Firth Rixson Retirement Benefit Plan

Statement of Investment Principles – September 2020 (replaces August 2020)

1. Introduction

The Trustee of the Firth Rixson Retirement Benefit Plan ("the Plan") has drawn up this Statement of Investment Principles ("Statement") to comply with the requirements of:

- The Pensions Act 1995, as amended;
- The Occupational Pension Schemes (Investment) Regulations 2005; and
- Subsequent legislation and associated requirements.

The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments.

As required under the Pensions Act 1995, the Trustee has consulted a suitably qualified person in having obtained written advice from Mercer Ltd. The Trustee believes Mercer Ltd meets the requirements of Section (35)5 of the Pensions Act 1995 (as amended). In preparing this Statement, the Trustee has consulted the Principal Sponsoring Employer to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan's investment arrangements.

The Plan has recently undergone a significant restructuring, which has seen a large proportion of its DB and DC assets and liabilities transfer out (or soon to transfer out) of the Plan (including a direct holding in property). This Statement has been drafted to reflect the Plan's position once these liability and asset transfers have occurred.

2. Plan Governance

The Trustee is accountable for the investment of the Plan's assets. It has appointed a firm of professional consultants (the "Investment Consultant") to provide relevant advice. It also takes advice as appropriate from the Plan Actuary and other professional advisers.

The Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Plan's strategic benchmark and investment manager structure. These decisions are made after considering recommendations from the Plan's advisers.

The Investment Consultant's role is to:

- Provide recommendations on and propose a process for implementing the Plan's investment strategy;
- Monitor any incumbent Investment Managers and recommend changes as appropriate;
- Co-ordinate the implementation of investment management arrangements;
- Advise as to the implications of significant legislative, financial and economic changes;

- Review the Statement and recommend changes as required;
- Provide such advice as requested by the Trustee.

3. Process for Choosing Investments

The Trustee has considered its investment and funding objectives together and in light of the strength of the Sponsoring Employer covenant to ensure that the two are compatible and supportable. The Trustee has then constructed a portfolio of investments consistent with these objectives.

The Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Plan. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Plan, the Trustee has obtained and considered the written advice of Mercer whom the Trustee believes 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).

4. Investment Objectives and Strategy

The objectives set out here, and the risks and other factors referenced, are those that the Trustee determines to be financially material considerations in relation to the Plan.

The Plan's remaining liabilities consist of Enhanced Transfer Values ('ETV's), expenses and other cash-based obligations. The Trustee's objective is to meet the Plan's remaining liabilities as they fall due from liquid asset holdings and then to wind up the Plan.

The Trustee has cash balances in the Trustee bank account to cover the Plan's remaining liabilities.

Given the nature of the liabilities, the investment time horizon is short term. The Trustee expects the Plan to be wound up in full during 2020.

5. Risk Management and Measurement

There are various risks to which any pension scheme is exposed, which the Trustee believes to be financially material to the Plan over its investment horizon. The Trustee's policy on risk management is set out below:

- The primary investment risk arises from a mismatch between the Scheme's assets and liabilities. This is minimised by holding cash to meet the Plan's cash-based liabilities.
- The Employer may be unable or unwilling to finance a shortfall between assets and liabilities. This risk is also minimised by holding cash to meet the Plan's liabilities.

- Credit Risk – the risk that one party to a financial instrument will cause a financial loss to the Plan by failing to discharge an obligation. Credit risk arises on cash balances in the Trustee bank account. The Trustee controls this risk through the balance maintained in the account.

- Currency Risk – all assets and liabilities are denominated or held in Sterling.

- Liquidity Risk – the risk that the Plan does not have sufficient liquid assets to meet payments. All assets are held in cash and considered liquid.

Should there be a material change in the Plan's circumstances, the Trustee will review whether the current risk profile remains appropriate. As its short-term objective is to wind up the Plan, the likelihood of material changes is considered very low.

6. Portfolio Construction and Day–to-Day Management of the Assets

6.1 Assets

The Trustee's assets are held in cash in a Trustee bank account which is managed by the Plan's administrators. The suitability of appointing an investment manager will be considered should circumstances change.

6.2 Engagement with investment managers

The Plan has no assets invested with investment managers. Since the Plan's assets are solely held as cash in a Trustee Bank Account, the Trustee is unable to incentivise investment managers, evaluate performance, remuneration arrangements or monitor portfolio turnover and associated costs as these are not applicable to a Trustee Bank Account. As outlined in Section 4, the Plan's investment time horizon is short term and the Trustee expects the Plan to be wound up in full during 2020.

7. Expected Return

The Trustee expects to generate a cash based return on the Plan's assets.

8. Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with the overall principles set out in this Statement.

The Plan's cash requirements are expected to be met from cash in the Trustee bank account.

9. ESG, Stewardship, and Climate Change

As the Plan's assets are all held as cash in the Trustee bank account, the Trustee does not believe that environmental, social and governance ("ESG") factors, including stewardship and climate change, will have a material financial impact on the Plan's risk and return outcomes.

10. Non-Financial Matters

“Non-financial matters” (where “non-financial matters” includes members’ ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments.

11. Employer-Related Investments

The Trustee will invest in such a way that exposure to employer-related investments will not exceed 5% of total assets.

12. Compliance with and Review of this Statement

The Trustee will monitor compliance with this Statement regularly, and in any event will review this Statement at least once every three years and without delay after any significant change in investment policy. The Statement will also be reviewed in response to any material changes to any aspects of the Plan and its liabilities, finances and attitude to risk of the Trustee and the Employer which it judges to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Employer.

September 2020