

Nufarm UK Pension Scheme
Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the Nufarm UK Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee’s investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ current and future benefits can be paid. The Scheme’s funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances. The Scheme’s funding target is specified in the Statement of Funding Principles.

The Scheme’s present investment objective is to achieve a return of around 3.3% per annum above the return on UK Government bonds.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in the Appendix. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring employer’s covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The majority of Scheme investments are made through a platform provider Mobius Life, with the exception of the Direct Lending mandate as outlined in the IID. The Trustee will select underlying funds from the platform to implement the chosen strategy, taking advice from its investment advisers. The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly performance reports and asset valuations;
- Providing any initial asset transition plan for the investment consultant to review; and
- Asset rebalancing and meeting cashflow requirements, when required.

The Trustee has selected several funds on the platform in which to invest the underlying assets of the Scheme as listed in the IID. The investment managers and platform provider are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via the platform provider. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The platform provider's and investment managers' remuneration are based upon a percentage value of the assets under management.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the underlying investment managers.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	The Trustee receives regular performance reports which detail information on the investment performance, strategy and overall risks, which are considered at the relevant Trustee meeting.	<ul style="list-style-type: none">- There are significant changes made to the investment strategy.- Underperformance vs the performance objective over time.
Environmental, Social, Corporate Governance factors and the exercising of rights	The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.	The manager has not acted in accordance with their policies and frameworks.

Employer-related investments

The Trustee's policy is to avoid holding any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance, which is noted in the Trustee's annual report and financial statements.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from its investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Funds (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years and, without delay, after any significant change in the investment arrangements.

Name, Position: Kim Nash, Trustee Chair

Date: 24/09/2020

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's assets do not perform as required.	<ul style="list-style-type: none"> • Selecting an investment objective that is achievable and consistent with the Scheme's funding basis and the sponsoring employer's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The risk that, at any future time, there are insufficient assets to cover the liabilities.	<ul style="list-style-type: none"> • Funding risk is considered as part of the actuarial valuation and the investment strategy review. • The Trustee will agree an appropriate basis, in conjunction with the investment strategy, to target an appropriate journey plan.
Covenant	The risk that the sponsoring employer is unable to provide the required financial support to the Scheme.	<ul style="list-style-type: none"> • The strength of the covenant is taken into account when developing the Scheme's investment and funding to ensure adequate covenant support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge these risks, where feasible, through the LDI portfolio.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.

Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	ESG is taken into account as part of Isio's standard due diligence and ongoing research and is a consideration in the selection of the Scheme's platform provider / funds.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B – Manager Remuneration

The Trustee have the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.</p>	<ul style="list-style-type: none"> • As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee policies. However, the Trustee invest in a portfolio of pooled funds that are aligned to the strategic objective. • The Scheme’s mandate for Direct Lending is subject to a performance related fee.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee review the investment managers’ performance relative to medium and long-term objectives of the funds. • The Trustee monitor the investment managers’ engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustee do not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee policies.</p>	<ul style="list-style-type: none"> • The Trustee review the performance of all of the Scheme’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluate performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme’s arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The duration is flexible and, from time-to-time, the Trustee will consider the appropriateness of the investments and whether they should continue to be held.