Noble Foods Limited Pension Scheme
Statement of Investment Principles

1. Introduction

The Trustees of the Noble Foods Limited Pension Scheme (the "Scheme"), have drawn up this Statement of Investment Principles ("the Statement") to comply with section 35 of the Pensions Act 1995 (the Act), as amended by the Pensions Act 2004, and The Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations). As required under the Act, the Trustees have obtained written advice from Deloitte Total Reward and Benefits Limited ("Deloitte") in their role as investment advisor to the Scheme.

The Trustees have overall responsibility for the investment of the Scheme assets as defined under Clause 19.1 of the Definitive Deed dated 9 December 2002. The Trustees will exercise these powers in accordance with Section 36 of the Pensions Act 1995.

The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their investment advisor, Deloitte. The day-to-day management of the assets of the Scheme is delegated to professional investment managers, each of whom is authorised and regulated by the Financial Conduct Authority.

2. Investment Objectives

The Trustees' overall investment policy is guided by the following objectives:

- To earn sufficient return on Scheme assets such that, when taken together with expected future contributions, the Scheme will be able to meet all its future benefit obligations as they fall due;

- To control the volatility of the Scheme's funding level and Noble Foods Limited's (the "Sponsor") required contribution rate to the Scheme; and

- To avoid being a forced seller of assets in unfavourable market conditions.

The Trustees intend to change the investment strategy over time, reducing the level of risk by moving towards a full hedge of the Scheme's future liabilities. All de-risking decisions will be subject to the Scheme's funding position, liability profile and prevailing market conditions.

3. Risk and Risk Management

The Trustees have identified the following risks to the Scheme:

- Equity market underperformance relative to expectations ("equity risk").
- Inadequate diversification across asset classes or by holding excessive amounts in any one investment ("concentration risk"). The failure of any of the investments would jeopardise the Trustees' ability to meet the objectives if they constituted a significant proportion of the assets.
- Investment manager underperformance by comparison with the agreed benchmark and the assumed level of return in the actuarial valuation ("investment management risk").
- Exposure to exchange rates when investing overseas since all liabilities are in sterling ("currency risk").
- The impact of changes in market gilt and corporate bond yields on the value of the Scheme's assets relative to the present value of the Scheme's liabilities ("interest rate risk").
- The impact of changes to inflation expectations on the expected size of the Scheme's future liability cashflows and the present value of the Scheme's liabilities ("inflation risk").
- The need to pay pension and lump sum benefits in the short term and there being a shortfall of readily available liquid assets ("cashflow risk"). If the timing of the benefit payments requires assets to be disinvested during a period of underperformance or market stress, this will have a negative impact on the adequacy of the Scheme's funding level.
- Stock market failure. This is considered as a "catastrophe risk" that any pension scheme investing in the real economy accepts as an exposure. It is not practical to mitigate this risk at an acceptable cost.
- The possibility of failure of the Sponsor ("covenant risk").

The investment strategy has been designed with these risks in mind. The Trustees have implemented the following measures to manage the risks associated with the investments:

- The Scheme's asset allocation will be reviewed periodically by the Trustees and their advisors to assess whether it remains appropriate for managing the risks listed above.
- The current strategy is diversified across various asset classes and within equities, across different regions.
- The Trustees have incorporated an affordable amount of interest rate hedging and inflation hedging into the current investment strategy.
- The majority of the Scheme's allocation to overseas equities is currency hedged.
- The Trustees monitor the Scheme's investment managers on a quarterly basis to assess their performance versus the Trustees' expectations.
- In terms of investment manager risk, the Trustees have a preference for passive management, only appointing active managers when investing in asset classes where manager skill is expected to add value.
- The Trustees have reference to a 2-year cashflow forecast to help them anticipate the cash needs of the Scheme.

4. Investment Strategy

The Trustees reviewed the Scheme's investment strategy in late 2019 with a view to carrying out further de-risking. On advice from their investment advisor, Deloitte, and having consulted the Sponsor, the Trustees agreed to the investment strategy in the table below.

