

Heinz 2000 Pension Plan **Statement of Investment Principles**

The Heinz 2000 Pension Trust Limited (the Trustee) is responsible for the assets of the Heinz 2000 Pension Plan (the Plan).

Plan Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided.

STRATEGY

The Trustee has secured an Annuity Policy with Pension Insurance Corporation (“PIC”) which was implemented in July 2021. The Annuity Policy is intended to cover all accrued liabilities up to 1 August 2020, and to eliminate the interest rate, inflation and longevity risk associated with those liabilities. The insurer pays the Plan an amount each month equal to the pension payment in respect of the members underlying the policy. The policy is an asset of the Plan and the pension liability remains within the Plan. The Trustee has the option to top up the policy to cover benefits accrued after 1 August 2020 at a later date.

In addition to the Annuity Policy the Plan’s remaining assets are gilts and cash through investments with BlackRock Investment Management. The gilts are held as a broad match for potential “liability-like” costs that may arise in the continued running of the Plan, with the remaining assets invested in the BlackRock Sterling Liquidity Fund.

To assist in setting the strategy a strategic review was carried out and advice provided from the Trustee’s investment advisers. The Trustee recognises the risk that the asset managers do not achieve the targets set. When choosing the Plan’s planned asset allocation strategy the Trustee considered advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee also consulted with the sponsoring employer when setting this strategy. In addition, the Trustee offers members the facility to invest additional voluntary contributions ('AVCs') into a range of funds, selected by the Trustee (with advice from their investment adviser) so that members can choose suitable funds depending on their personal circumstances (such as attitude to risk and term to retirement).

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Plans (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

RISK

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy, however this risk has reduced significantly with the Annuity Policy now in place.
- The risk of a shortfall of liquid assets relative to the Plan’s immediate liabilities (“cash flow risk”). The Trustee and its advisers will manage the Plan’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs. PIC is responsible for providing the cash for benefit payments covered by the Annuity Policy, the risk that it defaults on this obligation is covered under 'Annuity Policy default risk' below.
- The failure by the asset managers to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and its advisers both upon the initial appointment of the asset managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its advisers considered this risk when setting the Plan’s investment strategy.
- The possibility of failure of the Plan’s sponsoring employer (“covenant risk”). The Trustee and its advisers considered this risk as well as parent company guarantees when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that PIC fail to make the pension payments covered by the Annuity Policy as they fall due ('Annuity Policy default risk'). This risk is mitigated by the ongoing consideration of PIC’s covenant by the Trustee and their advisors, and protections offered due to PIC being regulated by the Financial Conduct Authority and The Prudential Regulation Authority.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustee’s policy is to monitor these risks on a regular basis.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions themselves and to monitor those they delegate. Aon are paid on a time cost basis for all the work they undertake for the Plan although fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

The majority of the assets are invested in the Annuity Policy underwritten by PIC. The remainder of the assets are currently invested with BlackRock Investment Management in a segregated mandate of gilts and cash, invested in the Sterling Liquidity Fund. The Bank of New York Mellon are the appointed Custodian.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract.

GOVERNANCE

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions themselves and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee <ul style="list-style-type: none">• Monitor actual returns versus Plan investment objective.• Set structures and processes for carrying out their role.• Select and monitor planned asset allocation strategy.• Select investment adviser and asset managers.• Select and monitor direct investments (see below).• Monitor investment adviser and asset managers.	Asset Managers <ul style="list-style-type: none">• Operate within the terms of this statement and their written contracts.• Select individual investments with regard to their suitability and diversification.• Advise Trustee on suitability of the indices in its benchmark.
	Investment Adviser <ul style="list-style-type: none">• Advise on all aspects of the investment of the Plan assets, including implementation.• Advise on this statement.• Provide required training.

The Pensions Act 1995 distinguishes between investments where the management is delegated to an asset manager with a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle including AVC investments. The latter are known as **direct investments**.

The Trustee's Annuity Policy with PIC is classified as a direct investment. The day to day management of the assets are delegated to the Annuity Provider. When selecting PIC, the Trustee carried out a careful review of the annuity market, completed a full tender and due diligence process and took professional advice.

The Trustee's policy is to review their direct investments and to obtain written advice about them (normally annually). When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the asset managers.

The written advice will consider the issues set out in the Occupational Pension Plans (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the asset managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Arrangements with Asset Managers

The vast majority of the Plan's assets are invested with PIC in the form of an Annuity Policy. The remaining holdings are invested in gilt and a cash fund with BlackRock, and in the Trustee's bank account. The Annuity Policy is intended to cover the accrued liabilities of the Plan up to 1 August 2020. The Trustee has the option to top up the policy to cover benefits accrued after 1 August 2020 at a later date.

Following the purchase of the Annuity Policy, and with the exception of the residual BlackRock investments, the responsibility for managing arrangements with the asset managers lies with PIC. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the long-term objectives of PIC and, as established within the contractual terms of the Annuity Policy, of the Plan.

The Trustee monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes, where relevant, monitoring the extent to which 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.

The Trustee is supported in this monitoring activity by their investment consultant.

The Trustee receives regular updates from the investment consultant on various items including the investment strategy, performance, and positioning of the portfolio.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee may express their expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are substantially not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the asset manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

Asset Manager remuneration and costs

The Trustee paid a premium to PIC when the Annuity Policy was initiated, and as a result there are no ongoing fees in respect of the policy (where the majority of the Plan's assets are held).

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

The asset managers are typically remunerated on an ad valorem basis. The level of remuneration paid to the asset managers is reviewed regularly by the Trustee against market rates to ensure the asset managers' interests are aligned with those of the Plan. In addition, asset managers may pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with their underlying investments through the information provided by their asset managers.

The Trustee is supported in its cost transparency monitoring activity by their investment adviser.

RESPONSIBLE INVESTMENT

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that in order to fulfil this commitment and to protect and enhance the value of the Plan's investments, it must act as a responsible steward of the assets in which the Plan invests.

Environmental, Social, and Governance considerations

The Trustee further acknowledges that an understanding of financially material considerations including environmental, social and corporate governance ("ESG") factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to purchase an Annuity Policy with PIC. The Trustee does not attempt to influence the ESG integration nor stewardship policies and practices of PIC in managing these assets.

As part of their delegated responsibilities, the Trustee expects the Plan's remaining asset manager, BlackRock, to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Plan's assets and liabilities.

- As part of ongoing monitoring of the Plan's asset managers, the Trustee will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Plan's asset managers' integration of ESG.
- The Trustee will ask all the Plan's asset managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on a regular basis. Should the Plan look to appoint a new manager, where relevant and appropriate the Trustee will request this information as part of the selection process. All responses will be reviewed and monitored with input from the Plan's investment adviser.

Stewardship - Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Plan and its beneficiaries. Regarding the Annuity Policy and the collateral held in relation to them, the responsibility for voting and engagement is with PIC for these assets.

The Trustee expect BlackRock to use their influence as a major institutional investor to exercise the Plan's rights and duties as a shareholder including voting, along with —where relevant and appropriate —engagement with underlying investee companies and assets to promote good corporate governance, accountability and positive change. However, the Trustee acknowledges the limited materiality of stewardship for the residual gilt and cash assets that remain invested with BlackRock.

Members' Views and Non-Financial Factors

The Trustee does not specifically take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Plan. The Trustee will review its policy towards this on a regular basis.

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