The Arkema Bostik Defined Benefit Pension Scheme

Statement of Investment Principles
October 2023

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01 **Introduction**

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 for the Arkema Bostik Defined Benefit Pension Scheme ("the Scheme"). This SIP details the matters that are required to be covered under Section 2 of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Regulations"). It also has been prepared in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles").

The Investment Adviser is XPS Investment Limited.

The Trustee confirms that, in preparing this SIP, they have consulted with, Bostik Limited ("the Employer") and the Scheme Actuary and have obtained and considered written advice from the Investment Adviser. The Trustee believes the Investment Adviser to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme's assets and the administration of the Scheme. Where it is required to make an investment decision, the Trustee will always receive advice from the Investment Adviser first and they believe that this ensures that they are appropriately familiar with the issues concerned.

Given the size of the Scheme, the Trustee has decided the most cost effective way of investing the Scheme assets is to invest through an investment platform, where possible, rather than directly appointing individual investment managers. The Scheme holds a single life policy with the platform provider where the value is linked to the value of the specific pools of assets ("funds") selected by the Trustee from time to time. Decisions about which pooled funds to invest in are made after receiving investment advice from an FCA regulated firm.

01.01 Declaration

The Trustee confirm that this SIP the Investment Strategy they have decided to implement. The Trustee acknowledges that it is their responsibility, with guidance from the Adviser, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed:	**Date:**
Thomas Lestavel Thomas Lestavel (Nov 28, 2023 18:52 GMT+1)	Nov 28, 2023

For and on behalf of Arkema Bostik UK Pension Trustee Limited.

02 **Scheme Governance**

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, having taken advice from the relevant Advisers whilst day to day investment decisions are taken by the managers of the pooled funds.

03 **Investment Objectives**

The Trustee's investment objectives for the Scheme are as follows:

- The primary investment objective of the Trustee is to seek ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.
- The Trustee will seek to limit the risk of the assets being assessed as failing to meet the liabilities over the long term, by seeking to hedge a significant proportion of the Scheme's interest rate and inflation risks whilst having regard for any Statutory Funding Objective in seeking to achieve investment returns.
- Having regard to the primary investment objective and subject to the strength of the employer covenant, the Trustee will seek to achieve an investment strategy which improves the funding level over the long term, whilst controlling the risk of significant adverse movements in the funding level.

The Trustee believes the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

Based on the structure set out in the Appendix, the Trustee Directors consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the Trustee Directors or governing the pooled funds in which the Scheme is invested.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee Directors' expectations, including the selection / deselection criteria.

The Trustee Directors encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee Directors expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustee Directors also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee Directors believe these factors could have a material financial impact in the long-term. The Trustee Directors therefore make decisions about the retention of Investment Managers, accordingly.

04 **Asset Allocation Strategy**

The Trustee has taken the view that the investment objective is best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. equities, property, high-yield corporate bonds) and "off-risk" assets (e.g. fixed and index-linked gilts and high quality corporate bonds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the profile of the liabilities, the perceived relative value of the different asset classes and the perceived risk to the primary investment objective arising from any shortfall in the funding of the Scheme. The current benchmark and target allocation is set out in Appendix A and any changes in such allocations will only be made after receiving written advice from the Investment Adviser that such allocation remains consistent with the investment objectives.

04.01 Rebalancing Policy

There is a rebalancing policy in place whereby some of the funds are automatically rebalanced by Mobius Life. The Trustee, in conjunction with the Advisers, will monitor the overall actual asset allocation of the Scheme on a quarterly basis. If the actual allocation moves further than -/+10% of each benchmark allocation away from the target allocation designated by the Trustee for any assets, the Trustee will make a decision as to whether to switch assets back to the strategy following consideration of advice.

The investment in liability matching funds requires the use of leverage. The amount of leverage required will depend on movements in the value of the underlying gilts and accordingly from time to time the Trustee will be required to invest surplus cash provided by these investments or to find additional cash to top up the matching funds. In such cases the Trustee will seek advice from the Investment Adviser as to where to invest the surplus cash or which funds to redeem to generate the funding required.

04.02 Rates of Return and Fees

The target rates of return for each asset class are detailed in Appendix A.

04.03 Diversification

The Trustee will seek to achieve diversification by investing in pooled funds which have investment restrictions (i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers). Generally speaking each asset class would expect to have different issuers and therefore add to the diversification of the Scheme. Additional diversification is achieved by investing in pooled funds that invest across multiple asset classes. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

04.04 Suitability

The Trustee has taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives. The Trustee has chosen to hold a portion of the Scheme's assets in pooled funds invested in liability matching assets (the "off-risk" assets) to provide some degree of matching with the Scheme's liabilities. The remainder of the assets are held in return-seeking assets (e.g. equity and multi-asset funds) which aim to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

04.05 Liquidity

The Trustee will maximise liquidity by ensuring that all non-cash assets are held in pooled funds with frequent dealing dates.

