The Frontier Defined Benefit Pension Plan

Statement of Investment Principles – November 2020

1. Introduction

The purpose of this Statement of Investment Principles ("the Statement") is to record the investment arrangements (and the rationale behind those arrangements) adopted by the Trustees of the Frontier Defined Benefit Pension Plan ("the Plan").

The Statement is designed to comply with the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, as amended.

In preparing this Statement, the Trustees have obtained written advice from the Plan's Investment Consultant, Mercer Ltd ("Mercer"). Where matters described in this Statement may affect the Plan's funding policy, input has also been obtained from the Plan Actuary. The Trustees will obtain similar advice whenever they review this Statement.

The Plan has come about via a joint venture between Associated British Foods ("ABF") and Cargill. Frontier, the sponsoring employer of the Plan, is owned 50% by Associated British Foods and 50% by Cargill. The Plan initially comprised of 100% active members and members have benefits that broadly mirror previous benefits in either the ABF or Cargill Schemes.

The Trustees' investment powers are set out within the Plan's governing documentation and relevant legislation. The Trustees note that, according to the law, they have ultimate power and responsibility for the Plan's investment arrangements.

The Trustees have consulted the sponsoring Company over Investment Objectives and Strategy and have taken the Company's views into account in setting both the objective and strategic benchmark. The final decisions have however been made by the Trustees having taken advice from Mercer in reaching those decisions.

The Trustees believe that the investment policies and their implementation are in keeping with best practice, including the Myners Principles for the governance of the investment decision making process published in 2001, and subsequent update in 2008.

The investment arrangements of the Plan can be divided into two areas. The first, the strategic management of the assets, is fundamentally the responsibility of the Trustees and is driven by their investment objectives as set out in Section 3 below. The second area is the day to day management of the assets which the Trustees have delegated to a professional investment manager whose role is described in Section 6.

The Statement was most recently reviewed in November 2020.

2. Plan Governance

The Trustees have appointed a firm of professional consultants (the “Investment Consultant”) to provide relevant advice to the Trustees. The Trustees also take advice as appropriate from the Plan Actuary and other professional advisers.

The Investment Managers are responsible for day-to-day management of the Plan’s assets in accordance with guidelines agreed with the Trustees. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines.

The Plan Actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Plan.

3. Investment Objectives

The Trustees believe that their prime duty is to invest the Plan assets in such a manner that it is likely that the Plan liabilities can be met. In doing so, the Trustees have taken into account the Company’s view that some risk should be taken in an attempt to reduce the cost of meeting the Plan’s liabilities which would be expected from adopting a least risk best matched investment strategy (this being a strategy that invests entirely in bond markets).

In attempting to achieve the above the Trustees have adopted the objective of exceeding the return target on the assets assumed in the Actuarial Valuation process.

The Trustees agree that this objective is acceptable for the Plan, but that the Trustees will need to keep the investment strategy under review, given any changes to the liability profile of the Plan, its financial position or the covenant of Frontier, as sponsoring Company.

4. Risk

The Trustees recognise that it is necessary to take some degree of investment risk to meet the objectives outlined in Section 3. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

In formulating the investment objective the Trustees believe the following risks to be financially material over the lifetime of the Scheme:

- The risk of a deterioration in the Plan’s ongoing funding level;
- The risk of a shortfall of assets relative to the liabilities as determined if the Plan were to wind up;
- The risk of active managers underperforming their benchmark indices and/or targets;

- The risk that the day-to-day management of the assets will not achieve the rate of investment return within each asset class expected by the Trustees.

- The risk that climate change may impact the value of investments, due to its effect on natural and human systems, across geographical regions. However, due to the inherent uncertainty, the Trustees have not made explicit allowance for it when determining the investment strategy.

The Trustees believe that the arrangements adopted represent a satisfactory trade-off between target return (net of all costs) and investment risk after taking into account the resources available to implement and monitor the arrangements.

In addition to targeting an appropriate overall level of investment risk, the Trustees seek to spread risks across a range of different sources. The Trustees aim to take on those risks for which the Trustees expect to be rewarded over time, in the form of excess returns. The Trustees believe that diversification limits the impact of any single risk.

5. Strategic Benchmark Allocation

In order to set the Plan's investment strategy in line with the investment objectives, the Trustees have considered the long-term expected performance of a range of asset classes to determine an appropriate investment strategy. The rationale for this decision was twofold and based on advice from their Investment Consultant:

- The main driver of the level of expected outperformance above bonds is attributed to asset allocation, i.e. the split between growth assets (i.e. equities and alternatives) and defensive assets (i.e. bonds), so this would be the primary decision;

- The Trustees diversified the Plan's investments from equity by investing in a multi-asset absolute return mandate managed by Insight (from 2 April 2015).

