

Statement of Investment Principles

The Givaudan UK Pension Plan (DC Section)

August 2019

Contents

- 1 Introduction..... 3**
- 2 Investments..... 4**
- 3 Investment Funds 7**
- 4 Monitoring Investment Arrangements 9**
- 5 Division of Responsibility..... 10**

1 Introduction

- 1.1 This document constitutes the Statement of Investment Principles ("the Statement") applicable to the Defined Contribution Section of the Givaudan UK Pension Plan ("the Plan"). It has been prepared in accordance with Section 35 of the Pensions Act 1995 ("the Act"). It outlines the principles and policies governing investment decisions made by or on behalf of the Trustees ("the Trustee") of the Plan.
- 1.2 Before preparing this document, the Trustee has consulted the employer and the Trustee will consult the employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.3 In drawing up this document, the Trustee has sought advice from Willis Towers Watson, the Plan's DC/AVC investment consultant ("the Investment Consultant"). The Trustee will review this document where the Trustee considers a review is needed or without delay after any significant change in investment policy (and at least every three years).
- 1.4 Before preparing this document the Trustee has had regard to the requirements of the Act concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in its investment policy.
- 1.5 Before revising the SIP, the Trustee will obtain and consider the written advice of a person or persons who are reasonably believed by the Trustee 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 the investments of such schemes.
- 1.6 The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.
- 1.7 The Trustee has given consideration to the Pensions Regulator's Code of Practice no.13 concerning the Governance and Administration of Occupational Defined Contribution Pension Schemes, and specifically its recommendations relating to the content of Statements of Investment Principles.
- 1.8 Although responsibility for deciding investment policy lies with the Trustee, individual members are responsible for selecting an investment fund or combination of funds having regard to their own circumstances and attitude to investment risks.
- 1.9 The Trustee has a duty to ensure that the Plan's assets are invested in the best interests of members and beneficiaries. The Trustee's policy for securing that the assets are invested in the best interests of members and beneficiaries is to provide:
 - a An appropriate choice of funds for Plan members to choose from.
 - b A default fund for those Plan members who did not wish to choose their own investment options when they joined or those who do not wish to manage the risks associated with their investments on an ongoing basis.
- 1.10 The purpose of this Statement is to document the Trustee's investment objectives for the Plan and the principles governing how it makes decisions about the investment options made available to members.
- 1.11 Only the Defined Contribution Section (DC Section) of the Plan is considered within this Statement.

2 Investments

Investment objectives

- 2.1 The Trustee's duties are to act in the Members' best interests. One of the Trustee's primary objectives therefore is to make available appropriate investment options to Members of the Plan.
- 2.2 The Trustee believes that Members should make their own investment decisions based on their individual circumstances. The Trustee regards its duty as making available a range of investment options sufficient to enable Members to tailor their investment strategy to their own needs.
- 2.3 The Trustee also recognises that Members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default option. The default option places the emphasis on aiming to deliver a good level of real return over Members' working lifetimes and also encompasses a switch into asset classes designed to provide some protection against equity market falls as well as fluctuating annuity prices in the years approaching the Member's selected target retirement age.

Risk

- 2.4 In determining which investment options to make available, the Trustee, with advice from its Investment Consultant, has considered the investments from a risk and return perspective. Risk can be defined as the uncertainty in the ultimate amount of savings available on retirement as well as the volatility in the member journey. There are a number of factors which contribute to this uncertainty. Some of these factors (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to Members.
- 2.5 The Trustee recognises, however, that the uncertainty inherent in three specific investment risks (inflation, capital and pension conversion) can be managed to a limited extent by the choice of investments. These risks and the Trustee's objective for each risk are considered below

Inflation Risk

Is measured by the expected increase of the price level relative to the investment return

The risk that the investment returns over Members' working lives will not keep pace with inflation. The Trustee's objective is to provide an investment option that is expected to provide a long-term rate of return that exceeds inflation. Such an option would largely consist of equity-based investments.

Capital Risk

Is measured by the expected downside potential of investing in any given asset class.

The risk of a fall in the value of a Member's fund. The Trustee's objective is to provide an investment option that offers a very low risk of capital loss. A 'money market' (cash) fund is an example of such an option.

Pension Conversion risk

Is measured by the member comparing their personal objectives with that of the chosen investment.

The risk that the value of a Member's account does not reflect the change in the cost of their chosen at retirement action (e.g. purchasing an annuity at retirement).

The Trustee's objective is to provide an investment option that broadly matches the change in the cost of annuities, such as a long-dated fixed interest or index-linked fund, as well as a choice of other funds that would allow a member to structure their portfolio relative to alternative means of taking retirement benefits (e.g. a cash fund).

