

Nynas UK Pension Scheme

Statement of Investment Principles – November 2023

1. Introduction

The Trustees of the Nynas UK Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act"), as amended by the Pensions Act 2004 and subsequent legislation. The Statement meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010; the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018, and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2019. The Statement also takes into account the principles underlying the Myners Code of Best Practice for pension scheme investment.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. A separate document, the Scheme's Investment Policy Implementation Document ("IPID"), detailing the specifics of the Scheme's investment arrangements is available upon request.

In preparing this Statement the Trustees have consulted the Sponsoring Company, Nynas UK AB (the "Company"), to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements.

The investment responsibilities of the Trustees are governed by the Scheme's Trust Deed and Rules (a copy of which is available for inspection on request) and relevant legislation. According to the law, the Trustees have ultimate power and responsibility for the Scheme's investment arrangements.

2. Process For Choosing Investments

The Scheme is a defined benefit plan. It is closed to new members but remains open to future accrual.

The Trustees undertook an investment strategy review during 2023 and determined the current benchmark split between growth (e.g. equities) and defensive (e.g. bonds) assets which took into account the Scheme's specific circumstances, the Company's views and the risks to which the Scheme is exposed.

As part of this review, the Trustees looked at the composition of the Scheme's growth and defensive portfolios with the aim of ensuring that the Scheme's assets were adequately diversified and also with a view to taking advantage of opportunities in financial markets. The Trustees also assessed the investment manager structure of the Scheme to decide on how best to implement the revised investment strategy.

In considering the appropriate investments for the Scheme the Trustees have obtained and considered the written advice of an Investment Consultant, Barnett Waddingham LLP, who are regulated by the Financial Conduct Authority ("FCA") in relation to investment services. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of

3. Investment Objectives

To guide them in the strategic management of the assets, the Trustees (in consultation with the Company) have considered their key investment objectives. These are as follows:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the Company, the cost of current and future benefits of the Scheme
- To limit the risk of the assets failing to meet the liabilities over the long-term
- To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the objectives above

The Trustees are aware that some of these objectives may conflict with others and realise that a balance must be attained which is consistent with their attitude to risk and desire to maximise long-term investment returns.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities. These are mainly the strategic investment risks. The key strategic investment risks inherent in the current investment strategy are as follows:
 - Equity market risk (the risk that equity valuations fluctuate in an uncorrelated way with the value of the liabilities)
 - Interest rate risk (the risk that the assets do not move in line with the value placed on the Scheme's liabilities in response to changes in interest rates)
 - Inflation risk (similar to interest rate risk but concerning inflation)
 - Credit risk (the risk that payments due to corporate bond investors may not be made)
- There is a potential solvency risk i.e. a risk that economic circumstances force the winding-up of the Scheme at a time when asset values are depressed and the Company cannot afford to make good the deficiency. The Trustees therefore monitor the financial strength of the Company and its perceived commitment to the Scheme; and by reducing risk relative to the solvency funding position should the financial strength of the Company and/or its commitment to the Scheme deteriorate.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and have considered carefully the implications of adopting different levels of risk. It is felt that this risk is acceptable in view of the potential benefits of the expected extra returns. Meanwhile, any extra returns should work through ultimately to greater security for members of the Scheme and lower costs falling on the Company.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation policy in place results in an adequately diversified portfolio both by and within asset classes. In order to provide diversification within the Scheme's "growth" portfolio, the Trustees invest in some funds which have the ability to invest in a wide range of asset classes at the manager's discretion. Similarly, within the Scheme's defensive portfolio, the Trustees invest in a range of bonds (both gilts and corporate issues) as well as Liability Driven Investment (LDI) funds. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The merits of active and passive management are considered for each asset class. The Trustees use a mix of both active and passive management. The Trustees recognise the risks of underperformance introduced by the use of active management but also the potential benefits in terms of enhanced returns (and often lower volatility) using active management. Arrangements are in place to monitor the continuing suitability of the current investments. To facilitate this, the Trustees receive regular reports from their investment managers.
- The Trustees adopt a cautious approach in those instances where there is a lack of risk transparency in the underlying investment. The Trustees recognise the issue of liquidity risk and the ease with which assets are marketable and realisable.
- There is currency risk inherent in investment in overseas equity markets. However, the investment managers appointed will manage this risk as part of their investment process.
- The documents governing the investment manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The managers are prevented from investing in asset classes outside of their mandate without the Trustees' prior consent. The managers are authorised and regulated by the appropriate regulator(s).
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles. The investment managers are responsible for the selection of the custodians.

- No direct investment is allowed in securities issued by the Company or affiliated companies (other than any such securities held within pooled funds in which the Trustees invest). To comply with 'self-investment' regulations the Trustees will monitor the Scheme's holdings in all investments at least annually to ensure no breach occurs.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

5. Investment Strategy

The Trustees recognise that it is not necessarily possible, or even desirable, to select investments that exactly match the characteristics of the Scheme's liabilities. Given the ongoing commitment of the Company to the Scheme, a degree of mismatching risk can be accepted on the basis that it is also acceptable to the Company. As the sponsoring employer, the Company bears some risk, along with members, in its obligation to fund any deficit.

