Kerry Retirement Benefits Scheme

Statement of Investment Principles

Effective Date: April 2022

Contents | Page

Kerry Retirement Benefits Scheme (the "Scheme")

Statement of Investment Principles

Purpose of the Statement of Investment Principles

The purpose of this Statement of Investment Principles (the "Statement") is to document the policies and guidelines that govern the management of the Scheme's assets. It has been reviewed and adopted by the trustees having considered professional advice from their investment consultants. It outlines the responsibilities, objectives, risk measurement methods, risk management processes and current investment policy for both the Defined Benefit and Defined Contribution Sections of the Scheme in order that:

(a) There is a clear understanding on the part of the trustees, company, consultants, investment managers and others as to the objectives and policies of the trustees;

(b) There are clear principles governing the guidelines and restrictions to be presented to the investment managers regarding their investment of the Scheme's assets;

(c) The trustees have a meaningful basis for the evaluation of the investment performance of the individual investment managers, investment performance of the Scheme as a whole and the success of the overall investment strategy through achievement of defined investment objectives; and

(d) The trustees fulfil the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, as amended, which stipulate that such a Statement is put in place, and the Myners Principles.

It is intended that this Statement be sufficiently specific to be meaningful but adequately flexible as to be practical. The intention is not to outline detailed guidelines for the Scheme's investment manager(s) – this should be done within the specific legal agreements with those parties – but rather to state the general philosophy, risk appetite and policies of the trustees that will shape the governance of the Scheme as a whole.

This Statement will be reviewed annually, and also following any change in investment policy which impacts on the content of the Statement.

The Statement was most recently reviewed in April 2022.

Roles & Responsibilities of Each Party

Because of the number of parties involved in the management of the Scheme, it is appropriate to clearly identify each entity's role with regard to investment in order to ensure operational efficiency, accountability and clear lines of communication.

- **Company:**
  The company is the Scheme sponsor and contributes to the Scheme. The trustees recognise that the company's continued financial support for the Scheme can be of significant importance in serving the best interests of members, therefore the principles outlined in this Statement are not shaped by the objectives of the trustees in isolation, but also by an understanding of the objectives and circumstances (financial or otherwise) of the company.

- **Trustees:**
  The trustees have fiduciary responsibility for selecting and monitoring Scheme investments. Their specific responsibilities include:

  (a) Identifying the Scheme's risk tolerance level and formulating an appropriate and efficient investment policy (with help from the Investment Committee and the Scheme's investment consultants) which best serves the interests of the members;

  (b) Delegating the management of Scheme investments to investment managers having obtained relevant advice under section 36 of the Pensions Act 1995 on whether the investment is suitable having regard to the Scheme's investment strategy and principles. The trustees recognise that their role is supervisory – not investment advisory;

  (c) Monitoring and evaluating performance results to ensure that all guidelines are being adhered to and objectives are being met;

  (d) Making any necessary changes in the investments and the investment managers, custodians, consultants and others that provide services to the Scheme relating to the investment of assets; and

  (e) Regularly reviewing this Statement, which they may amend or restate at any time at their sole discretion but subject to any consultation requirements laid down in law or under the Trust Deed.

- **Investment Committee:**
  The Investment Committee is made up of trustees from a range of pension schemes sponsored by the company (including one or more trustees from this Scheme), a company representative and a representative of the Scheme's investment consultants. The main aims of the Investment Committee are:

  (a) to facilitate fully-informed and efficient decision-making by the trustees on investment-related matters such as investment strategy and manager selection;

  (b) to enhance the consistency of approach across all schemes under the Kerry Group umbrella with regard to investment strategy, manager structure and investment managers, in order to maximise efficiencies for each individual scheme;

  (c) to facilitate increased access for individual schemes to 'best-in-class' global managers than may have been the case under stand-alone arrangements;

  (d) to exploit efficiencies and economies of scale that may be forthcoming through single global relationships with particular investment managers (e.g. lower management fees);

  (e) to facilitate access on an ongoing basis to a central body of expertise and advice on the Scheme's investment arrangements;

  (f) to recommend and subsequently review the investment manager structure employed including the mixture of active / passive management or continuing suitability of the investment vehicles / products being used;

  (g) to recommend the appointment, removal and regular review of investment managers;

  (h) to report to the trustees on the performance of the investments compared to their benchmarks;

(i) to meet regularly with the investment managers and other advisers in order to review their performance and report thereon to the individual trustee groups;

(j) to monitor asset / liability matching (this may include factors such as value, duration and inflation hedging);

(k) to recommend de-risking objective by scheme and monitor and manage the process; and

(l) to investigate alternative investment opportunities proposed by the advisers and make recommendations to trustee boards as appropriate.

