STATEMENT OF INVESTMENT PRINCIPLES FOR THE
McCAIN FOODS (GB) LIMITED PENSION & LIFE ASSURANCE SCHEME
September 2023

Introduction

This Statement of Investment Principles ("SIP") has been drawn up by the Trustees of the McCain Foods (GB) Limited Pension & Life Assurance Scheme ("the Scheme") to comply with section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

In preparing this SIP the Trustees consulted with McCain Foods (GB) Limited ("the Sponsor") and considered written investment advice from WTW. The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustees.

The Trustees review this SIP every three years, or earlier if there is a significant change in investment policy. The date this SIP was last reviewed was September 2022.

Investment objectives

The Trustees' objectives for the Scheme are that:

- the Scheme should be able to meet benefit payments as they fall due;
- the Scheme should aim to be fully-funded on a self-sufficiency measures (liabilities discounted on a gilts +0.25% pa basis) within an appropriate timescale; and
- the Scheme should continue to benefit from the long-term support of the Sponsor.

Investment strategy

The Trustees have received advice to determine an appropriate investment strategy for the Scheme. The Trustees have agreed to target a strategy that generates an initial return of gilts+2.6% per annum (net of fees). This, together with contributions from the Sponsor, is expected to achieve full-funding on the self-sufficiency measure within an appropriate timescale (the "Journey Plan").

The Trustees have established an Investment Sub-Committee (the "ISC") to support the Trustees in investment decision making and monitoring. The terms of reference for the ISC are provided in a separate document.

The Trustees have appointed a Fiduciary Manager to manage the Scheme's assets on a discretionary basis and to provide advisory services to the Trustees (WTW, the "Fiduciary Manager"), with the objectives of maximising the probability of achieving the Journey Plan set by the Trustees. The Fiduciary Manager's discretion is subject to guidelines set by the Trustees within the Fiduciary Management Agreement (the FMA). The Fiduciary Manager is required to act in accordance with the FMA, including the guidelines and any investment restrictions set out therein, and in doing so is expected to give effect so far as reasonably practicable to the principles contained in this Statement. This ensures appropriate incentivisation and alignment of decision-making with the Trustees' overall objectives, strategy and policies.

Risk

Given the ongoing commitment of the Sponsor to the Scheme, the Trustees believe that a degree of investment risk can be taken with the objective of higher returns. The Trustees have a desire to diversify risk exposures and to manage the investments effectively, with close consideration of the Scheme's liabilities. In setting the appropriate level of investment risk the Trustees considered a number of risks involved in the investment of the Scheme's assets:

- Funding level and solvency 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 selected investment policy.
- Manager risk:
  - is measured by the expected deviation of the return relative to the benchmark set.
  - is managed by consideration of the appropriate amount of the Scheme to allocate to each active portfolio and 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 pensions administration team and Fiduciary Manager 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 the implementation of a currency hedging programme (with currency hedging being carried out by some of the Scheme's investment managers) which reduces the impact of exchange rate movements on the Scheme's asset value.
- Interest rate and inflation risks:
  - are measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
  - are managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Scheme's assets to better-match movements in the value of the liabilities due to inflation and interest rates. The construction, ongoing monitoring and consideration of the risks associated with using derivatives within the

liability hedging portfolio is undertaken by the Fiduciary Manager, with oversight by the Trustees.

- 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 receiving regular annual updates from the Sponsor and undertaking a detailed triennial covenant assessment.

  - is managed through an agreed contribution and funding schedule.

- Derivatives risk

  - Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation.

  - Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly. This risk is addressed through the investment policy adopted by the Fiduciary Manager for the backing assets and the investment managers' asset management capabilities.

  - Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

Asset allocation

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including shares, fixed interest and index-linked bonds, cash and property, either directly or through pooled funds. It may also invest through pooled funds in alternative assets including, but not limited to, commodities, infrastructure, hedge funds and private equity. It may also use derivatives and contracts for difference (either directly or through pooled funds) for the purpose of efficient portfolio management or to hedge specific risks.