05 **Strategy Implementation**

The Trustee decides whether to invest in active or passively managed funds via the Mobius Life Platform following appropriate advice from the Advisers.

05.01 Mandate and Performance Objectives

The Trustee has received advice on the appropriateness of each pooled fund that the Scheme is invested in from the Investment Adviser and believes them to be suitable to meet the Scheme's investment objectives. The benchmark for each fund currently held and its objectives are set out in Appendix A.

05.02 Manager Agreement

The Scheme is invested with a Platform Provider and as such there is no formal agreement between the Trustee and an individual fund manager relating to investments in each asset class, there is an agreement with Mobius Life covering the rebalancing arrangements between asset classes including the approach to investment and disinvestment.

05.03 Platform Provider

The Trustee has opted to invest with each Investment Manager via the Investment Platform "Mobius Life". Mobius Life is a regulated life insurance company, governed by UK law, authorised by the Prudential Regulation Authority (PRA) and regulated by both the PRA and the Financial Conduct Authority (FCA). Mobius Life hosts an investment platform used by the Trustees which promotes accessibility of information, ease of transition, and simplification of management, governance, and legalities.

05.04 Diversification

The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved. The assets are invested in pooled funds with diversification requirements. Further diversification is achieved by investing in funds, via the Mobius Life platform, offered by three investment managers.

05.05 Custody

Where Mobius Life invests in securities directly (i.e. equities and bonds), Mobius Life appoints a custodian to hold the assets. Mobius Life have confirmed they use either the Bank of New York Mellon or Northern Trust.

06 **Monitoring**

06.01 Pooled Funds

The Trustee maintain one policy with the Platform Provider. The Platform Provider links the value of the policy to specific funds chosen by the Trustee from time to time, following receipt of advice from the Investment Adviser. The Trustee, or the advisers on behalf of the Trustee, will monitor the performance of the funds against their stated performance objectives.

The Trustee, or the Advisers on behalf of the Trustee, will regularly review the performance of the funds to satisfy themselves that the funds remain suitable.

If the Trustee is not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustee Directors' requirements, they will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

06.02 Investment Managers

Appointments of Investment Managers are expected to be long-term, but the Trustee Directors will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustee Directors receive, and consider, regular performance monitoring reports from the Investment Consultant which review performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustee Directors selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee Directors' may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee Directors' meetings as requested.

The Investment Consultant has also carried out a review of how well the Trustee Directors' guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustee Directors will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee Directors' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

06.03 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

06.04 Other

The Trustee is required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

07 **Fees**

07.01 Funds

The Trustee will ensure that the fees charged by any funds and their expense ratios are consistent with levels typically available in the industry for passive/active funds as relevant. The current fee basis for each of the funds is set out in the Appendix.

The Trustee is aware of the investment manager policies regarding soft commission arrangements. Information about each investment manager's fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ("FCA") Disclosure Code.

The Trustee Directors require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.
The Trustees do not believe it appropriate to set a specific turnover target or limit, but they expect their Investment Managers to keep turnover to a minimum and be able to justify any turnover in terms of improved performance or reduced risk.

07.02 Advisers

Fees paid to the Advisers are based on contractual agreements agreed in advance for specifically defined projects.

07.03 Platform Provider

There is a charge by the Platform Provider which is a percentage of the Scheme's invested assets per annum. Further detail on fees can be found in appendix A. Additionally, Mobius Life charge a Policy Administration Fee of £3k p.a..

07.04 Custodian

There is no custodian appointed directly by the Trustee.

07.05 Trustee

The Trustee Directors' expenses are met and they have time allotted off to attend to Trustee matters separate from their other employment duties.

08 **Risks**

The Trustee recognises a number of risks that will be involved in the investment of assets of the Scheme, which include but are not limited to:

i. Interest rate risk – the risk that liabilities will increase as a result of a fall in interest rates is measured by reference to the percentage of liabilities that are interest rate hedged and addressed by holding a significant proportion of the Scheme in assets that are matching assets that will increase in value as interest rates fall

ii. Inflation risk – the risk that liabilities will increase as a result of an increase in the expected rate of inflation is measured by reference to the percentage of liabilities that are inflation hedged and managed by holding assets such as equities that are expected to increase in value in the long term as a result of inflation and by holding index-linked gilts whose value increases as inflation expectations increase.