The Investment Committee assumes no responsibility for any individual trust and only acts in a supporting role to the individual trustee boards.

- **Investment Consultants:**
  External investment consultants are employed by the trustees:
  - to provide such information and advice to the Investment Committee and the trustees as is necessary for them to meet their objectives;
  - to provide advice on all investment-related matters, including formulation of investment objectives, investment strategy, manager structure and selection and monitoring of managers;
  - to consider and give guidance in respect of changes in the regulatory environment for pension fund investment and the implication for trustees and members; and
  - to provide guidance on pension fund governance from an investment point of view having regard to industry best practice.

  The investment consultants work closely with the Investment Committee to ensure that this advice is distilled and imparted to the trustees in an efficient manner. Were the company to require separate investment advice (e.g. if the objectives of the trustees and the company were to differ) or a potential conflict is identified the investment consultants will notify the trustees and the company of any potential conflict of interest. They will then ensure that appropriate arrangements are put in place to manage any potential conflict.

- **Investment Manager:**
  One or more investment managers will be appointed to act on behalf of the trustees. The trustees will ensure that the investment manager(s) chosen observe the specific guidelines, restrictions and philosophies within this Statement and as expressed in any written agreement with the trustees. Subject to such guidelines and restrictions, the investment manager(s) will be responsible for making all investment decisions on a discretionary basis and will be evaluated on their ability to achieve the performance objectives set for them by the trustees.

- **Defined Contribution Members**
  While the trustees have responsibility for designing a default strategy it is important that members take an interest and responsibility for ensuring that the default option is suitable for their own personal circumstances.

Environmental, Social and Governance (ESG) Policy

The trustees have considered the long-term financial risks to the Scheme and believe that environmental, social and governance factors are potentially financially material and therefore have agreed a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.

- Given the maturity profile of the Scheme and the objective to fund future member benefits from the Scheme's assets as they fall due, the trustees have a long-term time horizon over which it considers the financial materiality of ESG factors (including climate change).
- When selecting new investments, the investment managers' abilities in relation to ESG matters and ESG ratings for the manager / fund by the Scheme's investment consultants and other independent third party bodies will be taken into account.
- However, because all the investments in the Scheme are held in pooled funds, the trustees cannot directly influence the environmental, social and governance policies of companies in which the pooled funds invest and have therefore delegated considerations of these factors to each of the investment managers. This delegation includes engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure and management of actual or potential conflicts of interest and risks in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. Equity managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.
- The trustees do not monitor or engage directly with issuers or other holders of debt or equity and expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the investment managers' general policies on stewardship, as provided to the trustees from time to time, considering the long-term financial interests of the beneficiaries.
- The trustees believe that good stewardship and positive engagement can lead to improved governance and potentially better risk-adjusted investor returns and encourage investment managers to engage with investee companies on financially material matters in an attempt to influence behaviour.
- The trustees have also delegated the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers. The bond funds should not normally involve any voting rights.
- As part of the ongoing review process the trustees will monitor ESG fund ratings provided by the investment consultant on a quarterly basis and, from time to time, may ask the Scheme's investment managers to attend meetings or to provide updates on the funds, including updates on ESG considerations.
- The trustees do not consider any other non-financial matters (such as member ethical views) when constructing the investment strategy for the DB section, the default DC investment strategy, the self-select offerings and/or when selecting or reviewing fund managers.

Investment Manager Appointment, Engagement and Evaluation

Investment Manager Appointments & Alignment with Investment Strategy

The investment managers appointed by the trustees for the DB section of the scheme are outlined in Appendix 1.

These managers have been selected by the trustees based on a screening process undertaken by the investment consultant which is followed by detailed analysis and interviews by the Investment Committee. Where possible the trustees aspire to select managers and mandates that are "A rated" by the investment consultant's formal manager rating system.

The trustees believe that arrangements with investment managers are aligned with the Scheme's overall strategic objectives and managers have been appointed based on their capabilities and the perceived likelihood of achieving the expected return and risk characteristics required for the asset class they have been selected to manage.

The majority of the DB mandates are passively managed against specific indices. For these mandates, the trustees will seek guidance from the investment consultant in relation to their forward-looking assessment of the manager's ability to achieve the stated mandate objectives.

