

ELG Haniel Metals Limited Pension and Assurance Scheme

Statement of Investment Principles – January 2025

1. Introduction

The Trustees of the ELG Haniel Metals Limited Pension and Assurance Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustees’ investment responsibilities are governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard.

This Statement replaces the previous statement dated August 2024.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with ELG Metals UK Limited (the “Sponsor”) to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme’s investment arrangements and, in particular on the Trustees’ objectives.

2. Process For Choosing Investments

In December 2024, the Trustees undertook a “buy-in” by using the vast majority of the Scheme’s assets to purchase a bulk annuity insurance policy with JUST Retirement Limited (“JUST”), a UK insurance company authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”). Under this policy, JUST undertake, via the Scheme, to pay the Scheme’s benefit obligations to members as they fall due. The Trustees purchased the policy with JUST having considered appropriate advice from their advisors. Following the redemption of the majority of the Scheme’s assets to purchase the bulk annuity policy, a small portion of residual assets remain invested and the monies held in the Trustee Bank Account will be used to fund any ongoing expenses, whilst the residual asset redemption proceeds are paid out.

In this capacity, the Scheme’s residual assets, beyond the bulk annuity policy, remain temporarily invested in a multi-client collective investment schemes (“Mercer Fund”) managed by a management company (Mercer Global Investments Management Limited (“MGIM”). MGIM has appointed Mercer Global Investments Europe Limited (“MGIE”) as investment manager of the Mercer Fund. In practice, MGIE delegates the discretionary investment management for the Mercer Fund to third party investment managers. However, the final Mercer Fund held is being wound-up and is therefore paying-out redemption proceeds in tranches, which are paid directly to the Trustee Bank Account as and when the underlying holdings within the Mercer Fund are realised.

In considering the appropriate investments for the Scheme, and subsequent transition to JUST, the Trustees have obtained and considered the written advice from an Investment Consultant and Risk Transfer Consultant, both of whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustees' primary objective is to invest the Scheme's assets in the best interest of the members, beneficiaries and the Sponsor and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this context, 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 Scheme is exposed. The Trustees' primary objectives are as follows:

- To ensure that the Scheme can meet its obligations to the beneficiaries.
- To provide protection for members' accrued benefits.

The Trustees believe the best way of achieving this is by securing all members' benefits with an insurance company.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk. This risk has materially reduced through the purchase of the bulk annuity policy but the Trustees acknowledge a number of risks remain, including but not limited to:
 - 1) **Counterparty risk** – the risk that JUST may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contract, the Trustees obtained and carefully considered professional advice regarding the financial strength of JUST. The Trustees accepted the advice, namely that JUST was financially strong and had sufficient capital resources to support the proposed transaction and that, correspondingly, there was no reason in relation to financial strength why the transaction should not proceed. In addition, the Trustees are aware that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS").
 - 2) **Liquidity risk** – the risk that the Scheme's assets are not sufficiently liquid to meet the Scheme's cashflow requirements. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with JUST. Prior to purchasing the policy, the Trustees were satisfied that all known members' benefits would be insured in full.
 - 3) **Lack of diversification** – The Trustees recognise that entering into an annuity contract with a single provider represents a concentration of risk. However, the Trustees are satisfied that this risk is acceptable after due diligence on JUST.
- Other risks remain that relate to the residual Mercer Fund holding and the wider investment strategy. The way in which these risks are managed are set out below:
 - To help the Trustees monitor the performance of the residual assets in the Mercer Fund, Mercer continues to provide the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Fund, alongside updates on the distribution of redemption proceeds such that the Trustees can understand the likely value to be realised.

- To help diversify manager specific risk, within the context of the residual assets in the Mercer Fund, the Trustees expect that the Scheme's assets are managed by appropriately experienced underlying asset managers.
- The Trustees recognise the risks inherent in holding illiquid assets, which is being borne out in the management of the residual Mercer Fund.
- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.

Should there be a material change in the Scheme's circumstances, the Trustees will advise Mercer, who will review whether, and to what extent, the investment arrangements should be altered. However, the Trustees acknowledge that given the illiquid nature of the bulk annuity policy purchased and the residual Mercer Fund being wound-up, there may be limited alternatives available to them.

5. Investment Strategy

The Trustees are accountable for the investment of the Scheme's assets. The Trustees delegate some aspects of the Scheme's investment arrangements in order to manage the Scheme's affairs effectively.

The Trustees, following consultation with the Sponsor, purchased a bulk annuity policy issued by JUST. JUST is authorised by the Bank of England PRA to write contracts of long-term life insurance of this nature in the UK.

Whilst Mercer remain appointed as the Trustees' Investment Consultant, the Trustees acknowledge that there are no investment decisions regarding the Scheme's remaining residual Mercer Fund holding since it is being wound-up. However, Mercer remains responsible for overseeing and reporting back to the Trustees on the progress of the Fund termination and distribution of proceeds, as well as assisting the Trustees in meeting all other investment-related regulatory requirements.

6. Realisation of Investments

The Trustees, on behalf of the Scheme, hold residual units in a Mercer Fund. In its capacity as investment manager to the Mercer Fund, MGIE, and the underlying third party asset managers appointed by MGIE within parameters stipulated in the relevant appointment documentation, are currently managing the process for realising the investments. This is being done in an orderly manner, with the best interest of investors in mind, to wind-up the Mercer Fund.

7. Cash flow and cash flow management

The Trustees have instructed Mercer that proceeds from the residual Mercer Fund holding are to be immediately transferred directly to the Trustee Bank Account upon receipt.

8. Rebalancing

Rebalancing of assets is no longer applicable following the purchase of the bulk annuity and with the residual Mercer Fund being wound-up.

9. Environmental, Social and Corporate Governance, Stewardship, and Climate Change

The Trustees believe that good stewardship and the incorporation of environmental, social, and corporate governance ("ESG") factors into investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme's assets over the medium and long-term. The Trustees also recognises that long-term

sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to JUST in relation to the majority of the Scheme's assets via a bulk annuity policy, and to Mercer in relation to the residual Mercer Fund holding.

The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are, however, satisfied that JUST apply due consideration to ESG issues in the investment of assets underlying the contract.

The Trustees recognise the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches. Whilst this continues to be the case for the residual Mercer Fund holding, the Trustees acknowledge that there is unlikely to be any formal action taken as the Fund is in the process of being wound-up.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustees have not set any investment restrictions in relation to the residual Mercer Fund holding or to JUST in respect of the bulk annuity policy.

10. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustees' choice of insurer taking the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remunerating the insurer.

In regard to the Scheme's residual Mercer Fund holding, Mercer receive fees as a percentage of the amount invested, which will reduce over time as the Fund is wound up. As such, the Trustees do not intend to monitor turnover costs explicitly in relation to this holding.

11. Additional Voluntary Contributions ("AVCs")

The Trustees are responsible for the investment of AVCs paid by members. Assets in respect of members' AVCs are held in insurance contracts invested with ReAssure Limited.

The Trustees review these arrangements from time to time to ensure that they remain consistent with the needs of the members.

12. Custodians

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers.

The Trustees are not responsible for the appointment of the custodian of the assets contained within the residual Mercer Fund holding. However, the Trustees are comfortable

that MGIM has procedures in place for the appointment and monitoring of the relevant custodians and for conducting periodic reviews.

13. 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 believes 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.

Agreed for and on behalf of the Trustees of the ELG Haniel Metals Limited Pension and Assurance Scheme