



# **Marine Harvest Pension Scheme 2007**

## **Statement of Investment Principles**

August 2019

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## **Disclaimers, confidentiality and non-disclosure**

This report has been prepared for you under our terms of engagement for the purpose of performance monitoring. This report is up to date as of August 2019. It is confidential and may not be disclosed (in whole or in part) without our written consent.

We do not accept any responsibility or liability to any third party. We retain all copyright and intellectual property rights.

# 01 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Marine Harvest Pension Scheme 2007 ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Kenneth Auld of XPS Pensions Group and the Investment Adviser is XPS Investment (collectively termed 'the Advisers').

The Trustee confirms that, before preparing this SIP, they have consulted with the employer, Mowi Scotland Limited ('the Employer') and the Advisers and have obtained and considered written advice. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme's assets and the administration of the Scheme. Where it is required to make an investment decision, the Trustee always receives advice from the Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

Given the size of the Scheme, the Trustee has decided the most cost effective way of investing the Scheme assets is to invest in pooled funds managed by an organisation, rather than directly appointing an individual investment manager. Decisions about which pooled funds to invest in are made after receiving investment advice from an FCA regulated firm.

## 01.01 Declaration

The Trustee confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustee acknowledges that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.



1ST OCTOBER 2019

Signed:

Date:

HORRAINE THOMPSON

Name:

**For and on behalf of the Trustee of the Scheme.**

## 02 Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the relevant Advisers. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustee has decided not to appoint an Investment Sub-Committee to deal with investment matters.

# 03 Investment Objectives

The Long term objectives of the Scheme are:

- To maintain a portfolio of suitable assets of appropriate liquidity in order to generate income and capital growth which, together with contributions from the Company, are designed to meet the cost of benefits which the Scheme provides, as set out in the Trust Deed and Rules;
- To limit the risk of the assets failing to meet the liabilities of the Scheme as and when they fall due, both over the short term and longer term basis;
- To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown above.

The Trustee believes the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

# 04 Asset Allocation Strategy

The Trustee has taken the view that the investment objective is best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. equities, property, high-yield corporate bonds and 'rotational' funds) and "off-risk" assets (e.g. fixed and index-linked gilts and high quality corporate bonds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the profile of the liabilities, the perceived relative value of the different asset classes and the perceived risk to the primary investment objective arising from any shortfall in the funding of the Scheme. The current benchmark and target allocation is set out in Appendix B and any changes in such allocations will only be made after receiving written advice from the Investment Advisers that such allocation remains consistent with the investment objectives.

Due to the size of the fund, the Trustee has decided to use pooled index funds to invest the Scheme's assets.

## 04.01 Rebalancing Policy

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The Trustee, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme on a quarterly basis via the governance report. If the actual allocation moves further than -/+5% from the allocation, the Trustee will make a decision as to whether to switch assets back to the strategy following consideration of advice.

## 04.02 Rates of Return

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The target rates of return for each asset class are detailed in Appendix B.

## 04.03 Diversification

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The Trustee has sought to achieve diversification by investing in pooled funds which have investment restrictions i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers. Generally speaking each asset class would expect to have different issuers and therefore add to the diversification of the Scheme. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

# Asset Allocation Strategy

## continued

### 04.04 Suitability

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The Trustee has taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives.

The Trustee has chosen to hold a significant portion of the Scheme's assets in pooled funds invested in gilts and bonds (the 'off-risk' assets) to provide some degree of matching with the Scheme's liabilities.

The aim of the return-seeking assets (e.g. equity funds) is to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

Recognising that non-sterling investments carry an element of currency risk the Trustee has a policy of holding substantially all of the assets in Sterling-denominated investments, to match the Scheme's liabilities.

### 04.05 Liquidity

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All of the non-cash assets are held in pooled funds with frequent dealing dates.

# 05 DB Strategy Implementation

The Trustee has decided to invest only in passively managed funds.

## 05.01 Mandate and Performance Objectives

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The Trustee has received advice on the appropriateness of each pooled fund that the Scheme is invested in from the Advisers and believe them to be suitable to meet the Scheme's investment objectives. The benchmark for each fund currently held and its objectives are set out in Appendix B.

## 05.02 Manager Agreement

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The scheme is invested in pooled funds and as such there is no formal agreement between the Trustee and an individual fund manager relating to investments in each asset class.

## 05.03 Diversification

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The assets are invested in pooled funds with diversification requirements. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved.

## 05.04 Custody

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Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.



# 06 DC Strategy Implementation

The Trustee and their Investment Adviser to the DC section considered the objectives of the members of that section of the Scheme and which solution might best meet their needs.

## 06.01 Assessment of member's needs and investment fund range

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Account was taken of the demographics of the membership, willingness to accept risk, proximity to retirement and changing needs as retirement approached. These were considered in relation to the principles and best practice guidelines published by the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) on DC investment.

## 06.02 Default investment fund

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The Trustee wish to ensure there is an appropriate level of diversification and as retirement approaches that there is an emphasis on managing fluctuations in the value of members' funds. The choice and structure of the default fund, is set out in Appendix D along with the fees.

## 06.03 How the lifestyle options work

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Lifestyle aims to help ensure that members are invested in the most appropriate type of fund between the time they join the scheme and retirement. It does so by systematically switching members from funds that are focused on growth to ones that look to address members' needs in retirement.

## 06.04 Alternative lifestyle options

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The Trustee chose to make four additional lifestyle options available to members. Each had different objectives and so provides members who wish to use a lifestyle option with alternatives. Details about each of these additional lifestyle options are contained in Appendix C.

## 06.05 Diversification

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The Trustee offers a range of asset classes. There is also access to funds that invest in a range of asset classes so members can diversify their investment in the Scheme, while delegating the way the fund is invested to the manager of the fund.

The Trustee will continue to monitor the performance of the investment funds and in conjunction with their Investment Adviser consider whether changes are required.

## 06.06 Active and passive management

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A choice of each is reflected in the funds that are available to members.

### **06.07 Administrator**

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Administration for the DC section (and record keeping for the GMP Underpin section) is provided by XPS Administration.

### **06.08 Custody**

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Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.

### **06.09 Investment managers**

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The Trustee has selected a range of pooled funds to deliver the investment strategy for each section of the Scheme. The asset allocation for the four lifestyle profiles in the DC section is managed by Legal & General. The investment funds are listed in Appendix C.

### **06.10 Investment of contributions**

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The contributions received by the Scheme will be invested in line with the selected choice of funds.

Where a member of the DC section has not made an active selection, their contributions will be invested in the default fund provided.

### **06.11 Performance objectives**

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The objective for all of the passive funds is to perform in line with their respective benchmarks before fees. The objective for all the active funds is to outperform their respective benchmarks net of fees.

# 07 Monitoring

## 07.01 Pooled Funds

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The Trustee will monitor the performance of the funds against their stated performance objectives.

The Trustee, or the Advisers on behalf of the Trustee, will regularly review the performance of the funds to satisfy themselves that the funds remain suitable.

If the Trustee is not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustee's requirements, they will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

## 07.02 Advisers

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The Trustee will monitor the advice given by the Advisers on a regular basis.

## 07.03 Other

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The Trustee is required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

# 08 Fees

## 08.01 Funds

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The Trustee will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry for passive/active funds. The current fee basis for each of the funds is set out in Appendix B.

The Trustee are aware of the investment manager policy regarding soft commission arrangements. Information about the investment manager's fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

## 08.02 Advisers

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Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

## 08.03 Custodian

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There is no custodian appointed directly by the Trustee.

## 08.04 Trustee

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The professional trustee is paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend the periodic Trustee meetings.