Asset class	Strategy
Global Equities	25%
Corporate Bonds	34%
Liability Driven Investments ("LDI")	16%
Private Markets	10%
Ground Rents	10%
Long Lease Property	5%
Total	**100%**

In addition, the Scheme holds short-term cash to meet its more immediate benefit obligations.

The investment strategy was designed to have an expected return consistent with the pre-retirement and post-retirement discount rates used by the Actuary in the 2018 Actuarial Valuation.

The investment strategy uses equities and corporate bonds as the main sources of return but it also includes a reasonable allocation (25%) to illiquid investments to incorporate a degree of diversification and to provide access to an illiquidity premium.

The strategy also provides a degree of interest rate and inflation hedging. Allocations to Corporate Bonds and LDI hedge around 90% of the Scheme's interest rate exposure. The LDI allocation hedges around 90% of the Scheme's inflation exposure.

5. Manager Structure

Investment Managers

The day-to-day management of the assets is the responsibility of the investment manager as appropriate. Each of the investment managers is authorised and regulated by the Financial Conduct Authority. The table below summarises the strategic split of the Scheme's assets between the three different investment managers.

Investment Manager	Allocation
Legal & General	75%
Global Equity	*25%*
Corporate Bonds	*34%*
LDI	*16%*
Partners Group	10%
Aberdeen Standard Investments	15%
Total	**100%**

In selecting investment managers, the Trustees take all reasonable steps to satisfy themselves that the relevant parties have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently and complying with the relevant pensions and investment regulations. A more detailed overview of the Scheme's investments is given below.

Legal & General Global Equities
(25% of Scheme assets)

	Benchmark	Benchmark index
All World Equity Index Fund	100%	FTSE All World Index – GBP Hedged
Total equity	**100%**	

The performance objective is to match the return on its benchmark index.

Legal & General Corporate Bonds
(34% of Scheme assets)

	Benchmark	Benchmark index
Investment Grade Corporate Bond – All Stocks – Index Fund	100%	Markit iBoxx £ Non – Gilt Index
Total bonds	**100%**	

The performance objective of the Investment Grade Corporate Bond – All Stocks – Index Fund is to match the return of its benchmark index.

Legal & General Matching Core Funds
(16% of Scheme assets)

	Benchmark	Benchmark index
Matching Core Real Short Fund	50%	N/A
Matching Core Real Long Fund	50%	N/A
Total bonds	**100%**	

The allocation to the Matching Core Real Short and Long funds gives the Scheme leveraged exposure to medium and long-term index-linked gilts, providing a degree of interest rate and inflation exposure.

Partners Group – Private Markets

(10% of Scheme assets)

	Benchmark	Benchmark index
The Partners Fund	100%	6 month LIBOR
Total	**100%**	

The performance objective is to outperform 6 Month LIBOR by 4.0% p.a. net of fees.

Aberdeen Standard Investments – Ground Rents
(10% of Scheme assets)

	Benchmark	Benchmark index
Commercial Ground Rent Fund	100%	Experienced RPI (All Items)
Total	**100%**	

The Trustees' performance objective is to outperform the benchmark by 2.5% p.a. gross of fees over rolling 5-year periods.

Aberdeen Standard Investments – Long Lease Property
(5% of Scheme assets)

	Benchmark	Benchmark index
Long Lease Property Fund	100%	MSCI UK All Property Index
Total	**100%**	

The Trustees' performance objective is to outperform the benchmark by 0.5% p.a. gross of fees over rolling 3-year periods.

The Trustees, with guidance from their investment advisor, Deloitte, have chosen to invest in open-ended pooled funds.

For open-ended pooled funds, the Trustees' policy is to enter arrangements with no fixed end date. However, in this case the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandates, taking into account any additional restrictions that may be in place at the time.