- The Trustees de-risked the Plan by selling 15% of the equity allocation and investing in Index-Linked Gilts over two tranches in January 2019.

- The Trustees further de-risked the Plan by selling another 15% of the equity allocation and investing in Index-Linked Gilts in August 2019.

- The Trustees transferred 3% of total assets from the Global Equity allocation to an Emerging Market Equities allocation in September 2020.

- Following a review of the bond portfolio, the Trustees implemented an LDI portfolio funded through the sale of the Fixed Interest Gilts and Index-Linked Gilts Funds (50% of total assets). This was completed in November 2020.

Following advice from Mercer, the Trustees have adopted the following benchmark for the Plan.

Asset Class	Benchmark allocation from 17/11/20 (%)
Global Equities (30% UK / 70% Overseas) – 75% currency hedged in respect of overseas equity investment*	27.0
Emerging Markets Equity	3.0
Multi-Asset Absolute Return	20.0
Liability Driven Investment (LDI)	50.0
Total	**100.0**

*Except emerging markets.

The above structure allows for some asset class diversification and takes sufficient and suitable level of investment risk to generate an expected outperformance over gilts (in line with the Plan Actuary's assumption used for setting the Plan's initial future contribution rates) over the long term[1].

The LDI portfolio is a low risk portfolio relative to the liabilities, which consists of gilts, cash and interest rate/ inflation derivatives. Its primary aim is to hedge the liabilities, to achieve the Trustee's target hedge ratio against interest rate and inflation changes.

Liability Hedging

The Plan has an aggregate interest rate target hedge ratio of 65% on a Gilts + 0.5% basis. The aggregate inflation target hedge ratio is 65% on a Gilts + 0.5% basis.

6. Day To Day Management Of The Assets

6.1 Main Assets

The Trustees invest the assets of the Plan in index-tracking pooled funds operated by Legal & General Investment Management ("LGIM"), an actively managed pooled fund (Insight Broad Opportunities Fund) and a range of pooled LDI funds managed by Insight.

The Trustees are satisfied that the spread of assets by type and the level of diversification within the Plan is appropriate when considering the size and nature of the Plan's liabilities.

6.1.1 *Asset Allocation and Benchmark Guidelines*

The Trustees, after taking appropriate advice, have established a fixed weight split between the pooled funds which the plan currently invests in:

[1] The Plan actuary uses an assumption of 2.0% and 0.5% p.a. outperformance above gilts for pre and post-retirement benefits respectively, in the 5 April 2017 Valuation.

Pooled Funds	Benchmark Allocation (from 17/11/20) (%)	Index	Control Ranges (%) +/-
Global Equity (30% UK /70% Overseas) Market Weights Index – 75% overseas equity currency hedged*	27.0	Composite	5.0
Emerging Markets Equity	3.0	FTSE Emerging Index	
Liability Driven Investment (LDI)	50.0	-	5.0
Multi-Asset Absolute Return	20.0	Sterling 3 month LIBID	5.0
Total	**100.0**		

*Except emerging markets.

The Trustees receive investment reports from Mercer for six-month periods ending March and September and will review the position of assets based on Mercer's investment reports every six months.

LGIM monitor and rebalance their portfolio (consisting of passive global equities and emerging market equities) in-house, in line with the benchmark and control ranges set out in tables below. The position with respect to the control ranges is assessed at each of LGIM's dealing date (weekly).

Asset Class	Pooled Funds	Benchmark Allocation (from November 2020) (%)	Control Ranges (%) +/-
Equity Portfolio	Global Equities (30% UK / 70% Overseas) – 75% currency hedged*	90.0	2.5
	Emerging Markets Equity	10.0	
	Total	**100.0**	

*Except emerging market

Investment and disinvestment of monies are applied to keep the asset distribution as close as possible to benchmark. On a weekly basis, if these cashflows prove insufficient to maintain the Plan's weightings within the control ranges, the assets are required to be rebalanced back towards the central benchmark weighting, undertaking a switch between the portfolios such that the resulting distribution is as close as practicable to the central benchmark.

Although member views are not currently taken into account when determining the investment strategy, underlying manager structure or selection and, retention or realisation of investments, there are methods by which they can make views known to the Trustees. The Trustees will review this position periodically.

6.1.2 *Investment Restrictions*

The Trustees recognise that because the assets of the Plan are invested in pooled fund vehicles, the investment restrictions applying to these pooled funds are determined by the fund manager.

6.1.3 *Investment Objectives*

The performance objective for LGIM is to track the benchmark return within acceptable limits.

