

## 1 Background

<b>Purpose of Statement</b>	This Statement sets out the principles governing decisions relating to the investment of the assets of the Origin UK Pension Scheme (the Scheme).
<b>Nature of Scheme</b>	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is sectionalised, and the Scheme's investments are attributable to the Main Section and the UAP Section in this Statement.
<b>Compliance with Legislation</b>	The Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
<b>Availability to Members</b>	A copy of this Statement will be made available to Scheme members on request to the Trustees.
<b>Investment Advice</b>	<p>The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.</p>
<b>Consultation with the Principal Employer</b>	<p>The Trustees have consulted the Principal Employer, Agrii Holdings UK Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees.</p>
<b>Investment Powers</b>	The Trustees' investment powers are set out in Rule 17 of the Trust Deed and Rules of the Scheme, dated 16 April 2014. The powers granted to the Trustees under this Rule are wide and this Statement is consistent with those powers.

## 2 Investment Objectives

<b>Strength of Employer Covenant</b>	<p>In determining their investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme. They have determined that the employer covenant is sufficiently strong to allow them to take a long-term view in determining their investment objectives and strategy.</p>
<b>Key Funding Measure</b>	<p>The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.</p> <p>In the case of the Main Section, in determining their investment objectives and strategy, the Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer and members, as it determines the Section's funding requirements and members' long-term benefit security.</p> <p>In the case of the UAP Section, in determining their investment objectives and strategy, the Trustees have agreed that the funding position measured under the solvency funding basis is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer and members, as it determines the members' long-term benefit security.</p>
<b>Investment Objectives</b>	<p>The Trustees' investment objectives are as follows:</p> <ul style="list-style-type: none"><li>• To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due;</li><li>• To invest the Scheme's assets in an appropriately diverse and liquid range of investments;</li><li>• To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plans have a reasonable chance of being achieved in practice;</li><li>• To consider implementing further measures to control volatility in the Scheme's funding position, as appropriate, if and when the funding position improves over time.</li></ul>
<b>Paying Regard to the Principal Employer's Views</b>	<p>The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.</p>

### 3 Principles for Setting the Investment Strategy

#### **Selection of Investments**

The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.

The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

#### **Balance of Investments**

The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.

The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.

#### **Delegation to Investment Managers**

The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.

#### **Realising Investments**

The Trustees make disinvestments from the Investment Managers with the assistance of their administrators, Mercer, as necessary, to meet the Scheme's cashflow requirements.

## 4 Setting the Strategy

**Target Asset Allocation** The Target Asset Allocation for the assets of the Main Section of the Scheme is as follows:

Asset Class	Main
Multi-asset income	20%
With-profits	12%
Multi-asset credit	38%
Hedging assets	30%
<b>Total</b>	<b>100%</b>

The hedging assets will consist of a combination of liability driven investment (LDI) funds and absolute return bonds to provide the Trustees' target hedging levels.

The UAP Section holds a self-sufficiency hedging asset solution, which consists of self-sufficiency credit funds, an absolute return bond fund and LDI funds. There is no explicit allocation to these funds, and the allocation within the overall self-sufficiency hedging asset solution will be set to meet the Trustees' target hedging levels, as well as generating a sufficient level of investment income to meet the Section's benefits payable as they fall due.

**Investment Managers** The Trustees entered into contracts with Apollo Global Management (Apollo) in June 2019, Aviva UK Life & Pensions (Aviva) in April 2014, Aegon Asset Management (Aegon) in June 2019, Legal & General Investment Management (LGIM) in October 2014 and Royal London Asset Management (RLAM) in July 2022. These companies undertake day-to-day investment management of the Scheme's assets.

The Investment Managers are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

**Strategies Used** The Trustees use the following funds operated by the Investment Managers.

Fund
<b>Multi-asset income</b>
Aegon Diversified Monthly Income Fund
<b>With-profits</b>
Aviva Red Plan
<b>Multi-asset credit</b>
Apollo Total Return Fund
<b>RLAM Multi Asset Credit Fund</b>
<b>Hedging asset solution</b>
LGIM Matching Core Funds
LGIM Absolute Return Bond Fund
<b>Self-sufficiency assets</b>
LGIM Self-Sufficiency Credit Funds

**Target Hedging Ratios**

The target hedging ratios against the interest rate risk and inflation risk associated with the Main Section’s Technical Provisions, assuming the Main Section to be fully funded on a Technical Provisions basis, are summarised below:

MAIN SECTION	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

The target hedging ratios against the interest rate risk and inflation risk associated with the UAP Section’s liabilities measured on a solvency funding basis, assuming the UAP Section to be fully funded on this solvency funding basis, are summarised below:

UAP SECTION	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

**Maintaining the Target Asset Allocation and Hedging Levels**

The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation.