The Scheme's open-ended investments held with Legal & General are weekly priced, those held with Partners Group are monthly priced and those held with Aberdeen Standard Investments ("ASI") are daily priced. As is common with other property funds, ASI reserves the right to defer redemption requests for a period of up to 12 months in order to naturally generate the required liquidity from income from the underlying investments. Similarly, the Partners Fund has gaiting provisions in place limiting withdrawals. The limits applying to total redemptions are 10% of the Fund's net asset value ("NAV") in a single month, 25% of the Fund's NAV over three months and 40% of the Fund's NAV over a year. Should total redemptions requests exceed these limits, a pro rata reduction will be made to each redemption request.

The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of investment managers' performance against objectives. The Trustees may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

6. Investment Manager Fees

The table below summarises the investment manager fees payable in respect of the Scheme's investments.

Mandate	Fee structure
Legal & General	
All World Equity Index (GBP hedged)	0.223% per annum of the first £5 million; plus 0.198% per annum of the next £10 million; plus 0.173% per annum of the next £35 million; plus 0.148% per annum of the balance above £50 million.
Investment Grade Corporate Bonds	0.150% per annum of the first £5 million, plus 0.125% per annum of the next £5 million, plus 0.100% per annum of the next £20 million, plus 0.080% per annum of the balance above £30 million.
Matching Core Real Funds	0.240% per annum of first £25m, plus 0.170% per annum of next £25m.
Partners Group	*Annual Management Charge* Direct Investments 1.5% p.a. Multi-manager portfolios 0.9% p.a. *Performance fee* 7.5% p.a. of any performance over the current high watermark
Aberdeen Standard Investments Ground Rent Fund	0.5% p.a.
Aberdeen Standard Investments Long Lease Property Fund	0.5% p.a.

The Trustees review the fees charged by the investment managers on a regular basis as part of their monitoring framework to ensure fees remain reasonable in the context of the Scheme's size and complexity.

The Trustees review investment manager costs and charges (including portfolio turnover costs) on a regular basis, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustees monitor the portfolio turnover in the context of what the Trustees believe to be reasonable given the nature of each mandate. By also monitoring performance and associated costs, investment managers are incentivised to consider the impact of portfolio turnover on investment performance.

For the Scheme's exposure to global equities and corporate bonds, the Trustees invest in passively managed funds that replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/selling or stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

7. Cashflow Management and Rebalancing

The Trustees will review the Scheme's asset allocation as part of their performance monitoring at their regular meetings, with a view to keeping the asset allocation broadly in line with the target investment strategy. Any disinvestment of assets will help ensure that the actual allocation remains broadly in line with the strategic allocation.

If there is an improvement in the Scheme's funding position the Trustees may look to realise profits and rebalance the strategic asset allocation, moving funds from return seeking assets such as equities and private markets into hedging assets, such as corporate bonds and LDI.

The Trustees have set up a regular disinvestment instruction with Legal & General in order to meet expected benefit payments, maximising the use of their Notional Income Service ("NIS") facility where available to minimise transaction costs.

8. Socially Responsible Investment and Corporate Governance

The Trustees have considered the financial materiality of environmental, social and governance ("ESG") issues, including climate change, in relation to the selection, retention and realisation of the Scheme's investments.

When setting investment strategy and selecting investments, the Trustees' first priority is the financial interests of the members. The Trustees regularly review the return objectives, risk characteristics, investment approach and investment guidelines of each of the Scheme's current investments. The Trustees are satisfied that all existing fund investments fulfil the needs of their target investment strategy and by extension, that the investment managers are managing the Scheme's assets in a manner that is consistent with members' financial interests.

The Trustees acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Scheme's membership been consulted on such issues.

As part of the selection, retention and realisation of the Scheme's investments, the Trustees, in consultation with their investment advisor, have reviewed the ESG and stewardship policies of the three investment managers and are comfortable that these policies are consistent with their views.

In particular, the Trustees note the following:

- The investment managers have clear views on ESG factors and stewardship, which are clearly articulated in formal policies on these issues.

