Basell Polyolefins UK Pension Scheme ("the Scheme")

Statement of Investment Principles ("the Statement") – June 2022

1. Background

The Trustees of the Scheme have drawn up this Statement to comply with the requirements of:

- The Pensions Act 1995 (as amended);
- The Occupational Pension Schemes (Investment) Regulations 2005 (as amended); and
- any other overriding legislation.

As required, the Trustees have consulted a suitably qualified person and have obtained written professional advice from their investment consultant, Mercer Limited. The Trustees in preparing this Statement have also consulted the sponsoring Company, Basell Polyolefins UK Limited ("the Company").

The Scheme is divided into two sections. There is a Defined Benefit ("DB") section and this is dealt with in Section 2. There is also a Defined Contribution ("DC") section which is dealt with in Section 3. The remaining sections apply to both the DB and DC sections.

The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and applicable legislation and this Statement takes full regard of these. A copy of the Scheme's Trust Deed is available for inspection upon request. The Trustees will, at the minimum, aim to review this Statement every year to ensure that it remains accurate. The Statement will be amended more frequently should any changes be made to the Scheme's investment arrangements. The Trustees are committed to maintaining the accuracy of this Statement on an ongoing basis.

DB SECTION

2. Overall Investment Policy

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their investment consultant, Mercer Limited, and is driven by their investment objectives as set out below. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to a professional investment manager.

2.1 Investment Objectives

The Trustees' main aims are:

- To make sure that they can meet their obligations to the beneficiaries of the Scheme.
- To pay due regard to the Company's requirements with regards to the size and incidence of contribution payments.

The Trustees’ long-term objective is to reach 105% funded on a self-sufficiency basis (defined as "gilts+0.5% p.a.") by 31 December 2025. This includes a buffer to allow for the potential impact of longevity risk.

2.2 Risk

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. The Trustees have considered the following risks which they believe may be financially material to the Scheme over its anticipated lifetime. These considerations are taken into account in the selection, retention and realisation of investments:

- **Funding level and mismatching risk** - The Trustees pay close regard to the risks which may arise through a mismatch between the Scheme's assets and its liabilities. The Trustees are satisfied that the Company is aware of and willing to underwrite the mismatch risk inherent in the asset allocation policy and that this, in turn, could lead to volatility in future contribution requirements. Funding levels are monitored through regular funding updates and ongoing triennial actuarial valuations with appropriate action to prevent value deterioration of the funding position.

- **Manager risk -** The Trustees monitor the manager's performance on a quarterly basis, and compare the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The use of passive managers reduces the risk associated with poor manager performance.

- **Liquidity risk** - The Trustees have adopted a strategy that makes due allowance of the need for liquidity of the Scheme's assets.

- **Concentration risk -** The Trustees have adopted a strategy that ensures that the risk of an adverse influence on asset values from the poor performance of a small number of individual investments is reduced by diversification of the assets:

    - by asset class (UK equities, overseas equities, fixed interest)

  - by region (UK, overseas)
  - within asset classes (by the use of diversified pooled funds)

- **Environmental, Social and Governance (ESG) risk** – The Trustees have adopted a strategy of regularly reviewing ESG risks with their investment adviser, including the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- **Climate risk -** The Trustees have adopted a strategy of regularly reviewing with their investment adviser the extent to which climate change may cause a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees monitor these risks on a regular basis.

2.3 Investment Policy

Following a review of the Scheme's investment strategy in June 2022 to reflect an improvement in the Scheme's funding position, the Trustees decided to adopt the following benchmark:

Asset Class	Benchmark Allocation (%)
Equities	**25.0**
UK Equities	2.5
North American Equities	12.5
Europe (ex-UK) Equities	5.0
Japanese Equities	2.5
Asia Pacific (ex-Japan) Equities	2.5
Bonds	**75.0**
UK Gilts	22.0
UK Corporate Bonds	3.0
UK Index Linked Gilts	50.0
Total	**100.0**

2.4 Day-to-day Management of the Assets / Cashflow and Rebalancing Policy

Responsibility for investment of the Scheme assets rests with Legal & General Assurance (Pensions Management) Limited. Day-to-day investment management of the Scheme assets is delegated to an associate company, Legal & General Investment Management Limited ("L&G") that is authorised and regulated by the Financial Conduct Authority ("FCA").

