

# **Rabobank London Branch Pension Fund**

## **Defined Benefit Section**

### **Statement of Investment Principles**

## Contents

<b>1. Introduction</b>	3
<b>2. Investment Objectives</b>	3
<b>3. Investment Strategy</b>	3
<b>4. Monitoring Investments</b>	4
<b>5. Investment Manager Fees</b>	5
<b>6. Investment Manager Terms and Conditions</b>	6
<b>7. Expected Return</b>	6
<b>8. Voluntary Contributions</b>	6
<b>9. Diversification and Suitability</b>	6
<b>10. Risk Measurement and Management</b>	7
<b>11. Realisation of Investments</b>	8
<b>12. Custody</b>	9
<b>13. Socially Responsible Investment and Stewardship</b>	9
<b>14. Investment Manager Arrangements</b>	10
<b>15. Compliance with this Statement</b>	12

## **1. Introduction**

This is the Statement of Investment Principles (the "Statement") for the Rabobank London Branch Pension Fund (the "Fund") as required by section 35 of the Pensions Act 1995 (the "Act"), as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations).

The Fund consists of two groups of members; those who joined the Defined Benefit ("DB") section and those who joined the Defined Contribution ("DC") section. This Statement covers the Defined Benefit section of the Rabobank London Branch Pension Fund. It is effective from March 2025 and replaces the Statement previously approved by the Trustee.

The Trustee will review this Statement at least every three years to ensure it remains accurate. The Statement will be amended more frequently and as soon as possible should any changes be made to the Fund's investment strategy. The Trustee is committed to maintaining the accuracy of the Statement on an ongoing basis.

As required under the Act, the Trustee has consulted a suitably qualified person by obtaining written advice from Isio Group Limited ("Isio") on the suitability of the investments and the principles contained in this Statement. The Trustee complies with the requirements to maintain and take advice on the Statement and consult with the Employer. The Employer has been consulted on the contents of this Statement and will be consulted should the Trustee wish to make any amendments to this Statement.

## **2. Investment Objectives**

The Trustee's overall investment policy is guided by the following objectives:

- To ensure the obligations to the beneficiaries of the Fund are met.
- To ensure that the long term strategy of the Fund is appropriate.
- To pay due regard to the Company's interests in the size, stability and incidence of their contribution payments.

The Trustee's aim is to take on risk relative to the liabilities through a 34.0% allocation to a return generating asset portfolio to target a higher longer term return. This will involve investing the Fund's assets in a diversified range of return-seeking assets. The remaining 66.0% allocation is invested in long dated fixed interest and inflation-linked government bonds, with the Trustee recognising an opportunity to crystallise gains in funding position and reduce future funding volatility. This reflects the view of the Trustee based on the Employer's financial strength and commitment to the Fund.

## **3. Investment Strategy**

The Trustee reviews the investment strategy regularly with its investment advisor. When deciding on an appropriate investment strategy, the Trustee will take into account the Fund's liabilities as at the latest Actuarial Valuation and the covenant strength of the Employer. The Fund's assets are invested in a diversified portfolio of growth investments and a portfolio of long dated fixed interest and inflation-linked government bonds. The Trustee reviews the Fund's investment strategy on an ongoing basis and has agreed on the target strategic benchmark asset allocation as set out in the table below.

Manager	Asset Class	Fund	Benchmark (%)
Legal & General	Fixed Interest and Inflation-Linked Government Bonds	LGIM Over 15 Year Gilts Index Fund and LGIM Over 5 Year Index Linked Gilts Index Fund	66.0
Alcentra	Direct Lending	Alcentra Clareant European Direct Senior Fund	4.0
Partners Group	Illiquid Multi-Asset Credit	Partners Group MAC VI Fund	16.0
Standard Life Capital Partners	Infrastructure Equity	SL Capital Infrastructure II Fund	14.0
Legal & General	Cash	LGIM Sterling Liquidity Fund	0.0
<b>Total Fund</b>			<b>100.0</b>

While there is no strategic asset allocation to the Legal & General Sterling Liquidity Fund the Trustee can use this from time to time to manage the day to day cashflow requirements of the Fund. The Trustee also has access to a number of fixed interest and inflation-linked Government Bond funds of varying duration, should the Trustee wish to utilise these as part of the fixed interest and inflation-linked Government Bonds allocation in future.

34% of the Fund's investments are illiquid in nature and as such a set of permitted ranges for the purpose of rebalancing the portfolio have not been defined. However, the Trustee will review the asset allocation of the Fund relative to the strategic benchmark on a regular basis and update where appropriate.

