RHM Pension Scheme
Statement of Investment Principles

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

INVESTMENT OBJECTIVE

The principal aim of the Trustee-Directors of the RHM Pension Scheme (the 'Trustee', the 'Scheme') is to invest the assets of the RHM Section, Premier Foods Section and Premier Grocery Products Section (the ‘Sections’) prudently to ensure that the benefits promised to members are provided. For the purpose of this document the relevant participating and statutory employer(s) of each Section will be referred to as the ‘Employers’.

For the purposes of long-term funding strategy the Trustee monitors the funding position (the value of assets divided by the value of the liabilities) of each Section using an appropriate basis[1]. The Trustee understands that other bases may be used, for example, in setting contribution rates, or in company disclosures.

The Trustee believes that each Section's assets can be invested in such a way as to target a return above that assumed by the Scheme Actuary in the Section’s valuation in order to support the Section and improve the funding position.

The Trustee recognises that targeting outperformance of each Section's liabilities requires the adoption of an asset mix that will perform differently from the liabilities. This implies that the funding level will be subject to volatility. The Trustee will measure and monitor this volatility using Value at Risk (VaR)[2]. They will aim to keep the VaR within an acceptable range.

The absolute level of VaR depends on a number of factors, such as asset allocation but also prevailing market conditions. In addition, the Trustee's risk tolerance will vary over time with certain factors such as sponsor covenant, funding level and liability profile.

The overall investment objective of each Section has been agreed with the Employers and targets an appropriate level of outperformance over the liabilities, net of investment managers’ fees, (where liabilities are measured by reference to the appropriate basis over rolling 3 year periods).

[1]The RHM Section’s Economic Basis uses discount interest rates available in investment markets with no allowance made, or advanced credit taken, for future expected investment returns (over and above expected swap or gilt yields) from the Section’s assets. The Premier Foods and Premier Grocery Products Sections use discount interest rates available in investment markets with an appropriate allowance for future investment returns (over and above expected swap or gilt yields) from the Sections’ assets, in line with the return assumed by the Scheme Actuary in the Sections’ valuations. Discount interest rates are normally swap or gilt yields.

[2]Value at Risk is the monetary difference in the Scheme's surplus/deficit in one year's time between the median return of the Scheme's asset allocation over the period and the return of the Scheme's asset allocation in a 1 in 20 downside event calculated over the same period

In addition, the Trustee offers members the facility to invest accrued Defined Contribution ('DC') funds i.e. the WIN Plan Retirement Investment Fund and additional voluntary contributions ('AVCs') into a range of funds, selected by the Trustee (with advice from their investment advisor) so that members can choose suitable funds depending on their personal circumstances (such as attitude to risk and term to retirement).

STRATEGY

Each Section's investment strategy is divided into two portfolios.

1. The first portfolio is called the LDI Portfolio. The objective of this portfolio is to minimise risk relative to each Section's liabilities using a combination of bonds, cash, swaps and other appropriate assets. A low level of return is expected in this portfolio.

2. The second portfolio is called the Returns Portfolio. The objective of this portfolio is to produce strong risk-adjusted returns ahead of the rate of return assumed for each Section by the Scheme's Actuary.

To enable each Section to benefit from a diverse range of asset classes and managers, the Trustee has decided to unitise the Scheme's assets. Unitisation works by pooling the Scheme's assets into Asset Groups and then allocating notional unit holdings in the Asset Groups to each Section. The unitisation process is managed by the Scheme's global custodian.

The investment strategy for each Section has been designed after considering the characteristics of each Asset Group and any complementary factors. The Trustee manages the objective and constituents of each Asset Group at a Scheme level, but the asset allocation to each Asset Group at a Section level.

In order to reduce the volatility of each Section's funding position and achieve a better match to the relevant Section's liabilities, a liability hedging solution has been implemented to partially mitigate interest rate and inflation risk. In practice this is achieved by having an Asset Group which is unique to each Section's liabilities where only the relevant Section invests.

The allocation of Asset Groups between Sections is determined with regard to the actuarial characteristics of the Section, in particular the strength of the funding position, the liability profile and the Trustee's assessment of the Employers' covenant. When choosing each Section's allocation the Trustee considered written advice from their investment and financial 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 strength of the Employers' covenant.

