

**A.G. BARR p.l.c. (2008) PENSION AND LIFE ASSURANCE SCHEME – DB Section
STATEMENT OF INVESTMENT PRINCIPLES**

1 INTRODUCTION

A.G. Barr Pension Trustee Limited as Trustee to the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme – DB Section (the “Scheme”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) as amended by the Pensions Act 2004 and subsequent regulations.

As required under the Act the Trustee has consulted a suitably qualified person in obtaining written advice from Hymans Robertson LLP (“Hymans”). The Trustee in preparing this Statement has also consulted the sponsoring Company, in particular on the Trustee’s objectives.

Overall investment policy falls into two parts:

- The strategic management of the assets is fundamentally the responsibility of the Trustee acting on expert advice and is driven by its investment objectives as set out in Section 2 below.
- The remaining elements of policy are part of the management of the assets which is delegated to professional authorised investment managers and is described in Section 3.

2 INVESTMENT OBJECTIVES, RISK AND STRATEGY

2.1 Investment Objectives

To guide it in the strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustee has adopted the following objectives:

- To achieve a favourable return against the appropriate benchmarks.
- To ensure that the assets will be sufficient to meet the Scheme’s Statutory Funding Objective, in conjunction with any deficit recovery contributions from the Company where agreed.
- To target full funding on a long term basis, at which point the Scheme would be able to invest in secure assets that are expected to match members’ projected benefit payments.

2.2 Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of the Scheme benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Scheme’s liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustee measures and manages financial mismatch in two ways. As indicated above, the Trustee has set a strategic asset allocation benchmark for the Scheme. The Trustee assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of returns relative to liabilities.

The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations and the Trustee may enter into insurance contracts (bulk annuities) to reduce these demographic risks.

The Trustee seeks to mitigate systemic risks through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee manages asset risks as follows. The Trustee provides a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of pooled funds each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters.

By investing across a range of assets, including quoted equities, bonds and bulk annuity policies, the Trustee recognises the need to access funds in the short term to pay benefits. The risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio.

In determining the mix of assets used, the Trustee considers the risk and levels of expected real returns from the different assets in which the Scheme invests. The absolute expected returns shown in the table below are the 20 year geometric averages. The absolute volatilities quoted are the first year's standard deviations (all returns shown are net of fees). All of the figures are supplied by Hymans Robertson, the Scheme's investment adviser; they have been taken from their proprietary quantitative models and based on market data as at 31 March 2020.

	Absolute rate of return % p.a.	Volatility % p.a.
Inflation	2.9%	1.0%
Equity (UK)	5.2%	27.0%
Equity (Overseas)	5.3%	28.0%
Fixed Interest Gilts (medium)	0.2%	8.0%
Index-Linked Gilts (medium)	0.2%	7.0%
Corporate bonds (AA)	0.9%	9.0%
Cash	1.6%	0.0%
Commercial Property	3.6%	14.0%
Multi Asset Credit	4.8%	9.0%

The Trustee considers the risk of manager concentration and the risk of appointing one manager for individual assets classes (from potential underperformance of that manager) which the Trustee accepts as a reasonable compromise given the size of the portfolio.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk - The risk of loss of Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment manager as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.

2.3 Investment Strategy

The Trustee has translated its objectives into a suitable strategic asset allocation for the Scheme.

The strategic asset allocation is consistent with the Trustee's view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk. The strategic asset allocation is reflected in the choice and mix of funds in which the Scheme invests.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and deferred members), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee's view of the covenant of the principal employer.

The Trustee monitors strategy relative to its agreed strategic asset allocation. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, and will normally be reviewed annually. Written advice is received as required from professional advisers.

The Trustee monitors the performance of Scheme investments relative to agreed criteria on a regular basis.

The Trustee has delegated all day to day investment decisions to authorised investment managers.

The target allocation to growth assets and return seeking income focussed assets is currently around 50% with the remaining 50% in liability matching bonds and insurance policies.

The Trustee has investigated the sensitivity of the Scheme's asset and liabilities to interest rates and inflation. As a result of this analysis the Trustee appointed Legal & General Investment Management ("LGIM") to manage a liability driven investment ("LDI") mandate in 2017. The hedging solution increased interest rate and inflation hedging to 50% of liabilities (on a gilts basis) using LGIM's leveraged LDI funds (including the Scheme's buy in assets and liabilities). This was funded by terminating the Standard Life Long Corporate Fund.

The Trustee recognises that bonds provide the best match for the Scheme's liabilities. However, with the support of a strong employer covenant, they are comfortable to continue to hold a proportion of the Scheme's assets in higher risk assets, such as equities, in the expectation of higher long term investment returns. The Trustee will continue to monitor this position in the light of changes in the funding level of the Scheme and the financial position of the Company.

The Scheme has invested in an Asset-Backed Funding vehicle in the form of a Scottish Limited Partnership. This investment was agreed in conjunction with an additional funding contribution from the Company and is expected to provide a regular stream of income over an agreed period in order to help meet benefit payments. The Trustee has taken appropriate advice regarding the suitability of this investment as part of the overall investment strategy.

The Trustee of the Scheme has purchased two buy-in policies that secure the total amount of future pension payments for a proportion of the Scheme's pensioner members. The first transaction was completed based on market conditions as at 5 May 2016 and a premium of c£34.7m was paid. The second transaction was completed based on market conditions as at 9 September 2019 and a premium of c£22.7m was paid.

The policies are held in the name of the Trustee and are assets of the Scheme. The Scheme receives regular amounts from Canada Life which are recorded as investment income. This is part of the Trustee's strategy to reduce longevity risk in the Scheme. All pensioners continue to be members of the Scheme and the Trustee continues to have responsibility for the payment of their pensions.