The Alcentra and Partners Group investments are in their respective run-off periods with capital distributions being periodically paid out to the Trustee bank account. The Trustee has a cashflow management policy and will reinvest proceeds as and when needed when a surplus arises in the Trustee bank account as a result of investment distributions or contributions from the Principal Employer. The Trustee will determine the most appropriate asset class to invest in depending on the Fund's position and market conditions at the time of the receipt of proceeds. As such, the strategy in the table above will be dynamic as the Alcentra and Partners Group holdings run off. When these investment proceeds have been received, and the Trustee has agreed upon the long-term investment allocation for the proceeds, then this Statement will be updated.

When choosing the Fund's asset allocation strategy the Trustee considered written advice from its Investment Advisors and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.
- The need for liquidity.

#### 4. Monitoring Investments

The Trustee receives quarterly investment reports showing:

- Performance of different asset classes versus their respective benchmarks, as reported by each manager.
- The Fund's asset allocation relative to the agreed benchmark position.
- Total Fund Performance versus the Fund's benchmark given the agreed investment strategy.
- Any significant issues with the appointed fund managers that may impact their ability to meet their performance objectives or could impact on the security of the Fund's assets.

## 5. Investment Manager Fees

Investment manager fees are paid based on the market value of assets under management. The following fee arrangements have been agreed between the Trustee and each of the managers:

### Legal and General

Over 15 Year Gilts Index Fund – 0.05% p.a.

Over 5 Year Index-Linked Gilts Index Fund – 0.05% p.a.

### Alcentra

Senior Loan Fund – 0.75% p.a. on invested capital; 10% above a 4% hurdle rate with a catch up mechanism.

### Standard Life Capital

Infrastructure II Fund – 0.8% p.a. on invested capital.

Performance fee will be charged on the Fund. This will be measured against the net asset value at the end of its 12 year planned lifecycle. It will be based on an 8% share over an 8% hurdle with a cap at 12% and will be taken at the end of the Fund's lifecycle. The performance fee will only be paid if the Fund has achieved an average net yield of 4% p.a. since inception.

### Partners Group

MAC VI Fund – 0.875% p.a. (0.9% p.a. with a 0.025% p.a. rebate).  
Performance fee of 10% of profits subject to a 4% preferred return each year to investors with a catch up mechanism.

The Trustee reviews the fees charged by its investment managers on a periodic basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Fund's size and complexity.

The Trustee reviews investment manager costs and charges (including portfolio turnover costs incurred as a result of buying, selling, lending or borrowing of investments) periodically where relevant, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustee also monitors on a periodic basis the portfolio turnover for relevant funds (the frequency that assets are bought and sold) in the context of what the Trustee expects to be reasonable given the nature of each mandate.

Where the Trustee invests in passively-managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/seller of stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and

what proportions of each asset in the index to hold to minimise transaction costs.

## **6. Investment Manager Terms and Conditions**

The Fund's investment managers are registered with the appropriate regulator. As required by the Financial Services and Markets Act 2000, the Trustee has entered into signed Agreements with these managers which comply in all respects with this Statement.

The Trustee is satisfied that the managers make investment decisions with regard to diversification and suitability as appropriate to the role that they fill within the total Fund.

These Agreements provide important protections for the Fund itself and for the Trustee. They also set out the terms on which the assets are managed, including the investment briefs, guidelines and restrictions under which the investment managers work.

## **7. Expected Return**

The Trustee expects that over the long-term, the investment strategy selected will deliver a return that meets the return assumptions used by the Scheme Actuary in the Actuarial Valuation.

Over the long-term, the investment strategy of the DB section is intended to deliver a return that will allow sufficient asset growth such that, in combination with the agreed Contributions due under the Schedule of Contributions from the Principal Employer, the Technical Provisions can be met.

## **8. Voluntary Contributions**

The Trustee takes advice from time to time and the Voluntary Contributions arrangements for the DB section are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remain consistent with the objectives of the Trustee and needs of the members.

The investment vehicles available for DB section members' Voluntary Contributions are the same as those made available within the DC section of the Fund with the exception of those members who choose to continue contributions to an Aegon Scottish Equitable AVC policy.

## **9. Diversification and Suitability**

The Trustee manages the investments in the expectation that the Fund continues in existence. If the Trustee becomes aware of the circumstances which lessen its certainty over this, the Trustee will take steps to adjust the investment strategy as appropriate.

The Trustee, in consultation with its Investment Advisors, considers the diversification of the Fund's strategy to be suitable with regard to the liability profile of the Fund and that the diversification has been achieved without undue concentration in any particular asset. In view of the possibility that the liability profile of the DB section may change, the Trustee will re-examine the suitability of the approach regularly in conjunction with its advisors and the Principal Employer.