L&G passively manage the Scheme's assets through a range of pooled funds with the objective of achieving benchmark performance over rolling three-year periods within certain tolerances.

On a quarterly basis, L&G will rebalance the Scheme's assets back to the central benchmark should they fall outside the permitted ranges shown in the table overleaf. Investment / disinvestment requests are used to help keep the asset allocation within the agreed ranges.

Fund	Benchmark Index	Central Benchmark %	Range +/- %
Equity Portfolio		**25.0**	**2.5**
UK Equity Index	FTSE All-Share	2.5	0.5
North America Equity Index	FTSE World North America	12.5	1.5
Europe (ex-UK) Equity Index	FTSE Developed Europe (ex-UK)	5.0	0.5
Japan Equity Index	FTSE Japan	2.5	0.5
Asia Pacific (ex-Japan) Developed Equity Index	FTSE Developed Asia Pacific (ex-Japan)	2.5	0.5
Fixed Interest Bond Portfolio		**25.0**	**2.5**
Over 15 Year Gilts Index	FTSE A Over 15 Year Gilts	7.0	-
All Stocks Gilts Index	FTSE A UK Conventional Gilts All Stocks	15.0	-
AAA-AA-A Corporate Bonds – All Stocks - Index	Markit iBoxx Sterling Non-Gilts (ex BBB)	3.0	-
Index-Linked Gilt Portfolio		**50.0**	**5.0**
Over 5 Year Index-Linked Gilts Index	FTSE-A Index-Linked Gilt (Over 5 Year)	27.5	-
Over 15 Year Index-Linked Gilts Index	FTSE-A Index-Linked Gilt (Over 15 Year)	7.5	-
2035 Index-Linked Gilt	2035 Single Stock Index-Linked Gilt	7.5	-
2055 Index-Linked Gilt	2055 Single Stock Index-Linked Gilt	7.5	-
Total		**100.0**	

DC SECTION

3. Overall Investment Policy

3.1 Investment Objectives

The Trustees' main aim is to make sure that they can meet their obligations to the members of the Scheme.

This is achieved by the following:

- Ensuring there is a sufficient number of appropriate investment options available to allow each member to plan for their retirement.
- To provide a default investment option that is designed to be broadly reasonable for any member not wishing to make his/her own investment decisions.
- By providing general information to each member, as appropriate, with regard to the purpose of each investment option.
- By encouraging the member to seek independent financial advice from an appropriate person in determining the profile of their own investments.

3.2 Risk

The Trustees have considered risk from a number of perspectives and believe the following risks may be financially material. The Trustee believes that the appropriate time horizon within which to assess these risks should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. The risks considered are:

- *Risk of erosion by inflation.* The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate source of income in retirement. A range of options are available to members which are expected to protect against inflation to varying degrees.
- *Benefit risk.* The risk that relative market movements in the years just prior to retirement (the "preservation" period) lead to a substantial reduction in the anticipated level of retirement benefits which would otherwise be provided. A range of investment options and lifestyle strategies have been made available to assist members in this regard.
- *Active management risk.* The risk that the investment vehicle in which monies are invested underperforms the expectation of the Trustees. To address the potential risk of underperformance the Trustees have made available a range of passive funds.
- *Lack of diversification risk.* The Trustees recognise the risks that may arise from the lack of diversification of investments. The Trustees therefore invest in pooled fund vehicles to ensure an adequately diversified portfolio for each fund option. Furthermore, the Trustees have introduced a dedicated diversified growth strategy into the growth phase of each lifestyle option.
- *Custody risk.* The safe custody of the Scheme's assets is delegated to professional custodians appointed by the provider of each fund.

- *Liquidity risk.* The pooled funds through which the Trustees allow members to invest provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are believed to be readily redeemable.

- *Sponsor risk.* The Trustees have considered the risk that the Company may be unwilling or unable to continue to contribute to the Scheme in the future. The Trustees have concluded that this risk is acceptable and that no further action is necessary to mitigate this risk, especially since this would only affect the accrued defined contribution benefits to the extent that any payments due had not yet been paid into the Scheme.

