

INEOS Chemicals Pension Plan

Investment Implementation Document (“IID”)

This Investment Implementation Document (“IID”) covers the INEOS Chemicals Pension Plan (the “Plan”) and details the policy of the Trustee relating to the implementation of the Plan’s investment arrangements, based on the Principles set out in the Plan’s Statement of Investment Principles (“SIP”).

Investment strategy

The table below reflects the current investment strategy, which is invested according to the following broad asset allocation:

Asset Class	Proportion (%)	Control Ranges (%)	Expected Return (relative to fixed interest gilts)¹ %
Return-Seeking Assets	42.5	32.5-52.5	
Multi-Asset Credit	20.0	-	2.6%
Passive Global Equities (GBP Hedged)	10.0	-	4.0%
Direct Lending	2.5	-	4.2%
Infrastructure Equity	10.0	-	4.9%
Risk-Reducing Assets	57.5	47.5-67.5	
Absolute Return Bonds	42.5	-	1.5%
Liability Driven Investment		-	0.0%
Long Lease Property	15.0	-	2.5%
Total	100.0	-	

⁽¹⁾ Expected returns are 10 year assumptions (net of investment management fees) as at 31 March 2023.

The trustee acknowledges that during periods of heightened market volatility the asset allocation may be out of line with the benchmark and/ or control ranges.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Short-term returns in some asset classes may exhibit considerable variability.

The Plan’s present investment objective is to achieve a return of c.2.3% per annum above the return on UK Government bonds (which are assumed to move in a similar fashion to the calculated value of the Plan’s liabilities).

The trustee has agreed to hedge liabilities for both rates and inflation up to total asset values where it is affordable to do so, which is broadly equivalent to c.90% of technical provisions liabilities (accounting for Recovery Plan contributions, if appropriate).

The Trustee will retain sufficient return generating assets in order to achieve full funding on a lower risk basis in a sensible timeframe.

LDI collateral arrangements

In order to manage the amount of leverage within the LDI funds, Legal and General Investment Management (L&G) will inform the Trustee of the amount of any required cash collateral call and/or distribution. In the event of a cash collateral call (requiring the Plan to top up the investment in the LDI funds), L&G will automatically disinvest from L&G cash, bond or equity funds in accordance with their rebalancing instructed waterfall. In the event that cash is distributed from the LDI fund, L&G will automatically pay these amounts directly into the L&G Cash Fund, with further reinvestment considered on a case-by-case basis.

Investment structure and mandates

The Trustees have invested in pooled funds managed by the following investment managers. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Investment Manager	Mandate	Proportion %
Legal & General Investment Management Limited (“L&G”)	Passive Global Equities (GBP Hedged)	10.0
	Liability Driven Investment	42.5
	Absolute Return Bonds	
J.P. Morgan Asset Management (“JPM”)	Infrastructure Equity	10.0
M&G Investments (“M&G”)	Long Lease Property	15.0
	Total Return Credit Fund	20.0
Permira Advisors LLP	Direct Lending	2.5
TOTAL		100.0

Mandate target returns, objectives and fees

L&G – passive global equities – World Equity Index Fund – GBP Currency Hedged

Benchmark	Objective	Fees
FTSE All World Index – GBP Currency Hedged	Track the benchmark	0.125%

L&G are to invest in the World Equity Index Fund – GBP Currency Hedged and their performance objective is to match the return on the FTSE All World Index – GBP Currency Hedged.

L&G – liability driven investment – Matching Plus Fund Range and Single Stock Index-linked Gilt Funds

Benchmark	Objective	Fees*
Range of gilt indices	Bespoke	0.11%

L&G are to invest in a range of leveraged index-linked gilt funds (Matching Plus Fund Range) as well as unleveraged single stock index-linked gilt funds that aim to hedge a proportion of the interest rate and inflation risk inherent within the Plan’s liabilities.

L&G – Absolute Return Bonds

Benchmark	Objective	Fees
3-month SONIA	3-month SONIA + 1.50% (gross)	0.25%

JP Morgan – infrastructure equity - Infrastructure Investments Fund

Benchmark	Objective	Fees*
N/A	Target 8-12% IRR and a cash yield of 5-7% p.a.	0.86% p.a

*An Incentive Fee is charged at 15% of the excess return over a hurdle rate of 7% time-weighted returns, subject to the Incentive Fee Cap. The Incentive Fee Cap ensures there will be no Incentive Fee earned for any returns in excess of 13.5% p.a. Investors received a 5% discount to management fees once the aggregate NAV of the Fund exceeded \$30bn (current size is c.\$34.1bn as at 31 March 2023).

JP Morgan are to invest in a range of infrastructure equity investments in order to meet their target return objectives of 8-12% capital return on IRR and a cash yield of 5-7% p.a.

M&G - long lease property - M&G Secured Property Income Fund

Benchmark	Objective	Fees
50% FTSE Over 15 Year Fixed Gilts, 50% FTSE 5-15 Year Index Linked Gilts	RPI + 3% p.a.	0.50%

M&G do not have a stated investment objective, however it is our expectation that the Fund will outperform RPI (by c.3.0% p.a) over the long term.

M&G – Multi-Asset Credit – Total Return Credit Fund

Benchmark	Objective	Fees
1 Month SONIA	1 Month SONIA + 3.0% (gross of fees)	0.45%

M&G are to invest across the credit universe and aim to generate a return of SONIA plus 3% p.a. (gross of fees) over a rolling three-year period. The default duration of the Fund will be zero.

Permira – direct lending – Permira Credit Solutions III (Senior Fund) GBP Hedged

Benchmark	Objective	Fees
N/A (absolute return)	Achieve a net internal rate of return of 6-8% p.a.	1.00% p.a. on invested capital during the Investment Period, which is defined as three years from final closing. Invested capital refers to the proportion of the Plan's commitment that has been drawn down. 0.75% p.a. on invested capital following the Investment Period.

Permira do not have a stated investment objective, however we typically compare performance to sterling 1-month SONIA plus 4% per annum for illustration purposes only.