

Statement of Investment Principles – Glanbia Cheese Limited Pension Scheme (September 2020)

Introduction

- 1 This document is the Statement of Investment Principles ('SIP') made by Glanbia Cheese Pension Trustees Limited as 'Trustee' for the Glanbia Cheese Limited Pension Scheme (the 'Scheme') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).
- 2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee consulted the Scheme's Investment Consultant (Willis Towers Watson (Ireland) Limited) and consulted Glanbia Cheese Limited (the 'Employer'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

Scheme objectives

- 3 The main investment objective of the Scheme is to be fully funded on the technical provisions basis by the end of 2022. In seeking to achieve this objective, the Trustee is mindful of the need to:
 - Take account of current market conditions when reviewing investment strategy
 - Limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus future contributions.
- 4 The Trustee will review these objectives regularly and amend as appropriate.

Investment strategy

- 5 The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify its risk exposures and to manage its investments efficiently.
- 6 The investment strategy has a number of key elements which are as follows:
 - A range of instruments that provide a reasonable match to changes in liability values which includes liability driven investment ('LDI')
 - A broad range of equities and private market investments as return-seeking assets
 - Invests in buy-and-maintain investment-grade Sterling-denominated corporate bonds and global high yield bonds, and
 - Uses both passively and actively managed pooled portfolios.

- 7 These elements of the Scheme's investment strategy and the balance between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's investment objectives. As at the date of this SIP, the asset allocation is 30% global equity (currency hedged), 30% private markets, 30% LDI and 10% credit (split between buy and maintain and high yield).
- 8 The Trustee will monitor the liability profile of the Scheme and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.
- 9 The expected return of an investment will be monitored regularly and will be directly related to the Scheme's investment objective.
- 10 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible. The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.

Arrangement with investment managers

- 11 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment manager(s). The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.
- 12 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long term objectives, and an acceptable level of risk.
- 13 Alignment between an investment manager's management of the Scheme's assets and the Trustees' policies and objectives are a fundamental part of the appointment process of a new manager. Before investing, the Trustee will seek to understand the manager's approach to sustainable investment (including engagement). When investing in a pooled investment vehicle, the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with their own objectives.
- 14 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to explicitly confirm that the Scheme's assets are managed in line with the Trustee's policies.
- 15 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.
- 16 For most of the Scheme'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.

- 17 The Trustee appoint its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme'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.
- 18 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- 19 The Trustee reviews the costs incurred in managing the Scheme'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.

Environmental, social and governance ('ESG')

- 20 The Trustees recognise that financially material considerations, including (but not limited to) those arising from environmental, social and governance considerations (including climate change), can have a long-term impact on the risk / return of the Scheme's investments. Entities (for example companies / governments) that the Scheme invests in who fail to appropriately manage these risks could lead to a loss of capital for the Scheme.
- 21 However, given the size of the Scheme assets, the time and resources available to the Trustees to spend on investment matters and that the assets are predominantly passively managed, the Trustees have not imposed any particular policy or restrictions in relation to ESG factors on its investments. For these same reasons, the Trustees have not taken non-financial factors into account (for example beneficiary views).
- 22 Also taking these factors into account, the Trustees believe that shareholder engagement is the most practical method through which they can best affect positive change and enhance the long-term financial performance of the Scheme assets for the benefit of the underlying members. Seeing as the Scheme invests fully in pooled funds, the Trustees believe that the responsibility for shareholder engagement is best delegated to the Scheme's investment managers.
- 23 The Trustees monitor ESG risks through the oversight of the underlying investment managers' ESG policies which are periodically reviewed.

Other matters

- 24 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 25 The Scheme's AVC arrangement provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.
- 26 The Trustee recognises a number of risks involved in the investment of the Scheme's assets:

- Deficit risk:
 - Is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
 - Is managed through assessing the progress of the actual growth of the liabilities relative to the growth of the assets.
- Manager risk:
 - Is measured by the expected deviation of the return relative to the benchmark set.
 - Is managed by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.
- Liquidity risk:
 - Is measured by the level of cashflow required by the Scheme over a specified period.
 - Is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.
- Currency risk:
 - Is measured by the level of exposure to non-Sterling denominated assets.
 - Is managed by investing predominantly in Sterling denominated instruments / through the use of currency hedging.
- Interest rate and inflation risk:
 - Is measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
 - Is managed by investing some of the Scheme's assets in bond assets (soon to be a range of LDI pooled funds) that are designed to match movements in the value of the liabilities due to interest rate and inflation changes.
- Political risk:
 - Is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
 - Is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk:
 - Is measured by informally assessing the Employer covenant from time to time.
 - Is managed through an agreed contribution and funding schedule.

Signed: 

Name: Heather Broughton

Date: 25th September 2020

Authorised for and on behalf of Glanbia Cheese Pension Trustees Limited as Trustee for the Glanbia Cheese Limited Pension Scheme