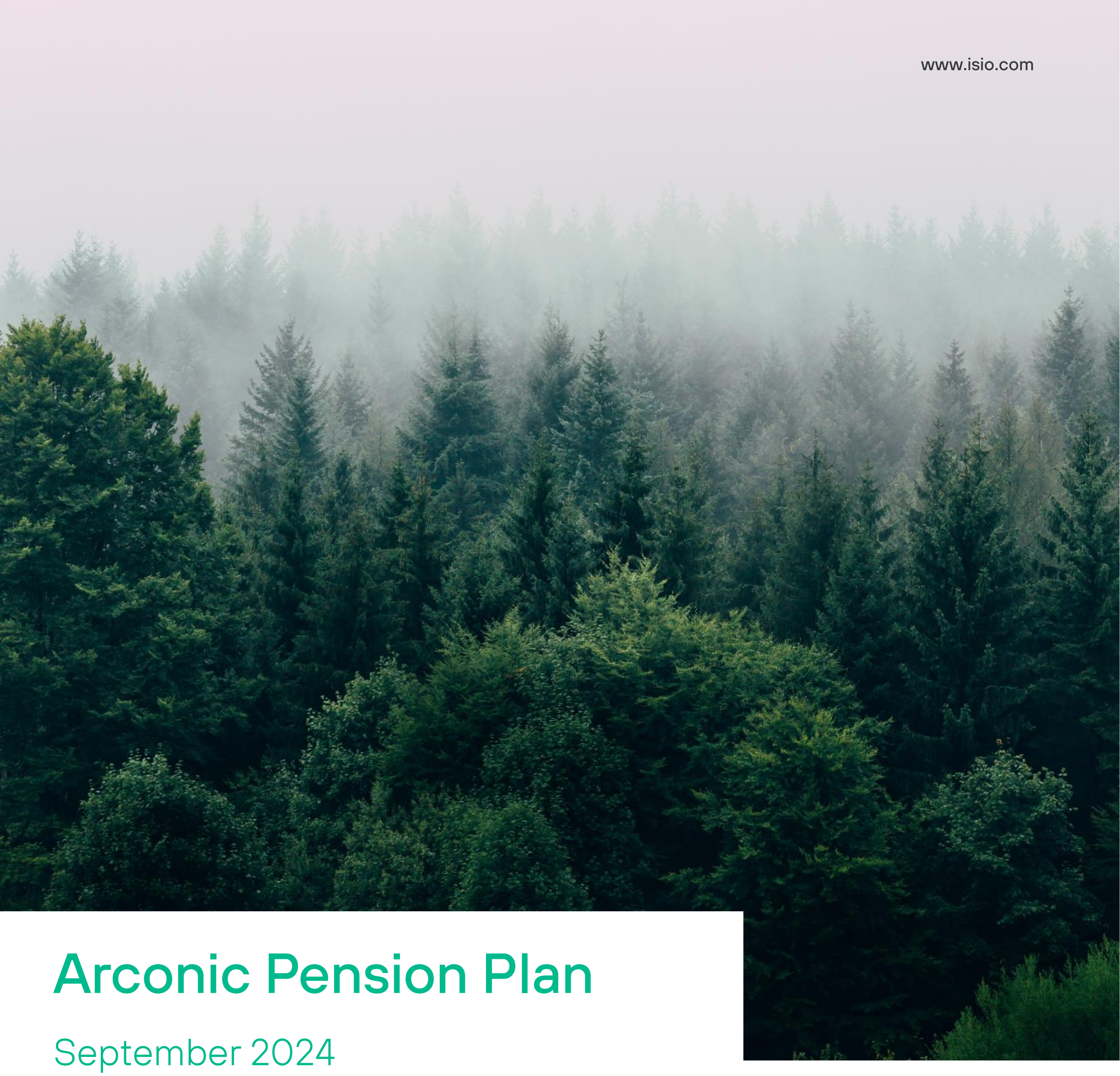

Arconic Pension Plan

September 2024

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Statement

This Implementation Statement has been prepared by the Trustee of the Arconic Pension Plan ("the Plan") in respect of the reporting period to 5 April 2024 and details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP;
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and, in turn, the engagement activity of the fund managers with the companies they invest; and
- voting behaviour covering the reporting period up to 5 April 2024 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf.

