

OMEX Agriculture Limited Retirement Benefits Scheme Statement of Investment Principles

This Statement of Investment Principles (SIP) sets out the policy of the trustees of the OMEX Agriculture Limited Retirement Benefits Scheme (the “Trustees”) on issues governing decisions on the investments of the OMEX Agriculture Limited Retirement Benefits Scheme (the “Scheme”).

1. Consultation

The Trustees have consulted with the employer prior to writing this Statement. The Trustees are responsible for the investment strategy of the Scheme.

The day-to-day management of the Scheme’s assets has been delegated to investment managers authorised and regulated by the Financial Conduct Authority.

2. Investment objective

The Trustees’ primary objective is to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy the asset allocation is designed to achieve a higher return than the return on liabilities whilst maintaining a prudent approach to meeting the Scheme’s liabilities.

The Trustees receive regular monitoring reports on the performance of the investment funds and regularly review the performance against agreed benchmarks. In addition, the fee structure for the investment managers and advisers is reviewed regularly.

The Trustees have taken advice in connection with this SIP from Wentworth Employee Benefit Limited, to provide investment advice. Wentworth Employee Benefits Limited is authorised and regulated by the Financial Conduct Authority.

3. Choosing investments

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

In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes. The issue of asset allocation has been delegated to the investment managers appointed by the Trustees.

Members were able to obtain further benefits by paying additional voluntary contributions (AVCs) to the Scheme prior to the closure of the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

4. Risk

The Trustees view risk as the probability that their chosen investment policy will result in their primary objectives not being met. Their policy is designed to enhance the likelihood of meeting the investment objective. The Trustees have considered the following:

4.1 Strategy risk

The Trustees aim to control the strategy risk by reviewing the appropriateness of the asset profile given the liability profile and funding level of the Scheme, and the size and incidence of employer contributions. In order to ensure an appropriate strategy is in place, a review will be undertaken following each formal actuarial valuation of the Scheme.

4.2 Manager risk (actions by the investment manager)

In aiming to control manager risk the focus of the Trustees' attention is on the following aspects:

- * the risk of the manager under-performing the objectives set; and
- * the risks inherent in a particular manager's philosophy.

These issues were considered on the initial appointment of the managers and will be considered as part of the regular investment review procedures the Trustees have in place.

4.3 Cash flow risk (the need to realise assets in the short term)

If realisations of investments in order to meet the benefit outgo were to be made at a time when prices were depressed, this could reduce the likelihood of meeting the primary objectives. To avoid this, the Trustees and their advisers manage the Scheme's cash flow requirements carefully over the short-term.

4.4 Custody risk (actions by the custodian)

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

5. Expected returns

Over the long-term the Trustees' expectations are:

- * for the real assets (equity, property etc) to achieve a rate of return which is at least in line with wage or salary inflation;
- * for the monetary assets (UK and overseas bonds, cash etc) to achieve a rate of return which is at least in line with changes in the cost of purchasing annuities.

Returns over shorter periods achieved by the fund managers are assessed against performance benchmarks.

6. Realisation of investments

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. All of the assets of the Scheme are readily realisable other than the Aberdeen Standard property fund. The Trustees are aware that the investment manager can impose a postponement on redemptions from the property fund.

7. ESG investment, members' views and non-financial factors

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The Trustees consider these risks by taking advice from their investment adviser.

The Trustees do not currently have an active policy in place with regard to the extent to which ethical considerations are taken into account in the selection, retention and realisation of investments. These matters are, however, kept under review.

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments which are long-term in nature. The Trustees consider these risks by taking advice from the Scheme's investment adviser.

The Trustees are aware that Aviva and Aberdeen Standard recognise that, as long-term stewards, their responsibility is to generate returns for their clients in a sustainable manner that considers material risks and opportunities. They actively

engage, where appropriate, both independently and collectively alongside other investors, with companies to influence their behaviour on ESG issues and policy. The investment managers provide a regular update to trustees on their activities and the changes that have been implemented as a result of work of their ESG team.

In setting and implementing the Scheme's investment strategy, the Trustees do not explicitly take into account the views of the Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact.

8. Stewardship Policy

The Trustees recognise the importance of their 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 ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees receive annual reports on stewardship activity carried out by their investment managers, these reports include detailed voting and engagement information.

As part of the investment management of the Scheme's assets, the Trustees expect the investment managers to:

- Ensure that (where appropriate) the Trustees' voting rights in relation to the Scheme's assets are exercised; and
- Report to the Trustees on stewardship activity as required.

Where possible, the transparency for voting should include voting actions and rationale in particular where: votes were cast against management; votes against management generally were significant; or votes were abstained.

Where voting is concerned the Trustees would expect the investment managers to recall stock lending procedures, as necessary, in order to carry out voting actions.

An annual report will be made available to Scheme members.

8.1 Arrangements with asset managers

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

The investment managers provide quarterly reports on performance. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by the investment managers.

There is typically no set duration for arrangements with the investment managers although the continued appointments will be reviewed periodically as part of a manager research and portfolio management process.