- *Default investment option risk.* The risk that the selected default strategy is unsuitable for the requirements of some members. In future reviews of the default investment strategy, the Trustees will consider the experience of members' fund and strategy selections.

- *Environmental, Social and Governance (ESG) risk* - The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- *Climate risk* - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees monitor these risks and the appropriateness of the investments in light of the risks described.

3.3 Fund Investment Options

The Trustees provide members with a range of investment options. Broadly, these can be broken down into the following categories:

Stand-alone self-select funds	The Self-Select Option offers members the freedom to tailor their Personal Account (also referred to as the member's pot) by investing in any one or combination of the funds available. (See Section 3.5 for details of the fund range)
Lifestyle	This method of investment considers the period to retirement of each individual member and consists of a schedule of asset allocations which are automatically changed as members approach their nominated retirement age (or normal retirement age, where none is selected). Each of the lifestyle options assume that members will take 25% of their pot as a tax free lump sum at the point of retirement. (See Section 3.4 for details of the Lifestyle Options)

In response to changes in pension flexibilities introduced to regulation in April 2015, three lifestyle options are offered, each aimed at providing an appropriate investment programme for one of the main retirement benefit options for members.

All of the lifestyle options offer a growth-focused strategy for members which progressively transfer into more defensive asset classes, dependent on the retirement benefit selected. The growth strategy is constructed from a combination of a passive global equity fund and a diversified growth fund.

The Trustees have determined a default arrangement for those Scheme members who do not actively make an investment decision. Members may also actively choose the default option because they feel it is most appropriate for them.

If members wish to, they can opt to choose their own investment strategy on joining the Scheme but also at any other future date.

The Trustees regularly review the suitability of the options provided and from time to time will change investment managers or introduce additional investment vehicles as appropriate.

3.4 Lifestyle Options

The following table provides a summary of the funds used in each of the lifestyle options available to members. All of the funds used are managed by L&G.

Lifestyle Option	Target Allocation during the Growth Phase	Additional funds introduced during the Defensive Phase	Target Allocation at Retirement
Annuity	50% Global Equity 30:70 (75% currency hedged) Index; 50% Dynamic Diversified	Pre-Retirement Sterling Liquidity	75% Pre-Retirement 25% Sterling Liquidity
Cash		Pre-Retirement Sterling Liquidity	100% Sterling Liquidity
Variable Income		Retirement Income Multi-Asset Fund Sterling Liquidity	35% Retirement Income Multi-Asset 30% Sterling Liquidity 35% Dynamic Diversified

The asset allocation in the growth phase is the same across all three lifestyle options.

In the growth phase, the allocation to global equities and diversified growth is maintained within +/- 3% of the above 50:50 allocation. This tolerance range has been implemented to provide some protection against market movements causing the assets to deviate significantly from the agreed strategic allocation without members incurring excessive transaction costs (which might be the case for a more tightly managed allocation).

Following the growth phase, the lifestyle options gradually de-risk via a schedule of quarterly switches beginning 8 years before retirement. The precise switching schedules are maintained and implemented by the Scheme's administration team. However, a high level summary of each is provided below.

- *Annuity Lifestyle (Default):* This option is intended to be used by members who plan to take 25% of their benefits as cash (the current maximum tax free amount) and purchase a non inflation-linked annuity with the remainder at retirement.

  Starting at 8 years from retirement, the allocation to growth assets is gradually reduced by first removing the global equity allocation (over a 4-year period) and then removing the diversified growth allocation (over the subsequent 4-year period).

  The allocation to the L&G Pre-Retirement Fund is built up gradually, starting at 8 years from retirement. The allocation to the L&G Sterling Liquidity Fund is built up starting at 5 years from retirement.

- *Cash Lifestyle:* This option is intended to be used by members who plan to disinvest the full value of their Personal Account as cash at retirement.

  The asset allocation schedule is similar to that of the Annuity Lifestyle at the outset. However, starting at 5 years from retirement, the L&G Pre-Retirement Fund position is reduced at the expense of increasing the allocation to the Sterling Liquidity Fund at a faster pace.

- *Variable Income Lifestvle:* This option is intended to be used by members who plan to take 25% of their benefits as cash (the current maximum tax free amount) at retirement, and then access the remainder of their benefits flexibility over time through income drawdown. (Please note that, at present, this facility is not available within the Scheme).