The Plan holds defined benefit ("DB") assets and a small amount of defined contribution ("DC") assets in the form of additional voluntary contributions ("AVCs"). This statement relates solely to the DB assets in the Plan.

Implementation Report

This implementation report is to provide evidence that the Plan continues to follow and act on the principles outlined in the SIP.

The latest SIP can be found online at the web address: https://www.arconic-pensions.co.uk/documents/arconic_pension_plan/app_sip.pdf

Changes to the SIP, covering the 12 months to 5 April 2024 are detailed on the following pages.

Manager Stewardship Policy

The Trustee has appointed several investment managers to manage the assets of the Plan. Details of the stewardship policies of the Plan's appointed investment managers can be found via the following links:

- LGIM

  https://www.lgim.com/uk/en/capabilities/investment-stewardship/

- M&G

  https://www.mandgplc.com/our-business/mandg-investments/responsible-investing-at-mandg-investments

- Partners Group

  https://www.partnersgroup.com/en/about/corporate-governance/transparency-disclosure/about-partners-group-uk-limited/

- KKR

  https://www.kkr.com/responsibility/responsible-investment

Summary of key actions undertaken over the Scheme reporting year

- The Trustee agreed to move the Plan towards a lower risk / return strategic allocation that targets an investment return of around 1.1% p.a. above the return on UK Government bonds. This would be done in a timely manner subject to the Plan's liquidity constraints. While the new allocation is being implemented the expected return is likely to be higher (equivalent to Gilts + 1.7% p.a. as at 31 December 2023 as outlined in the SIP).

  - The Trustee agreed to sell its entire holding in the M&G Secured Property Income Fund ("SPIF") and a portion of its holding in the M&G Alpha Opportunities Fund ("AOF"). Redemptions from M&G SPIF were subject to deferral meaning M&G could defer payments for up to 18 months. By the end of the reporting period the Plan had received 10% of its redemption request. The full redemption request is expected to settle in October 2024. M&G AOF proceeds were received in August 2023.

  - Proceeds from M&G were invested in the LGIM Absolute Return Bond Fund ("ARBF") to build up the allocation to the new strategic target.

  - Further changes to the allocation are dependent on receiving cash from the Plan's illiquid mandates.

- A collateral waterfall structure was put in place authorising LGIM to sell assets from the ARBF if required for LDI collateral purposes.
- Isio prepared a Sustainability Integration Assessment ("SIA") report on behalf of the Trustee that set out Isio's assessment of the ESG capabilities of each of the Plan's underlying investment managers and identified areas for engagement.

Implementation Statement

This report demonstrates that the Trustee of the Arconic Pension Plan has adhered to its investment principles and its policies as set out in its SIP for managing financially material considerations including ESG factors and climate change.

Signed	Pavan Bhardwaj
Position	Trustee Director
Date	2 October 2024

Managing risks and policy actions DB

Risk / Policy	Definition	Policy (as set out in the Plan's SIP)	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks as assessed on a Technical Provisions basis (although hedging may be expressed as a percentage of the Gilts flat basis).	The level of hedging was reduced to 85% of Technical Provisions during the LDI crisis and subsequently increased to 95% when markets had settled. The Trustee intends to review the level of hedging at the next LDI review.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values) and to provide collateral to the LDI manager.	A collateral waterfall structure was put in place authorising LGIM to sell assets from the Absolute Return Bond Fund if required for LDI collateral purposes.
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 practical.	There have been no changes to the policy over the reporting period.
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 Plan for the risk of default.	There have been no changes to the policy over the reporting period.
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 Plan'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	During 2024, Isio produced a Sustainability Integration Assessment which reviewed the ESG credentials of the Plan's managers on behalf of the Trustee. The Plan's investments were reviewed through Isio's ESG Manager Review Framework,

Risk / Policy	Definition	Policy (as set out in the Plan's SIP)	Actions and details on changes to policy
		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 6. UK Stewardship Code signatory The Trustee monitor the mangers on an ongoing basis.	assessing each manager and Fund on key areas, such as their investment approach, risk management and collaboration. The results of the SIA report were presented to the Trustee in February 2024. The Plan scored an overall rating of 2.5 on ESG and 2.4 on climate, meaning that it meets traditional criteria requirements as it scored strongly on most (but not all) of Isio's ESG and climate criteria. A score and list of proposed actions was produced for each Fund. Isio will engage with the investment managers on these actions to hopefully improve future scores. The Trustee will monitor the investment managers' progress on these actions over the following years. More details of the ESG policy and how it was implemented are presented later in this report.
Currency	The potential for adverse currency movements to have an impact on the Plan'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.	There have been no changes to policy over the reporting period.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	The Trustee indirectly monitors how the Plan's managers are handling non-financial factors via an annual review of their engagement and voting activity. Despite this, it is unlikely that non-financial factors would lead to a buy or sell decision being made on a manager.