- 59% of the Scheme's investments (global equities and corporate bonds) are passively managed, where Legal & General is restricted in the choice of underlying assets to invest in. As such, for these investments stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration.

    - The Trustees note that Legal & General has clear stewardship policies that aim to influence the ESG practices of the companies it invests in and that it has demonstrated how it acts on these policies. For example, Legal & General has voted on company proposals covering climate risk, political donations, gender diversity on company boards, board independence issues and remuneration policies.

    - Legal & General regularly publishes detailed results of how its stewardship policies are enacted in practice and the Trustees expect it to provide regular updates on how it exercises those rights, including how often it votes against company proposals.

- The Scheme has a 16% benchmark allocation to pooled LDI funds. The nature of these assets dictates that ESG factors are less likely to be financially material. We do however have confidence that Legal & General has adequate governance practices in place to capture key regulatory developments that might influence the future management and/or performance of these assets.

- The Trustees are satisfied that both Partners Group and Aberdeen Standard Investments consider financially material ESG factors and their potential impact on risk and return when making investment decisions for the funds in which the Scheme invests. The Trustees note that the managers have specialist ESG teams dedicated to continuing to improve the level of integration of ESG factors into portfolios going forward.

    - Both managers have been given an A+ rating from the UN Principles for Responsible Investment and they regularly publish reports detailing their ESG engagements and voting.

The Trustees recognise the importance of ESG factors on long-term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Scheme's investment managers are regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures, and also engagement activity and compliance with the Trustees' stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise the Scheme's investment managers to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The Trustees recognise the importance of regular monitoring of the investment managers' performance, remuneration and compliance against their ESG policies to ensure that the Scheme's assets are being managed appropriately. The Trustees believe that regular monitoring ensures that key risks to longer-term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager.

In addition to performance measures, the Trustees will review the engagement activity of the investment managers to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees also monitor the voting activity of the investment managers to ensure votes are being used and are aligned to their views on ESG.

The remuneration of Legal & General and ASI is not directly linked to performance, given the absence of performance related fees, or to ESG practices. The remuneration of Partners Group is linked to performance, but it not linked to ESG practices. The Trustees will review and replace the relevant investment managers if net of fees investment performance and ESG practices are not in line with the Trustees' expectations and views. The Trustees believe that this will incentivise the investment managers to act responsibly.

The investment managers are responsible for managing the Scheme's investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the investment managers.

The Trustees' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Trustees expect the investment managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

The Trustees expect the Scheme's investment managers to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustees will review this on a regular basis in line with its monitoring policy mentioned above.

The Trustees will keep the investments under review, and should they feel that the investment managers no longer act in accordance with the their policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:

- engage with the relevant investment manager in the first instance, in an attempt to influence their policies on ESG and stewardship; and

- if necessary, look to appoint a replacement investment manager that is more closely aligned with the Trustees' policies and views.

The Trustees believe that this approach will incentivise the investment managers to align their actions with the Trustees' policies.

9. Additional Voluntary Contributions

The Trustees hold assets invested separately from the main fund in the form of unit-linked funds invested with Legal & General and unit-linked funds and with profits funds managed by The Equitable Life Assurance Society.

10. Review of this Statement

The Trustees will review this Statement regularly and no less frequently than every three years to coincide with the Scheme's formal triennial Actuarial Valuation. The Statement will be updated to reflect material changes to any aspects of the Scheme, its liabilities, finances and attitude to risk, which is judged to have a bearing on the stated investment policy.

11. Compliance with this Statement

The Trustees will monitor compliance with this Statement annually. In particular, the Trustees will obtain confirmation from the investment managers that they have complied with this Statement as supplied to them and the Trustees undertake to advise the investment managers promptly and in writing of any material change to this Statement.

.... Date:

.... Date:

Signed on behalf of Noble Foods Limited Pension Scheme

Last updated: September 2020
Previous version updated: August 2019