LGIM has responsibility for implementing specific levels of hedging against interest rate risk and inflation risk using the self-sufficiency hedging asset solution and LDI funds, with an agreed level of discretion to rebalance the allocation to maintain the desired characteristics.

**Performance Benchmarks and Objectives**

The risk-controlled multi-asset fund, multi-asset income fund, multi-asset credit fund and absolute return bond fund are actively managed, with specific risk and return objectives. Their objectives are summarised below:

Fund name	Return benchmark	Return target
Aegon Diversified Monthly Income Fund	The fund does not have a formal performance benchmark	To provide an income yield of 5% per annum, and to provide a total return of 7%-8% per annum (net of fees), with between one half and two thirds of the volatility associated with global equity markets
Apollo Total Return Fund	The fund does not have a formal performance benchmark	To provide a total return of 4%-6% per annum in excess of cash (net of fees, in Sterling terms)
RLAM Multi Asset Credit Fund	Sterling Overnight Index Average (SONIA)	To outperform the return benchmark by 4%-6% per annum (gross of fees) over a rolling three year periods
LGIM Absolute Return Bond Fund	Sterling 3-month Deposit Offered Rate Constant Maturity Index	To outperform the ICE BofAML Sterling 3-month Deposit Offered Rate Constant Maturity Index by 1.5% per annum over a rolling three year basis (gross of fees)

The LGIM Self-Sufficiency Credit Funds and LGIM Matching Core Funds have an objective to provide a level of return consistent with a target level of sensitivity to changes in long-term interest rates and inflation expectations. The combination of funds used is intended to meet the Trustees' target levels of hedging against the interest rate risk and inflation risk associated with the liabilities of each Section of the Scheme. The LGIM Self-Sufficiency Credit Funds also have an objective to generate income to match defined profiles of benefit payments.

The Aviva with-profits fund has no explicit performance benchmark or objective. The fund has an underlying guaranteed rate of investment return that is valuable in the context of current market conditions.

**Investment Management Charges**

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
Aegon Monthly Diversified Income Fund	0.55% p.a.*
Apollo Total Return Fund	0.90% p.a.
RLAM Multi Asset Credit Fund	0.35% p.a.
LGIM Self-Sufficiency Credit Funds	0.20% p.a.
LGIM Absolute Return Bond Fund	0.25% p.a.
LGIM Matching Core Funds	0.24% p.a.

\*The AMC is discounted to 0.45% p.a. until further notice

Aviva do not apply any explicit annual management charges for holdings in the Red Plan, as management charges are deducted before bonuses are declared.

**Employer Related Investment**

Neither the Trustees nor the Investment Managers directly hold any employer-related investments.

**Additional Voluntary Contributions (AVCs)**

The Scheme holds AVCs separately from the assets backing defined benefits via investments held with Aviva Life & Pensions UK, Utmost Life & Pensions and Royal London Mutual Insurance Society.

## 5 Expected Returns and Risks

**Overall Return Target** The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated under the SFO.

The Trustees expect the assets of the Main Section to produce a return in excess of the long-term growth in the value of the liabilities calculated under the SFO over an economic cycle of five to seven years as follows:

Section	Expected return in excess of the growth in the value of the liabilities
Main Section	0.7% p.a. to 1.8% p.a.

The Trustees expect the assets of the UAP Section to broadly track the value of the liabilities under a solvency funding basis.