# 09 Risks

The Trustee recognises a number of risks involved in the investment of assets of the Scheme:

- i. The risk of failing to meet the objectives as set out in Section 3 – the Trustee will regularly monitor the investments to mitigate this risk.
- ii. The risk of adverse consequences arising through a mismatch between the Scheme's assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target.
- iii. Risk of lack of diversification of investments – addressed through investing in pooled funds with diversification requirements and through the asset allocation policy.
- iv. Risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds with frequent dealing dates.
- v. Underperformance risk – addressed through monitoring closely the performance of each fund and taking necessary action when this is not satisfactory.
- vi. Organisational risk – addressed through regular monitoring of the Investment Manager and the Advisers.
- vii. Sponsor risk – the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.

The Trustee will keep these risks under regular review.

# 10 Other Issues

## 10.01 Statutory Funding Requirement

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The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustee will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

## 10.02 Environmental, social and governance issues

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The Trustee has determined its approach to financially material considerations over the Scheme's long term funding horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee requires the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

The Trustee's policy is that non-financial matters (including the political or ideological views of the members and the Trustee) should not be taken into account in the selection, retention and realisation of investments.

## 10.03 Voting rights

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The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

# Appendix A

## Responsibilities

### Trustee

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The Trustee of the Scheme is responsible for, amongst other things:

- i. Determining the investment objectives of the Scheme and reviewing these from time to time.
- ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
- iii. Reviewing triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
- iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
- v. Assessing the quality of the performance and process of the pooled funds by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
- vi. Selecting pooled funds which are consistent with the investment strategy after consultation with the Advisers.
- vii. Assessing the ongoing effectiveness of the Advisers.
- viii. Consulting with the Employer when reviewing investment policy issues.
- ix. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- x. Informing the Advisers of any changes to Scheme benefits, significant changes in membership.

### Investment Adviser

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The Investment Adviser will be responsible for, amongst other things:

- i. Participating with the Trustee in reviews of this SIP.
- ii. Advising the Trustee how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.
- iii. Advising the Trustee of any changes in the funds that could affect the interests of the Scheme.
- iv. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current pooled funds and advising on the selection of new funds.

### Scheme Actuary

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The Scheme Actuary will be responsible for, amongst other things:

- i. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

## Appendix A Responsibilities continued

- ii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
- iii. Advising the Trustee of any changes to contribution levels and funding level.



# Appendix B

## Pooled Funds

The Trustee has appointed one Investment Manager: Legal & General Investment Management ('LGIM'), to manage the assets of the Scheme.

The current asset allocation:

Asset Classes	Fund	%	Investment Style
UK Equity	UK Equity Index Fund	12	Passive
North America Equity	North America Equity Index – GBP Hedged	8	Passive
Europe (ex UK) Equity	Europe (ex UK) Index – GBP Hedged	6	Passive
Japan Equity	Japan Equity Index – GBP Hedged	4	Passive
Asia Pacific (ex Japan) Equity	Asia Pacific (Ex Japan) Equity Index	2	Passive
Index Linked Gilts	Over 15 Years Index-Linked Gilt Fund	39	Passive
Index Linked Gilts	2055 Index Linked Gilt Fund	22	Passive
Corporate bonds	AAA-AA-A Bonds Over 15 years Index	8	Passive

### Expected Returns and Performance Monitoring

The Trustee has agreed the following performance target with LGIM.

Fund	Benchmark Index	Objective
UK Equity Index Fund	FTSE Actuaries All-Share Index	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3
North America Equity Index – GBP Hedged	FTSE AW Developed North America Sterling Hedged	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3
Europe (ex UK) Index – GBP Hedged	FTSE AW Developed Europe ex UK Sterling Hedged	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3
Japan Equity Index – GBP Hedged	FTSE AW Japan Sterling Hedged	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3

## Appendix B Pooled Funds continued

Asia Pacific (Ex Japan) Equity Index	FTSE AW World Asia Pacific (excluding Japan)	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3
Over 15 Years Index-Linked Gilt Fund	FTSE Actuaries Government Securities Index-Linked Over 5 years Index	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3
2055 Index Linked Gilt Fund	2055 Single Stock Index Linked	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3
AAA-AA-A Bonds Over 15 years Index	Markit iBoxx £ Non-Gilts (ex-BBB) Over 15 year Index	To track the benchmark index within +/- 0.50% p.a. for 2 years out of 3

