SUMI AGRO EUROPE LIMITED PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES – September 2021

1 Introduction

The Trustees of the Sumi Agro Europe Limited Pension Fund ("the Fund") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments.

As required under the Act, the Trustees have consulted a suitably qualified person in obtaining written advice from Mercer Limited ("Mercer"). The Trustees have also consulted Sumi Agro Europe Limited ("the Employer"), to ascertain whether there are any material issues that the Trustees should be aware in agreeing the Fund's investment arrangements.

The investment responsibilities are governed by the Fund's Trust Deed and this Statement takes full regard of its provisions. A copy of the relevant clauses is available for inspection upon request.

The Trustees will review this Statement at least every three years. The Statement will be amended more frequently should any changes be made to the Fund's investment arrangements, or objectives. The Trustees are committed to maintaining the accuracy of this Statement on an ongoing basis.

2 Process for Choosing Investments

The process for choosing investments follows the identification of appropriate investment objectives, including the funding objective, target expected return from the Fund's assets and the appropriate level of risk.

In considering the appropriate investments for the Fund the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice.

3 Investment Objectives

The Trustees' objective is to invest the Fund's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustees' primary objectives are as follows:

- To ensure the obligations to the beneficiaries of the Fund can be met.
- To pay due regard to the Employer's requirements with regards to the size and incidence of contribution payments.

Additional objectives are as follows:

- To achieve full funding on the Fund's Technical Provisions funding basis;
- To target an appropriate expected return from the Fund's assets in excess of the liabilities
- To maintain a diversified portfolio of assets of appropriate liquidity to minimise risk, as far as practicable, given the targeted level of expected return.

4 Risk Management and Measurement

There are various risks to which any pension Fund is exposed. The Trustees' policy on risk management is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Fund's assets and its 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 Fund's liabilities, as well as producing more short-term volatility in the Fund's financial position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

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 policy in place results in an adequately diversified portfolio. Due to the size of the Fund's assets, and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

The Trustees also take into account the following risks attached to the investment of the Fund's assets:

- ***Interest rate risk*** exists if the projected cash flow profile of the assets held differs from that of the projected liabilities.
- ***Inflation risk*** exists if the projected cashflows from the assets have different linkages to inflation from the projected liabilities.
- ***Credit risk*** reflects the possibility that the payments due under a bond might not be made by the issuer, and similarly that the dividends expected from an equity investment might not be paid.
- ***Currency risk*** will arise through investment in non-Sterling assets, given that the Fund's liabilities are denominated in Sterling, because changes in exchange rates will impact the relative value of the assets and liabilities.
- ***Volatility risk*** concerns the stability of the market value of assets (such as equities), where the price achievable may be particularly affected by short term sentiment and is not certain until the point of sale.

- ***Regulatory risk*** arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.

- ***Liquidity risk*** arises from holding assets that are not readily marketable and realisable.

- ***Concentration risk*** arises, for example, when a high proportion of the Fund's assets are invested in securities, whether debt or equity, of the same or related issuers.

The Trustees also consider the balance between active and passive management, in asset classes where passive management is a practicable option. In determining this balance, the Trustees consider whether active management offers sufficient potential to outperform to justify the additional risks and fees compared with passive management.

The documents governing the investment manager appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund. The investment manager is prevented from investing in asset classes outside of their mandate without the Trustees' prior consent.

Arrangements are in place to monitor the Fund's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees receive regular reports from the investment manager.

5 Portfolio Construction

The Trustees have adopted the following control framework in structuring the Fund's investments subject to the overriding constraint that at the total Fund level the expected level of risk is consistent with that detailed in Section 3:

- There is a role for both active and passive management. Passive management will be used for one of a number of reasons, namely:

  – To diversify risk

  – Invest in markets deemed efficient where the scope for active management to add value is limited

  – As a temporary home pending investment with an active manager

- All other things being equal there is a preference to invest via pooled funds.

- The Trustees regularly review the continuing suitability of the Fund's investments, including the appointed manager and the balance between active and passive management, which may be adjusted from time to time. However any such adjustments would be done with the aim of ensuring the overall level of expected risk and return is consistent with that being targeted as set out in Section 3.

- No investment in securities issued by the Employer or affiliated companies (other than any such securities held within a pooled fund in which the Trustees invest – to the extent permitted under Section 40 of the Pensions Act 1995 relating to Employer Related Investments).

- No investment by an appointed investment manager in the securities issued by the relevant manager's company or any affiliated companies (other than any such securities held within a pooled fund in which the Trustees invest).