Trade-off between risks

- 2.6 The relative importance of inflation, capital and pension conversion risk depends on the length of time to retirement and each member's attitude to risk and expected return. It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in a cash deposit fund will give protection against a decrease in fund values, but will increase the risk of ending up with insufficient funds at retirement.

Members have the potential benefit of good investment performance of their funds; equally they assume the risk of potential poor investment performance.

Whilst the Trustee has made available investment options based upon the general principles detailed above, there is no guarantee that the investment option or options chosen will cover the risks to which members are exposed.

Individual circumstances such as attitude to risk and planned retirement age can vary considerably. To assist members the Trustee provides some general guidelines on the options available, but they also highlight these issues in member communications from time to time. However, the Trustee believes that it is ultimately the member's personal responsibility to take ownership of the management of such issues.

Liquidity and realisation of investments

- 2.7 Assets are held in Underlying Funds under the policy which can be realised to provide benefits when a member makes a valid request to withdraw them, or earlier on transfer to another pension arrangement.

Stewardship including Environmental, Social and Governance (ESG), financial and non-financial considerations

The Trustee takes account of all financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

The Trustee's policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant. The Trustee explores these issues with its managers to understand how they exercise these duties in practice and receives reports on how these issues are addressed.

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.

The Trustee policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

The Trustee's focus is explicitly on financially material considerations. The Trustee's policy at this time is not to take into account non-financially material considerations.

3 Investment Funds & the Default Option

3.1 The Trustee offers investment options through the investment manager, Legal & General (“L&G” / “the Investment Manager”).

3.2 While no single option will be sufficient to manage all the various risks associated with Defined Contribution investment, as described in Section 2, the range is designed to be wide enough to enable individuals to manage the risks identified as they become relevant, according to each member's individual assessment of these risks.

The Plan's investment options and the Investment Manager's stated aims for each option are detailed below.

L&G Global Equity Fixed Weights (50:50) Index Fund

The Fund aims to capture the Sterling total returns of the UK and overseas equity markets as represented by the FTSE All-Share Index in the UK and appropriate subdivisions of the FTSE World Index overseas, with fixed asset allocation between the UK (50%) and overseas (50%).

L&G Cash Fund

The Fund aims to provide capital protection with growth at short-term interest rates. The Fund invests in the short-term money markets such as bank deposits and Treasury Bills. The Fund invests in asset types where there is a lower risk that the capital value can fall, such as fixed interest securities.

L&G Over 5 Year Index-Linked Gilts Index Fund

The Fund aims to track the sterling total returns of the FTSE A Index-linked (Over 5 Year) Index (including re-invested income).

L&G Over 15 year Gilts Index Fund

The Fund aims to track the sterling total returns of the FTSE A Government (Over 15 Year) Index.

3.3 The Trustee believes that the funds offered provide an appropriate choice of different investment funds, asset classes and levels of investment risk to broadly cater for the needs of the Plan's membership, taking account of the risks and Trustee objectives highlighted above.

The Default Option

3.4 The Trustee recognises that not all members will be comfortable in managing the risks associated with their investment portfolio. In view of this, the Trustee offers members a Lifestyle investment option constructed using the funds outlined above.

3.5 The lifestyle investment option automatically switches a member's assets from higher risk assets to lower risk assets on the approach to retirement. The switching commences ten years prior to a member's Target Retirement Age (TRA) and is designed to protect against falls in value that may impact members' ability to secure their retirement benefits, whilst seeking to achieve returns above charges and inflation during the prior years of investment. If a member has not selected a TRA, the default will be 65.

3.6 The switching matrix for the Default Option is shown below (in %) by years to Target Retirement Age (TRA):

Years to TRA	L&G Global Equity Fixed Weights (50:50) Index Fund	L&G Over 5 Year Index-Linked Gilts Index Fund	L&G Over 15 Year Gilts Index Fund	L&G Cash Fund
10+	100	-	-	-
9	90	5	5	-
8	80	10	10	-
7	70	15	15	-
6	60	20	20	-
5	50	25	25	-
4	40	27.5	27.5	5
3	30	30	30	10
2	20	32.5	32.5	15
1	10	35	35	20
TRA	-	37.5	37.5	25

3.7 The Lifestyle option is also the Plan's Default Option – members who did not make an active investment choice when joining the Plan will be invested in the default option.

3.8 The Members have the option to invest their contributions into any of the funds listed above in any proportions if they do not wish to use the Default Option.

3.9 The Trustee believes that offering a lifestyle investment option, in addition to the individual funds, provides members with additional flexibility to structure their investments according to their personal circumstances.

3.10 The Trustee believes that this broadly reflects the needs of Defined Contribution pension investors and in particular some of the risks that they are exposed to given the objective of providing retirement benefits.

