Statement of Investment Principles

Lacpatrick Artigarvan Creamery Pension Scheme

March 2022

Contents

1. Introduction

1.1 What is the purpose of this Statement of Investment Principles ("SIP")?

This SIP sets out the policy of the Trustees of The Lacpatrick Artigarvan Creamery Pension Scheme (the "Scheme") on various matters governing decisions about the investments of the Scheme.

1.2 What does it cover?

Section 2 of the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations") sets out those matters that must be covered in a SIP, and which include the Trustees' policy in relation to:

- the kinds of investments to be held;
- the balance between different kinds of investments;
- risks, including the ways in which risks are to be measured and managed;
- the expected return on investments;
- the realisation of investments; and
- the extent (if at all) to which social, environmental or governance considerations are taken into account in the selection, retention and realisation of investments.

1.3 What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 (the "Act") and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension schemes.

1.4 Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from the Scheme's previous adviser and consulting Lacpatrick Dairies (NI) Limited (the "Sponsoring Employer") as required by the Act and subsequently by the Regulations.

1.5 Who does it concern?

The document is produced as evidence of compliance with the Act and other relevant legislation, and to provide the opportunity for members, professional advisers, the investment managers and the Sponsoring Employer to understand and comment on the Trustees' policy on investment.

1.6 Scheme details

The Scheme is a registered pension scheme with HM Revenue & Customs under the Finance Act 2004. The Scheme's assets are held under a trust which is administered by the Trustees. The investment powers of the Trustees are set out in the Scheme's trust deed.

The Scheme is classed as a defined contribution pension scheme and is open to future contributions from new and existing members.

2. Investment policy

It is the policy of the Trustees, after taking appropriate written advice from their investment adviser and in consultation with the Sponsoring Employer, to set the investment strategy for the Scheme, following a consideration of their objectives and other related matters.

The Trustees' policy is to review their objectives and investments, and to obtain written advice about them periodically.

All of the Scheme's investments are in external collective investments.

It is the Trustees' policy that the Scheme's assets should only hold investments in derivative instruments in so far as they contribute to a reduction in risk or facilitates efficient portfolio management.

It is the Trustees' policy not to hold any direct investment in the Sponsoring Employer.

When deciding whether or not to make any new investments, the Trustees will obtain written advice from an appropriately qualified investment adviser.

The written advice will consider the issues set out in the Regulations and the principles contained in this statement. The Regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the investment managers) against the following criteria:

- The best interests of the members and beneficiaries;
- Security;
- Quality;
- Liquidity;
- Profitability;
- Tradability on regulated markets;
- Diversification; and
- The use of derivatives.

3. Investment Objectives

The Trustees' key objective is to provide money purchase benefits for members on their retirement, or benefits for their dependants on death before retirement. The Trustees look to achieve this by providing members with investment choices that reflect their:

- Attitude to investment risk;
- Level of dependency on the benefits to be drawn;
- The way in which members take their benefits;
- Understanding of investment matters; and
- Range of ages.

The Trustees are cognisant that:

- Members closer to retirement have less scope to absorb risk and need protection against short term fluctuation in asset values; and
- Members further from retirement have greater scope to absorb risk and short-term volatility in asset values, but also need protection against the erosion of the capital value of their assets by inflation.

The Trustees review their investment objectives from time to time and amend them accordingly.

4. Appointment of investment managers

4.1 How many investment managers are there?

The Scheme currently offers funds managed by Aegon. Details of the funds are outlined in the Appendix.

4.2 What formal agreements are there with the investment manager?

The Trustees select investment managers and funds which are appropriate to implement the investment strategy.

The Trustees have signed policy documents and application forms with Aegon.

The Trustees keep the appointment of all investment managers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Scheme's investment strategy.

4.3 What are the investment manager's responsibilities?

The investment manager is responsible for the day-to-day investment management of the investments and is responsible for appointing custodians if required.

The manager is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Aegon will invest and manage the assets of each fund at its discretion, subject to compliance with the investment objective of that fund.

5. Investment Strategy

5.1 What is the Scheme's investment strategy?

The Scheme's investment strategy is implemented using the range of investment options, which are summarised below. Further information on each of these is provided in the Appendix. Members can select from a range of Aegon Funds, providing different investment strategies. The Aegon Balanced Lifestyle Fund is the default fund. The other funds members are currently invested in are:

- Aegon Balanced Lifestyle Fund (The default strategy)
- Aegon Cash Fund
- Aegon Mixed Fund
- Aegon Retirement Fund
- Aegon High Equity With Profits Fund
- Aegon With Profits Growth Fund
- Aegon With Profits Cautious Fund

5.2 The Scheme's default investment strategy

Employees who are automatically enrolled in the Scheme are placed in the 'default' strategy. The default strategy employs 'lifestyling', which seeks to reduce the risk of short-term volatility to the member's assets as the member nears retirement. This strategy aims to provide more certainty around the amount of annuity that can be bought at retirement.

The Balanced Lifestyle Fund utilises a two-stage investment process: a growth stage and a lifestyle stage. In the growth stage, the fund aims to provide capital growth through investing wholly in Aegon's Mixed Fund. This Mixed Fund is composed of UK equities, overseas equities, fixed income securities and cash. The lifestyle stage begins six years before the member's target retirement date and aims to alter the investment strategy to align with their retirement needs. This involves transitioning investments into the Aegon Long Gilt Fund and Aegon Cash Fund (in the final year before retirement), which provides greater certainty in regards to annuity values and allows members to withdraw their maximum tax fee cash entitlement (currently 25%) at retirement.