6 Investment Strategy

The Fund's target investment strategy is detailed in the table below:

	Benchmark Allocation (%)
Growth Assets	**45.0**
Equities	15.0
Diversified Growth Funds	30.0
Matching Assets	**55.0**
Long Dated Corporate Bonds	25.0
Liability Hedging Assets*	30.0
Total	**100.0**

*The liability hedging assets will invest in a combination of physical gilts and index linked gilts funds, as well as LGIM's 'Matching Plus' funds (Leveraged Gilts, Index Linked Gilts and Leveraged Swap Funds), in order to target a 100% hedge of the Fund's interest rate and inflation related liability risks (as measured on a gilts + 0.70% p.a. basis).

7 Day-to-Day Management of the Assets

The main assets of the Fund are held in the form of an insurance policy with Legal & General Assurance (Pensions Management) Limited. The investment of the assets under the policy has been delegated to Legal & General Investment Management Limited ("LGIM").

The Trustees have taken steps to satisfy themselves that LGIM has the appropriate knowledge and experience for managing the Fund's investments and that they are carrying out their work competently.

The Trustees have determined, based on expert advice, a benchmark mix of asset types and ranges within which LGIM may operate.

The Growth assets are set out in in the following table.

LGIM Fund	Benchmark Allocation (%)	Control Ranges (%)	Benchmark Index	Performance Target
UK Equity Index Fund	10.0	± 1.50	FTSE All-Share	Track Index within ± 0.25% p.a. for two years in three
North America Equity Index Fund – GBP Currency Hedged	11.67	± 1.50	FTSE AW Developed North America (GBP Hedged)	Track Index within ± 0.5% p.a. for two years in three
Europe (ex-UK) Equity Index Fund – GBP Currency Hedged	4.33	± 1.00	FTSE AW Developed Europe (ex UK) (GBP Hedged)	Track Index within ± 0.5% p.a. for two years in three

LGIM Fund	Benchmark Allocation (%)	Control Ranges (%)	Benchmark Index	Performance Target
Japan Equity Index Fund – GBP Currency Hedged	2.33	± 1.00	FTSE AW Japan (GBP Hedged)	Track Index within ± 0.5% p.a. for two years in three
Asia Pacific (ex-Japan) Equity Index Fund – GBP Currency Hedged	2.33	± 1.00	FTSE AW Developed Asia-Pacific (ex Japan) (GBP Hedged)	Track Index within ± 0.75% p.a. for two years in three
World Emerging Markets Equity Index Fund	2.67	± 1.00	FTSE AW - All Emerging Markets	Track Index within ± 1.5% p.a. for two years in three
Dynamic Diversified Fund	66.67	± 4.50	Bank of England Base Rate	Outperform the benchmark by 4.5% p.a. over a market cycle
Total	**100.0**			

The Matching assets are set out in the following table:

LGIM Fund	Allocation (%)
Corporate bonds	**44.1%**
Corp 6A >15yr	44.1%
Index-linked Gilts	**20.8%**
2035 Index-linked gilts	2.2%
2047 Index-linked gilts	14.6%
2050 Index-linked gilts	1.8%
2068 Index-linked gilts	2.3%
Leveraged Index-linked Gilts	**30.5%**
2024 Leveraged Index-linked gilts	8.9%
2030 Leveraged Index-linked gilts	7.5%
2037 Leveraged Index-linked gilts	5.5%
2040 Leveraged Index-linked gilts	1.6%
2050 Leveraged Index-linked gilts	0.8%
2055 Leveraged Index-linked gilts	2.9%
2062 Leveraged Index-linked gilts	3.3%
Swaps	**4.5%**
2025 Inflation	2.4%
2030 Inflation	1.1%
2040 Inflation	1.1%
Total	**100.0%**

May not sum due to rounding. Source: LGIM as at 30 April 2021. Matching portfolio allocation will fluctuate in line with the liabilities. Position will be reviewed by Mercer periodically and rebalanced back to target hedge ratios as required.

The current target for the Liability Hedging Assets portfolio is to target a hedge ratio of 100% of Gilts + 0.7% liabilities for both interest rates and inflation. Mercer periodically monitors the hedge ratio and will rebalance the asset portfolio if the hedge ratio falls outside of specified tolerance ranges.

8 Expected Return

The Trustees currently expect the Fund's investment policy to generate a long term return of approximately 1.5% (absolute). p.a..

9 Cashflows and rebalancing

The Trustees currently have a benchmark letter in place with LGIM which states that investments / disinvestments of monies will be made in such a way as to maintain the Fund's growth assets as close as practicable to the central benchmark asset allocation. LGIM currently monitor the asset allocation against the control ranges set on a weekly basis, and will take appropriate action to rebalance the assets should the need arise.

10 Realisation of Investments

The investment manager has discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The Trustees review this from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

11 Fee Structures

The investment managers levy fees based on a percentage of the value of the assets under management. The Fund Actuary and the Investment Consultant typically work on the basis of time cost; however, in certain circumstances a fixed fee will be agreed.