The Trustee also consulted with the Employers when setting this strategy.

RISK

The Trustee recognises that the key risk to each Section 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 cause deterioration in each Section’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference between the sensitivity of asset values to changes in financial and demographic factors and the sensitivity of liability values to those same changes (“mismatching risk”). The Trustee and their advisors considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to a Section’s immediate liabilities (“cash flow risk”). The Trustee and their advisors will manage each Section’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the targeted rate of investment return (“manager risk”). This risk is considered by the Trustee and their advisors both upon the initial appointment of the fund managers and on an ongoing basis thereafter through regular monitoring.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and their advisors considered this risk when setting each Section’s investment strategy.
- The possibility of failure of the Employers (“covenant risk”). The Trustee and their advisors considered this risk when setting each Section’s investment strategy and consulted with the Employers as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisors 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 Trustee has also established an Operations & Compliance Committee which reports back to the main Board of Trustee in accordance with its Terms of Reference.
- The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation ("credit risk"). The Trustee and their advisors considered this risk when setting each Section’s investment strategy.
- The risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates ("currency risk"). The Trustee and their advisors considered this risk when setting each Section’s investment strategy and manage this risk by hedging foreign currency exposure where this is practical and beneficial.
- The risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates ("interest rate risk"). The Trustee and their advisors considered this risk when setting each Section’s investment strategy.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustee’s policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Actual funding level versus each Section’s specific funding objective.
- Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
- The effectiveness of financial instruments in managing each Section’s exposure to changes in interest rates and inflation.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

The Trustee also receives semi-annual financial reviews from the Employers and the Trustee's financial advisor.

The Trustee is particularly aware of the risks associated with direct investment in hedge funds (particularly operational risk). The Trustee’s specialist advisor in this asset class, Albourne, pays particular attention to this risk in its manager evaluation and monitoring process, including:

- Regulatory status of the manager / key individuals, in particular any disciplinary infringements or fines (if any) incurred by the manager.
- Media reports and legal cases involving the manager, in order to assess whether there are any broader factors that should be taken into consideration.

IMPLEMENTATION

The Trustee has established an Investment and Funding Committee ('IFC') to be responsible for the implementation of their investment strategy, as set out above. The IFC reports to the Trustee at their quarterly meetings.

Aon has been selected as principal investment advisor to the Trustee and the IFC. Aon operates under an agreement to provide a service which ensures that the Trustee and IFC are fully briefed to take decisions themselves and to monitor those they delegate.

In addition, the Trustee has appointed a specialist advisor, Albourne, to assist with the Scheme's direct hedge fund investments.

The Trustee has also delegated all manager selection (hiring and firing) and monitoring to the IFC.

In setting each Section’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the particular Section and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment advisors when setting each Section’s asset allocation, when selecting managers within Asset Groups, and when monitoring their performance.

The Trustee, through the IFC, has delegated all day-to-day decisions about the investments that fall within each Asset Group, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The managers’ duties also include taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments as appropriate.

The Trustee monitors the Scheme’s assets to consider the extent to which each Section’s investment strategy and decisions of the investment managers are aligned with the Trustee’s policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment advisor.

The Trustee receives regular reports and updates from the investment advisor on various items including investment strategy, performance, and longer-term positioning of the portfolios. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to each Section’s objectives.

The Trustee receives annual stewardship reports on the monitoring and engagement activities carried out by its investment managers, which supports the Trustee, in conjunction with its investment advisor, in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this statement, with the Scheme's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before the appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment of all investment managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

The Trustee does not currently require nor monitor the managers against any non-financial criteria of the investments made on their behalf. The suitability of this policy is reviewed annually.

Cost Transparency

The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustee assesses the performance of the Scheme's investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the Trustee's investment advisor.

The Trustee collects annual cost transparency reports covering all its investments and carries out an annual fee review exercise whereby, with the assistance of its investment advisor, it checks the management fees charged by each manager are in line with the agreed fee basis.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends. Where the Trustee identifies a lack of consistency, the mandate will be reviewed.

Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment advisor with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme's appointed investment managers and takes advice from its investment advisor with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee, with the assistance of its investment advisor, reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's investment managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to scheme members on request. The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of either the trustees or the asset manager.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing each Section's investment strategy the Trustee does not explicitly take into account the views of the relevant Section's members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[3]).

The Trustee is aware of the Regulations concerning self-investment and considers that the well-diversified investment arrangements, along with concentration controls within each manager's mandate, ensure that self-investment limits are not breached. In addition, the Trustee will monitor the Scheme's managers' portfolios from time to time to identify how much, if any, self-investment exists.

[3] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee

- Set structures and processes to enable the Board of Trustee to carry out its role.
- Negotiate with the Employers and make decisions about funding and contributions.
- Set investment strategy, specifically the overall risk and return objectives.
- Consult with the Employers on investment strategy.
- Appoint the Investment and Funding Committee.
- Appoint investment, financial and other advisors as required.
- Consider recommendations from the Investment and Funding Committee, including revisions to this statement.
- Consider investment monitoring reports from the Investment and Funding Committee.
- Maintain a range of funds suitable for members' DC funds and AVCs.

Investment and Funding Committee

- Consider Employers' funding proposals and prepare summary and recommendations for Board of Trustee.
- Design and implement asset allocation and manager arrangements to meet overall risk and return objectives.
- Monitor the investment risk, funding position and investment performance and report to the Board of Trustee.
- Make recommendations to the Board of Trustee on choice of investment advisors.
- Manage any implementation activity, including completion of documentation and monitor transitions and transaction costs.
- Appoint, monitor and replace fund managers.
- Appoint custodian and independent performance measurer.
- Monitor:
  - Detailed investment summaries.
  - Asset allocations and risk.
  - Fund manager performance.
  - Actuarial funding levels.
  - Effectiveness of hedging arrangements.
  - Direct investments.
  - Liquidity.
  - Impact of Employers' activity on Scheme/Sections (bulk transfer, M&A etc).
- Review governance reports, topical themes and other funding issues.
- Make ongoing decisions relevant to the operational principles of each Section's investment strategy.

Principal Investment Advisor

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

Specialist Investment Advisor

A specialist advisor (Albourne) has been appointed to advise the Trustee, through the IFC, regarding their direct investment in hedge funds:

- Advises on the selection, appointment and review of the Scheme's direct hedge fund investments.
- Provides regular monitoring reports on the Scheme's direct hedge fund managers.
- Provides required training.

Fund Managers

- Operate within the terms of this statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Comment to the Trustee on the suitability of the indices in the Scheme benchmark.

Self Investment

Where fund managers operate segregated portfolios for the Scheme (customised separate accounts) the Trustee does not allow investment in the Employers or its subsidiary companies. Where the Trustee has invested in pooled funds, the Trustee does not have the option to exclude investment in the Employers. Instead, the Trustee (in conjunction with their investment advisors) monitors any known exposure to the Employers and checks that in aggregate it remains suitably small. If the level of self investment were to rise to an unacceptable level then remedial action would be taken. This may involve reducing the Scheme's exposure to one or more pooled funds as necessary. However, given the diverse range of investments that the Scheme has made, it is not anticipated that such action will be required.

Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' DC funds and AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment advisor has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Some fund managers are remunerated on purely an ad valorem basis whereas others are also remunerated on a performance basis. An ad valorem basis means that the fee scale is tiered depending on the value of assets invested. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. When appointing fund managers, the Trustee and their investment advisors have aimed to negotiate improved and competitive fee scales.

Most assets are held in pooled funds. Within each pooled fund a custodian has been appointed. The custodian provides safekeeping for the assets of that pooled fund and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions. The Trustee has appointed a global custodian to manage all of the Scheme’s segregated assets. The global custodian also undertakes record keeping for the Scheme’s pooled fund investments.

Statement of Investment Principles (SIP)

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Employers over any changes to the SIP.

Dated: November 2021

Signed by Chair of IFC: Signed by Chair of Trustee:

Seen by Employers: