

# THE RYANAIR UK PENSION PLAN (DEFINED CONTRIBUTION SECTION)

## STATEMENT OF INVESTMENT PRINCIPLES

### 1. INTRODUCTION

The Trustee of the Ryanair UK Pension Plan (*“the Trustee”*) acting on behalf of the members of the Ryanair UK Pension Plan (*“the Plan”*) have drawn up this Statement of Investment Principles (*“the Statement”*) to comply with the requirements of section 35 of the Pensions Act 1995 and successor legislation including the Pension Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 (together *“the Act”*).

The Plan has both a Defined Benefit (*“DB”*) section and a Defined Contribution (*“DC”*) section. The Trustee has prepared a separate Statement to address the principles for the DB Section.

#### 1.1. Advice

As required under the Act, the Trustee has consulted a suitably qualified person by obtaining written advice from Deloitte Total Reward and Benefits Limited (*“DTRB”*) on the suitability of the investments in respect of their security, quality, liquidity and profitability, the need for diversification and the principles contained in this Statement. DTRB is authorised and regulated by the Financial Conduct Authority.

#### 1.2. Consulted parties

The Trustee in preparing this Statement has also consulted Ryanair DAC (*“the Sponsoring Company”*), particularly in regard of the Trustee’s objectives and investment strategy.

#### 1.3. Investment Powers

The Trustee recognises that the assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries.

The Trustee has overall responsibility for the prudent management of the Plan’s assets. The strategic management of the Plan’s assets is fundamentally the responsibility of the Trustee to act on advice from DTRB and is driven by their investment objectives as set out in Section 2 below.

The Trustee has entered into a contract with a platform provider, who makes available to members a range of different funds that can be accessed through the platform. There is no direct relationship between the Plan and the underlying investment managers of the DC investment funds. The investment managers’ primary role is the day-to-day investment management of the Plan’s investments. The managers are authorised by the Financial Conduct Authority.

### 2. DC SECTION

#### 2.1. Investment Objectives

Under the DC Section, the Trustee’s primary investment objectives are:

- to offer an appropriate range of alternative self-select investment options for members that wish to make their own investment choices, recognising that members may have different needs and objectives.
- to achieve good member outcomes net of fees and subject to an acceptable level of risk.

## **The Ryanair UK Pension Plan Statement of Investment Principles**

---

- that the expected volatility of the returns achieved is managed through appropriate diversification of asset types in order to control the level of volatility and risk in the value of members' pension pots.

Members are responsible for their own choice of investment options. The accumulated value of a member's pension at retirement can:

- be used to purchase an annuity from an insurance company; or
- remain invested offering members scope to withdraw funds as and when they choose (this is known as a flexible income or income drawdown); or
- be withdrawn in total or part upon retirement (although there will be a tax charge on anything above the 25% tax-free limit); or
- be utilised across a combination of some or all of the above.

If a conflict arises over the interaction of these objectives, the Trustee will consult the Sponsoring Company before making any change to the strategy.

### **2.2. Risk**

Risk in a DC scheme lies with the members themselves. In determining suitable investment choices to members, the Trustee has considered a number of risks. The main investment risks affecting all members are:

- Inflation risk: the risk that that investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
- Retirement income risk: the risk that a member's retirement income falls short of the amount expected, whether this is due to lower than expected investment returns or insufficient contributions having being made. The Trustee reviews the appropriateness of the investment option offered, seeking to ensure member outcomes can be maximised.
- Investment manager risk: actions by the investment manager in the day-to-day management of the assets such that they will not achieve the rate of investment return assumed by the Trustee (investment manager risk). In aiming to control investment manager risk, the focus of the Trustee's attention is on the risk of the investment manager under-performing the objectives set. These issues are considered on the initial appointment of an investment manager and thereafter as part of the investment review procedures the Trustee has in place including through regular reviews of the appointed investment manager's performance and consideration of any developments that may deem them unsuitable for a continuing appointment.
- Conversion risk: the risk that market movements in the period just prior to retirement increase the cost of turning members' funds into retirement benefits.
- Custody risk: actions by the custodian. Custody risk could involve any of the following: misappropriation of assets; delivery that is not in accordance with the instructions; unauthorised use of assets for the benefits of other customers of the custodian; inadequate segregation of customer assets; failure to collect income, recover tax or respond to corporate events; and defaulting on the general obligations of the custodian.

