Under Regulations effective from 6 April 2015, the Trustees of The Basell Polyolefins UK Pension Scheme (the 'Scheme') are required to prepare a Chair's Statement (the 'Statement') showing how they have met certain minimum standards in relation to defined contribution benefits. These standards cover five principal areas relating to the Scheme's defined contribution benefits, namely:

1. *The default investment arrangement;*

2. *Core financial transactions;*

3. *Charges and transaction costs;*

4. *Value from members, and;*

4. *The Trustees' knowledge, understanding and resources.*

As Chair of Trustees, it is my pleasure to report to you on how the Trustees have embedded these minimum standards over the period 1 April 2019 to 31 March 2020.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local independent financial advisers can be obtained on-line at www.unbiased.co.uk.

1. The default investment arrangement

Throughout this Statement, the 'default investment arrangement' will refer to the Scheme's Annuity Lifestyle arrangement.

The Trustees are responsible for setting the Scheme's investment strategy and for appointing investment managers to carry out that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

The Trustees' Statement of Investment Principles (the "SIP") dated September 2019, which sets out the Trustees' principles in relation to the default investment arrangement is attached to this statement. The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation, and covers the Trustees' aims and objectives in relation to the default investment arrangement, as well as their policy in relation to matters such as risk and diversification. It also states why the Trustees believe the default investment arrangement to be designed in members' best interests.

The SIP also covers alternate investment choices under the Scheme available to members who feel comfortable in making their own investment choices. It also documents how the Trustees take account of ESG considerations, including climate change, as well as the Trustees' policy on engaging with their investment manager.

The performance of the default investment arrangement is reviewed regularly, the Trustees consider the performance of the Scheme's investments at each meeting.

The last review of the default arrangement was carried out in November 2018. The review involved analysis of the profile of members' age and pot sizes to help determine whether other de-risking patterns and at-retirement allocations would be more suited to members' needs. The key areas that the review considered were.

- A review of the existing default lifestyle path, which currently targets an annuity purchase and cash lump sum at retirement;
- A review of the growth phase of the lifestyle strategy, with particular focus on the sophistication of the investment portfolio;
- The suitability of the de-risking phase of the lifestyle strategy; and
- The appropriateness of the self-select fund range options available to members.

Following the review, the Trustees decided that they are satisfied with the Scheme's current investment arrangements, and chose to make no changes at this time.

No review of the default arrangement was undertaken during the scheme year, the Trustees acknowledge their requirement to carry out an investment strategy review on at least a triennial basis. The next review is set to take place in 2021.

The Annuity Lifestyle's growth phase invests predominantly in equities, with modest allocations to property, bonds and cash. Overall these investments are expected to provide long term (above inflationary) growth with some protection against inflation erosion, albeit with volatility. Long-term returns in excess of earnings inflation are generally required for members' attaining an adequate income in retirement. Younger members can withstand the potential downside of equities as they have sufficient time for markets to recover.

As members' investments grows, investment risk will have a greater impact on retirement outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce risk as members approaches retirement is appropriate. This is achieved via automated lifestyle switches over the eight-year period prior to a member's retirement date. As the default investment arrangement targets annuity purchase at retirement, members' investments switch into assets that will match annuity purchase rates, such as government bonds. In line with current regulations regarding tax-free cash, 25% of the retirement asset allocation is in cash.

Members that do not believe that an annuity targeting strategy is suitable for their circumstances, but are not comfortable selecting their own investments, are able to select alternate lifestyle strategies.

2. Core financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. This includes;

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

The Trustees operate a system of internal controls aimed at monitoring the Scheme's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions, as well as non-core transactions such as the responses to member queries. Such controls are:

- Appointing a **professional pension administrato**r provider, Mercer Limited (the "administrator").
- Having in place **service level agreements** ("SLAs") with the Administrator that cover all core administration processes, including core financial functions. The Trustees at each meeting review the administration reports, produced by the administrator. Service level standards are reviewed periodically to ensure they remain appropriate and meet legislative requirements.
- Ensuring **disaster recovery plans** are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Maintaining a **Risk Register**, which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register that are monitored and reviewed on a regular basis.
- The **Schedule of Contributions** sets out the contributions to remit monthly to the Scheme and confirms the amounts and timescales. Once received, contributions are invested in accordance with timescales set out in the administrations agreement with the administrator.
- As a wider review of the Scheme Administrator in general, the administrator employs an independent auditor to prepare an annual **report on their internal controls** (AAF01/06/ ISAE 3402) which the Trustees have sight of.