For active mandates, the trustees will seek guidance from the investment consultant in relation to their forward-looking assessment of the manager's ability to outperform over a full market cycle.

For pooled funds, the trustees acknowledge they cannot specify the risk profile or return targets of the manager but will ensure that appropriate mandates are selected to align with the Scheme's overall investment objectives.

If the investment objective for a particular investment manager's fund changes, the trustees will review the fund appointment to ensure that it remains appropriate and consistent with the wider trustees' investment objectives.

In relation to the DC section of the scheme the trustees access the investment manager's products (or funds) through the provider's insurance platform. The provider supplies a range of funds through its platform and the trustees select funds with investment managers based on their capabilities and the perceived likelihood of achieving the expected return and risk characteristics required.

As the trustees invest in pooled investment vehicles, they accept that they have no ability to influence the investment managers to align their decisions with the trustees' policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.

Incentivising Investment Managers to Consider Long-Term Financial and Non-financial Performance

For DB managers, the trustees also consider the investment consultants assessment of how each investment manager embeds ESG into its investment process and how the investment managers' responsible investment philosophy aligns with the trustees' beliefs around responsible investment. This includes the investment managers' policy on voting and engagement (where relevant). The trustees will use this assessment in decisions around selection, retention and realisation of investment manager appointments where applicable.

The trustees meet with the investment managers periodically and can challenge decisions made including voting history and engagement activity to ensure the best performance over the medium to long term.

In relation to the DC Section the trustees expect all underlying investment managers to incorporate the consideration of longer-term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. If the trustees are dissatisfied, then they will consider replacing the investment manager.

Evaluating Investment Managers Performance

The performance objectives of the DB managers are outlined in Appendix 1.

Performance is monitored on a quarterly basis against agreed benchmarks and targets over multiple time periods with an emphasis on long term performance. The performance objectives outlined in Appendix 1 apply over rolling 3-year periods, and the trustees recognise that the performance of managers may be cyclical in nature. Therefore, it is not intended that 'knee-jerk' reactions will be made to short-term underperformance without more fundamental analysis of any changes within the manager's organisation or investment process, or why the underperformance could reasonably be expected to continue.

In addition, research and ESG ratings are provided quarterly by the investment consultant for each mandate. The Investment Committee and the trustees intend to rely on the formal research capabilities of their chosen investment consultants. Therefore, if any of the appointed managers are subject to a downgrade in rating over time combined with a recommendation from the investment consultant to review the situation, then a review of the investment manager and analysis by the Investment Committee should be undertaken, followed by appropriate recommendations to the trustees.

In relation to the DC Section, the trustees' focus is on longer-term performance however shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The trustees review performance of the investment managers products (or funds) on a quarterly basis, including assessments of both shorter and longer time horizons.

The continued appointment of investment managers is dependent on their success in delivering the mandate and target performance for which they have been appointed and managers are aware that if trustees are dissatisfied their appointment will be reviewed.

Fund Manager Remuneration
Fund manager remuneration for DB mandates is considered as part of the manager selection process and is monitored at least annually to ensure charges are in line with the agreed fee levels and are appropriate for the particular mandate.

All managers are remunerated by way of a fee calculated as a percentage of assets under management. Where appropriate, active managers are also incentivised through performance related targets however hurdle rates and high watermark structures are put in place to mitigate the possibility of paying additional fees during periods of long term under performance.

If investment managers are not meeting performance objectives, or investment objectives for mandates have changed, the trustees may ask investment managers to review the annual management charge or decide to switch investment managers.

In relation to the DC Section, the remuneration for the provider and investment managers is based on assets under management and the levels of these fees are reviewed annually as part of the annual value for member assessment to ensure they continue to represent value for members.

If performance is not satisfactory, the trustees will request an explanation of performance and process from the relevant investment manager. If not satisfied with this, the trustees may request further action be taken, including a review of fees or replacement of the investment manager.

Portfolio Turnover Costs
The trustees do not actively monitor portfolio turnover costs. Performance objectives for the majority of DB investment managers are set net of fees/costs and therefore managers are incentivised in this way to keep portfolio turnover costs to a minimum in order to meet or exceed their objectives.

In relation to the DC section portfolio, turnover costs are reviewed on an annual basis as part of the value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

The trustees do not currently define target portfolio turnover ranges for investment managers, particularly as the trustees use pooled fund structures which may limit the ability to do so.