The Agreements with the investment managers include a number of guidelines which, among other things, are designed to ensure diversification of assets and that only suitable investments are held by the Fund. These Agreements provide for diversification and limits on individual holdings. Full details of these guidelines are set out in the appropriate investment manager agreements.

## 10. Risk Measurement and Management

The Trustee recognises that the key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to adversely impact the funding level of the Fund and, therefore, contribute to funding risk. These are as follows:

- **Solvency risk** – Solvency levels are monitored through ongoing triennial actuarial and accounting valuations, with appropriate action to prevent undue deterioration of the funding position.
- **Mismatching risk** - The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors. The Trustee and its advisors considered this risk when setting the investment strategy. The Trustee has chosen to invest the Fund’s assets in a diversified portfolio of return seeking assets and believes that it will deliver a return that meets the return assumptions used by the Scheme Actuary in the Actuarial Valuation. This was done in recognition of the covenant strength of the Employer. The Trustee has added an allocation to a portfolio of long dated fixed interest and inflation-linked gilts with the aim of reducing funding level volatility from movements in interest rate and inflation expectations. This is to recognise the direction of travel to de-risk the Fund’s investment strategy as the funding position improves.
- **Inflation risk** – Inflation risk exists if projected cashflows from assets have different linkages to inflation from the projected liabilities. The Trustee has chosen to invest in inflation-linked government bonds to partially hedge the impact of changing inflation expectations on the value of the Fund’s liabilities.
- **Currency risk** – The risk of adverse influence on investment values arising from unfavourable currency movements. The Trustee has sought to manage this risk by investing predominantly in Sterling denominated assets.

The Fund’s investment in the Standard Life Capital Infrastructure Fund is in a Euro denominated fund so the Fund is exposed to the Euro-Sterling exchange rate at valuation points.

The Alcentra Clareant European Direct Senior Fund is a Sterling sleeve of a Euro denominated master fund and investments may be made in non-Euro currencies. Alcentra may hedge exposure to non-Euro currencies but has no obligation to do so. The Fund is subject to fluctuations in the relative strength of the Euro for both the Alcentra and SL Capital investments.

- **Manager risk** – The failure by the fund managers to achieve the rate of investment return assumed by the Trustee. The Trustee monitors the managers’ performance quarterly and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance.

- **Liquidity risk** – The risk of a shortfall of liquid assets relative to the Fund’s immediate liabilities. The Trustee has adopted a strategy that makes due allowance of the need for the liquidity of the Fund’s assets. Approximately 66.0% of the Fund’s asset portfolio is accessible on a weekly basis. While a large proportion of the Fund’s investments are in illiquid asset classes, the funds selected distribute an income on a regular basis. It may be possible to sell units through secondary markets should liquidity become an issue.
- **Concentration risk** – The failure to spread investment risk. This risk is to some extent mitigated through the use of pooled funds to gain investment exposure to the asset classes the Fund invests in. In respect of diversification between asset classes, the Trustee and its advisors considered this risk when setting the Fund’s investment strategy. The Trustee has adopted a strategy that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:
  - By asset class (Direct Lending, Multi-Asset Credit, Infrastructure Equity, Fixed Interest and Inflation-Linked Government Bonds)
  - By region.
- **Covenant risk** – The risk of failure by the Fund’s sponsoring employer to meet its legal obligation and financial ability to support the Fund. The Trustee has considered the risk that the Principal Employer may be unwilling or unable to maintain the necessary level of contributions in future, and has concluded that this risk is acceptable and that no further action is necessary to mitigate this risk. The Trustee reviews this risk at each triennial actuarial valuation and more frequently if there are material changes to the sponsoring employer. The strong sponsor covenant supports the Trustee’s decision to have an investment strategy which comprises 34.0% of return-seeking assets.
- **Operation risk** - The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. The safe custody of the Fund’s assets is delegated to professional custodians (via the use of pooled vehicles).
- **Market risk** – The value of securities, including government bonds, alternative asset classes and interest bearing assets, can go down as well as up. The Fund may not get back the amount invested. However, the Trustee realises that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash.

## 11. Realisation of Investments

The Trustee’s policy is to delegate the responsibility for buying and selling investments to the investment managers. The continuous activities carried out are governed by the Fund arrangements, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

The Trustee’s policy in relation to the retention and realisation of investments is that:

- Investments should be retained and realised at a time considered by the Trustee after obtaining proper advice, unless earlier realisation is required or considered advisable as part of the overall risk management of the Fund or is otherwise required to be realised to meet benefit payments or transfer values.
- In retaining any investment, it is the Trustee's policy to review periodically whether the continued retention of that investment is appropriate and to obtain proper advice on whether retention is satisfactory given the matters referred to in this Statement.

