

# **Bush Boake Allen Pension Scheme**

## **Statement of Investment Principles**

December 2023

# Preface

## **Scheme background**

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Bush Boake Allen Pension Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants and future accrual.

The Trustees have secured all of the Scheme's defined benefit liabilities via bulk annuity policies in the Trustees' name with Just Group and Canada Life Limited ("CLL"). The Trustees intend to, ultimately, complete a full buy-in of the Scheme's liabilities followed by a formal wind-up of the Scheme.

## **Regulatory requirements and considerations**

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (the 'Investment Regulations'), the Trustees must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects The Pensions Regulator's investment guidance for trustees running pension schemes that offer defined benefits that was issued in March 2017 and subsequently updated in September 2019.

The Trustees are responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

## **Responsibilities and appointments**

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees draw on the expertise of external persons and organisations including the investment consultant, and the Scheme Actuary. Full details are set out in this SIP.

## **Consultation**

In accordance with the Act, the Trustees have obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and have consulted International Flavours & Fragrances (G.B.) Limited ('the Sponsoring Employer'). However, it should be noted that the Trustees shall not require the consent of the Sponsoring Employer to exercise any investment power.

### **Scheme History and review**

The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request. This SIP is also made publicly available free of charge on a website:

<https://www.pensionsbba.co.uk/resources>

Previous versions of this SIP are dated:

May 2021

September 2020

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# Statement of Investment Principles

## Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when an investment sub-committee may be set up. The Trustees will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustees will consult with the Sponsoring Employer when changing this SIP.

## Investment strategy and objectives

The Trustees have agreed to adopt an investment strategy that involves the pensioner and deferred member liabilities being covered by bulk annuity policies with Just Group and CLL.

In addition, the Trustees also hold cash in their Trustee Bank Account ("TBA") which is being used to meet any further payments to Just Group and CLL, payments to members of the Scheme or administrative expenses.

The Trustees' primary objectives are:

- To provide a high level of security for all beneficiaries.
- To minimise funding risks relating to the differing movements in the values of the assets and the liabilities.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, the responsibility for all day-to-day investment management decisions has been passed on to Just Group and CLL as the bulk annuity policy provider.

The Trustees are responsible for reviewing both the Scheme's investment strategy as part of each actuarial valuation in consultation with the Scheme's investment consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The Scheme is invested in bulk annuity policies provided by a regulated insurer and holds cash in the Trustee Bank Account.

### **The Trustees' policy in relation to the kinds of investments to be held**

The Trustees have full regard to their investment powers as set out in Clause 2.3 of the Trust Deed and Rules dated 23 February 2005.

The Trustees only anticipate holding buy-in policies and cash-type investments.

**The Trustees' policy in relation to the balance between different kinds of investments**

The Trustees buy-in policies are split between two providers. The Trustees are comfortable that these policies provide adequate security for members. The Trustees have no control or visibility of the underlying investments used by the providers to support these policies.

**The Trustees' policy in relation to the expected return on investments**

The investment strategy is believed to be capable of meeting the Trustees' objectives by covering the liabilities. The Trustees have no return expectations beyond this.

**The Trustees' policy in relation to the realisation of investments**

While the bulk annuity policies are illiquid in nature, they provide liquidity as and when required to meet the benefits of the agreed membership. The Scheme's assets will remain in the TBA which provides sufficient liquidity.

**The Trustees' policy in relation to financially material considerations**

Given the Scheme's investment strategy, the Trustees' priority has been to secure suitable buy-in policies rather than taking account of wider financially material considerations (such as environmental, social and governance (ESG) factors).

**The Trustees' policy in relation to the extent to which non-financial matters are taken into account**

The Trustees' objective is that the financial interests of the Scheme members is their first priority when choosing investments. The Trustees have decided not to take members' preferences into account when considering these objectives.

**Risk capacity and risk appetite**

The Trustees, after seeking appropriate investment advice, have purchased bulk annuity policies in respect of the Scheme's defined benefit liabilities and keep the remainder of the assets in the TBA.

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

**The Trustees' policy in relation to risks.**

Investment policies are set with the aim of protecting against volatility of the Scheme's funding level.

In determining their investment strategy, the Trustees received advice from the investment consultant.

Although the Trustees acknowledge that the main risk to the Scheme is the failure of Just Group and/or CLL, the Trustees recognise other contributory risks, namely the risk:

- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.

The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustees undertake monitoring of the TBA balance against the Scheme's liquidity requirements on a regular basis.

## **Stewardship in relation to the Scheme's assets**

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. Given the Scheme's investment strategy the Trustees do not have the opportunity to influence the investments' long term success through monitoring, engagement and/or voting.

## **Asset monitoring**

The Trustees will monitor the funds available in the TBA on a regular basis.

### **The Trustees' policy in relation to their investment managers**

The Trustees only investment manager is the buy-in providers, which have been chosen based on their ability to meet the Trustees' objectives, at a competitive price.

There is no expectation for the buy-in providers to align their investment decisions with the trustees' policies, nor to take into account financial or non-financial matters over the medium to long-term, beyond the requirements placed on the providers by regulation.

The Trustees do not monitor the buy in providers on an ongoing basis, nor do they provide any ongoing remuneration. Portfolio turnover costs for the providers are also not monitored.

## **Employer-related investments**

The Trustees will not make direct investments in the Sponsoring Employer's own securities.

## **Additional voluntary contributions (AVCs)**

A facility was previously available for members to make AVC contributions. The Scheme's AVC providers were Standard Life and Equitable Life. This facility is no longer available for new contributions.

In selecting the range of AVC funds the Trustees have taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustees' responsibilities in the selection and monitoring of the investment options offered.

The Trustees will continue to manage the AVC arrangements having taken professional advice on these matters.

The Trustees will monitor the performance of AVC providers periodically.

Members are directed to seek independent financial advice when considering their AVC arrangements.

# Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultant is Buck Consultants (Administration & Investment) Limited.
- The Scheme Actuary is Alec Day of Hymans Robertson.

## Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy.
- Appointing an investment consultant as necessary for the good stewardship of the Scheme's assets.
- Setting objectives for the appointed investment consultant (and reviewing these at least every three years, and following any significant change to investment strategy), and reviewing the investment consultant's performance against these objectives at least annually.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.

## Investment consultant

The main responsibilities of the investment consultant include:

- Obtaining a copy of the Trustees' investment consultant objectives prior to undertaking work to ensure they understand the Trustees' requirements.
- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy and manager structure as required by the Trustees.
- Advising the Trustees on the selection of an investment manager.
- Providing training or education on any investment related matter as and when the Trustees see fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.



**Scheme Actuary**

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

**Buy-In Providers**

The main responsibility of the buy-in providers is to:

- Pay benefit payments to the Trustee Bank Account in good time and in accordance with the terms of the buy-in policy purchased.

# Compliance

The Scheme's SIP is available to members on request and is also made publicly available free of charge on a website.

A copy of the Scheme's current SIP is also supplied to the Sponsoring Employer, the Scheme's auditors and the Scheme Actuary.

This SIP supersedes all others and was approved by the Trustees.