Changes to the SIP

Over the 12 month period to 5 April 2024, the Trustee agreed to make changes to the SIP to reflect guidance from the regulator, which focused on documenting the collateral call process, and to reflect changes agreed to the strategic allocation.

Changes to the SIP	
Investment Strategy	- The Plan is moving towards a strategic allocation which targets an investment return of around 1.1% per annum above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Plan's liabilities). In the short-term, while the new allocation is being implemented, the expected investment return is likely to be higher (equivalent to Gilts + 1.7% per annum as at 31 December 2023).
Leverage and Collateral management	- The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Plan's liability hedging mandate ("LDI"). - The Trustee has a stated collateral management policy. The Trustee has agreed a process for meeting collateral calls should these be made by the Plan's LDI investment manager. The Trustee will review the collateral management policy regularly, or as soon as possible in the event of significant market movements. Further details on this can be found in the IID.

Implementing the current ESG policy and approach

ESG as a financially material risk

The Trustee appoints investment managers to manage the assets of the Plan and delegates day-to-day duties regarding the management of the assets to the fund managers via separate written agreements. This delegation includes matters relating to ESG and the exercise of rights (including voting rights) attaching to the investments.

This page details how the Plan's ESG policy is implemented, while the following page outlines the Trustee's investment adviser's (Isio) assessment criteria as well as the ESG beliefs used in evaluating the Plan's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	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 its investment advisers on the investment managers' approaches to engagement. The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters.	Where the manager has not acted in accordance with their policies and frameworks. Where the managers' policies are not in line with the Trustee's policies in this area.

Areas of assessment and ESG beliefs

Risk Management	1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Plan. 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee.
Approach / Framework	3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop its knowledge. 8. The role of the Plan's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside its investment advisers, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. The Trustee will seek to understand each asset manager's approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG summary and actions with the investment managers

Isio produced a Sustainability Integration Assessment ("SIA") in 2024 which reviewed the ESG credentials of the Plan's managers and funds on behalf of the Trustee. The assessment reviewed each manager's investment philosophy and approach to incorporating ESG factors and assessed whether these approaches are in line with that of the Trustee. In the table below we have included a summary of each manager's ESG credentials and proposed actions for future improvements. This report excluded M&G SPIF as the Trustee had agreed to sell the Fund. Through Isio, the Trustee continues to engage with the Plan's investment managers on both their ESG approach and engagement. Further information on each manager and fund can be found in the 2024 SIA report.

Manager, fund	ESG Summary	Actions identified
Legal & General Investment Management Bespoke LDI Portfolio	LGIM is actively committed to integrating ESG considerations into LDI funds. Their dedicated ESG team plays a crucial role in stewardship and responsible investment, ensuring premium risk management through their proprietary tools. At a firm level LGIM is strong in their approach to ESG and Stewardship.	Introduce a formal ESG training program with defined training priorities. Provide better incentives, more choice and encouragement to investors for using Active ESG tool to maximise engagement, improving outcomes. Increase GHG data coverage for holdings within the fund.
Legal & General Investment Management Absolute Return Bond Fund	LGIM is one of the more advanced asset managers in relation to ESG, with a well-defined firm-wide ESG policy and a net zero commitment. LGIM provides ESG scores for all assets within the portfolio and can provide TCFD Scope 1 and 2 metrics. LGIM also encourages investee companies to align sustainability reporting with best-practice frameworks. LGIM collaborates with a range of industry participants to monitor and influence a broad range of ESG topics.	Develop a process for independently assessing the effectiveness of green/sustainability-linked/use of proceeds bonds. Work on reporting nature or bio-diversity related metrics in line with TNFD.
Legal & General Investment Management Buy & Maintain Credit	We consider LGIM as one of the market leaders in implementing ESG policies within their funds. Buy and maintain allows a significant degree of ESG integration due to strong data availability and a requirement to consider long term factors to facilitate holding bonds to maturity. LGIM have implemented a fund-level climate objective which aims for a 50% reduction of 2019 carbon emission levels by 2030. Implementation of this objective has allowed the funds to achieve an article 8 label since 31 December 2022.	Formally assess the effectiveness of green bonds. Increase engagement as a % of the portfolio since this appears to be lower than peers. Include social metrics and engagement details in regular fund reporting.