Duration of Manager Arrangements
The duration of arrangements with investment managers varies depending on the investment strategy of the Scheme and the performance of each investment manager. However, for the most part appointments will be over the long term.

Trustees do not expect to make changes on a frequent basis unless there is a strategic change to the overall investment strategy or the manager appointed has been reviewed and the trustees decide to terminate the mandate.

In relation to the DC section, the provider is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The trustees are responsible for the selection, appointment and removal of the provider and the funds. The trustees may also choose to remove a fund from the fund range, if no longer considered appropriate. The fund range is formally reviewed on at least a triennial basis.

Statement of Investment Principles

Defined Benefit (DB) Section

Defined Benefit (DB) Section

Investment Objectives – DB Section

The overall investment objective of the trustees is to maximise the level of investment return at an acceptable level of risk, through adopting a prudent, carefully planned and well-executed investment policy that is co-ordinated with the level of contributions available from the employer. This will in turn assist in the trustees' ultimate objective of maximising the security of benefits provided to members.

Risk Measurement – DB Section

In determining the level of risk appropriate to the Scheme at any point in time, the trustees recognise the importance of the nature and duration of the liabilities and measure the risk of the chosen investment policy by reference to these liabilities.

In particular, the trustees consider the following risks:

- The risk of achieving an insufficient level of investment return relative to the rate required to match the growth in liabilities over time.
  - The required rate will depend on the funding policy adopted for the Scheme. Therefore, the trustees acknowledge the critical need for interaction and co-operation between the trustees and the company when formulating investment policy.
- The risk of excessive volatility in the investment returns of the Scheme relative to the movement in liabilities over shorter-term periods (e.g. one year).
  - The trustees will consider this volatility in relation to the liabilities measured under the Scheme Actuary's ongoing basis and any other relevant measures. The trustees recognise that the pattern and volatility of the Scheme's investment returns can impact directly on the pattern and volatility of the company's contribution rates and various accounting items. Therefore, risk will also be considered in these terms where appropriate.

Managing the two risks above *in isolation* may lead to conflicting investment policies. Therefore, in formulating an appropriate investment policy, the trustees seek to arrive at an acceptable *balance* between these risks in order to best meet their investment objectives and the best interests of members. Furthermore, the trustees will manage a range of other investment risks using the risk management processes outlined in the next section in order to create a prudent, diversified and efficient portfolio.

Risk Management – DB Section

In order to manage investment risk, the trustees will ensure, either through direct guidance or through ascertaining the suitability of any commingled (unitised) vehicles that are used, that policies and guidelines are in place for the appointed investment manager(s) and other providers such that:

- investments are, for the most part, limited to marketable securities traded on recognised/regulated markets;
- direct investment by the Scheme in derivative instruments may be made only in so far as they either contribute to a reduction of investment risks or facilitate efficient portfolio management. Any such derivative investment must avoid excessive risk exposure to a single counterparty and to other derivative operations;
- the portfolio is properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration; and
- the security, quality and liquidity of the portfolio as a whole is ensured, with due regard paid to the level of non-sterling currency exposure.
- environmental, social and governance factors that may have a potentially material impact on investment performance have been taken into consideration
- professional advice in accordance with Section 36 of the Pensions Act 1995 has been obtained for all investments

All investment managers are employed by the trustees and subject to termination at any time.

Current Investment Policy – DB Section

The current investment strategy of the trustees is set out below along with a description of the investment manager arrangements adopted.

Strategic Asset Allocation

Having had regard to the nature and duration of the expected future retirement benefits, the trustees have established their strategic asset allocation mix as set out in the table below and believe it prudently positions the portfolio so as to achieve the trustees' objectives at the current time. The allocation to liability hedging assets (bonds and gilts) includes both levered and unlevered funds and aims to reduce funding volatility by hedging approximately 80% of the Scheme's interest rate risk and 80% of the inflation rate risk on a long term funding basis (gilts +0.2%). The remaining strategic asset mix incorporates an allocation to a diversified range of non-bond assets in order to pursue a level of investment return that, if forthcoming, aids the long-term sustainability of the Scheme. This level of risk tolerance is also reflected in the actuarial return assumptions underlying the Scheme's funding policy.