Given the investment objectives, the Trustees, after taking advice from their investment consultants, have determined a benchmark mix of asset types and believe this mix is appropriate for achieving the objectives set out in Section 3 and for controlling the risks identified in Section 4. The agreed investment strategy comprises a broad initial target allocation of c. **20% "growth" assets and 80% "defensive" assets**.

The Trustees invest in a combination of multi-asset growth funds, an Absolute Return Bond (ARB) fund, Buy and Maintain Credit funds and a range of Liability Driven Investment (LDI) funds. Further details are set out within the Scheme's IPID.

The Trustees believe that the investment risks arising from the investment strategy are consistent with the overall level of risk being targeted. The investment strategy will be reviewed with a view to amending it to reflect any changes in the liability profile of the Scheme, strength of the Company covenant and/or the funding objective of the Trustees if necessary.

The Trustees also look to take advantage of investment opportunities within the Scheme's "growth" and "defensive" portfolios. The Trustees may change the asset allocation within each portfolio from time to time, on advice from their consultant, Barnett Waddingham LLP, where they believe compelling opportunities exist to enhance the Scheme's risk:return profile.

5.1 Expected Return

Given the investment strategy adopted, based on a c. 20% allocation to growth assets, on a "best estimate" basis (as opposed to the Actuary's more prudent estimate), the Trustees expect to generate a return, over the long-term on all of its investments, of approximately 1.2% p.a. above that which would have been achieved had no investment risk been taken within the portfolio (i.e. had it invested solely in a portfolio of long-dated Government debt, which can be used as a proxy for the growth of the Scheme's liabilities). It is recognised that over the short-term, performance may deviate significantly from the long-term target and there are no guarantees that such a return will be achieved.

5.2 Rebalancing Policy and Cash Flow

The Scheme's assets are managed by three investment managers. The Scheme's asset allocation will be controlled by managing the allocations to each of the underlying funds. Any rebalancing is at the discretion of the Trustees. Further details on rebalancing policy are set out in the IPID.

The Trustees use the Scheme's cashflow requirements to help move the asset allocation towards the benchmark. The Trustees have instructed the Scheme's administrator in respect of investment and disinvestment policy. Further details are set out in the IPID.

6. Day-to-Day Management of the Assets

The Trustees delegate the day-to-day management of the Scheme's assets to professional investment management firms who are authorised and regulated by the appropriate regulator(s). The Trustees have taken steps to satisfy themselves that their managers have the appropriate knowledge and experience for managing the Scheme's investments. Investments are managed for the Scheme to a specific mandate which includes performance objectives, risk parameters and timescales over which performance will be measured.

Further details can be found in the IPID.

7. Additional Assets

Under the terms of the Trust Deed the Trustees are responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members. The Trustees review the investment performance and fund choice of their chosen AVC provider on a regular basis and take advice as to their continued suitability. Details of the current provider can be found in the IPID.

8. Realisation of investments

The Scheme generally has positive cashflow, except in instances where assets need to be realised to pay for unforeseen expenditures (e.g. transfers out of the Scheme or a death in service).

The investment managers are responsible for monitoring the allocation between asset classes and rebalancing the portfolio as set out in the IPID.

9. Environmental, Social and Governance (ESG) considerations:

Financially material ESG considerations

The Trustees have received training on ESG factors, and have discussed the extent to which ESG factors, including climate change, should be taken into account in the Scheme's investment strategy. Following training sessions and consideration of data and trends, the Trustees have agreed that the impact of climate may be financially material for the Scheme and have designated climate change as a stewardship priority for the Scheme. In addition, the Trustees expect their relevant asset managers to be able to evidence their stewardship activity in this area which the Trustees will monitor annually. For example, by considering the voting and engagement activity of the asset managers. Therefore, this is also an area which the Trustees believe they can meaningfully monitor progress and engage with their asset managers over time.

The Trustees' policy towards ESG factors is that they believe that these factors have the potential to be financially material and will be taken into account in the selection, retention, and realisation of assets as follows:

- **Selection:** The Trustees will consider how ESG factors are taken into account in the selection of investments with the Scheme's investment managers. When appointing a new mandate, the Trustees will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustees will also consider alongside other matters whether any new investment manager is a signatory to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Scheme's investment managers are all PRI signatories.

- **Retention:** The Trustees will request information regarding the ESG practices of the Scheme's investment managers, and will review this on a regular basis, to consider whether these remain appropriate.
- **Realisation:** The Trustees will consider how ESG factors are taken into account in the realisation of investments with the Scheme's investment managers.

For liability driven investment, the Trustees believe that ESG issues are not financially material as the underlying assets are financial derivative based contracts designed to hedge out exposure to nominal interest rates and inflation.

Policy for monitoring ESG policy:

- The Trustees will arrange for further training on ESG factors to be provided as research and regulatory requirements around the factors develop.
- The Trustees look to its investment consultants, Barnett Waddingham, to assist the Trustees in the application of their ESG policy. Barnett Waddingham has processes in place to monitor investment managers' ESG activity as part of its investment research functions and will, where relevant, feedback any concerns/views to the Trustees and will factor ESG consideration into its investment recommendations.
- The Trustees will request information annually from the Scheme's investment managers about how they have integrated ESG into their investment process. This should include information on how investments have been selected or realised for ESG purposes.

10. Policy on arrangements with asset managers

Prior to appointing an investment manager, the Trustees discuss the investment manager's benchmark and approach to the management of ESG and climate-related risks with the Scheme's investment consultant, and how they are aligned with the Trustees' own investment aims, beliefs and constraints, taking into account the nature of the investment manager's mandate.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider whether it would be more appropriate to use another manager for the mandate.

The Trustees' approach is therefore to determine their investment policies, which are set out in this document, and to appoint investment managers that they believe fit with these policies. The Trustees do not provide any direct incentives for the investment managers to align their practices with these policies; instead the managers have been selected on the basis that their approaches are aligned with the policies. The Trustees consider this to be a suitable approach in practice given it typically invests in pooled funds with other investors. The "Method and time horizon for assessing performance" section of this document explains how the fee arrangements in place act as an indirect incentive for the investment managers to continue to perform in line with the criteria against which they were assessed at selection over the medium to long term.

The Trustees carry out a high-level review of their strategy at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate-related risks on an annual basis.

In the event that an appointed investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate-related risks, using the approach expected of them, the Trustees will consider whether it would be more appropriate to use another manager for the mandate. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have a shorter-term target, this is generally supplementary to a longer-term performance target. In the case of assets that are actively managed, the Trustees expect this to be sufficient to ensure an appropriate alignment of interests. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts.

Method and time horizon for assessing performance

The Trustees monitor the performance of their investment managers over the medium to long-term time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.

The Trustees' policy is to monitor the performance of the Scheme's investment managers regularly to ensure that they continue to perform in line with the criteria against which they were assessed when they were appointed. On a quarterly basis, the Trustees discuss wider strategic issues for the Scheme such as asset allocation and liquidity, as well as the performance of the individual investment managers.

The Trustees are mindful that the impact of ESG and climate change may have a long-term nature, but recognise that the potential for change in value as a result of ESG and climate risk may occur over a shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.

The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

Other than for LDI assets, the Trustees believe that this fee structure incentivises the investment manager to focus on long-term performance.

For LDI assets, the setting of a clear benchmark linked to the value of the Scheme's liabilities incentivises the manager to manage the portfolio in line with Trustees' risk management requirements. The Trustees acknowledge that a fall in the value of the LDI portfolio, in line with a fall in the value of the liabilities, would reduce the remuneration paid to the manager. The Trustees do not consider this to be a disincentive for the manager to invest in line with its benchmark, because the Trustees make clear to its LDI manager that any material deviation from its benchmark which is considered out of line with the manager's expected approach could result in the appointment of a replacement LDI manager.

The Trustees ask the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments, but these are typically not considered to be a material component of overall performance and so are not monitored in isolation.

Overall performance is assessed as part of the regular investment monitoring process. There are no pre-agreed benchmarks in place to monitor portfolio turnover costs against, but when underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

The duration of the arrangement with the asset manager

The Trustees plan to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

11. Stewardship of investments

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG-related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. Where the Trustees use pooled funds the Trustees expect the investment manager to employ the same degree of scrutiny. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Trustees delegate responsibility for the exercise of rights (including voting rights) attaching to the Scheme's investments to its investment managers. Investment managers are expected to exercise rights and voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of rights and voting rights, investment managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their underlying investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

The Trustees will request information from investment managers regarding exercise of rights and engagement activity during the course of investments and if an investment manager attends a Trustee meeting they will be asked to provide an update on actions they have taken in this regard. On an annual basis, with the assistance of its investment consultants, The Trustees will review the exercise of rights and engagement activity undertaken by the Scheme's investment managers to ensure that the policy outlined above is being met, and may explore these issues further as part of the ongoing monitoring of the ESG activities of the Scheme's investment managers.

In addition to monitoring the exercise of voting rights and engagement activity undertaken by its investment manager's the Trustees will engage more widely with their investment managers in relation to the investment managers' performance, strategy, risks, social and environmental impact and corporate governance. Such engagement will be conducted initially by their investment consultants who are building such engagement into their research and monitoring activities. The Trustees

look to their investment consultants to identify when more direct engagement is required.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and expect the Scheme's investment managers to have corporate governance policies in place which comply with these principles. The Trustees will review the signatory status of all of their investment managers following anticipated revisions to the UK Stewardship Code in 2019.

Conflicts of interest

The Scheme's Investment Consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

12. Non-financial factors

The Trustees do not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.

The Trustees will review their policy on whether or not to take account of non-financial matters on an annual basis.

13. Compliance with this Statement

The Trustees monitor compliance with this Statement on a regular basis.

14. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any material change in any aspects of the Scheme. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Adopted by the Trustees, November 2023