Premier Grocery Products Pension Scheme

Statement of Investment Principles

Date prepared: September 2020

Date signed: September 2020

1. Introduction

1.1. This is the Statement of Investment Principles prepared by Premier Grocery Products Pension Scheme Trustees Limited (the Trustee). This statement sets down the principles which govern the decisions about investments that enable the Premier Grocery Products Pension Scheme (the Scheme) to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Charges and Governance) Regulations 2015;
- the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
- the Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted Premier Foods Group 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 any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Clause 12.11 of the Definitive Trust Deed & Rules, dated 6 September 1999. This statement is consistent with those powers.

1.6. The Scheme consists of the Defined Benefit Section (the Main Plan) and the Defined Contribution Section (the WIN Plan).

2. Choosing investments

2.1. The Trustee's policy for the Main Plan is to set the overall investment target and then monitor the performance of their managers against that target.

2.2. For the WIN Plan and any additional voluntary contributions to the Main Plan (AVCs), the Trustee offers an investment arrangement that they believe is suitable. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.3. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Statement of Investment Strategy. The investment managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights.

2.4. The Scheme is in the process of being merged into the Premier Grocery Products Section of the RHM Pension Scheme (the RHM Scheme) and all of the Scheme's assets will be transferred across as part of this merger in due course. The Trustee of the RHM Scheme will review the appropriateness of the Scheme's investment strategies on an ongoing basis.

3. Investment objectives

3.1. The Trustee's main investment objectives for the Main Plan, prior to the completion of the merger with the RHM Scheme and subsequent wind-up of the Scheme are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due; and
- to ensure there are sufficient assets available to meet the expected winding up lump sum ("WULS") payments and associated expenses over the short-term.

3.2. The Trustee's main investment objective for the AVCs and WIN Plan is to provide an investment option that is likely to be suitable for a typical AVC holder or typical member of the WIN Plan.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives and annuity policies.

4.2. The Trustee monitors from time-to-time the employer-related investment content of their Main Plan portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Main Plan invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Statement of Investment Strategy.

5.2. AVCs and WIN Plan members' assets are invested with Standard Life, Prudential, Clerical Medical and Equitable Life, as detailed in the Trustee's Statement of Investment Strategy. However, these assets are in the process of being transferred to Legal & General.

6. Risks

6.1. The main liabilities that reside with the Scheme are in relation to members who are to be offered a WULS. As a result the Trustee considers the main risk to be that they have sufficient liquidity and stability in asset value to be able to meet those payments.

6.2. For the AVCs and WIN Plan, investment risk lies with the members themselves. The Trustee has considered the following risks when making available suitable investment choices, although noted that these risks are mitigated by the fact that all WIN Plan members also hold benefits that were formerly in the Main Plan:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

6.3. The following risks have been considered in the context of both the DB and AVCs and WIN Plan:

Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). Each fund manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.
Environmental, Social and Governance (ESG) Factors	The Trustee believes that ESG factors, including but not limited to climate change, could be financially material. However, given the Scheme's holdings and the short time horizon of the Scheme, the Trustee acknowledges that the scope to which ESG factors should be considered are limited. The RHM Scheme will consider ESG factors in more detail.

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 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 investment managers.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 1.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

10.1. Given the Scheme only aims to hold a Liquidity Fund in order to meet short-term benefits, the Trustee acknowledges that the scope to align their policies with those of their managers is limited. These matters will be reviewed in more detail by the receiving scheme.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.2. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the Scheme has a short time horizon and so have not considered the impact of aligning their policies with their managers over the medium to long term.

Method and time horizon for assessing performance

10.3. The Trustee monitors the performance of their investment managers over the short term.

10.4. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee.

Portfolio turnover costs

10.5. The Trustee expects to gradually sell down their assets as WULS benefits become payable. The Trustee therefore does not consider the turnover costs of the portfolio.

Duration of arrangement with asset manager

10.6. The duration of the Scheme's arrangement with its asset managers will be limited by the merger.

11. Agreement

11.1. 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 investment managers, the actuary and the Scheme auditor upon request.

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

On behalf of the Premier Grocery Products Pension Scheme Trustees Limited

Appendix 1 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially material considerations

Over the short time horizon that the Scheme has, and given the target of holding only a liquidity fund, the Trustee considers that factors such as ESG issues (including but not limited to climate change) will not be financially material for the Scheme.

Once the Scheme's assets are fully transferred to the receiving scheme, the Trustee of the receiving Scheme will consider these issues in more detail.

2. Non-financially material considerations

The Trustees believe their duty is to act in the best financial interests of the Scheme's beneficiaries, and they have not made any specific provision themselves for non-financial considerations

3. The exercise of voting rights

The Trustee acknowledges that given the Scheme's holdings, the ability of the Scheme's managers to exercise voting rights is very limited. The Trustee's do not therefore take into account how their managers exercise their voting rights.

4. Engagement activities

The Trustee acknowledges that given the Scheme's holdings, the ability of the Scheme's managers to engage with the stakeholders of the managers' investments is very limited. The Trustee's do not therefore take into account their manager's engagement activities.

Through their consultation with the Employer when setting this Statement of Investment Principles, the Trustees have made the Employer aware of their policy on ESG and climate related risks.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes 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.