

# **The B.U.T. Retirement Benefits Scheme**

## **Statement of Investment Principles**

August 2022

# Preface

## **Scheme background**

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the B.U.T. Retirement Benefits Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants, and to future accrual. The Trustee has secured a bulk purchase annuity policy that is expected to provide members' benefits.

## **Regulatory requirements and considerations**

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustee must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects the Pensions Regulator's investment guidance for trustees running pension schemes that offer defined benefits issued in March 2017 and subsequently updated.

The Trustee is responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing its investment strategy, the Trustee has had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.
- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustee has taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustee's approach to investment matters within the AVC arrangements is included within this SIP.

## **Responsibilities and appointments**

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

## **Consultation**

In accordance with the Act, the Trustee has obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and have consulted Aviagen Turkeys Limited ('the Sponsoring Employer'). However, it should be noted that neither the Trustee (nor any

investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

### **History and review**

The Trustee will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request and on a publicly available website.

Previous versions of this SIP are dated:

July 2021

August 2020

October 2019

March 2018

June 2014

October 2011

March 2010

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# Statement of Investment Principles

## Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustee Directors believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when an investment sub-committee may be set up. The Trustee Directors will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustee will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. An investment policy has been provided by the investment platform provider. The investment arrangements are reviewed from time-to-time to ensure that the manner in which investments are made on behalf of the Trustee Board is suitable for the Scheme.

## Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustee having taken advice from the investment consultant in relation to the suitability of investments and the need to take due account of the Scheme's liabilities.

The agreed investment strategy involves the pensioner and deferred member liabilities being secured by a Bulk Purchase Annuity policy with Just Retirement Limited ("Just").

In addition, the Trustee also holds a money market investment managed by Legal & General Investment Management ("LGIM") held on the Mobius platform, which will be used to meet further payments as agreed by the Trustee.

The Trustee's primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.

The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the appendices of this SIP.

In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment manager authorised under the Act. Details of this manager is included in the appendices of this SIP.

The Trustee is responsible for reviewing both the Scheme's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme's investment

consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

### **The Trustee's policy in relation to the kinds of investments to be held**

The Trustee has full regard to its investment powers as set out in Clause 7 of the Supplemental Trust Deed dated 8 May 2000.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds
- Insurance policies and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The majority of the Scheme's assets are invested in a Bulk Purchase Annuity policy, with the residual assets being invested in pooled fund(s) and cash.

The Trustee has invested in a Bulk Purchase Annuity to insure all economic and longevity risk associated with the liabilities of all members covered by the policy with an insurance company that is financially strong. The Trustee has made the decision to invest the balance of the assets in pooled fund(s) because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustee to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

### **The Trustee's policy in relation to the balance between different kinds of investments**

The Trustee is comfortable with the majority of the Scheme's assets being held in the buy-in policy. With regards to the residual assets, the selected investment manager will hold a diversified mix of investments in line with the agreed benchmark(s) and within its discretion to

diverge from the benchmark(s). Within each major market, the manager will maintain a diversified portfolio of securities. Full details are set out in Appendix 1 of this SIP.

**The Trustee’s policy in relation to the expected return on investments**

The investment strategy is believed to be capable of meeting, in the long run, the overall required rate of return in order to maintain a fully funded status.

**The Trustee’s policy in relation to the realisation of investments**

The Bulk Purchase Annuity held in the name of the Scheme is an illiquid investment and cannot be surrendered, sold or “cashed-in” in the future. It is an asset that will be held in perpetuity until the last payment is made or such time as it is converted to individual buy-out policies for insured members on buy-out.

The Trustee requires the investment manager of the residual assets to be able to realise the Scheme’s investments in a reasonable timescale by reference to the market conditions existing at the time the disposal, subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate.

**The Trustee’s policy in relation to financially material considerations**

The Trustee expects their investment manager, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

**The Trustee’s policy in relation to the extent to which non-financial matters are taken into account**

The Trustee’s objective is that the financial interests of the Scheme members is the first priority when choosing investments. The Trustee has decided not take members’ preferences into account when considering these objectives.

## **Risk capacity and risk appetite**

Subject to the benchmarks and guidelines (shown in Appendix 1) the investment manager of the residual assets is given full discretion over the choice of stocks and are expected to maintain a diversified portfolio.

The Trustee is satisfied that the investments selected are consistent with their investment objectives.

Given the size and nature of the Scheme, the Trustee has decided to invest the Scheme's residual assets on a pooled fund basis. All such investments are effected through a policy of insurance with the investment platform provider.