# The Ryanair UK Pension Plan

## Statement of Investment Principles

---

### 3. DAY-TO-DAY MANAGEMENT OF THE ASSETS

#### 3.1.1. Main Asset

The assets of the Plan's DC Section will be managed by its Platform Provider, Standard Life Assurance Company ("Standard Life").

The Platform Provider may invest in underlying funds run by other investment managers, who are responsible for the management of the underlying funds. The investment managers are responsible for stock selection and the exercise of voting rights.

#### 3.1.2. Investment Diversification

The Trustee is satisfied that the Platform Provider has a range of funds available to cover broad range of asset classes that suit the individual needs.

The Trustee is satisfied that the spread of assets and the investment managers' policies on investing in individual securities broadly provides adequate diversification of investments.

#### 3.1.3. Investment options

The Platform Provider has made available a range of funds to suit the individual needs of the Plan's members. For example, equity funds are available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are offered for those members who are less comfortable with the likely greater volatility of the equity funds.

There is no default investment arrangement for members who do not actively make their investment choices. Each member must choose how any contributions they make (or which are made on their behalf) are to be invested. The Plan's Retirement Age is 65, although members may specify a different Target Retirement Age.

The Trustee currently offers one customised lifestyle strategy. This lifestyle strategy automatically invests members in a growth fund (UK equities) for the period up to 7 years from expected retirement at which stage it introduces a multi-assets retirement fund, and at 3 years out from expected retirement it introduces a cash fund. The lifestyle strategy is designed for investors who have yet to decide how they are going to take their retirement income or who want to take flexible income.

The Trustee maintains an Investment Implementation Policy Document (IIPD) which contains details of the Plan's investment arrangements. Details of the arrangements can be found in the IIPD.

#### 3.1.4. Expected Return

The Trustee expects the long-term return of the investment options that invest predominantly in equities and other growth assets to exceed i) price inflation; ii) general salary growth; and iii) long term returns on bonds and cash.

The investment options which invest predominantly in bonds and lower risk assets are expected to provide returns above cash and/or in line with bonds, but their primary purpose is to lower the volatility of returns experienced and to preserve capital value.

### 3.2. REALISATION OF INVESTMENTS

In general, the investment manager has discretion in the timing of realisations of investments and over considerations relating to the liquidity of those investments. Moreover, by definition, cash is the most liquid and, ignoring term deposits, the most realisable of asset classes.

## **The Ryanair UK Pension Plan Statement of Investment Principles**

---

### **4. Policy on Environment, Social and Governance (ESG) factors and Stewardship**

The investment managers are responsible for managing the Plan's investments in accordance with the management agreements in place with the Trustee. The Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the investment managers.

The Trustee is responsible for setting the Plan's investment strategy and implementing that strategy through the appointment of investment managers and selection of investment funds. When setting investment strategy and selecting investments, the Trustee's first priority is the financial interests of the members. The Trustee periodically reviews the return objectives, risk characteristics, investment approach and investment guidelines of each of the Plan's current investments in conjunction with the investment advice. The Trustee is satisfied that all existing fund investments fulfil the needs of their target investment strategy and by extension, that the investment managers are managing the Plan's assets in a manner which is consistent with members' financial interests.

The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Plan's investments and the likelihood that the Plan's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Plan's membership been consulted on such issues.

As part of the selection, retention and realisation of the Plan's investments, the Trustee, in consultation with their investment advisor, has reviewed the ESG and stewardship policies of the investment managers and are comfortable that these policies are consistent with their views. In particular, the Trustee notes the following:

- The investment managers have clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.
- The investment managers have clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the investment managers have demonstrated how they act on these policies. For example, the investment managers have voted on company proposals covering climate risk, political donations, gender diversity on company boards, board independence issues and remuneration policies.
- The investment managers regularly publish detailed results of how their stewardship policies are enacted in practice and the Trustee expects the investment managers to provide regular updates on how they exercise those rights, including how often they vote against company proposals.

The Trustee will keep its investments under review, and should it feel that an investment manager(s) no longer acts in accordance with its views on ESG, the Trustee will take the following steps:

- Engage with the investment manager or managers in the first instance, in an attempt to influence their policies on ESG and stewardship; and
- If necessary, look to appoint a replacement investment manager or managers that are more closely aligned with the Trustee's policies and views.

These statements are made noting that the Plan's assets are invested in pooled funds and as such, the Trustee is restricted in their ability to directly influence its investment managers on the ESG policies and practices of the companies in which the pooled funds invest.