The Trustee's policy on the duration of arrangements with investment managers is set out below. The Trustee, with guidance from its Investment Advisor, has chosen to invest in a combination of open-ended pooled funds and closed-ended funds.

- For open ended pooled funds the Trustee's policy is to enter arrangements with no fixed end date. However, in this case the Trustee will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Fund's open ended investments are a combination of daily and weekly dealt funds. The Trustee will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustee may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Fund's asset mix over time.
- For closed ended arrangements the Trustee's policy is to enter arrangements of a length commensurate to the nature of the underlying investments, taking advice from its Investment Advisor. The Trustee's current closed ended arrangements are in:
  - senior direct lending, with initial 6 year investment term to April 2024, extended to April 2026;
  - infrastructure equity, with a 12 year term to December 2032 with the possibility of up to a 5 year extension; and
  - multi-asset credit, with a 7 year term to October 2027 with the possibility of up to a 3 year extension.

## **12. Custody**

The custodian is responsible for the safekeeping of the Fund's assets and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting.

As the Fund's investments are held in pooled funds the custodians are appointed by the Fund's investments managers. As such, the custodian relationship is of an indirect nature. The Trustee accepts this to be a satisfactory arrangement.

## **13. Socially Responsible Investment and Stewardship**

The Trustee has considered the financial materiality of environmental, social and governance issues, including climate change ("ESG" factors) in relation to the selection, retention and realisation of the Fund's investments.

The Trustee is responsible for setting the Fund's investment strategy and implementing that strategy through the appointment of investment managers and selection of investment funds. When setting investment strategy and selecting investments, the Trustee's first priority is the financial interests of the members. The Trustee regularly reviews the return objectives, risk characteristics, investment approach and investment guidelines of each of the

Fund's current investments. The Trustee is satisfied that all existing fund investments fulfil the needs of the target investment strategy and by extension, that the chosen investment managers are managing the Fund's assets in a manner which is consistent with the objective to provide members' benefits.

The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved. To confirm, the Trustee's policy is not to take into account non-financial matters in the selection, retention, and realisation of investments. Therefore, no consideration has been given to non-financial matters, nor has the Fund's membership been consulted on such issues.

The Trustee's policy is to invest in pooled investment vehicles. It is the investment manager that is responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.

In relation to those investment vehicles which are index tracking, the Trustee recognises that it is not possible for the investment manager to take ESG factors into account when selecting investments as the investment objective is to track the specified index. However, the Trustee expects the investment manager to use its voting rights and to actively engage with the senior management of the companies in which it invests in order to encourage positive ESG change.

The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Fund's interests in the investments, having regard to appropriate advice. The Trustee expects the investment manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee expects the Fund's investment managers to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustee will review this on a regular basis.

#### **14. Investment Manager Arrangements**

If the Trustee believes that any of the Fund's investment managers are no longer acting in accordance with the Trustee's policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustee will take the following steps:

- engage with the investment manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustee's policies and views.

The Trustee believes that this approach will incentivise the investment manager to align its actions with the Trustee's policies.

The Trustee recognises the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustee has set an appropriate monitoring framework to ensure the Fund's investment managers are regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures, and also engagement activity and compliance with the Trustee's stated ESG policy above.

Regular monitoring, with specific reference to ESG factors should incentivise the Fund's investment managers to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The Trustee recognises the importance of regular monitoring of the investment managers' performance, remuneration and compliance against ESG policy to ensure that the Fund's assets are being managed appropriately. The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are identified and concerns communicated with the relevant investment manager.

In addition to quarterly performance measures (noted in Section 4), the Trustee will review the engagement activity of the investment managers to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustee will also monitor the voting activity of the investment managers to ensure votes are being used and are aligned to its views on ESG.

The remuneration of the majority of the Fund's investment managers is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and replace the investment managers if net of fees investment performance and ESG practices are not in line with the Trustee's expectations and views. This incentivises the investment manager to act responsibly. For those that do have performance related fees:

- The SL Capital Infrastructure II Fund includes a performance fee which is measured against net asset value at the end of its 12 year planned lifecycle which directly incentivises the investment manager to improve the medium to long term performance of the fund.
- The Partners Group MAC VI Fund and Alcentra Senior Loan Fund have performance fees set above a high hurdle rate to ensure these fees are only paid when the target returns of the Fund have been achieved.

## **15. Compliance with this Statement**

In accordance with legislation, the Trustee will monitor compliance with this Statement on a regular basis and will review the Statement in response to any material change to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustee and Sponsor which is judged to have a bearing on the stated policy.

**Client Director**

**Signed on behalf of Vidett Trust Corporation Limited as Trustee of the Rabobank London Branch Pension Fund**

**March 2025**