

# Statement of Investment Principles

Syngenta UK Pension Fund – Investment  
Account section

***September 2019***

# Statement of Investment Principles

## Synqenta UK Pension Fund

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# 1 Introduction

- 1.1 Sections 1 to 7 of this document constitute the Statement of Investment Principles. The Appendices to this document are included for information only and are relevant as at September 2019.

## **Background**

- 1.2 Under the Pensions Act 1995, subsequently amended by the Pensions Act 2004, trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by Syngenta Pensions Trustee Limited (the Trustee) of the Syngenta UK Pension Fund (the Fund) in respect of the Investment Account section.
- 1.3 Before preparing this document, the Trustee has consulted the Employer and the Trustee will consult the Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.4 Before preparing this document, the Trustee has sought advice from the Fund's Investment Consultant. In preparing this document, the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider these requirements in any review of this document or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.
- 1.5 In accordance with the Financial Services and Markets Act 2000, the Trustee will set the general investment policy, but delegate the responsibility for selection of specific investments to appointed Investment Managers.
- 1.6 The Trustee has assessed its compliance against the Pensions Regulator's Code of Practice No. 13, issued in July 2016, and intends to monitor its adherence to this Code on a regular basis.
- 1.7 When choosing investments, the Trustee and the Investment Managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.

## **Fund details**

- 1.8 Members of the Fund are contracted-out of the Second State Pension under the Pension Funds Act 1993. The Fund holds a contracting-out certificate issued by the Occupational Pensions Board.
- 1.9 Exempt approval has been granted by the Inland Revenue under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. Since 6 April 2006, the Syngenta UK Pension Fund has been treated by HM Revenue and Customs (HMRC) as a registered pension scheme in accordance with Schedule 36 of the Finance Act 2004.

## 2 Governance

2.1 The Trustee has ultimate responsibility for decision-making on investment matters. However, an Investment Committee handles the majority of investment matters and makes recommendations to the Trustee where decisions are required to be taken by the Trustee. In making investment decisions the Trustee will consult with the Employer.

The Trustee's investment responsibilities include:

- Reviewing, at least every three years and immediately after any significant change in investment policy, the content of this Statement of Investment Principles (SIP) and modifying it if deemed appropriate, in consultation with the Employer and with written advice from the Investment Consultant
- Assessing the quality of the performance and processes of the Investment Managers by means of regular, but no less than annual, reviews of the investment results and other information in consultation with the Investment Consultant
- Consulting with the Employer when reviewing investment policy issues
- Appointing (and dismissing) Investment Managers
- Monitoring compliance with this Statement on an ongoing basis
- In addition to the considerations articulated within this Statement, the Trustee will formulate a forward-looking business plan that provides greater detail on the processes and structure in place governing the Fund's investments.

2.2 The Trustee has delegated a number of investment responsibilities to an Investment Committee.

2.3 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Investment Consultant and the Trustee's other advisers.

2.4 Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Fund. The Trustee of the Fund draws on the expertise available from consulting the Employer, and where necessary employs the skills and expertise of external advisers including the Investment Managers, Investment Consultant and Legal Advisers.

2.5 A schedule of the respective responsibilities of each party is provided in Appendix B.

# 3 Overall investment strategy

3.1 The Trustee's strategy is to provide sufficient, cost effective, investment options to allow the DC members' investment in secure assets of appropriate liquidity which will generate income and capital growth which, together with new contributions from members and the Employer, will provide a fund at retirement through which they can purchase a pension annuity, take a cash lump sum or enter an income drawdown arrangement. The pension annuity and cash lump sum are available from the Fund, or all three options are available via the open market with other authorised pension providers.

3.2 The Fund is closed to new joiners and has not historically been used to auto-enrol employees. All existing members were required to select an investment strategy upon joining. (N.B Retirement Account section members are able to take flexible retirement by putting their defined benefit pension into payment and opening a new defined contribution pension account if they do not already have one.)

In 2011, the Trustee undertook a fund mapping exercise which involved members who did not make an individual decision being automatically transferred from the Equitable Life With-profits Fund to the L&G Cash Fund. The Trustee selected the L&G Cash Fund as the investment default to prioritise capital protection for these members' funds.

The Trustee has also elected to use the L&G Cash Fund as a short-term vehicle in circumstances where a member's investment instruction is still to be clarified due to an administration issue. Again, with the primary objective of capital preservation.