### Fees

The investment management fees paid to the Investment Manager are as follows:

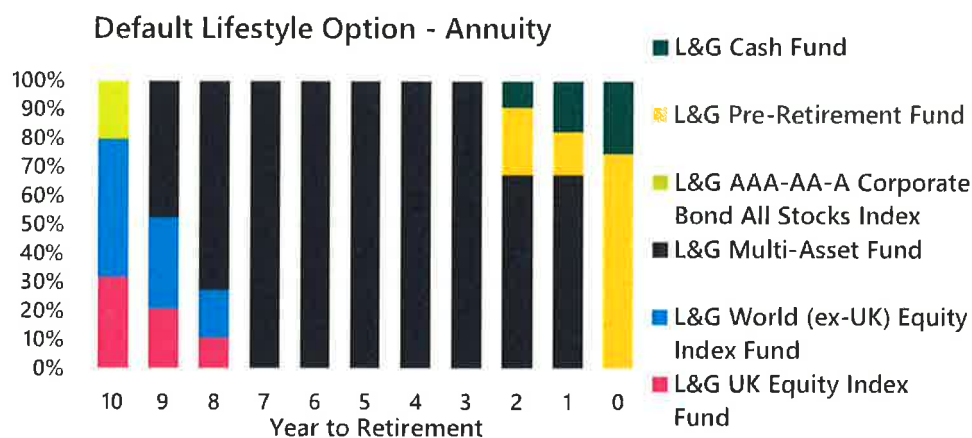
Asset Class	Fee % p.a.			
	First £10m	Next £10m	Next £30m	Above £50m
UK Equity Index Fund	0.10%	0.075%	0.06%	0.05%
	First £1m	Next £1.5m	Next £7.5m	Next £20m
North America Equity Index – GBP Hedged	0.225%	0.20%	0.175%	0.15%
	First £1m	Next £1.5m	Next £7.5m	Next £20m
Europe (ex UK) Index – GBP Hedged	0.275%	0.25%	0.225%	0.20%
	First £1m	Next £1.5m	Next £7.5m	Next £20m
Japan Equity Index – GBP Hedged	0.25%	0.225%	0.20%	0.175%
	First £1m	Next £1.5m	Next £7.5m	Next £20m
Asia Pacific (Ex Japan) Equity Index	0.275%	0.25%	0.225%	0.20%
	First £5m	Next £5m	Next £20m	Above £30m
Over 15 Years	0.10%	0.075%	0.05%	0.03%

Index-Linked Gilt Fund				
	First £5m	Next £5m	Next £20m	Above £30m
2055 Index Linked Gilt Fund	0.10%	0.075%	0.05%	0.03%
AAA-AA-A Bonds Over 15 years Index				
	First £5m	Next £5m	Next £20m	Above £30m
	0.15%	0.125%	0.10%	0.08%

