Quest UK Pension Scheme (ñthe Schemeò)

Statement of Investment Principles for the Scheme (ñthe Statementò)

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 2020. The Trustees will review this Statement and the Schemeœs investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations Made

The Trustees have consulted with the principal employer, Givaudan UK Limited (ñthe Employerò), prior to writing this Statement and will take the Employerœs comments into account when they believe it is appropriate to do so. This Statement includes changes made to the investment strategy that were initially presented by the principal employer and have now been agreed by the Trustees.

The Trustees are responsible for the investment strategy of the Quest UK Pension Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon UK Solutions Limited who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Scheme's assets has been delegated to Aon Investment Limited who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the appointed investment manager and is available to the members of the Scheme.

The Trustees have decided to invest the Schemeœs assets in Aon's Delegated Consulting Solution (ñDCSò). Aon Investment Limited ("AIL") manage the Schemeœs assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. DCS in conjunction with the managers of these underlying funds conduct the necessary day to day management of the Schemeœs assets required to meet the Schemeœs objectives.

Objectives and Policy for Securing Objectives

The Trustees' primary objectives are:

- ñfunding objectiveò - to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;

- ñstability objectiveò ï to have due regard to the likely level and volatility of required contributions when setting the Schemeœs investment strategy; and

- ñsecurity objectiveò ï to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustees will take into account the strength of Employerœs covenant when determining the expected improvement in the solvency position of the Scheme.

Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trusteesô objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. This diversification is both within and across the major asset classes.

Assets held to cover the Schemeõs technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as derivatives contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Balance Between Different Kinds of Investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

The Trustees will review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

The investment objectives set out in the Appendix to this Statement were implemented after considering written advice from the Trusteesô advisers.

A broad range of available asset classes has been considered. This includes consideration of so called ñalternativeò asset classes (namely private equity, and hedge funds). The assets are invested in pooled funds which offer diversified exposure to a wide range of alternative asset classes.

Under DCS, the Trustees delegate responsibility for managing their asset allocation to Aon Investment Limited. This allows the asset allocation of the Scheme to be adjusted quickly, where needed, to best meet the investment objectives of the Scheme.

Investment Risk Measurement and Management

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustees take advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor performance and risk on a quarterly basis via investment monitoring reports prepared by the investment manager and guidance from their professional advisors. The Trustees have appointed Aon to alert them on any matters of material significance that might affect the ability of the investment manager to achieve their objectives.

The Trustees acknowledge that investment returns achieved outside the expected deviation (positive or negative) maybe an indication that an investment manager is taking a higher level of risk than indicated. For due diligence purposes the Trustees meet regularly with their investment manager.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The investment manager is responsible for the appointment and monitoring of the custodian(s). The custodian(s) are independent of the Employer.

Expected Returns on Assets

Over the long-term the Trustees' expectations are:

> for the "growth" assets (UK and overseas equities, property), to achieve a return which at least keeps pace with the increase in national average earnings over the same period. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;
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> for the "matching" assets to be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme;
>
> the neutral estimate of projected investment returns for the asset classes taken from the actuarial valuation undertaken as at 31 March 2020 were: 7.2% pa UK equities, , 1.4% pa for 10-year UK investment grade corporate bonds, 0.2% pa for 15-year UK index-linked gilts and 2.1% pa for price inflation (CPI).

Returns achieved by the investment manager are assessed against performance benchmarks set by the Trustees in consultation with their advisers and investment manager.

Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. All of the assets held are realisable at short notice through the sale of units in pooled funds.

Arrangements with Asset Managers

The Trustees have appointed AIL as their fiduciary manager, who they consider to be their asset manager. References in this policy to óunderlying asset managersô refers to those asset managers which AIL in turn appoints to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with AIL, and the underlying asset managers, are important to ensure that interests are aligned. The Trustees seek to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive quarterly reports and verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to their objectives and assess AIL over 3-year periods.

The Trustees receive stewardship reports each calendar year on the monitoring and engagement activities carried out by AIL, which supports the Trustees in determining the extent to which the Scheme's engagement policy has been followed.

The Trustees share the policies, as set out in this SIP, with the fiduciary manager and ask the fiduciary manager to review and confirm whether their approach is in alignment with the Trusteesô policies.

The Trustees delegate the ongoing monitoring of underlying asset managers to AIL, who are responsible for monitoring the Schemeôs investments and considering the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset 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.

Before appointment of a new fiduciary manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which this aligns with the Trusteesô policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) to improve alignment.

The Trustees believe that having appropriate governing documentation, setting out clear expectations to AIL and carrying out regular monitoring of the performance of the investment strategy will be sufficient to incentivise AIL to make decisions that align with the Trusteesô policies and which will be based on assessments of medium and long-term financial and non-financial performance.

