NL Chemicals (UK) Pension Plan ("the Plan")
Statement of Investment Principles ("the Statement")

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Plans (Investment) Regulations 2005).

The effective date of this Statement is March 2021. The Trustees will review this Statement and the Plan's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

Consultations made

The Trustees have consulted with the employer, Kronos Limited ("the Employer"), prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so. The ultimate power and responsibility for deciding the investment policy, however, lies solely with the Trustees.

The Trustees are responsible for the investment strategy of the NL Chemicals (UK) Pension Plan ("the Plan"). They have obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement by Towers Watson Limited, who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Plan's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement will be provided to the investment managers appointed and is available to the members of the Plan.

Objectives and Policy for securing objectives

The Trustees' main objectives for setting the investment strategy of the Plan are set out below:

- "funding objective" – to ensure that the Plan has sufficient assets available to pay members' benefits as and when they arise. Where an actuarial valuation reveals a funding deficit, a recovery plan will be put in place which seeks to remove the deficit over a reasonable period, taking into account expected future investment performance and the financial covenant of the Employer;

- "security objective" – to ensure that the solvency position of the Plan (as assessed on a gilt basis) is maintained; and

- "stability objective" – to have due regard to the volatility of measures of funding and security.

The investment strategy chosen by the Trustees aims to maximise the likelihood of achieving these objectives. The Trustees recognise that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater security, but may result in a level of contributions which the Employer may find too difficult to support. The Trustees also recognise that in resolving this conflict, it is necessary to accept some risk.

Choosing investments

The investment strategy can make use of three key types of investments:

- using a range of instruments that provide a better match to changes in liability values, including insurance company annuity contracts;

- a diversified range of return-seeking assets, including (but not limited to) equities and corporate bonds; and

- actively managed portfolios.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Plan, its cashflow requirements, the funding level of the Plan and the Trustees' objectives. The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Plan's investment objective.

The assets of the Plan are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. As the Plan is significantly de-risked with the majority of the assets held in a bulk annuity policy it is not appropriate to diversify across all asset classes. As regards the review and selection of their investment managers, the Trustees take expert advice.

Assets held to cover the Plan's liabilities are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.

The assets of the Plan are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustees' benchmark asset allocation is documented separately to this Statement.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation.

They therefore retain responsibility for setting asset allocation, and take expert advice as required from their professional advisers.

The Trustees review their investment strategy following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way) taking into account the Plan liabilities. The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Plan.

Following the purchase of the bulk annuity buy-in policy with Aviva Life & Pensions UK Limited, the majority of the Plan's assets are no longer held as separate investments. The non-insured assets are held as cash in the Trustees' bank account.

Investment risk measurement and management

Investment strategy risks

The key investment risks are recognised as arising from asset allocation. These are prospectively assessed triennially in conjunction with the actuarial valuation of the Plan, following which the Trustees take advice on the continued appropriateness of the existing investment strategy. The retrospective impact of investment risk on the Plan's funding position is monitored through annual funding update reports prepared by the Trustees' professional advisors, in accordance with the scheme specific funding legislation.

Employer failure risk

Risks associated with changes in the Employer covenant are assessed by monitoring the Pension Protection Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy), and through regular financial reports from the Employer. Professional accountancy advice would be considered if the Trustees felt it was necessary.

Investment manager risk

The Trustees monitor the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by their investment managers, and on an annual basis as part of the funding update received from the Scheme Actuary.

The Trustees have appointed Towers Watson Limited to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustees acknowledge that investment returns achieved outwith the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

Cash flow risks arise from the need to realise assets in the short term. If realisations of investments in order to meet the benefit outgo were to be made at a time when prices are depressed this could reduce the likelihood of meeting the primary objectives. To avoid this, the Trustees and their advisers manage the Plan's cash flow requirements carefully over the short-term. The Trustees also receive regular income from some of their investments, which helps to cover cash flow requirements and reduce the need for investments to be realised.

Expected returns on assets

The expected return of an investment will be monitored regularly and will be directly related to the Plan's investment objectives. Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are in a bulk annuity buy-in policy which is designed to match the expected payments to Plan members. The non-insured assets are held as cash in the Trustees' bank account and can be used to meet any additional cash requirements.

Borrowing

The Trustees do not intend to borrow or allow borrowing on behalf of the Plan except in exceptional circumstances.

Social, environmental or ethical considerations

The Trustees recognise that a company's long-term financial success is influenced by a range of factors including appropriate management of environmental, social, ethical and corporate governance issues. Consequently the Trustees seek to be an engaged long-term shareholder and via its selection and oversight of its investment managers, seek to encourage the companies in which the Plan invests to adopt sustainable business practices and high standards of corporate governance with the aim of protecting and enhancing long-term shareholder value.

Whilst it is the Trustees' preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is to act in the best financial interest of the members of the Plan. Therefore, the Trustees' policy is that the extent to which environmental, social and corporate governance considerations issues (including climate change) may have a financial impact on the portfolio will be taken into account by their investment manager(s) in the exercise of their delegated duties. The Trustees expect their manager(s) to sign up to their local stewardship code, in-keeping with good practice.

The Trustees recognise that social, environmental or ethical considerations cannot always be taken into account in respect of the investments which form part of the bulk annuity buy-in policy or the cash held in the Trustees' bank account. Likewise given the nature of the investments held by the Plan, there is limited scope for the Trustees to engage with managers or to take active consideration of any voting rights or stewardship policies.

The Trustees' focus is explicitly on financially material considerations. The Trustees' policy at this time is to not take into account non-financially material considerations.

Additional Voluntary Contributions (AVC) arrangements

Some members obtain further benefits by paying AVCs to the Plan. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Effective decision making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

The Trustees believe that given the scale of the Plan, a separate investment sub-committee would not be appropriate. Therefore all investment decisions are discussed by the whole Trustee body with assistance from the Plan's investment advisors before decisions are taken.

Adopted by the Trustees of the NL Chemicals (UK) Pension Plan in March 2021.