  Starting at 8 years from retirement, the allocation to growth assets is gradually reduced by first removing the global equity allocation (over 6 years) and then reducing the allocation to diversified growth (over 2 years).

  The allocation to the L&G Retirement Income Multi-Asset Fund is built up gradually, starting at 8 years from retirement. The allocation to the L&G Sterling Liquidity Fund is built up starting at 5 years from retirement.

3.4.1 Default Investment Option - Annuity Lifestyle

The default investment option is designed to be broadly appropriate for members who intend to take 25% of their funds as cash at retirement (in line with current regulations regarding tax-free cash) and to purchase an annuity with the balance of their funds.

The aims of the default investment option, and the ways in which the Trustees seek to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  The default option's growth phase invests in global equities and alternative asset classes (through a diversified growth fund). These investments are expected to provide long term (above inflationary) growth with some protection against inflation erosion, and some protection from equity market volatility.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is *achieved via automated lifestyle switches over the 8 year period to* a *member's selected retirement date (or normal retirement date, where none is selected). Investments are switched into a mix of cash (for capital preservation purposes) and sterling bonds (through a Pre-Retirement Fund that is designed to broadly match non inflation-linked annuity price movements).*

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to take 25% of their benefits as a cash lump sum, with the balance being used to purchase a non inflation-linked annuity.

  One year prior to the member's selected retirement date, 25% of the member's assets will be invested in a money market fund and 75% invested in a pre-retirement fund.

Members in the default investment option (or any other option) do not have to take their benefits in the form of cash and annuity at retirement. This strategy merely determines the investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of choosing their own investment strategy or selecting one of the other lifestyle options.

Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustees considered the trade-off between risk and expected returns. Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the broad profile of members and the underpin that exists within the Scheme.

On the basis that a member targeting a default arrangement may be less engaged than those actively making an investment decision, the Trustees believe that targeting a secured income (i.e. the purchase of an annuity) is the least risky default option for the Scheme's members as this is the only option which would provide a pension income for a member's entire retirement. At least in the near term, projected Personal Account sizes are generally small which may imply less engagement from the Scheme's membership.

The Trustees will continue to review the default over time, at least triennially, or after significant changes to the Scheme's demographic or regulatory requirements, if sooner. The Trustees review the performance of the funds within the Default Investment Option each quarter.

Assets in the default investment options are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment firms. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment firms in line with the mandates of the funds.

Likewise, the investment firms have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

The above Default Investment Option was implemented in October 2015.

3.5 Day-to-day Management of the Assets

The assets of the DC section are invested in a range of pooled funds operated by L&G as set out in the table below.

Fund Name	Benchmark / Comparator	Performance Target
Global Equity 30:70 (75% currency hedged) Index	30% FTSE All Share; 70% FTSE All World (ex-UK) (75% currency hedged)	To match the benchmark performance (gross of fees)
Dynamic Diversified	BoE base rate + 4.5% p.a.	BoE base rate + 4.5% p.a. (gross of fees)
Pre-Retirement	Dynamic composite of gilts & corporate bonds	To match the benchmark performance (gross of fees)
Sterling Liquidity	7 Day LIBID	To broadly match the return of 7 Day LIBID (gross of fees)
Retirement Income Multi-Asset	BoE base rate + 3.5% p.a.	BoE base rate + 3.5% p.a. (gross of fees)

Each of the funds listed above is available on a self-select basis.

BOTH SECTIONS

4. Additional Voluntary Contributions

The Trustees invest members' additional voluntary contributions ("AVCs") in an insured arrangement with the Prudential Assurance Society. In addition, DC members of the Scheme can invest AVCs with L&G.

With the assistance of the Scheme's consultants, these arrangements are reviewed from time-to-time to ensure that the investment performance achieved is acceptable and the investment profiles of the funds remain consistent with the objectives of the Trustees and the needs of the members.

5. The Trustees' Policy with Regard to Risk

Besides the Trustees' policy on risk with the DB and DC sections of the Scheme, the Trustees have also considered risk from the following perspectives which are relevant to both sections of the Scheme.