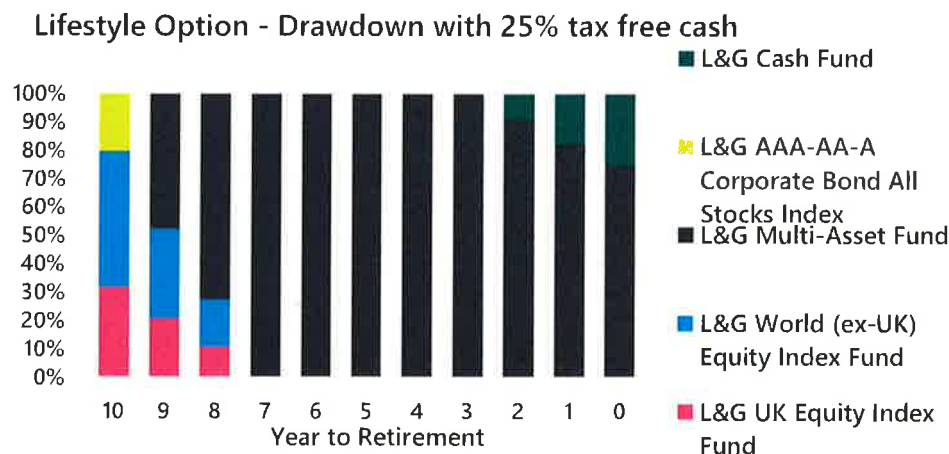
# Appendix C

## DC Section Arrangements

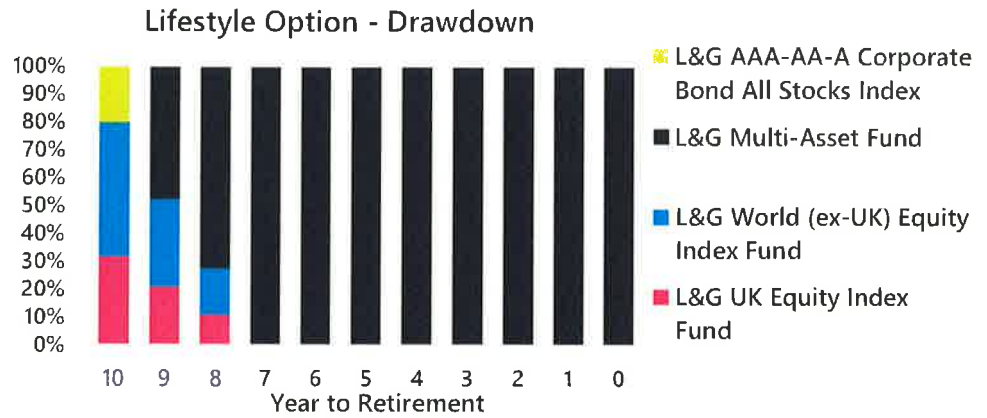
### Default lifestyle option – Annuity



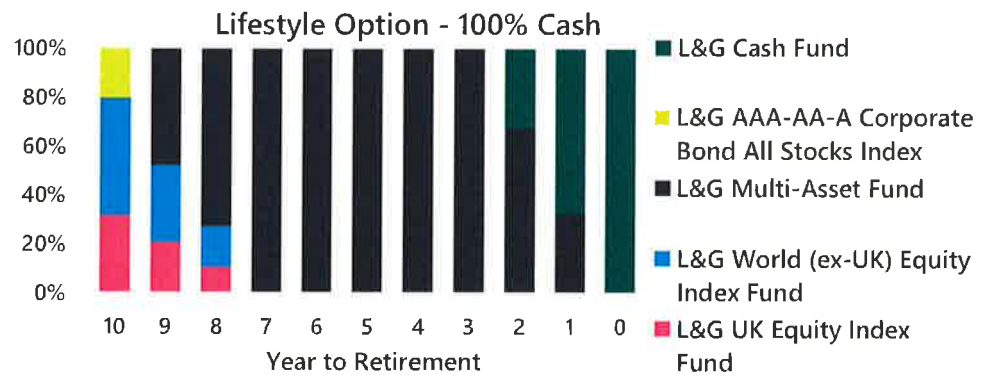
### Lifestyle option 2 – Drawdown with 25% tax free



### Lifestyle option 3 - Drawdown



### Lifestyle option 4 – 100% cash



There are also four further 'Adventurous' life-styling options which replicate the same options as above but in a shorter 5 year period.

### Fees

Members pay a flat fee of 0.27% per annum, plus investment management charges for their fund choice.

The additional fees for the funds in this strategy are shown below.

Fund	Charges
L&G UK Equity Index Fund	0.10%
L&G World (ex-UK) Equity Index Fund	0.12%
L&G Multi-Asset Fund	0.13%
L&G AAA-AA-A Corporate Bond All Stocks Index	0.12%
L&G Pre-Retirement Fund	0.12%
L&G Cash Fund	0.10%

Therefore the total fee incurred by members who are invested in the default strategy is 0.40% per annum.



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