The Arconic Britain Pension Scheme

Statement of Investment Principles

Defined Benefit (DB) Section

Investment objective

The Trustee invests the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles, and the Scheme's funding position will be reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme's circumstances.

The Scheme's present investment objective is to achieve a return of 2.0% per annum above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities).

Investment strategy

The Scheme's current strategy is to invest according to the following broad asset allocation:

Asset Class	Central allocation %	Permitted range %	Expected Return (% relative to fixed interest gilts)*
Growth assets			
Global Equities	3.25	+/- 10%	4.0
Emerging Markets Equity	3.25		5.0
Property Secondaries	7.0		6.0
Absolute Return Bonds ("Higher returning")	15.0		2.4
Absolute Return Bonds ("Lower returning")	23.0		1.5
Direct Lending	6.5		4.0
Collateralised loan Obligations (CLOs)	5.0		2.0
Matching assets			
Liability Driven Investments (LDI)	28.0	+/- 10%	0.0
Bond-like property	7.0		2.5
Cash	2.0		0.0
TOTAL	**100.0**		**2.0**

* Based on KPMG's assumptions and asset model as at 30 June 2019.

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 above investment strategy was derived following careful consideration of the factors set out in Appendix 2. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustee considered the merits of a range of asset classes, including various "alternative assets".

The central allocation is shown for the purposes of calculating the benchmark return. The Trustee has agreed with the Company a range for the "growth" and "matching" parts of the portfolio, and have discretion to vary the allocation within each without recourse to the Company.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of reducing the volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

Investment mandates

The Trustee has appointed Kohlberg Kravis Roberts & Co. L.P. ("KKR"), Aviva Investors Pensions Limited ("Aviva"), Partners Group, M&G Investments ("M&G"), Barings, and Legal & General Investment Management ("L&G") to manage the DB assets of the Scheme. The fund managers are authorised and regulated by the FCA under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012.

The performance objectives of the investment managers are set out below:

Asset Class	Manager(s)	Benchmark Index	Performance Objective
Global Equities	L&G	FTSE AW - World Index GBP Hedged (excluding the advanced emerging markets)	Track the benchmark
Emerging Markets Equities	L&G	FTSE AW – All Emerging Markets	Track the benchmark
Absolute Return Bonds ("Higher returning")	M&G	1 month LIBOR	Outperform the benchmark by 3.0% p.a. to 5.0% p.a. over a rolling three year period
Absolute Return Bonds ("Lower returning")	L&G	3 month LIBOR	Outperform the benchmark by 1.5% p.a. over a rolling three year period
Direct Lending	KKR	N/A*	7.0% - 9.0% internal rate of return
Collateralised loan Obligations (CLOs)	Barings	3 month LIBOR	Outperform the benchmark by 2.5% over a full market cycle
Property Secondaries	Partners Group	N/A*	Net multiple of 1.45 – 1.65x over the life of the Fund
Bond-like Property	M&G	50% FTSE 5-15 Year Index-Linked Gilts Index 50% FTSE 15 Year + Gilts Index	RPI + 3% p.a.
	Aviva	50% FTSE 5-15 Year Gilts Index 50% FTSE 15 Year + Gilts Index	Outperform the benchmark by 1.5% p.a.
LDI	L&G	The assets are managed relative to a Scheme specific benchmark comprised of UK Gilts and Gilt Repurchase agreements. The benchmark is designed to hedge approximately 80% of the Scheme's interest rate and inflation exposure on a Gilts flat basis	Track the Scheme specific benchmark

* Partners Group invest in real estate related assets in the secondary market. The objective of the Fund is to provide an attractive internal rate of return and/or multiple of cash invested, and hence there is no directly comparable benchmark for the Fund. KKR make private loans to middle-market European companies and aim to generate an attractive internal rate of return, without a comparable benchmark.

The Trustee has agreed to keep monitoring the asset allocation closely and to rebalance when appropriate.

All decisions about the day-to-day management of the assets have been delegated to the fund manager via a written agreement. This delegation includes decisions about:

- Realisation of investments;
- Social, environmental and ethical considerations in the selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.