M&G Investment Management Alpha Opportunities Fund	M&G boasts a robust company-wide ESG strategy, illustrating their competency in managing ESG risks within the Fund. However, the ESG reporting lags vs peers in the market as M&G do not produce detailed ESG metrics and tracking for the assets contained within the portfolio. M&G have launched a 'sustainable' version of the fund with a greater focus on impact investments to cater for clients with stronger ESG objectives.	Consider implementing a fund-level ESG policy. Formalise stewardship priorities at the fund level and increase proportion of underlying portfolio assets that are engaged with. Continue to improve data coverage and reporting metrics. Disclose the ESG ratings for assets held in the Fund in quarterly reporting.
Partners Group Global Real Estate Secondary Funds	Partners Group has well-developed firm-level ESG and sustainability policies in place, with a well-resourced ESG & Sustainability team. This ensures the effective integration of ESG factors across all asset classes. Partners Group are also committed to working towards net-zero carbon emissions across their organisation and managing their investment portfolios towards the Paris Agreement goals. However, given the secondaries nature of these Funds, there is limited ESG-integration and stewardship activities that can be applied, and further, ESG-related data/metrics are difficult to obtain. It is also worth noting that these are mature Funds, which makes ESG improvements unlikely.	Provide evidence that engagement activities seek to alleviate unintended negative consequences. Include key ESG metrics as part of regular reporting.
KKR Lending Partners Europe	The Fund suffers from being an older vintage, when ESG risks were less considered. This is especially apparent in the lack of reporting data and limited climate considerations with respect to the Fund. The Fund does however benefit from KKR's wider platform, especially with Risk Management and Collaboration where the Fund can leverage off the progress made across the private credit platform. Given the Fund is in its distribution phase, with the term due to expire in March 2024 (subsequently extended by 1 year to March 2025 with a further 1 year extension likely), it is unlikely that KKR would look to improve the ESG credentials of the Fund.	Identify ESG-specific risks in the current portfolio. Provide evidence of engagement and the resulting impacts. Introduce regular ESG reporting.

Engagement

The Plan invests via fund managers who have provided details on their engagement actions, including a summary of the engagements by category, for the 12-month period to the end of 5 April 2024. In some cases, managers have provided data for their engagement covering the 12-months to 31 March 2024.

Engagement breakdown may outnumber total engagements where the manager has engaged on multiple topics within a single engagement.

Fund name	Engagement summary	Commentary
Legal & General Investment Management Bespoke LDI Portfolio	Total Engagements: LGIM were unable to provide any data on engagements.	LGIM engage on multiple topics within each engagement, with counterparties, regulators, governments, and other industry participants with the aim of influencing and instigating change. LGIM's policies on corporate governance and responsible investment are reviewed annually to ensure it remains aligned with various evolving regulations, best practice, and client feedback. ESG engagement with counterparties is through LGIM's Investment Stewardship team, analysts, portfolio managers and traders. Information from these engagements is used to identify ESG risks which is embedded within LGIM's counterparty review process. In cases when individual engagement is not successful, LGIM may seek to escalate engagement through collaborating with other institutional investors directly to amass voting power. LGIM have a range of escalation options, from voting sanctions through to divestment, at its disposal when companies are unresponsive. LGIM have not been able to provide in depth reporting on its engagements.
Legal & General Investment Management Absolute Return Bond Fund	Total Engagements: 156 Environmental: 251 Social: 88 Governance: 188 Other: 126	LGIM have a strong and integrated ESG approach for pooled funds which follow a robust framework. At a firm level, LGIM regularly monitor companies and where engagements are unsuccessful, the team will assess where problems arose and new approaches to be employed. LGIM engage with regulators, governments, and other industry

