

Waterford Foods (UK) Group Pension Scheme

Statement of Investment Principles

June 2021

1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustee of the Waterford Foods (UK) Group Pension Scheme (the “Scheme”). This statement sets down the principles governing decisions about investments for the Scheme 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 Trustee has consulted Waterford Foods International Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee’s investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 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 Trustee 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 Trustee are set out in the Rules of the Scheme, dated 2 June 2009. This statement is consistent with those powers.
- 1.6 Changes to the Statement of Investment Principles since 2014 have been summarised below:
 - 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 September 2019 to reflect introduction of Liability Driven Investment Strategy and the change in the Scheme’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 Scheme’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 Trustee’s policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers 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 Scheme’s assets is delegated to one or more fund managers. The Scheme’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 Trustee reviews the appropriateness of the Scheme’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 Trustee will also consult the Employer before amending the investment strategy.

3 Investment Objectives

- 3.1 The Trustee has discussed key investment objectives in light of an analysis of the Scheme’s liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee’s main investment objective is to ensure that the Scheme can meet the members’ entitlements under the Trust Deed and Rules as they fall due.
- 3.2 The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme’s liabilities at any time. The Trustee has secured a bulk annuity policy with Rothesay Life which covers the benefits due to all members.

4 Kinds of investments to be held

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

5 The balance between different kinds of investments

- 5.1 The Scheme invests in assets that are designed to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2 The Scheme holds a bulk annuity policy with Rothesay which will meet the benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held as cash in the Scheme 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 Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:
- 6.2 **Risk versus the liabilities** The risk of the assets behaving differently from the Scheme's liabilities has been mitigated by purchasing an annuity policy with Rothesay that exactly matches the benefit payments due.
- 6.3 **Fund manager risk** The Scheme's main asset is the annuity policy with Rothesay and there is no exposure to investment manager risk in relation to this asset.
- 6.4 **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.
- 6.5 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustee. The biggest risk is in relation to the bulk annuity policy with Rothesay. In the event of Rothesay becoming insolvent, the Scheme 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 Trustee has carried out due diligence on Rothesay and also understands that the Financial Services Compensation Scheme would apply in the event of insolvency.
- 6.6 **Liquidity risk** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme'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.

- 6.7 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

7 Expected return on investments

- 7.1 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its 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 Scheme'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 Trustee has 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 Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Scheme auditor upon request.

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

On behalf of the Waterford Foods (UK) Group Pension Scheme

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

Choosing investments

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

The balance between different kinds of investment and rebalancing

Bulk annuity policy and cash holding

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

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

Investment		Value
Bulk annuity policy	The value of the policy will move in line with the value of the Scheme's liabilities.	
Cash*	£238,000	

*This was the value of the cash holding as at 22 June 2021 when the Scheme bought the bulk annuity policy. It is expected that this holding will be used to meet the expenses of the Scheme 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 Trustee has 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 do not receive commission or other payments in respect of the Scheme 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

Polices on financially material considerations

- 1 The Trustee has 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 Trustee considered the research findings presented when forming their views on the financial materiality of ESG factors as they apply to the Scheme’s current investments.
- 1.1 The Trustee believes that environmental, social and governance (“ESG”) factors are potentially financially material. However, the Scheme’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.
- 1.1 The Trustee has not considered it appropriate to take into account individual members’ views when establishing the policy on ESG issues, engagement and voting rights.
- 1.2 The Trustee’s view on how ESG factors are taken into account for the selection, retention and realisation of the Scheme’s investments are set out below.
- 1.2.1 **Corporate Bonds** - The Trustee believes that ESG factors will be financially material to the risk-adjusted returns for the Scheme’s corporate bonds. The corporate bonds are actively managed and the Trustee expects 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.
- 1.2.2 **Gilts, LDI and Cash** - The Trustee does not believe there is significant scope for ESG issues to improve risk-adjusted returns within the Scheme’s gilts, Liability Driven Investment (“LDI”) and cash holdings. It is worth noting that when transacting in derivatives and money market funds, the Trustee expects 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 Trustee expects the fund manager to incorporate ESG factors where these assist with the credit worthiness assessment.
- 1.3 The Trustee has not considered it appropriate to take into account individual members’ views when establishing the policy on ESG issues, engagement and voting rights.
- 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 Scheme’s investment managers as part of their day-to-day management. The Trustee’s policy on appointing, monitoring and replacing the managers are as follows:
 - 1.4.1 When selecting new investments, the Trustee 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.
 - 1.4.2 The Trustee monitors 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 Trustee may request further information from the Scheme’s managers and engage with them in relation to these matters.
 - 1.4.3 If any significant ESG related issues are identified for a fund or a manager, the Trustee 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 Trustee 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 Scheme’s investments.