12 Socially Responsible Investment and Corporate Governance

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees expect the Fund's investment managers to evaluate ESG factors, including climate change considerations, when making investment decisions. The Trustees also expect the relevant investment managers to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustees do not explicitly consult members when making investment decisions.

13 Investment Manager Appointment, Engagement and Monitoring

Aligning manager appointments with investment strategy

The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustees look to its investment consultant for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Fund invests in. The Consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment, with the Consultant's assistance, to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

As the Trustees invest in pooled vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Evaluating investment manager performance

The Trustees consider the Consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

Time horizon

The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees review the performance of the investments on an absolute basis and relative to pre-defined benchmarks (over the relevant period) on a net of fees basis. The Trustee's focus is long-term performance but will put a manager 'on watch' if there are short-term performance concerns.

If a manager is not meeting its performance objectives, over sustained period of time, and after consideration of all relevant factors, the Trustees may take the decision to terminate the manager.

Portfolio turnover costs

The Trustees review portfolio turnover and associated transaction costs on an annual basis.

The Trustees will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

Duration of investment arrangements

The Trustees are a long-term investor and does not look to change the investment arrangements on a frequent basis.

There is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; or
- The manager appointment has been reviewed and the Trustees have decided to terminate the manager.

14 Custodian

The role of the custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment manager(s).

In respect of the assets managed by LGIM, the Fund holds units in pooled funds rather than direct investment in the underlying assets managed by LGIM. The safe custody of the Fund's assets has therefore been delegated to LGIM who have their own appointed custodians for the safe keeping of the assets.

15 Additional Voluntary Contributions (AVCs)

Some members have additional benefits held in AVC accounts with Equitable Life Assurance Society.

16 Compliance with this Statement

On a regular basis, the Trustees will review this Statement in response to any material changes to any aspect of the Fund, its liabilities, finances and the attitude to risk of the Trustees and the Employer, which is judged to have a bearing on the stated investment policy. Any such review will again be based on expert investment advice and will be in consultation with the Employer.

The Trustees will, at a minimum, review this Statement every three years. The Statement will be amended more frequently should any changes be made to the Fund's investment arrangements, or objectives. The Trustees are committed to maintaining the accuracy of this Statement on an on-going basis.

Signed Colin Golding (COLIN GOLDING - CHAIRMAN)

Date 10/09/21

On behalf of the Trustees of the Sumi Agro Europe Limited Pension Fund

SUMI AGRO EUROPE LIMITED PENSION FUND

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees for the Sumi Agro Europe Limited Pension Fund (the "Fund") has been followed during the year to 30 September 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Funds (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives

The Trustees' objective is to invest the Fund's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustees' primary objectives are as follows:

- To ensure the obligations to the beneficiaries of the Fund can be met.
- To pay due regard to the Employer's requirements with regards to the size and incidence of contribution payments.

Additional objectives are as follows:

- To achieve full funding on the Fund's Technical Provisions funding basis;
- To maintain a diversified portfolio of assets of appropriate liquidity to minimise risk, as far as practicable, given the targeted level of expected return.

Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees believe that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The following sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Voting

The Trustees expect the Fund's investment manager to evaluate ESG factors, including climate change considerations, when making investment decisions. The Trustees also expect the relevant investment manager to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Engagement

LGIM have confirmed that they are signatories of the updated UK Stewardship Code. They are also signatories to the United Nations (UN) Principles for Responsible Investment (PRI), as well as a number of other initiatives.

LGIM have engaged with companies over the period on a wide range of different issues including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). LGIM have provided examples of instances where they had engaged with companies they were invested in or considering investing in which resulted in a positive outcome on ESG issues. These engagement initiative are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

Voting Activity

The Trustees have delegated their voting rights LGIM. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustees do not use the direct services of a proxy voter.

Given the nature of the underlying assets, voting activity applies to the LGIM equity portfolio and Dynamic Diversified Fund. Within these mandates, the key voting activity on behalf of the Trustees over the past 12 months to 30 September 2022 was as follows:

Fund	Votable meetings	Number of resolutions	Participation in these meetings	How did LGIM vote with management?		
				For	Against	Abstained
Equity Funds						
UK	765	10,884	99.9%	94.1%	5.9%	-
North America	670	8,407	99.4%	65.3%	34.7%	0.1%
Europe (ex UK)	613	10,371	99.8%	81.6%	18.0%	0.5%
Japan	511	6,327	100.0%	88.5%	11.5%	-
Asia Pacific (ex Japan)	504	3,573	100.0%	71.6%	28.4%	-
Emerging Market	4,178	35,288	100.0%	78.7%	18.9%	2.3%
Diversified Growth Funds						
Dynamic Diversified Fund	9,496	98,210	99.8%	77.7%	21.6%	0.7%

Source: LGIM. Figures may not sum due to rounding.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for their clients. Their voting policies are reviewed annually and take into account feedback from clients and other stakeholders.