8.2 Cost monitoring

The Trustees are aware of the importance of monitoring the 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 will receive annual cost transparency reports from the fund managers. These reports will present information in line with prevailing regulatory requirements:

- the charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- the impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover-costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager.

8.3 Evaluation of performance and remuneration

The Trustees will undertake periodic reviews of the performance of the investment managers, their charges and their costs.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

9. Timing of periodic reviews

The Trustees will review this statement triennially and additionally whenever there is a significant change in the Scheme's circumstances.

Alastair Rubie
Trustee


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Signature

29/9/20
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Date

For and on behalf of the trustees of OMEX Agriculture Limited RBS

Schedule

Investment strategy for OMEX Agriculture Limited Retirement Benefits Scheme

Trustees' investment objectives

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in this Statement.

The last actuarial valuation was undertaken as at 1 January 2017. This showed that on an ongoing basis the Scheme was not fully funded. Recovery plan contributions by the employer were paid until November 2017 at which point the deficit had been made good and all contributions ceased.

Professional advisers who assist the Trustees

Investment advisers

Prior to 1 October 2020:

Wentworth Employee Benefits Limited to provide investment advice to the Trustees. Wentworth are authorised and regulated by the Financial Conduct Authority.

From 1 October 2020:

Quattro Pensions Consulting Limited, an exempt professional firm regulated by the Institute and Faculty of Actuaries.

Investment managers

The Trustees have appointed Aviva Investors and Aberdeen Standard to be responsible for the day-to-day investment of the Scheme's assets:-

Aviva Investors manage a minority of the assets of the Scheme. Aviva Investors is regulated by the Financial Conduct Authority. The assets of the Scheme, held with Aviva, are invested as follows:

Aviva index-linked gilt fund - an actively managed fund which uses the FTSE-A over-5 year index-linked gilt index as its benchmark. The performance objective is to achieve a return of 0.5% pa above the benchmark on a rolling three-year period before fees. The Trustees use this fund for payment of pension instalments, pension commencement lump sums and all other benefits payable from the Scheme. The fund value is reviewed regularly to ensure that it is sufficient to meet the benefits to be paid to the members.

Should the fund value require additional funds the Trustees will seek to transfer assets from Standard Life Investments.

Aviva high alpha gilt fund – an actively-managed fund investing in UK government stocks. The performance objective is to out-perform the FTSE-A All Stocks Gilts Index by 1.5% p.a. over rolling three year periods, before fees. The Trustees use this fund for payment of pension instalments, pension commencement lump sums and all other benefits payable from the Scheme. The fund value is reviewed regularly to ensure that it is sufficient to meet the benefits to be paid to the members. Should the fund value require additional funds the Trustees will seek to transfer assets from Standard Life Investments.

Standard Life Investments is regulated by the Financial Conduct Authority. The majority of the assets of the Scheme are held via a trustee investment plan with **Standard Life** and are managed by Standard Life and Vanguard both of which are regulated by the Financial Conduct Authority. The holdings in the trustee investment policy are invested as follows:

SL Vanguard FTSE UK All Share fund – a passively-managed UK equity fund which tracks the FTSE-All Share index.

SL Vanguard FTSE Developed World ex-UK fund – a passively-managed overseas equity fund which tracks the FTSE developed world ex-UK index.

Aberdeen Standard pooled property fund – the fund aims to provide long-term growth from a combination of income and capital growth by investing predominantly in quality UK equity properties. There is the potential that Standard Life Investments could impose a deferment period for investment in or sale of the pooled property fund.

Aberdeen Standard corporate bond – the fund aims to provide long-term growth mainly from the re-investment of income generated by investing predominantly in Sterling-denominated corporate bonds. The fund is actively managed.

Aberdeen Standard UK mixed bond – the fund aims to provide long-term growth from the re-investment of income generated by investing predominantly in UK bonds. The fund is actively managed and may hold a proportion of assets in other bonds, for example overseas bonds and/or money market instruments.

Aberdeen Standard strategic bond – the fund is actively managed and aims to provide a return from a combination of income and capital growth investing mainly in bonds throughout the world.

Aberdeen Standard index-linked bond – the fund is actively managed. It aims to provide long-term growth from a combination of income and capital growth by investing predominantly in index-linked stock issued by the UK government.

The investment managers prepare monthly reports to the Trustees which include:-

- * a valuation of all investments held for the Scheme;
- * records of all transactions together with a cash reconciliation;

In addition, the Trustees may from time to time hold insurance policies or other assets which are earmarked for the benefit of certain members. These may include for example:-

- * Assets secured by additional voluntary contributions (AVCs) or other individual arrangements made by the Trustees;
- * Deferred or immediate annuity policies purchased to match part or all of the Scheme's liabilities. Since 2014 it is the practice of the Trustees not to purchase annuities for members when they take retirement benefits from the Scheme; this will be reviewed at the time of future actuarial valuations.

The AVC scheme provider is Aviva. The investment objective of the AVC fund is to provide members with competitive returns.

The investment manager and funds are regularly reviewed against their objectives.

September 2020