iii. Diversification risk – the risk that the Scheme is exposed to a significant loss from esoteric factors relating to a single investment are measured by reference to the maximum exposure limits in each pooled fund and addressed by investing in pooled funds that have minimum diversification requirements as well as by holding funds that invest across a number of asset classes. iv. Liquidity risk – the risk that liabilities cannot be met when due is considered too insignificant to measure and is addressed through the use of pooled funds, the majority of which have frequent redemption dates, and by ensuring the Scheme's investment is not disproportionate relative to the overall size of the pooled funds.

iv. Underperformance risk – the risk of pooled funds failing to achieve their target returns is measured by reference to how much discretion the manager of each pooled fund has relative to the benchmark and by regularly reviewing the asset allocation against the target. Underperformance risk is managed by investing in passive funds except where there is a reasonable expectation that a manager can add value and through the rebalancing policy.

v. Market risk – the risk of the Scheme failing to meet its investment objectives due to a general decline in markets is measured by reference to the expected volatility of return seeking assets relative to equity markets and is managed by investing across a diverse selection of return seeking assets which are expected to have uncorrelated returns.

vi. Organisational risk – the risk of losses arising through operational mistakes or errors is measured by reference to the number of past such operational losses and is managed by seeking to minimise the number of changes to the pooled funds.

vii. Sponsor risk – the risk that the Employer ceases to exist or otherwise is unable to fully support the Scheme is measured by reference to the strength of the Employer covenant and is managed by ensuring the asset allocation strategy takes into account the level of sponsor risk.

viii. Currency risk – the risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

ix. Environmental, Social and Governance risk – the risk that environmental, social and governance factors are not given significant consideration. This is addressed by having a policy whereby such factors should be given appropriate consideration in relation to current and future investment decisions made.

The Trustee will keep these risks under regular review.

09 **Other Issues**

09.01 Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustee will consider with their appointed advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

09.02 Environmental, Social and Governance

The Trustee Directors have determined their approach to financially material considerations over the Scheme's long term funding horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustee Directors have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee Directors require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee Directors will seek advice from the Investment Adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee Directors will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustee may periodically meet with their investment managers to discuss engagement which has taken place. The Trustee will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of their managers.

The Trustee will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

9.03 Voting Rights

As the Scheme invests in pooled funds, the Trustee Directors acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest

The Trustee Directors have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

If the Trustee Directors become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee' expectation and the investment mandate guidelines provided, then the Trustee Directors may consider terminating the relationship with that Investment Manager.

Further, the Trustee Director's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Appendix A:
Investment Strategy

The table below summarises the Trustee's investment strategy and how this is implemented in terms of managers and funds. The Trustee has agreed to invest the assets with three Investment Managers, via the Mobius Life platform: BlackRock Asset Management ("BlackRock"), Baillie Gifford & Co ("Baillie Gifford"), and Legal and General Investment Management ("LGIM") to manage the assets of the Scheme.

The mandate for the Investment Managers is as follows:

Asset Classes	Fund	Benchmark Allocation %	Benchmark range %	Investment Style
Return seeking assets		57.7		
Multi-Asset	Baillie Gifford Multi-Asset Growth	33.3	30.0 – 36.6	Active
Multi-Asset	BlackRock Dynamic Diversified Growth			Active
UK Equity	BlackRock Aquila Life UK Equity Index	7.7	6.9 – 8.5	Passive
Overseas Equity	BlackRock Aquila Life World ex-UK Equity Index	11.7	10.5 – 12.9	Passive
Emerging Market Equity	BlackRock iShares Emerging Markets Index	5.0	4.5 – 5.5	Passive
Matching Assets		42.3		
Liability Matching Funds	LGIM Liability Matching Funds	42.3	n/a	Passive
Cash	LGIM Sterling Liquidity Fund	-	n/a	Passive
TOTAL				

Expected Returns and Performance Monitoring

The Trustee has the following performance objectives and benchmark indices underlying its investments.

Fund	Benchmark Index	Objective	Annual Management Charge ("AMC") p.a.	Total Expense Ratio ("TER") p.a.	Platform Fee	Total Fee (TER + Platform Fee)
Baillie Gifford Multi-Asset Growth	UK Base rate	To outperform the index by 3.5% per annum (net of fees) over rolling 5 year periods				
BlackRock Dynamic Diversified Growth	SONIA	To outperform the index by 3.0% per annum (net of fees) over rolling 3 year periods				
BlackRock Aquila Life UK Equity Index	FTSE All Share	To track the benchmark				
BlackRock Aquila Life World ex-UK Equity Index	FTSE All World Developed ex UK	To track the benchmark				
BlackRock iShares Emerging Markets Index	MSCI Emerging Markets	To track the benchmark				
LGIM LDI	In line with respective benchmarks	To track the benchmark	(leveraged) (unleveraged)	(leveraged) (unleveraged)	(leveraged) (unleveraged)	(leveraged) (unleveraged)
LGIM Sterling Liquidity Fund	SONIA	To track the benchmark				

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