Asset Class	**Central Weighting**	**Guideline Ranges**	**Benchmark Index**
Return Seeking Assets			
Global Equities	10%	8% - 12%	FTSE Developed Index
Diversified Growth Funds	12.5%	10% - 15%	Composite benchmark set by Kerry: 50% FTSE World ex UK / 50% 5-15Year UK Gilt Index
Emerging Market Debt	10%	8% - 12%	JPM EM Government Bond Index / JPM ESG EM Bond Index Global Diversified
Buy & Maintain Corporate Bonds	15%	*12% - 18%*	100% ICE BofA Global Corporate Hedged
Total Return Seeking Assets	***47.5%***		
Liability Hedging Assets			
Liability Matching Portfolio	47.5%	38% - 57%	Bespoke Buy and Hold Liability Matching Portfolio
Sterling Liquidity Fund	5%	4% - 6%	Provide a competitive return relative to the benchmark - Sterling Overnight Index Average (SONIA)
Total	**100%**	**-**	

The currency of the Scheme is sterling.

The trustees recognise that, even though the Scheme's investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. The trustees intend to avoid ad-hoc revisions to their philosophy and policies in reaction to either speculation or short-term market fluctuations.

Rebalancing

- Market movements may result in a portfolio that differs from the strategic mix outlined in the table above resulting in the need for ongoing rebalancing on a cost-efficient basis.
- As a specialist manager structure is in place, no single manager has control over this overall asset allocation and the trustees have instead delegated the regular monitoring and implementation of this rebalancing exercise to the Investment Committee's company representative.
- The company will monitor and implement rebalancing as follows, using cash-flow where appropriate, working with the Investment Consultants and instructing the Scheme's administrator as necessary:
  - Asset allocations will be monitored (but not rebalanced) on a monthly basis.
  - Asset allocations will be rebalanced to the central weightings on a quarterly basis if the ranges outlined in the previous table are breached, unless the Investment Committee agrees otherwise.
  - All rebalancing activity will be reported to the Investment Committee at the next scheduled meeting.

Statement of Investment Principles

Defined Contribution (DC) & Additional Voluntary Contribution (AVC) Section

Defined Contribution (DC) & Additional Voluntary Contribution (AVC) Section

Investment Objectives – DC/AVC Section

The investment objectives of the trustees for the DC and AVC sections of the Scheme are:

(a) To provide a range of efficiently operated fund options and lifestyle strategies which meet the broad needs of the members of the Scheme, having regard to the nature of each member's requirements and to support options surrounding Pension Flexibilities introduced under the Pension Schemes Act 2015.

(b) To provide a default lifestyle strategy that meets the broad needs of the members of the Scheme, having regard to the nature of each member's requirements and which falls within the maximum fee cap of 0.75% in accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

(c) To provide appropriate information on these funds and lifestyle strategies such that members are assisted in understanding and making their choices.

(d) To comply with the Pensions Regulator's Code of Practice 13 (Governance and Administration of Occupational Defined Contribution Trust-based Schemes)

The trustees are not responsible for investment gains or losses. Members making DC or AVC contributions must understand that the trustees do not accept responsibility for the success or otherwise of the options made available to them. Members have a responsibility to read and understand the documentation available to them so that the choices made by them adequately reflect their objectives and their own attitude to risk.

Risk Measurement & Management – DC/AVC Section

Given the nature of the DC and AVC sections of the Scheme, the trustees will determine the range of fund options and lifestyle strategies (including the default strategy) to be offered by reference to the requirements of the individual members or categories of member.

In particular, the trustees will consider the following risks applicable to different categories of member:

- The risk of achieving an insufficient level of capital growth over time, so that the member's invested contributions achieve a lower overall return than that required over the longer term (this leads to the provision of growth type funds e.g. equity/multi-asset);
- For members using their retirement proceeds to purchase an annuity, the risk that annuity costs rise sharply in the period approaching retirement (this leads to the provision of bond funds to counteract this);
- For members taking their retirement proceeds in the form of a cash lump sum, the risk that the value of a member's account falls sharply due to investment market volatility (this leads to the provision of low-risk funds such as cash funds);
- For members intending to remain invested post retirement or who wish to phase the drawdown of their retirement benefits, the risk that a suitable fund range is not available to facilitate their varying requirements (this leads to the provision of high, medium and low risk fund options along with the drawdown lifestyle strategy); and
- The risk that members will not possess sufficient understanding of the options provided to make an informed decision, due either to an excessively wide or complex range of options or to provision of insufficient information on those options (this risk is managed by provision of appropriate information on the funds).