The Trustees recognise that delay and errors can cause significant losses for members. Delay and errors can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future retirement outcomes.

The Trustees challenge the administrator with regard to the processing of core financial transactions. The administrator is aware of the statutory deadlines for the processing of all member-related services, including core financial functions such as investment switches and benefit payments, and have confirmed that all core financial transactions over the year for the Scheme were invested on time and within with the statutory deadlines. The Trustees will continue to seek the relevant details to support effective monitoring of these processes.

The Trustees are satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the period to which the Statement relates.

3. Charges, transaction costs and value for money

As required by the Administration Regulations, the Trustees are required to report on the charges and transactions costs for the investments used in the default arrangements and their assessment on the extent to which the charges and costs represent good value for members.

The range of charges and transaction costs applicable to the default arrangement during the period are detailed in this section. In relation to transaction costs, we note that when buying and selling investments, transaction costs can be incurred. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading.

The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available.

Charges relating to investment costs are deducted from members' funds. The Scheme is used as a qualifying arrangement for auto enrolment and as such must comply with regulations on charge controls introduced from April 2015. Specifically, all of the default investment arrangements under the Scheme must have a total expense ratio equal to, or below, the charge cap of 0.75% p.a. of savings. The Trustees can confirm this threshold is adhered to.

The tables below show the total expense ratio (TER) and transaction costs in each of the funds used by the Scheme. The overall charge being deducted from a member's fund, if in the default lifestyle arrangement, will reflect the member's allocations in each of the underlying funds. The TER is at its highest during the growth phase, falling during the eight years prior to the Selected Retirement Age, to reflect the automated transition of assets into less expensive funds.

The current charges are provided below, the transaction costs have been provided by LGIM:

Fund	Total Expense Ratio (% p.a.)	Transaction Costs (% p.a.)
L&G Global Equity 30:70 Index Fund	0.21	0.04
L&G Pre-Retirement Fund	0.15	-0.02
L&G Sterling Liquidity Fund	0.13	-0.04
L&G Dynamic Diversified Fund	0.51	0.11
L&G Retirement Income Multi-Asset Fund	0.37	0.04

Source: LGIM (data as at 31 March 2020)

Members of the Defined Benefit section are able to invest in AVCs in a range of funds offered by Prudential. Details of the funds and charges, where available, are

Fund	Total Expense Ratio (% p.a.)	Transaction Cost (% p.a.)
Prudential Cash Fund	0.55	0.00
Prudential Discretionary Fund	0.75	0.09
Prudential UK Equity Fund	0.75	-0.06
Prudential Fixed Interest Fund	0.75	0.22
Prudential Global Equity Fund	0.75	0.02
Prudential Index linked Fund	0.75	0.23
Prudential International Fund	0.75	0.08
Prudential Deposit Fund	*	0.00
Prudential With-Profit Fund	**	0.09

Source: Prudential (data as at September 2019)
* Interest is declared net of charges
** Charges depend on performance of with-profit fund. Prudential expect these to be 1% p.a.

The impact of costs and charges

In accordance with regulation 23(1) (ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples. The below illustration has taken into account the following elements:

- Savings pot size;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To make this representative of the membership, the Trustees have based this on an average member age of 47, using a starting pot size of £59,300 and assumes an overall contribution level of 13%. An assumed starting salary of £52,000 has been used, with an assumed 2.50% salary increase per year.

Projected DC Account in Today's Money (£)								
	Most Popular Fund		Most Expensive Fund		Highest Expected Growth		Least Expensive Fund & Lowest Expected Growth	
	Annuity Lifestyle		L&G Dynamic Diversified Fund		L&G Global Equity 30:70 Index Fund		L&G Sterling Liquidity Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	67,790	67,490	67,660	67,230	67,910	67,740	65,450	65,370
2	76,510	75,860	76,240	75,320	76,780	76,410	71,540	71,370
3	85,480	84,430	85,050	83,560	85,910	85,320	77,570	77,300
5	104,160	102,170	103,330	100,510	104,990	103,860	89,460	88,970
10	155,580	150,240	153,330	145,820	157,880	154,800	118,180	117,030
15	200,520	191,260	210,090	195,650	219,090	213,020	145,530	143,580
18	217,390	207,040	247,770	227,900	260,350	251,880	161,300	158,820

