Tessenderlo UK Group Pension Scheme

Statement of Investment Principles

December 2022

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1. Introduction

Scheme Background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for the Tessenderlo UK Group Pension Scheme (the “Scheme”).

- The Scheme:

– operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries;

– provides benefits calculated on a defined benefit basis;

– has secured a bulk purchase annuity policy that is expected to provide members’ benefits.

- Buck is the investment consultant to the Trustees.

Statement Structure

This Statement is divided into two main sections as follows:

- **Statutory Section:** This section covers the requirements of and the Scheme’s compliance with the provisions of the Pensions Act 1995 and 2004 as amended by the Occupational Pension Schemes (Investment) Regulations 2005.

- **Myners Section:** This section includes additional non-statutory information that was recommended by the Myners Principles and is now included in a strengthened Statement.

2. Statutory Information

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 and 2004 as amended by the Occupational Pension Schemes (Investment) Regulations 2005. In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the sponsoring employer.

- The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.

- The investment manager will prepare detailed quarterly reports on their activities and the Trustees will meet with them periodically.

- This Statement will be reviewed periodically (at least every three years) or whenever changes to the investment strategy or investment manager are made. Any changes to this Statement will be undertaken following advice from the investment consultant, as will any removal and/or appointment of the investment manager.

- All of the Scheme's investment decisions are under the control of the Trustees, with no constraint by the sponsoring employer. All investment decisions are taken by the Trustee Board as a whole. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

Statutory requirements

- This part of the Statement details the Trustees' policy to secure compliance with the requirements of sections 35 and 36 of the Pensions Act 1995.

Investment objectives and suitability of investments

- The Scheme's investment strategy has been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and the need to take due account of the Scheme's liabilities.

- The agreed investment strategy involves the pensioner and deferred member liabilities being secured by a bulk purchase annuity policy with Just Retirement.

- In addition, the Trustees also have an investment in the Baillie Gifford ("the investment manager") Diversified Growth Fund ("residual assets"), which will be used to make further payments as agreed by the Trustees.

- The Trustees' primary objective is to operate an investment strategy that provides appropriate security for all beneficiaries, and will allow them to ultimately buy-out the Scheme's liabilities.

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions for the residual assets has been delegated to the investment manager authorised under the Act. Details are included in the appendices.

Diversification

- Subject to the respective benchmarks and guidelines the investment manager has been given full discretion over the choice of stocks and is expected to maintain a diversified portfolio.

- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Scheme, the Trustees have decided to invest the residual assets on a pooled fund basis.

- The Trustees are satisfied that the pooled vehicle in which the Scheme's residual assets are invested provides adequate diversification.

Balance between different kinds of investments

- The appointed investment manager will hold a diversified mix of investments in line with its agreed benchmark. Within each major market, the manager will maintain a diversified portfolio of stocks within pooled vehicles.

Risk

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. This is considered to be a very small risk given the holding in the bulk purchase annuity policy and the residual assets. The risk of the provider of the bulk purchase annuity policy failing is expected to be very low.

Expected return on investments

- The investment strategy is believed to be capable of meeting the Trustees' aim of achieving full buy-out of the Scheme's liabilities.

Kind of investments to be held

The majority of the Scheme's assets are invested in a bulk purchase annuity policy, with the residual assets invested in quoted and unquoted securities of UK and overseas markets including, for example, equities, bonds and cash, via pooled investment vehicles that are considered to be appropriate for tax-exempt registered UK occupational pension schemes.

Realisation of investments

- The bulk purchase annuity policy held in the name of the Scheme is an illiquid investment and cannot be surrendered, sold or "cashed-in" in the future. It is an asset that will be held in perpetuity until the last payment is made or such time as it is converted to individual buy-out policies for insured members upon buy-out.

- In the event of an unexpected need to realise all or part of the residual assets held in pooled funds, the Trustees require the investment manager to be able to realise the Scheme's investments within a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The residual assets are not expected to take an undue time to liquidate.

Financially material considerations

- The Trustees expect their investment manager, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

- The Trustees have been provided with the investment manager's policies in respect of financially material considerations and are satisfied that these are consistent with the above approach.

- The Trustees will take into account the managers' ESG policies when appointing and reviewing investment managers.

Non-financial matters

- The financial interests of the members is the Trustees' first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

Stewardship in relation to the Scheme's assets

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment manager. The Trustee recognises that the existing investment strategy provides only limited potential to influence engagement due to the nature of the assets and time horizon.

Engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment manager and the Trustees expect the investment manager to use its discretion to maximise financial returns for members.

Voting rights

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the investment manager to exercise those rights. The investment manager is expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing investment managers.

Additional voluntary contributions ("AVCs")

- The Scheme provides a number of facilities for existing AVC funds that enhance individuals' benefits at retirement. The Trustees' objective is to provide vehicles that enable these members to generate suitable long-term returns, consistent with their reasonable expectations.

- The Trustees also consider that, in making a restricted number of funds available from the chosen providers, they have provided these members with a range of options to meet their reasonable expectations.

- The investment funds are provided by Aegon, Aviva, Prudential and Standard Life.

- The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of their monitoring of performance and process.

- The Trustees will measure performance of the AVC providers in the light of its performance relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

The Trustees' policy in relation to their investment manager

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies

The Trustees have delegated the day to day management of the Scheme's residual assets to an investment manager. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment manager to adhere to their stated policies and objectives.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

- The Trustees, in conjunction with their investment consultant, appoint their investment manager and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment manager to make decisions based on assessments about the financial performance of underlying investments, and that it engages with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

- The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

- The Trustees expect their investment manager to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in its appointment documentation. The Trustees review the investment manager periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

- If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees' policies they will make their concerns known to the investment manager and may ultimately disinvest.