Where AIL is considered to make decisions that are not in line with the Trusteesô policies, expectations, or the other considerations set out above, the Trustees will typically engage with the fiduciary manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Costs and Performance

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

The Trustees receive annual cost transparency reports from their fiduciary manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the fiduciary manager;
- The fees paid to the investment managers appointed by the fiduciary manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the fiduciary manager;
  - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the fiduciary manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost in order to generate investment returns and that the level of these costs varies across asset classes and managers. The fiduciary manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the fiduciary manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible;

The Trustees assess the net performance of their fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the fiduciary manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

Environmental, Social and Governance considerations

The Trustees' primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that, in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the investments.

The Trustees acknowledge that financially material considerations include environmental, social and corporate governance (ESG) factors, such as climate change. Understanding these factors can help identify investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the investment managers to include ESG considerations in the selection, retention and realisation of investments. Such decisions should consider, amongst other things, the sustainability of business models and not be influenced by personal, ethical or moral judgments.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

The Trustees will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Scheme's assets and liabilities.

As part of ongoing monitoring, the Trustees will use information, where available, provided by Aon of their assessment of the investment managers against ESG factors.

On an annual basis, the Trustees will ask the investment managers to provide their policy on Responsible Investment to include details of how they integrate ESG in their investment decision making process. Should the Trustees look to appoint a new manager, they will request this information as part of the selection process. All responses will be reviewed and monitored.

Stewardship - voting and engagement

The Trustees recognise the importance of their role as a steward of capital, promoting corporate responsibility and ensuring the highest standards of governance. The Trustees recognise that ultimately this will help to protect the financial interests and create long-term financial value for the beneficiaries of the Scheme.

The Trustees review the stewardship activity of managers on an annual basis to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by their managers and these reports include detailed voting and engagement information from underlying asset managers.

The Trustees expect the investment managers to use their influence as institutional investors to ensure that underlying asset managers exercise the Trustees' voting rights in relation to the Scheme's assets and report to the Trustees on stewardship by underlying asset managers as required.

The Trustees will engage with the 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 reporting which will be made available to Scheme members on request.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, highlighting in particular those votes by the asset managers against management that were significant and where votes were abstained. Where voting is concerned we would expect our underlying asset managers, to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees may engage with their investment managers, who in turn are able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Members' views and non-financial factors

The Trustees do not explicitly take the views of members and beneficiaries of the Scheme into account in relation to ESG factors or the present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations). The Trustees will review this policy on an annual basis.

Additional Voluntary Contributions (ñAVCò) Arrangements

Following the closure of the defined contribution section of the Scheme, there is no provision for members to pay AVCs in order to increase their benefits under the Scheme.

IAN MESSENGER
Chair of Trustees

Quest UK Pension Scheme (the ñSchemeò)
Appendix to Statement of Investment Principles

This Appendix sets out the Trusteesô current investment strategy and is supplementary to the Trusteesô Statement of Investment Principles (the ñattached Statementò).

The Trusteesô investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

1. Investment Strategy and Investment Manager Arrangement

The Trustees have appointed Aon Investment Limited (AIL). Assets are invested in pooled funds at AIL.

The Trustees have constructed a Liability Benchmark which represents the discounted value of the Scheme's liability cashflows on the assumptions underlying the Technical Provisions basis.

The Trustees have decided to hedge the Liability Benchmark, scaled to the value of the Portfolio.

The current investment objective is to outperform the Liability Benchmark by 3.0% pa, over rolling three-year periods.

AIL has been appointed to update and monitor the Schemeõs funding level against the agreed trigger levels on a daily basis. As successive funding level triggers are met, the portfolio will be restructured in line with the new investment objective.

The following table sets out the funding level trigger points and the associated investment objective.

Investment objective of excess of Liability Benchmark (% p.a.)	Funding Trigger Levels (%)			
	2019	2020	2021	2022
2.75%	86.6	90.3	94.0	97.9
2.50%	87.7	91.2	94.7	98.4
2.25%	88.7	92.0	95.3	98.8
2.00%	89.7	92.8	95.9	99.2
1.75%	90.7	93.6	96.5	99.6
1.50%	91.8	94.5	97.2	100.1
1.25%	92.7	95.3	97.8	100.5

Funding level trigger points effective from 1 April each year

The Trustees will consult the Employer prior to amending the funding trigger points, investment return objective or hedge ratios as set out in the Appendix.

2. Use of Derivatives

Investments made for the Portfolio may use derivatives in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management.

3. Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trusteesô intention to hold a significant cash balance and this is carefully monitored by the Schemeœs administrator.

4. Fee structure for advisers and investment manager

4.1 Advisers

The Trusteesô investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

4.2 Investment manager

The investment manager is remunerated as a set percentage of the assets under management. This is in keeping with standard market practice.

The total fee for proposed solution is 0.45% pa and may be broken down as follows:

AIL fiduciary fee	0.20% pa
Underlying manager fee	0.23% pa (may change from time to time)
Custody fee	0.02% pa (charged at 0.05% pa up to a maximum of Ã35,000 pa)
Investment consultancy fee	The majority of services are covered by the AIL fiduciary fee

5. Additional Voluntary Contributions (ñAVCò)

There is no provision for members to pay AVCs in order to increase their benefits under the Scheme.