### **5. Policy in relation to arrangements with the Platform Provider and the investment managers**

The Trustee has entered into a contract with the Platform Provider, who makes available to members a range of different funds that can be accessed through the platform. There is no direct relationship between the Plan and the underlying investment managers of the DC investment funds.

The current length of arrangements with the Platform Provider are on a continuous basis. The Trustee periodically reviews the overall value for money of investing via the Platform Provider and

## **The Ryanair UK Pension Plan Statement of Investment Principles**

---

periodically monitors the investment performance by using the monitoring framework below in Section 4.2.

### **5.1. How the Platform Provider and the investment manager(s) are incentivised**

The Platform Provider is incentivised by receiving a combination of an annual management charge and additional expenses, called the effective total annual management charge to:

- Provide ongoing governance of the fund range being offered to members;
- Provide access a range of funds managed by various investment managers; and
- Provide the Trustee with regular information concerning the management and performance of the assets.

There is no direct relationship between the Plan and the underlying investment managers of the DC investment funds. In general terms, the investment managers are incentivised by receiving annual management charges to:

- Manage the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- Make decisions based on assessment about medium to long term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their, and thereby the investment fund's performance in the medium to long-term.
- Take account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- Exercise rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments; and
- Provide the Platform Provider with regular information concerning the management and performance of their respective portfolios.

### **5.2. Monitoring**

The Trustee and DTRB will meet at least annually to review the Platform Provider and the underlying investment managers from the following perspectives:

- **Investment performance:** The Trustee reviews the performance of each fund against the stated performance objective for that fund and, in doing this, the Trustee receives a performance monitoring report on a regular basis. This monitoring takes into account both short-term and long-term performance. The Platform Provider also meets the underlying fund managers as frequently as is appropriate in order to review performance.
- **Investment choices:** members have access to all the funds offered by the Platform Provider; the Platform Provider will monitor the fund range on an ongoing basis to make sure that all funds are appropriate.
- **Charges:** the overall level of costs are covered by members and will be reviewed periodically by the Trustee to ensure members continue to receive good value.

Turnover costs are currently covered by members and therefore are not covered by the Trustee's monitoring process.

The Trustee has established Key Performance Indicators ("KPIs") for the Platform Provider. The Trustee considers from time to time, and at least every three years, whether the Platform Provider:

- Has achieved the KPIs set;
- Has the appropriate knowledge and experience;
- Is carrying out its work competently;

## **The Ryanair UK Pension Plan Statement of Investment Principles**

---

- Has had, and continues to have, regard to the need for diversification and security of investments within each fund which it manages;
- Has had, and continues to have, regard to the suitability and security of each investment within each fund which it manages; and
- Is exercising its powers of investment and stewardship with a view to giving effect to the principles contained in this Statement, so far as is reasonably practicable.

If the Trustee is not satisfied in respect of any of the above matters, it will require the Platform Provider to satisfy it in this respect or will replace it.

### **6. Additional Voluntary Contributions**

The selection and ongoing monitoring of the additional voluntary contributions (AVC) arrangements is the duty of the Trustee – they are both an asset and an equivalent liability of the Plan in the same way as the Defined Contribution Section investment arrangements and so should be treated as such.

The Trustee has chosen the particular providers and investment vehicles taking into account past investment performance, charging structure, flexibility and the quality of administration. The Trustee reviews the AVC investment options on a periodic basis, having taken written advice on their continued suitability as required by the Act.

The accumulated value of a member's AVCs is used at, or following, retirement to purchase a pension within the Plan or an annuity from an insurance company.

The options available and in which members of the Plan may have investments are shown in the IIPD. AVCs can also be invested in the investment option as described in the Defined Contribution Section IIPD.


### **7. COMPLIANCE WITH THIS STATEMENT**

The Trustee will monitor compliance with this Statement annually. In particular, they will obtain written confirmation from the investment managers that they have complied with this Statement as supplied to them and the Trustee undertakes to advise the investment managers promptly, and in writing, of any material change to this Statement.

### **8. REVIEW OF THIS STATEMENT**

The Trustee 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 Trustee and the Sponsoring Company which they judge to have a bearing on the stated Investment Policy. Any such review will again be based on written, expert investment advice and the Sponsoring Company will be consulted.

Signed:



Date:

06/07/2020

**For and on behalf of Trustee of the Ryanair UK Pension Plan**