3.3 The Trustee has appointed Legal & General Investment Management to provide an investment platform through which the members can access a pooled fund platform that allows members to invest in a range of active and passive funds. Within the fund range offered to members there are different managers ("Investment Managers"), which are listed in Appendix A.

3.4 The Trustee wishes to give members a reasonable degree of freedom over the investment policy of their accounts. Consequently the Trustee has selected a balanced range of investment options to allow members to match their investment choice against their own risk tolerance and the different ways they can take their benefits on retirement. The following asset classes have been made available for members to choose their own customised asset mix:

- UK equities (passive)
- Overseas equities (passive)
- Global equities (passive)
- Emerging markets equities (passive)
- Government and corporate bonds (passive and active options, including pre-retirement fund)
- Property (active)
- Diversified growth fund– range of traditional and alternative asset classes (active and passive)
- Cash.

Details of the investment options available and their aims and objectives are provided in Appendix D.

- 3.5 In addition to the above funds, the Trustee offers the members three lifestyle options catering for those members who wish to target drawdown, annuity or lump sum at retirement. These options are consistent with the increased pension freedoms that came into effect from April 2015. By taking these options, members are automatically switched between passive global equities, diversified growth fund, and pre-retirement fund / cash as they approach their target retirement date.



## 4 Investment manager structure

- 4.1 The Fund assets relating to defined contribution benefit provision are managed separately from those assets that support defined benefit liabilities.
- 4.2 The Trustee has the responsibility for appointing Investment Managers from time to time to manage the assets of the defined contribution (Investment Account) section of the Fund.



## 5 Corporate governance and Socially Responsible Investment (SRI)

- 5.1 The Investment Committee (IC) reviews their Environmental, Social and Governance (ESG) policy with the investment strategy at least every three years whilst the Trustees discuss ESG policies with their respective fund managers at regular Trustee and IC meetings.
- 5.2 The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process.
- 5.3 The Trustee recognises that an investment's financial success can be influenced by a number of factors including (but not limited to) approach to stewardship and Environmental, Social and Governance (ESG) issues, including climate change.
- 5.4 The Trustee considers these issues as part of their broader risk management framework, when reviewing and monitoring the Fund's investment strategy (including the default strategy, as appropriate).
- 5.5 The Trustee's policy is to delegate responsibility for the selection, retention and realisation of investments to the investment managers, and, as all investments are made via pooled funds, the Trustee is unable to exercise direct control over the investment managers' policies on socially responsible investment or voting rights. This delegation includes consideration of all financially material factors, including financially material ESG issues and climate changes explicitly.
- 5.6 The Trustee's policy is to delegate responsibility for stewardship activities (including voting and engagement activities) attaching to investments to its investment managers.
- 5.7 The Trustee periodically monitors its managers to ensure stated policies are being met and will explore and challenge managers on issues that arise as part of its ongoing monitoring of the sustainability credentials of its managers.
- 5.8 At present, the Trustee does not explicitly take account of non-financial matters in the overall decision making or setting of Fund strategy but will continue to monitor and review its approach in this area, including in the potential provision of suitable DC self-select options.

# 6 Monitoring

- 6.1 The appointment of the Investment Managers is reviewed by the Trustee from time to time, based on the results of the Trustee's monitoring of their performance and investment process and of the Investment Managers' compliance with the requirements in the Pensions Act concerning diversification and suitability, where relevant.
- 6.2 The Trustee measures the Investment Managers' performance against objectives.
- 6.3 The Investment Committee of the Trustee holds regular meetings (normally on an annual basis) with the Investment Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund.
- 6.4 The Trustee recognises that there are investment risks that are specific to the Investment Account section. These are:
- 'Inflation risk' – the risk that the investment return over members' working lives does not keep pace with inflation and does not therefore secure an adequate pension.
  - 'Retirement objective mismatch' risk – the risk that members' investment allocation in the years prior to retirement does not match their retirement objectives, exposing members to inefficient or uncertain outcomes.
  - 'Sequencing' risk – the risk that unfavourable investment returns close to retirement can result in less money for retirement. This risk is particularly pronounced in the immediate weeks pre and post retirement when a member is transacting their retirement options and moving their assets out of the Investment Account section.
  - 'Shortfall' or 'opportunity cost' risk – the risk that members end up with insufficient funds at retirement with which to secure a reasonable income.
  - 'Capital risk' – the risk of a fall in the value of the member's fund.