### **The Trustee's policy in relation to risks**

In determining its investment strategy, the Trustee received advice from the investment consultant to proceed with a Bulk Purchase Annuity and on the investment of the Scheme's residual assets.

Although the Bulk Purchase Annuity removes many of the risks, the Trustee recognises some risks remain, namely the risk:

- Of the insurance provider failing to provide the desired benefit payments.
- The potential for an additional premium to be paid to the Bulk Annuity Provider in the event material changes are required to the data or benefits insured within 12 months of the policy inception date.
- Of the residual cash held by the Scheme being insufficient to meet residual obligations.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustee undertakes monitoring of the investment manager's performance against its respective targets and objectives on a regular basis.

The pooled fund in which the Trustee invests has a stated performance objective against which investment performance will be measured. This is shown in Appendix 1.



## **Stewardship in relation to the Scheme's assets**

The Trustee has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries. The Trustee can promote an investment's long-term success through monitoring, and engagement through their investment manager. The Trustee recognises that the existing investment strategy provides only limited potential to influence engagement due to the nature of the assets and time horizon.

### **The Trustee's policy in relation to engagement and monitoring (including peer to peer engagement)**

Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment manager and it expects the investment manager to use its discretion to maximise financial returns for members and others.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

### **The Trustee's policy in relation to voting rights**

The Trustee does not hold shares in companies either directly or indirectly and is therefore not expected to exercise voting rights.

Where any rights do emerge, the Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to make available regular reports detailing their voting activity.

## **Investment management monitoring**

The Trustee will assess the performance, processes and cost effectiveness of the investment manager by means of regular reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment manager, is monitored by the Trustee with the assistance of the investment consultant.

The investment platform provider will provide the Trustee with quarterly statements of the assets held along with a quarterly performance report.

The investment platform provider will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of investment managers.

### **The Trustee's policy in relation to their investment manager**

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment manager, the Trustee considers how well an investment manager meets the Trustee's policies and provides value for money over a suitable timeframe. This same approach applies to the Trustee's selection of an investment platform provider.

- **How the arrangement incentivises the investment managers to align their investment strategy and decisions with the Trustee's policies**

The Trustee has delegated the day-to-day management of the Scheme's assets to an investment manager, accessed through an investment platform arrangement. The Scheme's assets are invested in pooled fund(s) which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. A fee is also payable to the investment platform provider. The Trustee believes that as both the investment manager and the platform provider receive fees, this incentivises them to adhere to their stated policies and objectives.

Further, through the use of an investment platform provider the Scheme expects to benefit from lower investment manager fees through aggregation benefit/increased buying power that the platform provider may be able to bring to bear with the underlying managers.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustee, in conjunction with their investment consultant, selects the investment manager and chooses the specific pooled fund to use in order to meet specific Scheme policies. The Trustee expects the investment manager to make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee also expects the investment manager to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

- **How the method (and time horizon) of the evaluation of the investment managers performance and the remuneration for asset management services are in line with the Trustee's investment policies**

The Trustee expects the investment manager to invest the assets within its portfolios in a manner that is consistent with the guidelines and constraints set out in the fund documentation. The Trustee reviews the investment manager and the investment platform provider periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that the investment manager or the investment platform provider are no longer managing the assets in line with the Trustee's policies, they will make their concerns known to the investment manager or platform provider and may ultimately disinvest.

The Trustee pays the investment manager a management fee, via their investment platform arrangement, which is a fixed percentage of assets under management. A separate fee is also payable to the platform provider which is a fixed percentage of assets.

Prior to agreeing a fee structure, the Trustee, in conjunction with the investment consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager and the investment platform provider.

- **How the Trustee monitors portfolio turnover costs incurred by investment managers, and how it defines and monitors targeted portfolio turnover or turnover range**

The Trustee, in conjunction with the investment consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment manager used by the Scheme.

The Trustee expects turnover costs of the investment manager to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment manager should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandate is unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

The Bulk Purchase Annuity policy entered into by the Trustee cannot be surrendered and is an asset that will be held until the last benefit payment is made or such time as it is converted to individual buyout policies for insured members on buyout.

For the residual assets, the Trustee retains the ability to change investment manager or investment platform provider should its performance and processes deviate from the Trustee's policies. However, the Trustee expects the manager appointments to have a relatively long duration, subject to the manager adhering to their stated policies, and the continued positive assessment of its ability to meet its performance objective.