5.1 Liquidity / Marketability

The Trustees recognise that there is a risk in holding assets which cannot easily be sold should the need arise. The assets underlying the insurance policies in which the Scheme invests, which are issued by Legal & General Assurance (Pensions Management) Ltd, are entirely invested on an index-tracking basis (with the exception of the Dynamic Diversified, Retirement Income Multi-Asset, Pre-Retirement, and Sterling Liquidity funds), and as a consequence, it is unlikely that the investment manager will hold a security which is not represented in one of the world's leading indices. Furthermore, the Trustees believe the insurance contracts in which the Scheme's assets are invested are readily realisable investments.

5.2 Diversification

In addition, a number of investment restrictions apply that are designed to limit the Scheme's exposure to any individual asset class, market or security. The following investment restrictions apply:

i. The portfolio shall only invest in L&G's own in-house funds.

ii. L&G may only invest in:

DB Section	DC Section
L&G UK Equity Index Fund	L&G Global Equity (30:70) (75% currency hedged) Index Fund
L&G North America Equity Index Fund	L&G Dynamic Diversified Fund
L&G Europe (ex UK) Equity Index Fund	L&G Pre-Retirement Fund
L&G Japan Equity Index Fund	L&G Sterling Liquidity Fund
L&G Asia Pacific (ex Japan) Developed Equity Index Fund	L&G Retirement Income Multi-Asset Fund
L&G Over 15 Year Gilts Index Fund	
L&G All Stocks Gilts Index Fund	
L&G AAA-AA-A Corporate Bond - All Stocks Index Fund	
L&G Over 5 Year Index Linked Gilts Index Fund	
L&G Over 15 Year Index Linked Gilts Index Fund	
L&G 2035 Index Linked Gilt Fund	
L&G 2055 Index Linked Gilt Fund	

iii. The portfolio may not directly invest in property.

The legal documentation with L&G therefore includes a number of provisions which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

In addition, L&G will hold a large number of stocks which are available in each market.

5.3 Speculative Investments

The terms of the legal documentation do not allow L&G to make speculative investments or to gear the portfolio or to do anything that would prejudice the Scheme's tax exempt status.

6. Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The Trustees have explicitly acknowledged the relevance of ESG factors in framing their investment beliefs and these beliefs are reflected in the principles set out in this SIP and the broader implementation of strategy.

Strategic considerations

The strategic benchmarks in this SIP have been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material considerations.

As a result of the inherent uncertainty in climate change, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustees will periodically discuss climate change with their investment adviser and investment managers to consider the potential implications for the Scheme's investments.

Structural considerations

The Trustees have given the investment manager full discretion when evaluating ESG issues and the Trustees expect that their investment manager will take account of all financially material considerations including the potential impact of ESG factors in the implementation of their mandate and in exercising rights and stewardship obligations attached to the Scheme's investments.

Regarding the investment manager's passive mandate, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk-adjusted returns. The Trustees will review the index benchmarks employed for the Scheme on at least a triennial basis.

Consideration of non-financially material considerations in investment arrangements

Given the objectives of the Scheme, the Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material considerations. Member views are not taken into account in the selection, retention and realisation of investments.

Selecting investment managers

In selecting any new or replacement investment manager(s), the Trustees will explicitly consider, where relevant, potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision-making.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with the investment manager and the monitoring of compliance with agreed policies.

Voting and engagement

The Scheme's voting rights are exercised by its investment manager on the basis that voting power will be exercised by it with the objective of preserving and enhancing long-term shareholder value, in accordance with its own corporate governance policies. The investment manager also takes into account current best practice including the UK Corporate Governance Code and the UK Stewardship Code. Equity managers who are registered in the UK are expected to report on their adherence to the UK Stewardship Code on an annual basis.

Where relevant, the Trustees will review the voting policies of the investment manager and determine that these policies are appropriate. The Trustees will request their investment manager provides details of any change in its house policy periodically.

Where appropriate, the Trustees will engage with and may seek further information from their investment manager on how portfolios may be affected by a particular issue.

The Trustees do not engage directly but believe it may be appropriate for their investment managers to engage with key stakeholders in order to improve corporate behaviour and performance and to mitigate financial risks. Such stakeholders may include corporate management, regulators and governance bodies. The Trustees will review engagement activity undertaken by their investment manager as part of their broader monitoring activity.

