

Ticona UK Pension Scheme

Statement of Investment Principles – December 2024

Introduction

The Trustees of the Ticona 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 Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to confirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustees have consulted Celanese Sales UK Limited (“the Principal Employer”) on the Trustees’ investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees’ investment consultants, Capita Pension Solutions Limited (“Capita”), are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Scheme’s assets in the best interest of members. The Trustees’ objective with regard to investment policy is to secure members’ benefits in full, in the least-risk way.

The Trustees have met this objective having secured a bulk annuity policy covering broadly all Scheme liabilities. The bulk annuity policy is provided by Just Retirement Limited (the “Insurer”). This is initially held as a buy-in policy, which is expected to be converted into a buy-out of benefits before the Scheme is formally wound up.

Surplus non-annuity assets remained in the Scheme after the purchase of the bulk annuity policy. Based on legal advice received by the Trustees, the Employer decides how the surplus will be utilised upon buy-out. The Employer has informed the Trustees that it expects to claim the full surplus as a cash refund, and the Employer has asked the Trustees to invest the surplus assets in a cash-equivalent Sterling Liquidity Fund in order to minimise risk relative to cash. As this request does not conflict with the Trustees’ objective to secure members’ benefits in full, the Trustees have agreed to this request.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities. This risk has been mitigated through the purchase of bulk annuities from the Insurer.
- Longevity risk is the risk that members live, on average, longer than expected. The Scheme's exposure to longevity risk has been transferred to the Insurer through the purchase of bulk annuities in respect of broadly all of the Scheme's liabilities.
- 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 liabilities as well as producing more short-term volatility in the Scheme's funding position. Given the funding level of the Scheme, the focus is on minimising risk. This risk has been mitigated through the purchase of bulk annuities from the Insurer. Residual "surplus" assets continue to be invested in a Sterling Liquidity fund.
- 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 strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given their investment objectives, the Trustees purchased a bulk annuity policy from Just Retirement Limited in respect of broadly all of the Scheme's liabilities. The bulk annuity policy remains an asset of the Scheme under the control of the Trustees and is not yet individually allocated to members (i.e. it is a buy-in policy). The Scheme's bulk annuity policy is illiquid and cannot be changed or surrendered. The Scheme has started the process of wind-up and the buy-in policy will eventually be converted into a buy-out.

In addition to the Scheme's bulk annuity policy, the Scheme has residual surplus assets which are invested in the Columbia Threadneedle Sterling Liquidity Fund. The Trustees will take into account advice from the investment consultant prior to making any investment decisions.

Expected Return

Cashflow from the buy-in policy will meet the benefit payments but will not generate any expected return above the liabilities.

“Surplus” assets in the Columbia Threadneedle Sterling Liquidity Fund are expected to perform broadly in line with the cash benchmark (SONIA).

Investment Mandates

The Trustees have appointed Columbia Threadneedle Investments (‘CT’) as the appointed investment manager (‘the Investment Manager’). The Investment Manager is regulated under the Financial Services and Markets Act 2000. The Trustees have rolling contracts with the Investment Manager.

The Trustees monitor the performance of the Investment Manager on a quarterly basis using information provided by the Investment Manager.

Investment Manager Remuneration, Philosophy, Engagement and Portfolio Costs

The Trustees’ resources are primarily focussed on the successful wind-up of the Scheme following the completion of the buy-in transaction in respect of most of the Scheme’s liabilities. Given the short time horizon of the Scheme, the Trustees no longer regularly monitors the following:

- Remuneration and incentives, which are paid to its Investment Manager (how it rewards its key staff who manage client funds, along with how remuneration and incentives motivate employees who manage client funds).
- The Investment Manager’ process for assessing the businesses they invest in, whether the Investment Manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments being made.
- Costs of buying, selling, lending and borrowing investments.

Financially material considerations over the Scheme’s time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme’s members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments are an integral part of this duty. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme.

The Scheme is now in the process of winding-up and so there is limited scope for ESG considerations to be financially material, and the Trustees are not able to influence the management of assets held in the bulk annuity policy. The Trustees have considered ESG matters in the selection of the bulk annuity insurer.

The Scheme only holds cash-equivalents and therefore does not have any voting rights. The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies of the funds in which they invest.

The Trustees are keen that its Investment Manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

Non-financial matters, including members' views are currently not taken into account.

Compliance with Myners' Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance:

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Investment Manager is paid a management charge on the basis of the assets under management. No additional performance fees are payable.

The investment consultant is paid on a time-cost or fixed fee basis, as agreed between the Trustees and the investment consultant from time-to-time.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Trustee

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Date

Signed on behalf of the Trustees of the Ticona UK Pension Scheme