The varying nature of the risks faced by a DC member through time means that no single investment product would adequately meet the needs of the investor throughout the investing period. Therefore suitable funds are provided for effective management of the risks faced by DC members.

The Trustee aims to provide a range of funds, which allows members of the Investment Account section to manage the various risks to which they are exposed.

Specifically the Trustee will provide funds across the following asset classes which have the following risk and expected return characteristics:

- Equity and diversified growth funds for members seeking real returns over the long-term. Capital values may be volatile in the short term, although for diversified growth funds this is expected to be less than for equities.
- Property for members seeking real returns over the long-term via diversified exposure, with less reliance on equity market returns.
- Long-dated bond and pre-retirement funds for members seeking to manage the risk of annuity rate fluctuations. Capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term.
- A cash fund for members who wish to focus on capital preservation. Limited investment returns are associated with the low risk nature of the assets.



# 7 Other policies

## **Diversification**

- 7.1 The choice of funds is designed to ensure that members' investments are adequately diversified. As the Fund invests via pooled funds the Trustee is not in a position to ensure the assets are diversified within asset classes. However, this issue will feature in the selection criteria for new managers and monitoring process for ongoing managers, and from the use of passive funds.

## **Suitability**

- 7.2 The Trustee has taken advice from its Investment Consultant to ensure that the funds provided are suitable for the Investment Account section of the Fund. Individual members are themselves responsible for ensuring that the funds in which their own contributions, and contributions paid on their behalf by the Employer are invested, are suitable given their own specific risk profile.
- 7.3 The Trustee will, on a regular basis at least annually, review the range of funds' available for their suitability, either individually or as part of the lifestyle arrangements.
- 7.4 The Trustee will assess the fees and value for money of the investment choices.

## **Liquidity**

- 7.5 The members' accounts are held in funds which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

# A Current Advisers and Investment Managers

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<i>Fund Actuary:</i>	Richard Campbell FIA
<i>Investment Consultant:</i>	Willis Towers Watson Investment
<i>DC Investment Managers:</i>	Legal & General Investment Management Schroder Investment Management
<i>Platform provider:</i>	Legal & General Investment Management
<i>Solicitors:</i>	Allen & Overy LLP
<i>Fund Auditors:</i>	KPMG
<i>Administrator:</i>	Willis Towers Watson TAS

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# B Division of responsibilities

## **Platform Provider and Investment Managers**

The Investment Managers' responsibilities include:

- For active Managers at their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class.
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios.
- Informing the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Fund and managed by the Investment Manager or an associated company.
- Arranging the independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Trustee.
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments.
- Giving effect to the principles contained in the Statement as far as reasonably practicable.

## **Investment Consultant**

The role of the Investment Consultant is to make recommendations or give advice to the Trustee and Investment Committee in the following areas:

- The formulation of an efficient governance structure
- The regular updating of the Statement of Investment Principles
- The development of a clear investment strategy for the Fund
- The construction of an overall investment management structure that meets the objectives of both the Trustee and Employer
- The selection and appointment of appropriate investment management organisations
- The Consultant's current views of the Investment Managers employed by the Fund
- Potential new areas or tools of investment
- Commentary on investment performance and risk taken by the Investment Managers
- Trustee education
- General advice in respect of the Fund's investment activities.

Fees will be calculated primarily by reference to the time spent on any particular assignment. The Trustee believes that this time-based fee arrangement is suitable for professional advisors as it provides a framework for ensuring a suitable amount of attention is paid to the Fund's matters while allowing the Trustee appropriate control over fees. Where new investment managers are appointed, basis point fees (based on the assets invested) are charged to reflect a contribution to the cost of researching the universe of products to identify 'best in class' opportunities.

## **Administrator**

The Administrator's responsibilities include:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Ensuring efficient record keeping and timely investment of contributions for Investment Account members.

## **Investment Committee**

The Investment Committee's responsibilities include:

- Monitoring of performance, including compliance with guidelines
- Setting asset allocation for the lifecycle strategies
- Choice of number and identity of Managers within each asset class (including active/passive decisions)
- Designing and setting Manager benchmarks and targets; Manager agreements.
- Fee structure negotiations

The Investment Committee consists of two management appointed Trustees, a member selected Trustee and a representative of The Law Debenture Pension Trust Corporation plc. The Trustee board is responsible for Investment Committee decisions.