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Starting pot size is assumed to be £59,300 and future contributions of 13% have been assumed
3. When allowing for the transaction costs within the growth assumptions, the Trustees have used an average of the transaction costs provided by L&G for the 2018/19 and 2019/20 Scheme years. This is because the transaction cost for each will fund will fluctuate, so using an average is likely to be more accurate over a long time period.
4. Starting salary is assumed to be £52,000 with an assumed increase of 2.50 % per year, inflation has also been assumed at 2.5% per year.
5. Values are estimates and are not guaranteed
6. The projected growth rates for each fund are as follows:

(a) Annuity Lifestyle (Default arrangement): between 2.77% and -0.98% p.a. gross real return above inflation.

(b) L&G Dynamic Diversified Fund (Most Expensive): 2.57% p.a. gross expected real return above inflation.

(c) L&G Sterling Liquidity Fund (Least Expensive and Lowest Expected Growth): -0.98% p.a. gross expected real return above inflation.

(d) L&G Global Equity (30/70) Index Fund (Highest Expected Growth): 2.97% p.a gross expected real return above inflation.

The Trustees have presented a further illustration below, to reflect the position for younger members of the Scheme.

This is based on a member age of 19, using a starting pot size of £2,400 and assumes an overall contribution level of 11% of salary. An assumed starting salary of £21,500 has been used, with an assumed 2.50% salary increase per year.

Projected DC Account in Today's Money (£)								
	Most Popular Fund		Most Expensive Fund		Highest Expected Growth		Least Expensive Fund & Lowest Expected Growth	
	Annuity Lifestyle		L&G Dynamic Diversified Fund		L&G Global Equity 30:70 Index Fund		L&G Sterling Liquidity Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	4,860	4,840	4,850	4,820	4,870	4,860	4,730	4,720
2	7,390	7,340	7,370	7,290	7,410	7,380	7,040	7,020
3	9,990	9,890	9,950	9,810	10,030	9,970	9,320	9,300
5	15,410	15,180	15,320	14,990	15,500	15,360	13,830	13,770
10	30,320	29,500	29,990	28,840	30,650	30,180	24,710	24,530
15	47,420	45,560	46,650	44,060	48,200	47,120	35,080	34,700
20	67,010	63,560	65,560	60,800	68,510	66,490	44,940	44,330
25	89,480	83,750	87,030	79,200	92,010	88,620	54,340	53,430
30	115,240	106,380	111,410	99,440	119,220	113,920	63,280	62,050
35	144,760	131,750	139,090	121,690	150,710	142,840	71,800	70,200
40	176,080	157,990	170,520	146,160	187,160	175,900	79,910	77,900
45	191,120	170,020	206,210	173,070	229,360	213,690	87,630	85,200
46	191,610	170,470	213,900	178,760	238,560	221,880	89,130	86,610

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. Starting pot size is assumed to be £2,400 and future contributions of 11% have been assumed
3. When allowing for the transaction costs within the growth assumptions, the Trustees have used an average of the transaction costs provided by L&G for the 2018/19 and 2019/20 Scheme years. This is because the transaction cost for each will fund will fluctuate, so using an average is likely to be more accurate over a long time period.
4. Starting salary is assumed to be £21,500 with an assumed increase of 2.50 % per year, inflation has also been assumed at 2.5% per year.
5. Values are estimates and are not guaranteed
6. The projected growth rates for each fund are as follows:

(a) Annuity Lifestyle (Default arrangement): between 2.77% and -0.98% p.a. gross real return above inflation.
(b) L&G Dynamic Diversified Fund (Most Expensive): 2.57% p.a. gross expected real return above inflation.
(c) L&G Sterling Liquidity Fund (Least Expensive and Lowest Expected Growth Fund): -0.98% p.a. gross expected real return above inflation.
(d) L&G Global Equity (30/70) Index Fund (Highest Expected Growth): 2.97% p.a gross expected real return above inflation.

The Trustees acknowledge the requirement to publish the Statement of Investment Principles and relevant sections of this Statement on a publicly accessible website and this page will be available in time for the deadline of seven months following the Scheme year-end.

