Compagnie Fruitiere UK Limited Pension and Assurance Scheme

Statement of Investment Principles – May 2023

Introduction

The Trustees of the Compagnie Fruitiere UK Limited Pension and Assurance Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement, the Trustees have consulted Compagnie Fruitiere UK Limited (the "Employer") on the Trustees' investment principles.

Governance

The Trustees make the key strategic decisions relating to the Scheme's investment strategy. During 2021, the Trustees made the decision to change from a traditional investment consultant and investment managers arrangement to a fiduciary management arrangement. The Trustees formally appointed Columbia Threadneedle Management Limited (formerly BMO Global Asset Management) [CTML] as fiduciary manager in 2021 to provide fiduciary management services (investment advisory services and portfolio implementation services). The overall goals of the investment strategy and key parameters of the investment mandate are set by the set by the Trustees. CTML have discretion over the implementation and day to day management of the Scheme's investments within parameters set by the Trustees. CTML act as the primary investment manager and platform provider. The fiduciary manager has delegated authority to select sub managers (investment managers) via investment funds and other collective vehicles within allocated ranges.

When making investment decisions, and when appropriate, the Trustees take investment advice from CTML in their role as fiduciary manager. CTML are suitably qualified and experienced to provide such advice. The Trustees will review CTML's performance and the Scheme's risk profile on a quarterly basis. In deciding on the long-term investment strategy and in preparing this Statement, the Trustees have consulted Compagnie Fruitiere UK Limited, the Scheme's sponsor.

The ultimate power and responsibility for deciding investment policy lies solely with the Trustees. The Scheme's assets are held in trust by the Trustees.

Investment Objectives

The Trustees are required to invest the Scheme's assets in the best interest of the members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in conjunction with the Trustees, in determining the funding of the Scheme;

- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and

- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustees understand, following discussions with the Employer, it is their preference not to revert back to a position where deficit recovery contributions are required.

The Trustees will include ESG considerations and stewardship in the selection, retention and realisation of the investments for the membership. For further information, please refer to the "Financially material considerations" section below.

Investment Strategy

Given their investment objectives the Trustees have agreed to the asset allocation detailed in the table below. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Sub-Portfolio	Funds (other funds are permitted as listed in the contractual terms with CTML)	Strategic Allocation
LDI and Cash	CT LDI fund range and cash funds	40%
Matching Credit	CT Global Low Duration Credit Fund	50%
Growth Assets		10%
	CT Universal MAP Fund Range	0%
	CT Absolute Return Bond Fund	5%
	CT UK Property Fund	5%

Cash Flow Management

Cashflow management resulting from exposure to Columbia Threadneedle (Lux) LDI (which utilises leverage) is delegated to CTML as the fiduciary manager.

Rebalancing and tactical asset allocation ranges

The Manager shall maintain the allocations to the LDI and Cash Sub-Portfolio, Matching Credit Sub-Portfolio and the Growth Assets Sub-Portfolio and the underlying Columbia Threadneedle Funds within the ranges in Table 2. The Manager will have absolute discretion to alter the allocations to the Sub-Portfolios and underlying CT Funds within these ranges.

Table 2

Sub-Portfolio	Funds (other funds are permitted as listed in the contractual terms with CTML)	Allocation Ranges
LDI and Cash	GBP CT LDI Fund range and cash funds	22-55%
Matching Credit	CT Global Low Duration Credit Fund	35-65%
Growth Assets		0-25%
	CT Universal MAP Fund Range	0-15%
	CT Absolute Return Bond Fund	0-10%
	CT UK Property Fund	0-10%

The asset allocation calculation shall be undertaken each Business Day based on the most recently available prices for each CT Fund. If the allocation is outside of the Allocation Ranges, an allocation adjustment will be carried out at the earliest available opportunity thereafter and in any event within five (5) Business Days of calculation.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, of circa 0.75% per annum above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme's liability value. This return is a "best estimate" of future returns that has been arrived at given the Scheme's longer term asset allocation and in the light of advice from the fiduciary manager .

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the prudent assumption used for the actuarial valuation of the Scheme's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Investment Mandates

The Trustees have appointed CTML as the fiduciary manager (the overall investment manager) to manage the assets of the Scheme. The Investment Managers are regulated under the Financial Services and Markets Act 2000.

The Trustees have rolling contracts with the fiduciary manager and the underlying investment managers as required.

The Trustees monitor the performance of their fiduciary manager and investment managers selected by the fiduciary manager on a quarterly basis. This monitoring is contained in a report provided by their fiduciary manager.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

The details of the Scheme's investment manager mandates are set out in the above table, Table 2.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Scheme's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.

- The Trustees recognise that whilst increasing risk can increase potential returns over a long period, it can also increase the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Compliance with Myners Principles

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Financially material considerations over the Scheme's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that Environmental, Social and Governance ("ESG") considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustees recognise that this is a defined benefit scheme with members across a wide age range. Accordingly the Trustees have formed the view that the appropriate time horizon of this Scheme could still be over 15 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will seek to deepen their understanding of their existing manager's policies by reviewing these regularly. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that their manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their manager can explain when, and by what practical methods, the manager monitors and engage with relevant persons about relevant matters in this area. They will be liaising with their manager to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their manager is a signatory of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment manager. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach over time with the help of their fiduciary manager. Consequently, the Trustees expect the Scheme's investment managers to have effective ESG policies (including the application of voting rights) in place, and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

The Trustees and CTML as the fiduciary manager will monitor the voting being carried out by investment managers and custodians on their behalf. They will do this by receiving reports from their investment managers which should include details of any significant votes cast and and proxy services that have been used.

Non-financial matters, including members' views are not currently taken into account.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to their investment managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the fund managers assessment of the business invested in over the medium to long-term and consider whether this is a holistic look at all relevant aspects of performance (i.e. does it look beyond purely accountancy measures). The Trustees must consider if the fund manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and does this coincide with the business assessments. The Trustees must be conscious of whether the fund manager is incentivised by the agreement to engage with the investee business and to what extent does any engagement focus on improving medium to long-term performance.

Invesment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, as long as the investment managers provide these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then they will monitor compliance with these targets.

Additional Voluntary Contributions ('AVCs')

The Scheme holds AVC's with Royal London (formerly Scottish Life), which are invested in a variety of funds. This arrangement will be reviewed from time to time.

At the end of 2012 Royal London closed the investment of AVC's to new members and allowed current members contributing to the Scheme to continue with no variation in payment amounts.

Monitoring risk and Investment Managers

The Trustees will monitor the performance of the fiduciary manager and underlying funds against agreed performance objectives and will consider regularly whether they are satisfied that the fiduciary manager and funds are operating in line with performance benchmarks.

The Trustees currently receive quarterly performance monitoring reports from the fiduciary manager.

Employer-Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

J MILLER

…………………………………………

Trustee

……….…………………………….

Date

The Trustees of the Compagnie Fruitiere UK Limited Pension and Assurance Scheme