b>Clear objectives</b>		
	Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.	Yes	The Trustees have set out a number of objectives which take into account these factors.  The investment managers have been set clear benchmarks and objectives.
<b>3.</b>	<b>Risk and liabilities</b>		
	In setting and reviewing their investment strategy, trustees should take account of the form and structure of the liabilities.	Yes	Characteristics of the liabilities, risk tolerance and expected future liabilities were taken into account in setting the investment strategy which was set in conjunction with the Plan's funding strategy.

	These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.	Yes	The Trustees have considered the strength of the sponsor covenant in setting their investment strategy. Longevity risks were noted and accepted at the present time.
<b>4. Performance assessment</b>			
	Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.	Yes	Barnett Waddingham present a report on the Plan's investment performance at each Trustee meeting.  The Trustees will undertake a regular review of the performance of their advisers.
	Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.	Partially	The Trustees informally consider their performance. However, this is not reported on to members.
<b>5. Responsible ownership</b>			
	Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.	Yes	The Trustees have adopted the investment managers' standard policies in relation to socially responsible investment and voting rights.
	A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.	Yes	Included in the Statement of Investment Principles.
	Trustees should report periodically to members on the discharge of such responsibilities.	Yes	The Statement of Investment Principles is available to all members and members are reminded of this in the annual Summary Funding Statement.
<b>6. Transparency and reporting</b>			
	Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.	Yes	The Trustees communicate openly with their investment manager, advisers, the Principal Employer and members of the Plan.
	Trustees should provide regular communication to members in the form they consider most appropriate.	Yes	Members receive an annual summary funding statement. Other communications are issued whenever it is considered appropriate.