4. Value for Money

In accordance with regulation 25(1) (b), the Trustees are required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether they represent good value for members, relative to peers and alternative arrangements that are available.

The Trustees assessed the extent to which the charges set out above, alongside other elements of the Scheme represent good value for members and has concluded, in consultation with their DC advisers, that the Scheme offers good value. We have based this conclusion on the competitive fees, and overall favourable investment performance for underlying funds. The Trustees' assessment framework includes benchmarking against peers, and consideration of the Scheme relative to alternative options available to the Trustees with different investment managers, governance structures and providers:

The Trustees' value for members assessment considered:

- Annual management charges.
- Net cost of performance.
- Fund range available to members.
- Investment manager and platform provider ratings.
- Additional services available to members, including at retirement options, services and the availability of member tools.

In September 2020, the Trustees concluded that it believes the overall benefits and options represent good value in relation to the costs payable by members. The reasons underpinning this conclusion includes;

- The Trustees are satisfied that Mercer's administration team has provided a good service during the Scheme year.
- Charges on funds are below the median charges for similar funds offered to schemes or a similar size. In addition, administration costs are not met via member-borne charges.
- The passively managed funds have performed within the agreed tracking error and the actively managed funds have performed in line with expectations.

In other areas the assessment found that the Scheme offers good value for members across the range of additional features for members, including scheme governance and management, administration, and communications, including member presentations held in November 2019.

In July 2020, online access and projection tools, enabling members to better plan for retirement were made available to members, further enhancing the value members receive.

The non-financial benefits of membership were also considered and included (amongst other things): the efficiency of administration processes and the extent to which Mercer as administrator met its service level agreements for the year; the communications delivered to members; and the quality of Scheme governance.

The Trustees will continue to monitor the administration and performance of the Scheme's investment funds.

5. Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme as a whole, not just the Defined Contribution section.

The requirement has been met during the course of the Scheme year and the Trustees have undertaken regular training throughout the year;

- The Trustees receive topical training from their advisers at each meeting.
- The Trustees received training on new requirements, following the UK Competition and Markets Authority review regarding fiduciary management.
- In June 2019, the Trustees' legal advisers presented a session on ESG regulations and funding principles and fiduciary duties.

The Trustees are conversant with, and have a working knowledge of, the Trust Deed and Rules and the policies and documents setting out the Trustees' running of the Scheme. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme's legal advisers. The Trustees are conversant with, and have a working knowledge of, the current SIP. The Trustees undertake regular training on investment matters and review the investments held by the Scheme at each meeting. The Trustees have sufficient knowledge of investment matters to be able to challenge their advisers.

The Trustees receive professional advice from Mercer and other advisers to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules, and the relevant skills and experience of Mercer is a key criterion when evaluating advisor performance or selecting new advisors. The advice received by the Trustees along with its own experience allows them to properly exercise their function as Trustees.

The Trustees have a robust training programme in place for newly appointed Trustees. Upon appointment, a trustee is required to undertake completion of the Pensions Regulator's online training programme, over the year the Trustees produced an on boarding guide for new trustees.

The Trustees undertook a number of activities over the past year which demonstrates how they have a working knowledge of pension & trust law, funding & investment principles, Trust Deed and Rules and the SIP. These activities include:

- A log detailing Trustees training is maintained, which includes the modules of the Pension Regulator's Trustee Toolkit undertaken. The log is reviewed regularly.
- Carrying out a review of, and updating the Scheme's Risk Register.
- Working with their legal advisers to resolve queries in relation to historic deeds.
- Updating the Scheme's SIP, to include the Trustees' policy on ESG considerations.
- The Trustees have updated the SIP to include their policy on engaging with their investment manager.
- The Trustees also undertake ongoing training, both as a group and individually to keep abreast of relevant developments.
- The Trustees review and assesses, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.
- The Trustees' meetings held in the period for this statement were attended by the Scheme's advisers, with training and advice delivered as part of the business at these meetings and is incorporated by the Trustees into their decision making processes.

The Trustees believe that the best run pension schemes utilise the combined skill and knowledge of both the Trustees and their professional advisers. The relevant skills and experience of those advisers are key criteria when evaluating advisor performance and selecting new advisers.

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

Signed for and on behalf of the Trustees of the Basell Polyolefins UK Pension Scheme

Signature: .... (Chair of Trustees)

Date: 30/10/2020