The Investment Committee is advised by the Investment Consultant. Employer representatives attend Investment Committee meetings.

# C Current manager mandates

Measurable objectives have been developed for the Investment Managers consistent with the overall longer-term objectives of the investment options offered through the Fund.

## **Fee basis**

The majority of the Investment Manager fees for the Fund are on an ad-valorem basis and were set with reference to prevailing market rates at the time of appointment.



# D Fund Range aims and objectives

<b>Investment Manager Description</b>	<b>Member Title</b>	<b>Management style</b>	<b>Invests in</b>	<b>Aims</b>	<b>Fees – Total Expense Ratio (% p.a.)</b>
<b>World Emerging Markets Equity Index</b>	World Emerging Markets Equity Index	Passive	100% in emerging market equities	Provide good growth over the medium to long term.	0.350
<b>World (ex UK) Equity Index</b>	World (ex UK) Equity	Passive	100% in overseas equities	Provide good growth over the medium to long term. Returns will be affected by currency exchange rates	0.150
<b>World Equity Index – GBP Hedged<sup>1</sup></b>	World Equity Hedged Index	Passive	100% in global equities	Provide good growth over the medium to long term. Returns will not be affected by currency exchange rates	0.175
<b>UK Equity Index Fund</b>	UK Equity Index Fund	Passive	100% in UK equities	Provide good growth over the medium to long term	0.080
<b>50% Schroders Intermediated Diversified Growth/50% MAAA – Diversified Fund<sup>1</sup></b>	Blended Diversified Fund	Active	Multiple asset classes	Provide equity like growth over the medium to long term, with less of the associated volatility	Blended Fee
<b>Schroders Intermediated Diversified Growth</b>	Schroder Diversified Fund	Active	Multiple asset classes	Provide equity like growth over the medium to long term, with less of the associated volatility	0.720
<b>MAAA - Diversified Fund</b>	LGIM Diversified Fund	Passive	Multiple asset classes	Provide equity like growth over the medium to long term, with less of the associated volatility	0.190
<b>Managed Property Fund</b>	Managed Property Fund	Active	100% in UK commercial property	Aims to provide growth in the medium to long term	0.620
<b>Active Corporate Bond Over 10 years</b>	Active Corporate Bond Fund	Active	Long-dated corporate bonds with credit ratings of AAA-BB	Aims to provide steady growth over the medium to long term	0.160

<b>Pre-Retirement Inflation Linked Fund<sup>1</sup></b>	Pre-Retirement Inflation Linked Fund	Passive	Corporate Bonds and UK Government Bonds	Aims to track underlying assets for inflation linked annuity purchase	0.100
<b>All Stocks Gilts Index</b>	All Stocks Gilt Fund	Passive	100% in UK Government Bonds	Provide steady growth over the medium to long term	0.080
<b>Over 5 year Index-Linked Gilts</b>	Inflation-Linked Gilt Fund	Passive	100% in UK Government inflation-linked bonds	Not as volatile as equities – gilts have security of being backed by UK Government	0.080
<b>Cash<sup>1</sup></b>	Cash	Active	100% in UK and overseas money market investments	To protect money built up in the Investment Account	0.100

Notes:

All fees are quoted as at 31 March 2019

<sup>1</sup> These funds are used within the lifestyle strategies

The Trustee has chosen to offer three lifestyle strategies. The different lifestyles target an annuity at retirement, income drawdown and lump sum at retirement. The tables below show the allocations to each fund up until retirement at age 65.