In July 2023 the Trustees and Fiduciary Manager conducted a review of the Scheme's approach, and the Trustees ultimately agreed to use the Towers Watson Core Diversified Fund ("CDF") for the majority of the Scheme's return-seeking assets, alongside an allocation to equities and the existing holding in the Towers Watson Secure Income Fund ("SIF"). The initial portfolio allocation (which delivered an expected return of gilts+2.6% pa based on 30 June 2023 asset return assumptions) together with the maximum allocation limit from the updated Fiduciary Manager's guidelines is set out below. The Fiduciary Manager will manage the portfolio on an ongoing basis, within the objectives and restrictions set out in the agreed investment guidelines.

Asset class	Initial allocation %	Maximum allocation %
Equities	**14**	**20**
CDF	**41**	**60**
SIF	**10**	**15**
Liability matching and cash*	**35**	**80**
Total	**100**	

Note: numbers may not sum due to rounding.*Expected to provide a liability hedge ratio of 85-95% (as a % of assets) and approximately 70-80% (as a % of liabilities).

The Trustees have also instructed the manager not to invest in assets other than the classes listed in bold above.

The Fiduciary Manager will maintain exposure to sterling at between 50% and 100% of the value of the total portfolio. The Fiduciary Manager may use currency derivatives to do this.

The Trustees currently hold all the Scheme's assets in collective investment schemes or cash accounts. Investments in collective investment schemes are made by the Fiduciary Manager on behalf of the Trustees under power of attorney. The Fiduciary Manager has full discretion over the choice of managers and is expected to maintain diversified portfolios, subject to the guidelines agreed with the Trustees. The Trustees are satisfied that these arrangements are consistent with the Scheme's objectives and risk management, particularly in terms of diversification, expected return and liquidity.

Investment manager arrangements

The Trustees have delegated decisions for individual manager appointments and the ongoing management of relationships with investment managers to the Fiduciary Manager within the guidelines set by the Trustees in the FMA. The Trustees and ISC regularly consider and monitor the Fiduciary Manager's performance in carrying out these responsibilities as part of the ongoing oversight of the Fiduciary Manager as below. The Trustees expect the Fiduciary Manager to ensure that the Scheme's investment portfolio, in aggregate, is consistent with the policies set out in this statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustees expect the Fiduciary Manager to check that the investment objectives and guidelines of pooled vehicles managed by investment managers are consistent with the Trustees' policies contained in this SIP.

The Trustees, ISC and Fiduciary Manager are not involved in the investment managers' day-today method of operation and do not directly seek to influence attainment of their performance targets. However, the Fiduciary Manager may provide investment recommendations to pooled fund investment managers where it considers it appropriate. The Trustees and ISC have delegated the detailed monitoring of the Scheme's investment managers to the Fiduciary Manager. The Fiduciary Manager will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each investment manager, consistent with the achievement of the Scheme's long term objectives, and an acceptable level of risk.

The ISC, on behalf of the Trustees, monitors the performance of the Fiduciary Manager against the objectives set in its investment guidelines. Further, in monitoring the performance of the Fiduciary Manager, the Trustees and ISC also consider performance against a secondary benchmark of delivering a return equivalent to 60% globally diversified equities (measured against the FTSE All World (local) index and 40% sterling denominated investment grade bonds (with a duration consistent with the UK market) (measured against the iBoxx GBP non-gilts index).

The Trustees expect the Fiduciary Manager to appoint investment managers with an expectation of a long-term partnership with the Trustees, which encourages active ownership of the Scheme's assets. When assessing an investment manager's performance as above, the Trustees expect the Fiduciary Manager to focus on longer-term outcomes, commensurate with the Trustees' position as a long term investor. Consistent with this view, the Trustees do not expect that the Fiduciary Manager would terminate an investment manager's appointment based purely on short term performance but recognise that an investment manager may be terminated within a short timeframe due to other factors such as a significant change in their business structure or investment team. The Trustees and ISC adopt the same long term focus as part of the ongoing oversight of the Fiduciary Manager.