Policy for taking into account non-financial matters

- 1.6 The Trustee has 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 Trustee has not considered it appropriate to take into account the Scheme 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 Scheme (i.e., "non-financial matters" in the relevant regulations) in the selection, retention and realisation of investments. The Trustee 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 Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.
- 1.8 The Trustee delegates the exercise of the rights (including voting rights) attaching to the Scheme'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 Trustee will monitor how these delegated powers are exercised by the managers.
- 1.9 The Trustee 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 Trustee assesses the 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 Trustee will monitor and engage with the investment managers in relation to stewardship activities as follows:
- The Trustee will, with support from the investment consultant, request and review the stewardship policies, voting and engagement activities of the Scheme's investment managers periodically. In the event of any specific issues or questions being identified through this monitoring process, the Trustee will engage with the Scheme's investment managers for more information and discuss any remedial actions taken.
 - The Trustee 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 Trustee will consider the investment managers' policies on stewardship and engagement, and how those policies have been implemented.

Policy on Stewardship

- 1.11 The Trustee believes that good stewardship and positive engagement may lead to improved governance and better risk-adjusted returns. The Trustee currently adopts a policy of delegating the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.
- 1.12 The Trustee also delegates 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 Trustee 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 Trustee will monitor and engage with the investment managers in relation to stewardship activities as follows:

- The Trustee will, with support from the investment consultant, request and review the stewardship policies, voting and engagement activities of the Scheme's investment managers on a regular basis. In case of any specific issues or questions being identified through this monitoring process, the Trustee will engage with the Scheme's investment managers for more information and discuss any remedial actions taken.
- The Trustee 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 Trustee will consider the investment managers' policies on stewardship and engagement, and how those policies have been implemented.
- The Trustee will take into account whether the Scheme's investment managers are signatories to the UN backed PRI and UK Stewardship Code (or equivalent).

1.15 The Trustee 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 Trustee 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 Trustee also recognises 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 Trustee considers 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 Scheme or as part of the pooled fund in which the Scheme holds units. The Trustee also considers 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 Scheme. Where the Trustee uses pooled funds, the Trustee expects the investment manager to employ the same degree of scrutiny.

The Scheme'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 Trustee 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.

1.11 The Trustee will monitor actual and potential conflicts of interest in relation to their engagements as follows:

- The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.
- The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

1.17 The Trustee will ensure that the arrangements with the investment managers incentivise the investment managers to align their investment strategy and decisions with the Trustee's investment policies as follows:

- Prior to appointing an investment manager, the Trustee 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 Scheme's investment consultant, and consider how they are aligned with the Trustee's 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 Trustee will also consider how ESG and climate risk are integrated into these. If the Trustee deems 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 Trustee carries out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints. The Trustee 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 Trustee's 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 Trustee 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 Trustee is mindful that the impact of ESG and climate change may have a long-term nature. The Trustee has 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 Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes 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 Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.
- 1.19 The Trustee 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 Trustee's investment policies as follows:
- Trustee monitors the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.
 - The Scheme invests solely in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. 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 Scheme's investment managers are contained in the Fee agreements section mentioned above in Appendix 1.
 - The Trustee believes 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 Trustee asks the Scheme'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 Trustee will monitor "portfolio turnover costs" incurred by the investment managers, and consider the portfolio turnover as follows:
- The Trustee acknowledges 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 Trustee 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 Scheme has had holdings with LGIM since January 2000.
- 1.22 The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's 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 Trustee recognises the relevance to the Scheme of the Myners investment principles. A revised set of six principles was adopted in October 2008, replacing the original ten principles. The Scheme's compliance (or otherwise) with the Myners principles is set out below:

Principle	Do we comply ?	Comments/action to be taken
1. Effective decision making		
Trustee 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 Trustee relies on advice received from its advisors. Day-to-day investment decisions have been delegated to the Scheme's fund managers.
Trustee 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 and the Trustee receive training on investment issues. The Trustee has established a policy for managing conflicts of interest. The Trustee is setting up a central register to record training undertaken.
2. Clear objectives		
Trustee 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 Trustee and the sponsor, and clearly communicate these to advisers and investment managers.	Yes	The Trustee has set out a number of objectives which take into account these factors. The investment managers have been set clear benchmarks and objectives.
3. Risk and liabilities		
In setting and reviewing their investment strategy, Trustee 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 Scheme's funding strategy.
These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.	Yes	The Trustee has considered the strength of the sponsor covenant in setting their investment strategy. Longevity risks were noted and accepted at the present time.

4. Performance assessment		
Trustee should arrange for the formal measurement of the performance of the investments, investment managers and advisers.	Yes	Barnett Waddingham present a report on the Scheme's investment performance at each Trustee meeting. The Trustee will undertake a regular review of the performance of their advisers.
Trustee 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 Trustee informally considers their performance. However, this is not reported on to members.
5. Responsible ownership		
Trustee should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.	Yes	The Trustee has 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.
Trustee 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.
6. Transparency and reporting		
Trustee 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 Trustee communicates openly with their investment manager, advisers, the Principal Employer and members of the Scheme.
Trustee 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.