#### Annuity:

Age	Equities	DGF (High Risk)	Annuity matching (inflation-linked)	Cash
25	100%	0%	0%	0%
26	100%	0%	0%	0%
27	100%	0%	0%	0%
28	100%	0%	0%	0%
29	100%	0%	0%	0%
30	100%	0%	0%	0%
31	100%	0%	0%	0%
32	100%	0%	0%	0%
33	100%	0%	0%	0%
34	100%	0%	0%	0%
35	100%	0%	0%	0%
36	90%	10%	0%	0%
37	80%	20%	0%	0%
38	70%	30%	0%	0%
39	60%	40%	0%	0%
40	50%	50%	0%	0%
41	40%	60%	0%	0%
42	30%	70%	0%	0%
43	20%	80%	0%	0%
44	10%	90%	0%	0%
45	0%	100%	0%	0%

46	0%	100%	0%	0%
47	0%	100%	0%	0%
48	0%	100%	0%	0%
49	0%	100%	0%	0%
50	0%	100%	0%	0%
51	0%	100%	0%	0%
52	0%	100%	0%	0%
53	0%	100%	0%	0%
54	0%	100%	0%	0%
55	0%	100%	0%	0%
56	0%	90%	10%	0%
57	0%	80%	20%	0%
58	0%	70%	30%	0%
59	0%	60%	40%	0%
60	0%	50%	50%	0%
61	0%	40%	60%	0%
62	0%	30%	70%	0%
63	0%	20%	72%	8%
64	0%	10%	73%	17%
65	0%	0%	75%	25%

**Alternative – Lump Sum**

Age	Equities	DGF (High Risk)	Annuity matching (inflation-linked)	Cash
25	100%	0%	0%	0%
26	100%	0%	0%	0%
27	100%	0%	0%	0%
28	100%	0%	0%	0%
29	100%	0%	0%	0%
30	100%	0%	0%	0%
31	100%	0%	0%	0%
32	100%	0%	0%	0%
33	100%	0%	0%	0%
34	100%	0%	0%	0%
35	100%	0%	0%	0%
36	90%	10%	0%	0%
37	80%	20%	0%	0%
38	70%	30%	0%	0%
39	60%	40%	0%	0%
40	50%	50%	0%	0%
41	40%	60%	0%	0%
42	30%	70%	0%	0%
43	20%	80%	0%	0%
44	10%	90%	0%	0%
45	0%	100%	0%	0%
46	0%	100%	0%	0%
47	0%	100%	0%	0%
48	0%	100%	0%	0%

49	0%	100%	0%	0%
50	0%	100%	0%	0%
51	0%	100%	0%	0%
52	0%	100%	0%	0%
53	0%	100%	0%	0%
54	0%	100%	0%	0%
55	0%	100%	0%	0%
56	0%	100%	0%	0%
57	0%	100%	0%	0%
58	0%	100%	0%	0%
59	0%	100%	0%	0%
60	0%	100%	0%	0%
61	0%	100%	0%	0%
62	0%	100%	0%	0%
63	0%	77%	0%	23%
64	0%	53%	0%	47%
65	0%	30%	0%	70%

**Alternative – Drawdown**

Age	Equities	DGF (High Risk)	Annuity matching (inflation-linked)	Cash
25	100%	0%	0%	0%
26	100%	0%	0%	0%
27	100%	0%	0%	0%
28	100%	0%	0%	0%
29	100%	0%	0%	0%
30	100%	0%	0%	0%
31	100%	0%	0%	0%
32	100%	0%	0%	0%
33	100%	0%	0%	0%
34	100%	0%	0%	0%
35	100%	0%	0%	0%
36	90%	10%	0%	0%
37	80%	20%	0%	0%
38	70%	30%	0%	0%
39	60%	40%	0%	0%
40	50%	50%	0%	0%
41	40%	60%	0%	0%
42	30%	70%	0%	0%
43	20%	80%	0%	0%
44	10%	90%	0%	0%
45	0%	100%	0%	0%
46	0%	100%	0%	0%
47	0%	100%	0%	0%
48	0%	100%	0%	0%
49	0%	100%	0%	0%
50	0%	100%	0%	0%
51	0%	100%	0%	0%

<b>52</b>	0%	100%	0%	0%
<b>53</b>	0%	100%	0%	0%
<b>54</b>	0%	100%	0%	0%
<b>55</b>	0%	100%	0%	0%
<b>56</b>	0%	96%	4%	0%
<b>57</b>	0%	92%	8%	0%
<b>58</b>	0%	88%	12%	0%
<b>59</b>	0%	84%	16%	0%
<b>60</b>	0%	80%	20%	0%
<b>61</b>	0%	76%	24%	0%
<b>62</b>	0%	72%	28%	0%
<b>63</b>	0%	68%	24%	8%
<b>64</b>	0%	64%	19%	17%
<b>65</b>	0%	60%	15%	25%