The transition strategy for the Aegon Balanced Lifestyle fund is as follows:

Years to Retirement	≥6	5	4	3	2	1	0
Aegon Mixed Fund	100%	80%	60%	50%	40%	25%	0%
Aegon Long Gilt Fund	0%	20%	40%	50%	60%	75%	75%
Aegon Cash Fund	0%	0%	0%	0%	0%	0%	25%

The Aegon Balanced Lifestyle Fund's asset allocation at 31 December 2021 for the growth phase prior to lifestyling is set out below:

Asset	Allocation
UK Equity	26.6%
North America Equity	20.0%
Europe ex UK Equity	19.2%
Asia Pacific Including Japan Equity	9.5%
Global Bonds	8.1%
UK Bonds	6.2%
Global Emerging Market Equity	0.2%
Cash	6.6%
Other	3.7%

Note: Allocations may not sum to 100% due to rounding and allocations are subject to change.

5.3 Financially material considerations, non-financial matters and stewardship policies

This section sets out the Trustees' policies on financially material considerations, non-financial matters and stewardship.

If the Trustees feel that the fund manager is not assessing financial and non-financial performance adequately, or engaging with the companies they are investing in, they will use these factors in deciding whether to retain or terminate the manager.

The Trustees do not offer explicit remuneration to the Scheme's investment manager for considering these factors specifically.

5.3.1 Stewardship policy

The Trustees are aware of the constraints that they face in terms of influencing change due to the size and nature of the Scheme's investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing the existing investment manager. The Trustees have chosen to delegate their voting and engagement responsibilities to the appointed investment manager, and they will monitor the stewardship policies of these managers annually in the Implementation Statement.

The Trustees will monitor the fund manager's engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their manager to make every effort to engage with the companies they invest in, and prior to investment where it is appropriate.

The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

5.3.2 Non-financial matters

The Trustees consider non-financial factors (where members have been forthcoming with their views) however the Trustees do not employ a formal policy in relation to this when selecting, retaining, and realising investments.

5.4 How are the various parties who are involved in the investment of the Scheme's assets remunerated?

Quantum Advisory, who prepared this SIP, is remunerated by the Sponsoring Employer. Quantum does not receive commission from the investment manager.

The Scheme invests in pooled funds. The Trustees note that the investment strategy and decisions of the fund manager cannot be tailored to the Trustees' policies and the manager is not remunerated directly on this basis. However, the Trustees set the investment strategy for the Scheme and select appropriate managers and funds to implement the strategy.

The Trustees do not directly incentivise the investment manager to engage with the issuers of debt or equity to improve their performance. The Trustees do, however, expect the investment manager to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment manager's engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustees consider the fees and charges associated with each investment before investing.

The investment manager is remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Scheme's funds they hold under management. This structure has been chosen to align the fund manager's interests with those of the Scheme. In addition, the fund manager pays commissions to third parties on many trades they undertake in the management of the assets. The Trustees obtain an annual statement from the investment manager setting out all the costs of the investments of the Scheme.

Details of the fees paid can be found in the Chair's Statement and the Appendix to this SIP.

5.5 Do the Trustees take any investment decisions on their own?

The Trustees are responsible for the investments of the Scheme's assets. They take some decisions themselves and delegate others.

When deciding which decisions to make themselves, and which to delegate, the Trustees consider whether they have the appropriate training and expertise in order to make an informed decision.

The Trustees have established the following decision-making structure:

5.5.1 Trustees

- Set structures and processes for carrying out their role.
- Select direct investments.

- Select investment advisers and investment managers.
- Agree structure for implementing investment strategy.
- Monitor investment advisers and investment managers.
- Monitor direct investments.
- Make ongoing decisions relevant to the operational principles of this Statement.
- Prepare and maintain the SIP.
- Report on compliance with this SIP annually.

5.5.2 Investment adviser

- Advises on all aspects of the investment of the Scheme's assets, including implementation.
- Advises on this Statement.
- Provides required training.

5.5.3 Investment manager

- Operates within the terms of the written contracts and agreements.
- Selects individual investments with regard to their suitability and diversification for the
- individual pooled vehicles.
- Advises Trustees on the suitability of its benchmarks.

5.6 Conflicts of interest

The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustees' meeting and document these in the minutes. The investment manager reports on potential and actual conflicts of interest annually and this is recorded in the Scheme's Implementation Statement.

5.7 Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment manager. The investment manager is expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

6. Review

6.1 How often are investments reviewed?

The Trustees review the default arrangement at least every three years and without delay following any significant change in investment policy, or the demographic profile of relevant members. The Trustees consider the extent to which the return on the investments relating to the default arrangement (after deduction of investment charges) is consistent with their aims and objectives for the default arrangement.

Investment return experience and the performance of individual funds is reviewed annually. The investment manager is reviewed against their agreed performance benchmarks and targets over both short-term and long-term time periods, to ensure they remain appropriate to implement the investment strategy for the Scheme.

The Trustees also assess 'Value for Members' periodically.

6.2 How do the Trustees monitor portfolio turnover costs and portfolio turnover?

The Trustees have delegated the selection of holdings to the appointed investment manager. The Trustees receive an annual report from the investment manager setting out portfolio turnover and the associated costs.

The Trustees have not set a specific portfolio turnover target for each fund and recognise that portfolio turnover and costs may vary with market conditions. The fund manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.

The Trustees report on transaction charges in the Chair's Statement annually.

The Trustees will compare the annual turnover and associated costs for each fund with previous years to ensure each fund's process and philosophy remain consistent.

6.3 How often is this SIP reviewed?

The Trustees will, after significant changes in policy and at least every three years, review the appropriateness of this SIP with the help of their advisers and will amend the SIP as appropriate. Any change to this SIP 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; and consulting with the Sponsoring Employer.

Signed: ....(Trustee)

Date: 3[illegible]/3/22

For and behalf of the Trustees of The Lacpatrick Artigarvan Creamery Pension Scheme.