- The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management.

- Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

- The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment manager used by the Scheme.

- The Trustees expect turnover costs of the investment manager to be in line with its peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment manager should follow its stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

- The bulk purchase annuity policy entered into by the Trustees cannot be surrendered and is an asset that will be held until the last benefit payment is made or such time as it is converted to individual buy-out policies for insured members on buy-out.

- In relation to the residual assets, the Trustees retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

3. Myners Principles

The original Myners review of "Institutional Investing in the UK" was published in March 2001. It included a set of 10 Principles that pension scheme trustees were recommended to use when considering their investment strategy for defined benefit pension schemes and 11 Principles for defined contribution pension schemes. The Government endorsed the report with some minor modifications on 2 October 2001. Pension scheme trustees were asked to comply with the Principles on a voluntary basis. The Myners Principles recommend that certain issues were included in the Statement.

The Myners Principles were subsequently reviewed in October 2008; the explicit requirement to include certain items in a strengthened Statement was removed and replaced with a requirement for Trustees to act in a transparent and responsible manner. By making the following statements the Trustees believe that they are complying with the spirit of these principles.

Responsible ownership

Details of the responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments are included in Section 2.

Transparency & reporting

The Trustees have discretion over the form of reporting they wish to undertake. This Statement provides the following details of the Trustees' investment approach:

- Who is taking which decisions and why has the structure been selected?

  Details of the Trustees' decision making structure are included in Section 2.

- What is the Trustees' investment objective?

  Details of the Trustees' investment objectives are included in Section 2, with the appointed investment manager's specific objectives set out in Appendix 1.

- What is the Trustees' asset allocation strategy, including projected investment returns in each asset class, and how the strategy has been selected?

  Details of the Trustees' asset allocation strategy are included in Appendix 1. The strategy was determined after taking advice from the investment consultant and consultation with the sponsoring employer and the Scheme Actuary.

- What are the mandates given to all advisers and the investment manager?

  The responsibilities of the Trustees, the investment consultant and the investment manager are outlined in Section 3, while the investment manager's mandates are specified in Appendices 1 and 2.

- What is the nature of the fee structures in place for all advisers and the investment manager; and why this set of structures has been selected?

  Details of the fees charged by the investment manager and the investment consultant are included in Appendix 2. The Trustees have discussed and agreed these fees following consultation with their advisers, where appropriate, and believe they are reasonable for the services they receive.

Appointments & responsibilities

Trustees

The Trustees' primary responsibilities regarding investments include:

- Preparation of the Statement and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the sponsoring employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment manager(s).

- Appointing an investment consultant and investment manager(s) as necessary for the good stewardship of the Scheme's assets.

- Reviewing the investment strategy following the results of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant and the Scheme Actuary.

- Assessing the processes (and therefore the performance) of the investment manager by means of regular, but not less than annual, reviews of information obtained (including investment performance).

- Monitoring compliance of the investment arrangements with this Statement on a regular basis, anticipated to be annually.

- Monitoring risk and the way in which the investment manager casts votes on behalf of the Trustees in respect of the Scheme's equity holdings within the diversified pooled vehicle.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this Statement in consultation with the sponsoring employer (not less than every three years).

- Undertaking project work including reviews of the investment strategy, investment manager structure and their performance as required by the Trustees.

- Advising the Trustees on the selection and review of the investment manager.

- Advising upon where contributions should be invested/divested as and when requested.

Investment manager

The investment manager's main responsibilities include:

- Investing assets in a manner that is consistent with the objectives set.

- Ensuring that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.

- Attending meetings with the Trustees as and when required.

- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.

- Exercising voting rights on share holdings in accordance with their general policy.

Bulk purchase annuity provider

The Bulk Purchase Annuity provider's main responsibilities include:

- Updating Scheme data and benefits as agreed with the Trustees under the terms of the policy.

- Providing monthly payments to the Trustees of specified benefits in respect of insured beneficiaries and dependants covered under the terms of the policy.

Custodian

- The custodianship arrangements are those operated by the investment manager for all clients investing in their pooled fund(s) which is Bank of New York.

Administrators

- The Scheme's administration is carried out by Buck.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short/medium and long-term investment objectives.

Performance monitoring

- Each of the pooled vehicles in which the Scheme invests has a stated performance objective by which the performance is measured.

- The investment manager is expected to provide a written report to the Trustees on a quarterly basis.

- The Trustees will review the performance of the appointed investment manager on a quarterly basis, along with reasons for this performance.

Signed on behalf of the Trustees of the

Tessenderlo UK Group Pension Scheme

Name	Signature	Date

Appendix 1 – Strategic Benchmark & Objectives

Scheme's current asset allocation

The majority of the Scheme's assets are held in a bulk purchase annuity policy with Just Retirement which is expected to pay for members' benefits as they fall due. This policy is excluded from the Scheme's other assets detailed below:

The Scheme's long-term target asset allocation is tabulated below, noting that all of the assets are invested with Baillie Gifford:

Fund	Long-Term Target Asset Allocation (%)
Diversified Growth	100
Total	**100**

Benchmarks & performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme is invested are outlined below.

Fund	Benchmark Index/Objective
Diversified Growth	Bank of England Base Rate +3.5% p.a. (net of fees) over rolling 5 year periods with annual volatility of less than 10%

Appendix 2 – Fees

Investment manager fees

Fund	Investment Style	Fee (% p.a.)
Diversified Growth	Active	0.55

The annual management charge ("AMC") at the standard rate for the Funds (as set out above) is deducted from the value of the Funds daily in calculating the unit price.

Investment consultancy fees

The investment consultant provides agreed services on a combination of a fixed fee and a time cost basis.

The basis of remuneration is kept under review.