- In designing the Default Option, the Trustee has explicitly considered the trade-off between risk and expected return.
- Assets in the Default Option are invested in the best interests of Members and beneficiaries, taking into account the profile of the membership as a whole.
- Assets in the Default Option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly in regulated markets (those that are not must be kept to prudent levels).

4 Monitoring Investment Arrangements

Review of the SIP

- 4.1 The Trustee will review this document where the Trustee considers a review is needed or without delay after any significant change in investment policy (but at least every three years). Such a review and reasons for a review shall take into account:
- significant revisions to the expected long-term trade-off between risk and reward on key asset classes;
 - changes in the regulations for the taking of benefits at retirement;
 - a major development in the investment products available;
 - changes to the managers used;
 - shortcomings of the Statement that emerge in its practical application;
 - applicable changes in legislation;
 - under performance by the investment managers.

Monitoring the Default Option, individual funds and the Investment Manager

- 4.2 The appointment of Investment Manager(s) will be reviewed by the Trustee from time to time, based on the results of their monitoring process. The Trustee will seek to hold meetings with the Investment Manager to discuss their performance, as appropriate. Any decisions taken in respect of the Investment Manager's continued appropriateness will be taken in light of advice from the Investment Consultant.
- 4.3 The Trustee, in conjunction with the Investment Consultant, will review the characteristics and net performance of the Default Option on a regular basis to ensure alignment with the best interests of members and beneficiaries.
- 4.4 The Trustee will undertake a formal review of the Default Option at least every three years, or earlier if there is a significant change to the DC Section, governing regulations, or to the profile of the Plan's membership.
- 4.5 The Trustee holds meetings at appropriate intervals with the investment managers to satisfy themselves that the investment managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Plan.
- 4.6 The Trustee seeks ongoing advice from the Investment Consultant with regards to the performance and suitability of the Plan's investments, in accordance with the requirements of relevant legislation and the Pensions Regulator's Defined Contribution Code of Practice.
- 4.7 The Trustee seeks to offer an appropriate balance of different kinds of investment fund, including exposure to asset classes deemed appropriate for Defined Contribution investment. The Trustee seeks ongoing advice from the Investment Consultant in this regard as part of the ongoing monitoring of the Plan's fund options.

5 Division of Responsibility

Trustees

- 5.1 The Trustee is responsible for:
- a Reviewing the content of this Statement of Investment Principles and for modifying it if deemed appropriate, in consultation with the Employer and the Investment Consultant.
 - b Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular, but not less than annual, reviews of the investment results and other information, in consultation with the Investment Consultant.
 - c Appointing (and, when necessary, dismissing) investment managers and consultants.
 - d Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.
 - e Introducing (and replacing) investment funds when appropriate.
 - f Consulting with the employer when reviewing investment policy issues.

Investment Manager(s)

- 5.2 The Investment Manager(s) will be responsible for:
- a At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class.
 - b The safekeeping of all the assets of the Plan entrusted to them.
 - c Providing the Trustee with statements of the assets along with a regular report on actions, future intentions and any changes to the processes applied to their portfolios.
 - d Having regard to the need for diversification of investments so far as appropriate and to suitability of the underlying investments.
 - e Giving effect to the principles contained in this Statement as far as reasonably practicable.
 - f It is the responsibility of the investment managers within each Underlying Fund to exercise rights (including voting rights) attaching to investments held within their fund.
 - g The Trustee periodically reviews reports from investment managers to ensure that the policies outlined above are being met.
 - h L&G operates a stock-lending programme in selective pooled funds of overseas equity markets. For the funds where stock lending is permitted, it is subject to strict parameters and stock lending is only undertaken with counterparties who have satisfied L&G's requirements, both in terms of market capability and minimum credit standing. L&G regularly review the stock-lending programme to ensure custodians perform to their stated standards. The outcome of the stock-lending programme can be seen through the tracking error, which is captured as part of L&G's regular monitoring reports. L&G will report on their stock lending activities through the regular reporting.

Investment consultant

5.3 The Investment Consultant's responsibilities include:

- a Participating with the Trustee in ongoing reviews of this Statement of Investment Principles.
- b Advising the Trustee as requested on:
 - how any changes in the Investment Managers' organisations could affect the interests of the Plan:
 - how changes in the investment environment might present opportunities or challenges for the Plan:
 - how any changes in regulations and/or laws could affect the interests of the Plan: and
 - the formulation of an efficient governance structure.
- c Undertaking project work as requested including:
 - reviews of asset allocation policy;
 - reviews of the most appropriate investment structure with which to action the Trustees' investment objectives; and
 - reviews of investment managers.
- d Advising on the selection of new managers.
- e Assisting in relevant trustee education/training.
- f General advice in respect of the Plan's investment activities.

Reporting to members

The Trustee will make the SIP available to members on request.