The trustees will ensure that the risks relevant to each member can (if the member so chooses) be kept to a level that is appropriate for that individual member. This will be achieved by careful selection and monitoring of the range of funds and lifestyle strategies on offer. Furthermore, the trustees provide information to members on the range of funds and lifestyle strategies offered to them.

Current Investment Policy – DC/AVC Section

To manage the risks set out above, the trustees offer a choice of six funds to members:

- a Passive Equity Blend Fund;
- a Passive UK Equity Fund with an ESG framework;
- a Multi-asset Fund (the Insight Fund);
- a Bond Fund;
- a Pre-Retirement Fund; and
- a Cash Fund.

In addition, three lifestyle strategies (using the funds above) are also available to members:

- the Cash at Retirement Lifestyle Strategy (the default strategy);
- the Income for Life Lifestyle Strategy; and
- the Flexible Income Lifestyle Strategy.

After joining the Scheme members can choose any combination of the above options that they so wish. If a member chooses a lifestyle strategy, then 100% of his / her contributions are applied to that strategy. Where a member does not make a choice, all contributions are invested in the default strategy (Cash at Retirement Lifestyle Strategy).

The core fund range and the lifestyle strategies have been selected by the trustees, following advice from the investment consultant, to provide an appropriate range of fund and lifestyle options to members and includes a mix of actively and passively managed funds. The trustees will continue to monitor the range of funds available and the glidepaths for each lifestyle strategy and it may be necessary from time to time to make changes to the funds offered or the construct of the lifestyle strategies. The core investment funds and the appointed managers are outlined in Appendix 2 and the glidepaths for each of the lifestyle strategies are outlined in Appendix 3. Additional information on the default strategy is provided in pages 11 to 13 in accordance with the Pension Regulator's Code of Practice 13 (Governance and Administration of Occupational Defined Contribution Trust-Based Schemes).

In addition to the core funds and lifestyle strategies outlined above, members (including those transferred in from the Golden Vale scheme) who contributed to funds managed by Prudential Life Assurance Society, Utmost Life and Pensions (formerly held by Equitable Life Assurance Society) and Scottish Widows will continue to have these funds managed by the trustees.

The trustees monitor performance of the above funds on an ongoing basis against the benchmark applicable for each fund which is usually an appropriate market index.

Information is provided to members in a number of ways through Scheme booklets, member presentations and online information. The opportunity to switch between fund options and lifestyle strategies is also available to members via the administrator's online portal.

Default Investment Strategy

Defined Contribution Section (DC) & Additional Voluntary Contribution (AVC) Section

Current Default Strategy – DC/AVC Section

A default investment strategy is made available for members who do not make an investment choice. The default investment strategy for the Kerry DC Scheme is called the **Cash at Retirement Lifestyle Strategy** and it targets **100% cash** investment at retirement.

The Cash at Retirement Lifestyle Strategy invests 55% of members' funds in the Passive Equity Blend Fund and 45% of members' funds in the Insight Broad Opportunities Fund while members are between 40 years and 9 years from retirement. This is known as the "growth phase".

Between 8 years and 6 years from retirement, the strategy will automatically switch assets from the Passive Equity Blend Fund to the 5-15 year Bond Fund. The strategy will then automatically divest the remaining monies in the Passive Equity Blend Fund, the Insight Broad Opportunities Fund and the 5-15 year Bond Fund into the Cash Fund over the next 5 years. The period from 8 years to retirement date is referred to as the "consolidation phase".

At 1 year from retirement until the end of the strategy, members will be **100% invested in cash** (see Appendix 3).

Default Strategy Investment Objectives – DC/AVC Section

The objectives of the default investment strategy and the ways in which the trustees seek to achieve these objectives are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  The growth phase of the default strategy invests 55% of members' funds in the Passive Equity Blend Fund coupled with 45% in the Insight Broad Opportunities Fund. The equity fund is a high-risk fund and provides members with growth opportunities in excess of inflation while the Insight Fund provides access to a wide range of investment types with the aim of achieving long term equity like returns but with less volatility than investing purely in equities.

- To provide a strategy which reduces investment risk for members as they approach retirement.

  As a members' retirement funds grow, investment risk will have a greater impact on the funds available at retirement. Therefore, the trustees believe that a strategy that seeks to reduce investment risk and preserve savings as members approach retirement is appropriate. In the consolidation phase, the default strategy aims to reduce volatility through automatic switches from higher risk funds to lower risk funds over an eight-year period to members' selected retirement date in order to preserve members' retirement funds.