The Trustee believes that the investment strategy (the mix of asset types) related to the defined benefits section is currently appropriate for controlling the risks identified in 2.2.

3 MANAGEMENT OF THE ASSETS

3.1 Investment objectives

The Trustee invests the assets of the Scheme in pooled fund arrangements operated by Newton Investment Management Limited (“Newton”), Barings Asset Management (“Barings”), and Legal and General Investment Management (“LGIM”) (investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business).

The Trustee is satisfied that the spread of assets by type and the investment managers’ policies on investing in individual securities within each type provides adequate diversification of investments.

The assets are invested in Newton’s 50/50 Global Equity Fund, Barings Global High Yield Credit Strategies Fund and an LDI mandate with LGIM which invests in a range of their leveraged gilt and leveraged index-linked gilt funds. The benchmarks and performance objectives of each of the funds are set out in the table below.

Fund	Benchmark	Performance Objective
Newton 50/50 Global Equity Fund	50% FTSE All Share, 16 ² / ₃ % FTSE North America, 16 ² / ₃ % FTSE AW Europe (Ex-UK), 16 ² / ₃ % FTSE AW Asia Pacific	Fund aims to outperform the benchmark return by 2.0% pa, before deduction of fees
Barings Global High Yield Credit Strategies Fund	3 month LIBOR	The Fund targets a return of LIBOR + 5% p.a. (net of fees).
LGIM LDI Mandate	A composite of the return on a series of UK fixed and index-linked gilts	To match the return on a series of UK fixed and index linked gilts

Please note that the Asset Backed Funding investment of the DB Section does not have a relevant performance benchmark but the value of the future expected cash payments will be monitored on a regular basis.

The Trustee has appointed each of its investment managers to deliver a specific benchmark, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee

is proposed, appropriate advice is sought and considered to ensure its suitability. The Trustee recognises the long term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustees expect the term of the appointment to be the lifetime of the investment.

3.2 Investment Management Fees

Investment fees are payable to the investment managers and are deducted from the Scheme's assets on a quarterly basis. The fee scales for each of the funds are shown in the table below:

Fund	Investment Management Fee (% pa)
Newton 50/50 Global Equity Fund	0.5
Barings Global High Yield Credit Strategies Fund	0.6
LGIM LDI Mandate	0.24

The fees in relation to the AVCs with Prudential and Scottish Life differ from the above. In addition, fees are paid to the Trustee's investment consultant, based on a combination of agreed fixed fees and on a time/cost basis for additional investment advice in relation to the Scheme, albeit these are met by the Company.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

3.3 Additional Voluntary Contributions ("AVCs")

AVCs relating to the Defined Contribution section of the Scheme are invested in line with members' main Scheme assets. The objective of the Scheme's AVC arrangement is to offer members of the Scheme the chance to increase their income in retirement by making additional contributions to those they are already making to the Scheme.

In addition the Scheme holds legacy AVCs in insurance policies with Prudential, Scottish Life and the Newton Exempt Fund.

3.4 Realisation of Investments

In general, the Scheme's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

Where a disinvestment is required these funds should either be taken from the Newton 50/50 Global Equity Fund or the cash fund within the LGIM LDI mandate.

3.5 Monitoring the investment managers

Performance of the investment managers against their benchmarks is reviewed by the Trustee on a six monthly basis.

3.6 Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process.

3.7 Portfolio Turnover

The Trustee will request turnover costs incurred by the asset managers over the Scheme reporting year. Where possible the Trustee will compare costs to the theoretical portfolio turnover and cost for an appropriate index.

Strategic considerations

The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

The Trustee has taken the view that, in light of the short investment time horizon, the potential impact of climate change on the Scheme is unlikely to be material.

Structural considerations

Given the discretion afforded to the investment managers, the Trustee expects that the investment managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to their individual investment managers. The Trustee has discussed the extent to which ESG issues and climate change risk, where relevant to the investment mandate, are integrated into the investment processes of their investment managers and are satisfied that the investment managers are following an approach which takes account of all financially material factors.

Selecting investment managers

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

3.8 Consideration of non-financially material factors in investment arrangements

The Trustee has not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

3.9 Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policies and taking account of current best practice including the UK Stewardship Code. On an annual basis, the Trustee will request their investment managers provide details of any change in their policies. The Trustee annually reviews the investment managers' adherence to the UK Stewardship Code, UNPRI and other relevant industry codes or standards where applicable. In the event that a manager does not adhere to a recognised set of principles for responsible investment, the Trustee should take reasonable steps to ensure that they are comfortable with the policy that the manager has in place in respect of this.

The Trustee does not engage directly but believes it is appropriate for their investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

Monitoring

The Trustee reviews manager voting activity on an annual basis in conjunction with their investment adviser. Where the Trustee deems it appropriate, any issues of concern will be raised with their manager for further explanation.

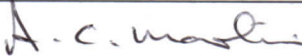
The Trustee will meet their investment managers on a regular basis. The Trustee provides their managers with an agenda for discussion, including, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

4 REVIEW OF THIS STATEMENT

The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances, and the attitude to risk of the Trustee and the sponsoring Company which it judges to have a bearing on the Statement. Any such review will take place no less frequently than every three years. Any such review will again be based on written, expert investment advice following consultation with the Company.

Last amendment: June 2020 (updated to comply with additional new Responsible Investment related regulatory requirements)

For and on behalf of the Trustee of the Scheme

Name	Signed	Date
A.C. MARTIN		16/7/2020