The Trustee takes investment managers' policies in the above respects into account when selecting and monitoring managers. The investment manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The Investment Management Agreement set out the limits on the Investment Manager discretions and the authorisations required for certain actions. When choosing investments the Trustees and the Investment Manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (Regulation 4). The Trustee takes fund managers' policies in the above respects into account when selecting and monitoring managers. The fund managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The fund managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the fund manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Investment Manager Monitoring and Engagement

The Trustee monitors and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustee receives a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Scheme's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Social, Environmental, Ethical and Corporate Governance Policy Issues

The Trustee believes that investments which exhibit positive environmental, ethical, social or governance characteristics are likely to exhibit superior investment performance over the longer term.

The Trustee's policy is that, in regard to the investment of the Scheme's assets, including the exercise of rights attaching to investments, decisions should be made by the Investment Managers on the Trustee's behalf, having regard to the best financial interests of the beneficiaries and taking into account such characteristics as an integral part of the decision making process.

The Trustee has investigated the policies of each of their appointed managers to ensure that their actions are consistent with the Trustee's requirements.

Employer-related investments

The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the asset allocation in the DB Section, the choice of investment options available to members in the DC Section, and the appointment and termination of fund managers. The Trustee agrees to regularly monitor the ongoing suitability of the investments held by the Scheme.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, KPMG LLP, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Trustee has established an Investment Committee to monitor the operation of the Scheme's investment strategy, make day-to-day decisions as necessary for the smooth running of the Scheme, and make recommendations to the Trustee on overall strategy. This structure has been established in order to ensure that decisions are taken by those who have the appropriate training and expertise.

Defined Contribution (DC) Investments

A limited number of Scheme members have a money purchase account arising from their legacy membership of the Howmet Ltd Deferred Profit Sharing Account. In addition, some members of the Scheme may have paid (or in the case of active members have the option of paying) Additional Voluntary Contributions (AVCs) which are invested on a money purchase or defined contribution basis.

Investment objective

The Trustee aims to offer a suitable but limited choice of funds from which members of the Scheme may select one or more in which to invest their contributions.

Investment strategy - Howmet Ltd Senior Staff Deferred Profit Share Plan

Members of the Howmet Ltd Senior Staff Deferred Profit Share Plan are invested with Legal & General Investment Management ("L&G"). The investment objective is implemented through offering the following investment option:

Option	Description	Characteristics
Lifestyle Strategy	Using: L&G Diversified Fund L&G Cash Fund	10 year switching period Quarterly switching frequency Targeting 100% cash at Normal Retirement Date

Expected Return on Assets

The Diversified Fund has been chosen for its growth potential and the underlying diversification of assets is anticipated to reduce volatility. The Lifestyle strategy adopted as the default treatment of the deferred profit sharing account is to provide a pension commencement lump sum at retirement.

The investment options are regularly reviewed to ensure they remain suitable. The Trustee provides information to members to assist them in managing their own investment risk within the choice of funds available to them. Members are also encouraged to take independent financial advice.

The assets held within each investment option are and will be suitably diversified, to spread the risks of investing. This is monitored by the Trustee, who receive advice from suitably qualified investment consultants. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

Investment mandates

The Trustee has appointed L&G to manage the assets of Howmet Ltd Senior Staff Deferred Profit Share Plan. The fund manager is authorised and regulated by the FCA under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012. The Lifestyle Investment option is implemented using two pooled funds with the following objective:

Option	Performance objective	Benchmark index
Diversified Fund	The investment objective of the Fund is to provide long-term investment growth through exposure to a diversified range of asset classes.	FTSE Developed World Index (50% hedged to GBP).*
Cash Fund	This Fund consists of monies which are invested in short term instruments, up to a normal maximum of 35 days, from high quality borrowers aiming to achieve a gross return of at least 7 day LIBID.	7 Day LIBID.

*** The Fund does not track a specific benchmark and the one provided is for performance comparison only**

All decisions about the day-to-day management of the assets within each pooled fund have been delegated to the fund manager. This delegation includes decisions about:

- Realisation of investments;
- Social, environmental and ethical considerations in the selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.

The Investment Management Agreement set out the limits on the Investment Manager discretions and the authorisations required for certain actions. When choosing investments the Trustee and the Investment Manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (Regulation 4). The Trustee takes fund managers' policies in the above respects into account when selecting and monitoring managers. The fund manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable. The Trustee regularly review the fund managers' performance and investment policy.