**Expected Returns** Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected return
Multi-asset income	Similar with the return from global equities over an economic cycle of five to seven years, with significantly reduced volatility.
With-profits	In line with the implied guaranteed rates of return under the policy.
Multi-asset credit	In excess of the return expected on cash, using a diversified range of fixed income instruments, including sub-investment grade bonds
Self-sufficiency hedging assets	Broadly in line with changes in value of a notional pension scheme with liabilities of similar nature and duration to the section and to generate quarterly cashflows to pay the benefits of that notional portfolio as they fall due.  These funds are also expected to generate a return that is in excess of the yield available on a portfolio of fixed interest government bonds to compensate for the additional risk associated with the proportion of underlying assets that are invested in a diversified portfolio of corporate bonds.
Absolute return bonds	In excess of the return expected on cash, using a diversified range of fixed income investments, with low levels of volatility.
Liability Driven Investment (LDI) funds	In line with the sensitivity of the liabilities to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.

**Consideration of Risks** The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant and the long-term nature of the Scheme.

<b>Risk Relative to the Value of the Scheme's Key Funding Measure</b>	<p>The Target Asset Allocation of the Main Section has been determined with due regard to the characteristics of its Technical Provisions, whilst the Target Asset Allocation of the UAP Section has been determined with due regard to the characteristics of its liabilities using assumptions consistent with the solvency funding basis.</p> <p>The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions and liabilities calculated under a solvency funding basis are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.</p> <p>The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position on both a Technical Provisions funding basis and solvency funding basis. However, given the nature of the investment strategy of the UAP Section, such volatility would be expected to be relatively constrained for the UAP Section, subject to the presence of any deficit in the Section on the solvency funding basis.</p> <p>Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Technical Provisions or liabilities under the solvency funding basis for each Section.</p>
<b>Concentration of Risk and Diversification</b>	<p>To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their investment adviser, Broadstone.</p> <p>The Trustees invest in a wide range of asset classes through the funds and strategies they use and consider the Scheme's strategy to be well diversified.</p>
<b>Manager Controls and Custodianship</b>	<p>The day-to-day activities that the Investment Managers carry out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.</p> <p>Safe-keeping of the Scheme's assets held with the Investment Managers is performed by custodians appointed by the Investment Managers.</p>
<b>Manager Security</b>	<p>The Trustees have considered the security of the Scheme's holdings with the Investment Managers, allowing for their status as reputable regulated firms, and consider the associated protection offered to be reasonable and appropriate.</p>

**Monitoring and Management of Risks**

The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

## 6 Responsible Investing, Governance and Engagement

### Financially Material Considerations Related to Environmental, Social and Governance Considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact in the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can and will have a material financial impact on the returns provided by those assets.

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on its assets. The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	Trustees' views
Multi-asset income and with profits	Active	The Trustees expect the asset managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect their asset managers to engage with the underlying investee companies, where possible, although they appreciate that any fixed income assets held within the funds do not typically attract voting rights.
Multi-asset credit, self-sufficiency hedging assets and absolute return bonds	Active	The Trustees expect the asset managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect their asset managers to engage with the underlying investee companies, where possible.
LDI	Passive	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time. The Trustees receive regular information from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area in conjunction with their adviser.

<b>Views of Members and Beneficiaries</b>	The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.
<b>Engagement and Voting Rights</b>	<p>Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Managers. The Trustees can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Managers provide, on request, information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Managers.</p>
<b>Capital Structure of Investee Companies</b>	Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.
<b>Conflicts of Interest</b>	<p>The Trustees maintain a separate conflicts of interest policy and register.</p> <p>Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.</p>
<b>Incentivisation of Investment Managers</b>	<p>The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.</p> <p>The Trustees do not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.</p> <p>Neither do the Trustees directly incentivise the Investment Managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.</p>

## 7 Review and Monitoring

**Frequency of Review** The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.

**Monitoring the Investment Strategy and Managers** The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Managers.

The Trustees receive quarterly reports from the Investment Managers and meet with their representatives periodically to review their investment performance and processes. The Trustees and Broadstone will monitor the Investment Managers' performance against their performance objectives.

The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

**Portfolio Turnover Costs** The Trustees expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Managers provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

**Review of Investment Managers and AVCs** The Trustees will consider on a regular basis whether or not the Investment Managers and the AVC providers remain appropriate to continue to manage the Scheme's investments and AVCs.

**Information from Investment Managers** The Investment Managers will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

**Signed** 

**Name** Claire Teagle, PSGS

**Date** 26 July 2022

On behalf of the Trustees of the Origin UK Pension Scheme