## **Employer-related investments**

The Trustee will not make direct investments in the Sponsoring Employer's own securities.

## **Additional voluntary contributions (AVCs)**

The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Scheme for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustee, having taken appropriate written advice from their investment advisers.

The Scheme has a number of members that have AVC investments with Utmost, following the transfer from Equitable Life. In selecting the range of funds offered, the Trustee has taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustee's responsibilities in the selection and monitoring of the investment options offered.
- The Trustee will continue to manage the AVC arrangements having taken professional advice on these matters.
- The Trustee will monitor the performance of AVC providers periodically.

- Members are directed to seek independent financial advice when considering their AVC arrangements.

## Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultant is Buck Consultants (Administration & Investment) Limited.
- The investment manager is Legal & General Investment Management ("LGIM").
- The investment platform provider is Mobius Life Limited.
- The Bulk Purchase Annuity is held with Just Retirement Limited.
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Mike Whittaker, of Buck Consultants Limited.

### Trustee

The Trustee's primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment manager.
- Appointing investment consultants, investment managers and an investment platform provider as necessary for the good stewardship of the Scheme's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Assessing the processes and the performance of the investment manager by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.

### Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustee in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustee.
- Advising the Trustee on the selection and review of investment manager and the investment platform provider.
- Providing training or education on any investment related matter as and when the Trustee sees fit.

- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

### **Bulk Purchase Annuity provider**

The Bulk Purchase Annuity provider's main responsibilities include:

- Updating Scheme data and benefits as agreed with the Trustee under the terms of the policy.
- Providing monthly payments to the Trustee of Specified Benefits in respect of Insured Beneficiaries and Dependants covered under the terms of the policy.

### **Investment Platform provider**

The investment platform provider's main responsibilities include:

- Providing access to a range of funds provided by various managers.
- Ensuring that investment of the Scheme's assets is compliant with prevailing legislation.
- Providing the Trustee with quarterly reports including any changes to their investment process.
- Informing the Trustee of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.
- Assistance with audit and regulatory reporting as agreed.

### **Investment manager**

The investment manager's main responsibilities include:

- Investing the assets within their respective portfolios in a manner that is consistent with the guidelines and constraints set out in their Fund documentation.
- Ensuring that the investment of the assets within their portfolios are compliant with prevailing legislation.
- Considering financially material risks affecting investments within their portfolios.

### **Scheme Actuary**

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions to aid the Trustee in balancing short-term and long-term investment objectives.

# Compliance

The Scheme's SIP is available to members on request and online.

A copy of the Scheme's current SIP is also supplied to the Sponsoring Employer, the Scheme's investment platform provider, the Scheme's auditors and the Scheme Actuary.

This SIP, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on **TBC** 2022.

# Appendix 1 – Strategic asset allocation and objectives

## Scheme’s asset allocation

The majority of the Schemes assets are held in a Bulk Purchase Annuity for all members of the Scheme.

The Scheme’s residual asset allocation is detailed below:

Asset Type	Investment Style	Allocation (%)
Money Market	Passive	100.0
<b>Total</b>		<b>100.0</b>

## Benchmarks & performance objectives

The Benchmark index and relative performance objective for the fund in which the residual Scheme assets are invested is outlined below:

The Trustee has implemented their strategy through an investment platform, under which they gain access to the following fund through a Life Policy issued by Mobius Life Limited.

Fund	Benchmark Index	Objective
LGIM Sterling Liquidity Fund	SONIA	<p>The fund aims to provide capital stability, liquidity and income through investment in a diversified portfolio of high credit quality short term fixed income and variable rate securities including but not limited to certificates of deposit, fixed and floating rate notes, fixed rate commercial paper and bonds listed or traded on one or more recognised exchanges.</p> <p>In addition, the fund will seek to obtain and maintain a triple-A rating from at least one internationally recognised rating agency (for example, AAAM by Standard &amp; Poor's).</p>



## Appendix 2 – Fees

### Investment Management Fees

The underlying investment manager charges the below ad valorem annual management charge per fund:

<b>Fund</b>	<b>Investment Style</b>	<b>Management Fee % p.a.</b>
LGIM Sterling Liquidity Fund	Passive	0.05

The above fee excludes additional expenses associated with the operation and management of the funds.

### Investment platform fees

The Scheme uses Mobius Life as its investment platform provider, which charges an additional 0.05% p.a. on top of the management charge shown above.

### Investment Consultant fees

The investment consultant provides agreed services on a fixed fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.