The fund managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the respective fund manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Additional Voluntary Contributions (AVCs)

Members' AVCs may be invested in the following funds:

- L&G Diversified Fund
- L&G Cash Fund
- Lifestyle Strategy using L&G Diversified Fund and L&G Cash Fund

Members' AVCs are also invested in legacy with-profits funds with the following providers:

- Clerical Medical
- Equitable Life
- Scottish Widows
- Prudential
- Standard Life
- Phoenix Life
- Scottish Friendly (formerly Marine & General)

However these funds are closed to new contributions.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Signed:.............................

Date: 27/09/2019.

Appendix 1

1 Investment Manager Fees

1.1 The fees for each of the Investment Managers in the DB Section are detailed in the table below:

1.1.1	Investment Manager:	Legal and General Investment Management ("L&G")
	Product:	LDI
	Fee:	L&G charge a management fee of 0.06% p.a. on the monthly average present value of the liabilities hedged by Total Hedging Assets In addition to the above, a fee of 0.08% p.a. will apply in respect to the L&G Sterling Liquidity Fund.
1.1.2	Investment Manager:	Legal and General Investment Management
	Product:	Absolute Return Bond Fund
	Fee:	0.25% p.a. investment management fee
1.1.3	Investment Manager:	Legal and General Investment Management
	Product:	Passive World Equity Index & Passive Emerging Markets Equity Index
	Fee:	L&G charge a tiered fee based on the level of assets invested. The fee schedule for World Equity Index is as below: • 0.223% p.a. for the first £5 million • 0.198% p.a. for the next £10 million • 0.173% p.a. for the next £35 million • 0.148% p.a. for the balance above £50 million The fee schedule for Emerging Markets Equity Index is as below: • 0.450% p.a. for the first £5 million • 0.350% p.a. for the next £5 million • 0.300% p.a. for the balance above £10 million
1.1.4	Investment Manager:	M&G Investments
	Product:	Secured Property Income Fund
	Fee:	0.50% investment management fee.
1.1.5	Investment Manager:	Aviva Investors
	Product:	Lime Property Fund
	Fee:	0.40% p.a. of gross asset value
1.1.6	Investment Manager:	Partners Group
	Product:	Global Real Estate Secondary 2009 Fund
	Fee:	1.25% p.a. management fee plus 10.0% performance fee for returns above 8.0% One-off organisational fee: 0.15%
1.1.7	Investment Manager:	Partners Group
	Product:	Global Real Estate Secondary 2013 Fund
	Fee:	1.25% p.a. management fee for the first 5 years. Thereafter the management fee will drop to 90% of the previous year's management fee. 10% performance fee for returns above 8.0%
1.1.8	Investment Manager:	Barings
	Product:	CLOs
	Fee:	0.21% p.a. of gross asset value
1.1.9	Investment Manager:	Kohlberg Kravis Roberts & Co. L.P.
	Product:	KKR Lending Partners Europe (GBP) Unlevered L.P.

	Fee:	0.85% p.a. on invested capital, plus 10% carried interest with a 5% preferred return and 100% catch-up
1.1.10	Investment Manager:	M&G Investments
	Product:	Alpha Opportunities Fund
	Fee:	0.35% p.a. investment management fee

1.2 The fees for each of the Investment Managers in the DC Section are detailed in the table below:

1.2.1	Investment Manager:	Legal and General Investment Management
	Product:	Diversified Fund
	Fee:	0.3% p.a. investment management fee
1.2.2	Investment Manager:	Legal and General Investment Management
	Product:	Cash Fund
	Fee:	0.125% p.a. investment management fee

Appendix 2

2 Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 80% of these risks as assessed on a gilts flat basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they

	impacting the fair market value of the investment.	fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1) Responsible Investment ('RI') Policy / Framework 2) Implemented via Investment Process 3) A track record of using engagement and any voting rights to manage ESG factors 4) ESG specific reporting 5) UN PRI Signatory The Trustee monitors the mangers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge currency risk by investing in a currency-hedged share class where possible. The Trustee regularly monitors its currency exposure as well as receiving advice on whether further currency hedging is possible / cost-effective.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix 3

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	• The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. o For closed ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with the Trustee's objectives and Scheme's liquidity requirements.

	○ For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.