Monitoring

The investment manager reports on voting activity to the Trustees on a periodic basis. The Trustees will monitor the investment manager's voting activity and may review voting patterns. The Trustees may also monitor investment manager's voting on particular companies or issues affecting more than one company.

The Trustees meet with their investment manager regularly. The Trustees provide their investment manager with an agenda for discussion, including issues relating to individual holdings and where appropriate, ESG issues. The investment manager is challenged both directly by the Trustees and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Ethical DC Fund

At present, the Scheme does not have an ethical fund option available to DC members. However, should the demand arise from members, the Trustees would consider the introduction of an ethical fund option. The Trustees are satisfied that this corresponds with their responsibilities to the beneficiaries.

7. Investment Manager Arrangements

7.1 Alignment with the Trustees Policies

When engaging with investment managers to implement the Trustees' investment strategy outlined above, the Trustees are concerned that, as appropriate and to the extent applicable, the investment managers are incentivised to align their strategy and decisions with the objectives of the Section.

However, as the DC Section and DB Section are only invested in multi client pooled funds, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Funds. The Trustees are able to make investment manager appointments in such a manner that the assets are managed consistent with the investment strategy for the Section. The investment managers are incentivised by the knowledge that the Trustees will review their appointment if, over time, they do not meet expectations.

Investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

The Trustees look to their Investment Consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle, for mandates where outperformance is the objective. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in or is made available to members of the DC section. The Investment Consultant's manager research ratings assist with due diligence and questioning the managers directly during presentations. These ratings are used in decisions around selection, retention and realisation of manager appointments.

For passively managed mandates, or those where outperformance is not the primary goal, the Trustees will seek guidance from their Investment Consultant in relation to their forward-looking assessment of the manager's ability to achieve the stated mandate objectives.

If the investment objective for a particular fund changes, or if other factors change that could have an impact on the manager's ability to meet its objectives, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

7.2 Incentivisation and Medium/Long-Term Decision Making

The Trustees do not have a policy about making investment decisions based on their assessment of the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the investment managers, where applicable. These managers may be in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees do however consider the Investment Consultant's assessment of how each investment manager integrates ESG and stewardship into their investment process. Further detail can be found in Section 6.

7.3 Evaluation and Remuneration

The Trustees receive investment performance reports on a quarterly basis. The Trustees review the performance against a suitable index used as the benchmark (where appropriate), and/or against the managers' stated performance target over the relevant period. The Trustees maintain a focus on long term performance. They may review a manager's appointment if the manager has extended periods of underperformance, there is a material change in personnel or there are developments that may severely impact the outcome of the investment.

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management.

As part of the annual Value for Money assessment, the Trustees review the investment manager fees within the Defined Contribution section, including benchmarking against appropriate peer groups.

The Trustees may meet with investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

7.4 Portfolio Turnover Costs

The Trustees do not currently monitor portfolio turnover costs in respect of the Defined Benefit section and have no set portfolio turnover targets; rather the Trustees assess investment performance net of the impact of the costs of such activities.

For the Defined Contribution section, portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

7.5 Duration of the Arrangements

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis. There is therefore no set duration for manager appointments. The Trustees will retain an investment manager unless:

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

Within the Defined Contribution section, all of the funds are open-ended with no set end date for the arrangement. The fund range and default strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

8. Buying and Selling Investments

The Trustees have delegated the responsibility for buying and selling investments to L&G. The day-to-day activities of L&G are governed by an L&G document, the Principles of Operation, that is reviewed from time to time to ensure that the operating instructions, provisions and restrictions remain appropriate.

9. Compliance with this Statement

The Trustees, L&G and Mercer each have duties to perform to ensure compliance with this Statement. These are:

The Trustees will review this Statement every year and will record compliance with it at the relevant Trustee meeting.

L&G, the investment manager will prepare quarterly reports for the Trustees and these include:

- valuation of all investments held for the Scheme;
- records of all transactions together with a cash reconciliation;

a review of recent actions undertaken on behalf of the Scheme.

L&G will bring to the Trustees' attention any new investment categories in which they wish to invest in order to meet the Trustees' objective.

Our consultants **Mercer** will provide the advice needed to allow the Trustees to review and update as required.

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Signed for and on behalf of The Trustees of the Basell Polyolefins UK Pension Scheme

June 2022