For most of the Scheme's investments, the Trustee*s* expect the Fiduciary Manager to appoint investment managers with a medium to long time horizon, consistent with that of the Scheme. In particular areas such as equity and credit, the Trustee*s* expect the Fiduciary Manager to work with investment managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee*s* note that the Fiduciary Manager may invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee*s* expect that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

The Trustees expect the Fiduciary Manager to consider the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial investment and on an ongoing basis. Investment managers are generally 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. The Trustees expect the Fiduciary Manager to review and report on 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 investment manager level, the Trustees expects the Fiduciary Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

The Fiduciary Manager receives a flat annual fee, increasing with inflation annually, covering the cost of its discretionary management and advisory services provided to the Trustees. The Fiduciary Manager invests in 'zero-fee' share classes for any In-House Funds used within the portfolio (eg global equities, CDF and secure income assets). The Scheme pays fees to the other underlying managers, including those within any In-House Funds, calculated as a percentage of assets under management, and to the global custodian (State Street).

Liquidity of holdings

Given the long-term nature of the Scheme's liabilities, the Trustees believe that they can to a certain extent take advantage of the premium which may be available for holding illiquid assets. However they will also need to draw down assets to pay pensions and other benefits and increasingly to invest in liability matching assets. Therefore they have agreed with the Fiduciary Manager that the following liquidity provisions will apply:

Time frame	% of total assets
Realisable within 1 month	Minimum 60
Lock up greater than 3 years	Maximum 17

The initial portfolio has the following liquidity:

Dealing frequency	% of total assets	Asset classes
Daily	49	Liability matching and cash, global equity
Weekly	41	CDF
Annual (initial 5 year lock)	10	SIF

Note: numbers may not sum due to rounding

Social, environmental and ethical factors

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager and in turn to the Scheme's investment managers. However, the Trustees and Fiduciary Manager recognise that an investment's long-term financial success is influenced by a range of financially material factors including Environmental, Social and Governance (ESG) issues. The time horizon over which financially material factors are being considered is the time horizon of the Scheme's journey plan.

Consequently the Trustees (through the selection of the Fiduciary Manager and its associated approach to environmental, social and governance issues, as set out below) seeks to be an active long-term investor. The Trustees' focus is explicitly on financially material factors. The Trustees' policy at this time is not to take into account non-financial matters in the selection, retention and realisation of investments.

When considering its policy in relation to stewardship including engagement and voting, the Trustees expect investment managers to address broad ESG considerations. The Fiduciary Manager has identified climate and human and labour rights as two of the biggest ESG risks facing the Scheme, and the Trustees are supportive of making these a key area of focus. The Trustees assess that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustees' fiduciary duties and the financial security of its members. Whilst the Trustees' policy is to delegate a number of stewardship activities to the Fiduciary Manager and its investment managers, the Trustees recognise that the responsibility for these activities remains with the Trustees. The Trustees incorporate an assessment of how well the Fiduciary Manager and investment managers exercise these responsibilities as part of its overall assessment of their performance.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on an ongoing basis. The Trustees expect the Fiduciary Manager to assess the alignment of each investment managers' approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. The Trustees expect the Fiduciary Manager to engage with the Scheme's investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. In addition, the Trustees expect the Fiduciary Manager to review the investment managers' approach to sustainable investment (including engagement) on a periodic basis and engage with the investment manager to encourage further alignment as appropriate. Where an investment manager's processes are deemed insufficient by the Fiduciary Manager and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

Exercise of voting rights

The Fiduciary Manager encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager assesses the voting policies of the investment managers that it appoints on the Trustee's behalf, for consistency with the Trustee's policies and objectives, as appropriate. The Fiduciary Manager has also appointed EOS at Federated Hermes to undertake public policy engagement and company-level engagement on its behalf. EOS at Federated Hermes also assists the Trustees' equity managers with voting recommendations.

Additional Voluntary Contributions ("AVCs")

The Trustees have selected Prudential Assurance Company Limited as the Scheme’s AVC provider.