Insight's Broad Opportunities Fund is actively managed. As the portfolio is a multi-asset absolute return portfolio, it is not measured against a benchmark but does maintain a performance objective of 4.5% p.a. above sterling 3 month LIBID (net of fees). There is no formal volatility target (measure of risk), but Insight expect the fund to have an average volatility of around half that of equity markets or c. 7% p.a. over an investment cycle.

The LDI portfolio with Insight is designed to provide broad liability matching as well as protect a proportion of the portfolio value against interest rate and inflation movements.

6.2 Other Assets

The following fund options are currently in use by AVC member investments through Friends Life.

- FL BlackRock Long Term (60:40) Index (Aquila HP)
- FL Cash

The Plan's AVC options are closed to new contributions with effect from 6 April 2006 other than those arising from transferred-in benefits if applicable.

AVC payments from Plan members were initially held in a deposit account when the Plan was first set up until the above funds with Friends Life became available. There is no default option for members (although the AVCs of members initially held on deposit will have been transferred to the Cash Fund if those members did not make an investment choice when the Friends Life funds became available).

6.3 Realisation of Investments

The investment managers have discretion on the timing of realisations of investments and in considerations relating to the liquidity of those investments.

6.4 Monitoring the Investment Managers

Performance is measured by the managers themselves. As required, the Trustees will meet the investment managers to discuss their performance, activity and strategy.

7. Responsible Investment and Corporate Governance

7.1 Financially material considerations and Stewardship

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment risk and returns. The Trustees also recognise that long-term sustainability issues, particularly, but not limited to, climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given the investment managers full discretion when evaluating ESG issues and in exercising voting rights and stewardship obligations attached to the Plan's investments, including engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, 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. It expects the Managers to exercise ownership rights and undertake monitoring and engagement in line with the 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 consider how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the investment managers in the monitoring process. The ESG ratings of the investment managers are monitored by Mercer and presented to the Trustees alongside the performance reporting every 6 months.

7.2 Investment Restrictions

The Trustees have not set any investment restrictions on the investment managers in relation to particular products or activities, but may consider doing so in future.

7.3 The Trustees are committed to reviewing the responsible investment and corporate governance policy for the Plan periodically as they consider it as an important factor for the sustainability of the portfolio.

8. Non-Financial Matters

8.1 The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

9. Investment Manager Appointment, Engagement and Monitoring

9.1 Aligning Manager Appointments with Investment Strategy

The Managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics.

The Trustees looks to Mercer, where appropriate, for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in.

Mercer's manager research ratings assist with due diligence (and questioning the investment managers during presentations to the Trustees) and are used in decisions around selection, retention and realisation of manager appointments.

The Trustees will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class.

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

The Plan's investments are all made through pooled investment vehicles. The Trustees accept that it has no ability to specify the risk profile and return targets of the Manager. Such issues are taken into consideration when selecting and monitoring the Managers to align with the overall investment strategy requirements.

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

The Trustees also consider Mercer's assessment of how each Manager embeds ESG into its investment process and how the Manager's responsible investment philosophy aligns with the Trustees' beliefs around responsible investment. This includes the Managers' policy on voting and engagement (where relevant). The Trustees will use this assessment in decisions around selection, retention and realisation of 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.

The Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then they will consider replacing the Manager.

9.3 Evaluating Investment Manager Performance and Remuneration

The Trustees receive investment performance reports from Mercer on a six monthly basis, which present performance information over 6 month, 1 year, 3 year and 5 year periods. The Trustees review absolute performance and in many cases relative performance, either against a suitable index used as a benchmark (where relevant) and/or against the Manager's stated performance target (over the relevant time period).

The Trustees' focus is primarily on long-term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or portfolio management team;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to Mercer's rating of the manager.

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management. These fees are disclosed in the six monthly performance reports from Mercer.

If managers are not meeting performance objectives, or investment objectives for mandates have changed, the Trustees may ask managers to review the Annual Management Charge or decide to switch managers.

9.4 Portfolio Turnover Costs

The Trustees do not currently monitor portfolio turnover costs.

The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

9.5 Manager Turnover

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis.

For open-ended funds (which all of the Plan's assets are invested in), there is no set duration for the manager appointments. The Trustees will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointed has been reviewed and the Trustees have decided to terminate the mandate.

10. Compliance With And Review Of This Statement

The Trustees will monitor compliance with this Statement.

On a regular basis, the Trustees will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the sponsoring Company, which it judges to have a bearing on the stated Investment Policy.

This review will occur no less frequently than annually. Any such review will again be based on expert investment advice and will be in consultation with the Company.

For and on behalf of the Trustees of the Frontier Defined Benefit Pension Plan

Signed: -- Date: ------------------------

Print Name: --