- To provide exposure at retirement to assets that are broadly appropriate for an individual planning to use their savings in the Scheme to access tax free or taxable cash lump sums.

  Given the age profile and relative immaturity of the DC Section (i.e. small member pots) and the transition of DB Section members to the DC Section in 2018, the trustees believe a target of 100% cash for the default remains appropriate, however the trustees will continue to monitor the suitability of the default strategy going forward.

Default Strategy Policies – DC/AVC Section

The trustees' policies in relation to the default investment strategy are as follows:

- The default investment strategy manages investment risks through a diversified strategic asset allocation consisting of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment strategy, the trustees have explicitly considered the trade-off between expected risk and returns.

- Assets in the default investment strategy are invested in the best interests of members and beneficiaries, taking into account the membership profile. In particular, the trustees considered high level profiling analysis of the Scheme's membership in order to inform decisions regarding the default strategy. Based on this profiling, a default strategy which targets cash lump sums is considered appropriate.

- Assets in the default investment strategy are invested in daily traded pooled funds which are managed by investment managers reviewed and recommended by the Scheme's investment consultants.

- Members are supported by clear communication regarding the structure and aims of the default and alternative investment choices. If members wish to, they can opt to choose an alternative lifestyle strategy (Income for Life or Flexible Income) or their own investment strategy either on joining or also at any other future date.

Default Strategy Risk Measurement & Management – DC/AVC Section

In framing and setting the default investment strategy, the trustees have considered risk from a number of perspectives as follows:

- Investment return and inflation risk - the risk that low investment returns across the growth phase generates poor returns which do not keep pace with inflation and the member's account does not, therefore, secure an adequate income. The trustee has sought to reduce this risk by investing in two growth-oriented funds across the growth phase.

- Manager risk - the risk that the decisions taken by an investment manager may have a detrimental impact on the returns of a fund. The trustee has sought to reduce this risk by investing with managers reviewed and recommended by the Scheme's investment consultant and investing mainly in passive funds. Additionally, the trustees monitor performance of all funds on an ongoing basis against the benchmark applicable for each fund, which is usually an appropriate market index.

- The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefit. In order to mitigate this risk, funds are automatically and gradually switched to invest in a lower risk fund as members approach retirement.

- Concentration risk - the risk that investment returns are affected by the concentration of investment in a single asset class. This risk is mitigated by utilising two different funds across the growth phase and gradual switching to lower risk funds in the consolidation phase.

Suitability of the Default Strategy – DC/AVC Section

Based on the membership profile of the Scheme, the trustees believe that the above objectives and policies reflect the best interests of members and beneficiaries as follows:

- Members seeking an adequate income in retirement will need to achieve sufficient investment returns over the period to retirement. The growth phase of the default investment strategy addresses this requirement by providing a high allocation to equities through the Passive Equity Blend Fund while the Insight Broad Opportunities Fund aims to provide equity like returns but with lower volatility.

- The trustees believe that most Scheme members are likely to utilise pension freedoms to draw tax free and/or taxable cash lump sums at retirement. The target of 100% cash at retirement is aligned with both these beliefs. This does not mean that members must take their benefits by way of cash lump sums at retirement, but the target determines the investment strategy of the default strategy which will be operated in the period up to the selected retirement date.

The trustees will continue to monitor members' decisions at retirement to ensure that the default investment strategy remains suitable for members.

Kerry Retirement Benefits Scheme
Statement of Investment Principles

Effective Date of this Statement: April 2022

Reviewed by the trustees and signed on their behalf by the chairman

Wayne Phelan, Punter Southall Governance Services Limited

Date:

Statement of Investment Principles

Appendices

Appendix 1 – Defined Benefit Section

Defined Benefit Fund Manager Performance Objectives

Asset Class	Type of Management	Manager	Benchmark	Objective	Annual Mgt Fees*
Global Equities	Passive	State Street Global Advisors	FTSE Developed Index	Track benchmark net of fees	0.06%
Diversified Growth Funds	Active	Insight Investment	Composite benchmark set by Kerry 50% FTSE World ex UK / 50% Over 15 Year UK Gilt Index	Track benchmark net of fees	0.45%
Diversified Growth Funds	Passive	Legal and General Investment Management	Composite benchmark set by Kerry 50% FTSE World ex UK / 50% Over 15 Year UK Gilt Index	Track benchmark net of fees	0.25%
Emerging Market Debt (Local Ccy)	Active	Ninety One	JP Morgan Government Bond Index - Emerging Market Global Diversified	Benchmark +2% to +3% gross of fees	0.25% base fee + 20% of outperformance
Emerging Market Debt (Hard Ccy)	Passive	Legal and General Investment Management	JP Morgan ESG Emerging Market Bond Index Global Diversified Index	Track benchmark net of fees	0.11%
Buy & Maintain Corporate Bonds	Active	Axa Investment Managers	100% ICE BofA Global Corporate Hedged (Performance Indicator)	Track performance indicator net of fees	0.0975%
Liability Matching Levered & Unlevered Government Bonds	Passive	Legal and General Investment Management	Bespoke Buy and Hold Bond Portfolio	Track benchmark	Unlevered Funds 0.03% Levered Funds 0.12%
Sterling Liquidity Fund	Active	Legal and General Investment Management	Sterling Overnight Index Average	Provide a competitive return relative to the benchmark	0.085%

*Base annual management charge before additional fund expenses or other fund operating costs

Appendix 2 – Defined Contribution & AVC Section

Defined Contribution & AVC Investment Funds

Asset Class	Fund Manager	Fund Name	Management Style	TER*
Cash	BlackRock	BlackRock Sterling Liquidity Fund	Active	0.41%
Multi Asset	Insight	Insight Broad Opportunities Fund	Active	0.98%
Equity	BlackRock	Aquila Passive Equity Blend Fund	Passive	0.43%
Equity	LGIM	Future World UK Equity Index Fund	Passive	0.45%
Fixed Interest	LGIM	Pre-Retirement Fund	Passive	0.44%
Fixed Interest	LGIM	5 to 15 Year Gilts Index	Passive	0.40%

*TER includes investment management and administration fees

Appendix 3 – Defined Contribution & AVC Section

Defined Contribution & AVC Lifestyle Strategies

	Cash at Retirement Lifestyle Strategy – Default Strategy					
TER:	**0.43%**	**0.98%**	**0.40%**	**0.41%**		
Years Pre-Retirement	**Passive Equity Blend**	**Insight Fund**	**5-15 Yr Bond**	**Cash Fund**	**Total**	**Weighted Average Fees %**
40 – 9	55%	45%	0%	0%	100%	0.68%
8	50%	45%	5%	0%	100%	0.68%
7	40%	45%	15%	0%	100%	0.67%
6	35%	45%	20%	0%	100%	0.67%
5	25%	40%	15%	20%	100%	0.64%
4	20%	30%	10%	40%	100%	0.58%
3	15%	20%	5%	60%	100%	0.53%
2	10%	10%	0%	80%	100%	0.47%
1	0%	0%	0%	100%	100%	0.41%
0	0%	0%	0%	100%	100%	0.41%

	Income for Life Lifestyle Strategy					
TER:	**0.43%**	**0.98%**	**0.44%**	**0.41%**		
Years Pre-Retirement	**Passive Equity Blend**	**Insight Fund**	**Pre-Retirement Fund**	**Cash Fund**	**Total**	**Weighted Average Fees %**
40 – 9	55%	45%	0%	0%	100%	0.68%
8	50%	45%	5%	0%	100%	0.68%
7	40%	45%	15%	0%	100%	0.68%
6	35%	45%	20%	0%	100%	0.68%
5	30%	40%	30%	0%	100%	0.65%
4	20%	30%	40%	10%	100%	0.60%
3	10%	25%	50%	15%	100%	0.57%
2	0%	15%	65%	20%	100%	0.51%
1	0%	0%	75%	25%	100%	0.43%
0	0%	0%	75%	25%	100%	0.43%

	Flexible Income Lifestyle Strategy				
TER:	**0.43%**	**0.98%**	**0.41%**		
Year Pre-Retirement	**Passive Equity Blend**	**Insight Fund**	**Cash Fund**	**Total**	**Weighted Average Fees %**
40 - 9	55%	45%	0%	100%	0.68%
8	50%	50%	0%	100%	0.71%
7	45%	55%	0%	100%	0.73%
6	40%	60%	0%	100%	0.76%
5	35%	60%	5%	100%	0.76%
4	30%	60%	10%	100%	0.76%
3	20%	65%	15%	100%	0.79%
2	15%	65%	20%	100%	0.78%
1	10%	65%	25%	100%	0.78%
0	10%	65%	25%	100%	0.78%