		participants to address long-term structural issues. An example of a significant engagement includes: **JP Morgan Chase (US Bank)** - LGIM has initiated an 'in depth' Climate Impact Pledge engagement with JP Morgan Chase as it plays a vital part in the global transition to net zero. In a three-year-long engagement with LGIM, the bank announced its plan to align its financings with the Paris Agreement goals and has been an early adopter of disclosing sectoral interim targets. LGIM's ongoing engagement pushes for improved climate-related lobbying transparency, scope 3 emissions disclosures, and stricter climate-critical financial restrictions. The top five engagement topics are Climate Change (60), Corporate Strategy (32), Climate Impact Pledge (27), Remuneration (25), and Energy (18).
Legal & General Investment Management Buy & Maintain Credit	Total Engagements: 152 Environmental: 92 Social: 67 Governance: 132 Other: 29	LGIM engage of multiple topics within each engagement, regularly monitoring companies and where engagements are unsuccessful, the team will assess where problems arose and new approaches to be employed. LGIM engage with regulators, governments, and other industry participants to address long-term structural issues. The Active Equity, Active Fixed Income and Investment Stewardship team work together to ensure engagement is in the best interest of all investors. This is useful as engagement on equity holdings may be used for the interest of fixed income strategies. LGIM have not been able to provide in depth reporting on its engagements, however the top five engagement topics are Remuneration (41), Climate Change (37), Corporate Strategy (19), Board composition (16), and Income Inequality (15).
M&G Investment Management Secured Property Income Fund	Total Engagements: 20	At the Real Estate level, M&G engage regularly with tenants to promote ESG initiatives. Although engaging can be difficult due to the nature of the long leases, M&G have seen improved tenant engagement leading to almost two-thirds of the portfolio having positive tenant engagement. The M&G RPI policy sets out tenant engagement targets for the Fund. Over the year SPIF has seen improvement including receiving more energy usage date. Health and Wellbeing improvements continue to be one of the main areas of focus for SPIF. Notable engagements over the period include: **WPP (British multinational firm)** – M&G engaged with WPP in relation to the build phase of 1 Southwark Bridge. In conjunction with WPP, M&G engineered the build phase to minimise embedded carbon. A pre-assessment indicated a target BREEAM New Construction rating of 'Excellent'.

		However, SPIF has agreed to fund the additional costs to achieve a BREEAM New Construction 'Outstanding' rating. **David Lloyd (British chain of health clubs)** – M&G are supporting David Lloyd in rolling out solar PV across its entire portfolio to meet its ambitious 2030 net zero carbon target. M&G hold regular meetings with David Lloyd's ESG director to discuss progress. David Lloyd is funding the initiative given the energy cost saving benefit for them.
M&G Investment Management Alpha Opportunities Fund	Total Engagements: 10 Environmental: 7 Governance: 2 Social: 1	M&G's activities are consistent with its ESG policies, and it has a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements. Notable engagements over the period include: **AIA GROUP LTD (**Hong **Kong-based Insurance firm**) - M&G engaged to encourage insurance company AIA to increase board diversity. Since initial discussions in September 2021, AIA has added two female directors to its board. Most recently, in September 2023, AIA announced the appointment of a new Independent Non-executive Director and a member of the Nomination Committee of the Company. The new addition means AIA now has three female directors on its board (23% female representation). **ING GROEP NV (Dutch banking and financial services firm)** – M&G engaged with ING in relation to their climate targets and strategy (the company is currently committed to a near term science-based targets initiative). M&G had a number of requests to better allow them to measure and track progress, as well as encouraging a net zero commitment, beyond its near term commitment. One such request included a continuation of Carbon Disclosure Project ("CDP") disclosure, which the company had stopped completing. As a result of M&G's engagement, ING successfully completed CDP disclosure in 2023.
Partners Group Global Real Estate Secondary Funds	Partners were unable to provide an engagement summary for either GRES 2009 or GRES 2013 over the period. Both Funds are currently in the process of winding down.	Partners Group's representatives on the board of directors of a portfolio company collaborate with the Partners Group investment teams as well as the ESG & Sustainability team to formulate and implement ESG initiatives, leveraging PG's Entrepreneurial Governance approach, and due diligence findings. Post-acquisition, the PG team conducts an ESG & sustainability onboarding with senior management at the portfolio companies that cover its sustainable investment track record, standard ESG & sustainability practices, case studies of ESG & sustainability value creation and risk management projects, and relevant reporting requirements. This is followed by regular interactions or workshops on ESG & sustainability topics with these companies. In

		between, the ESG & Sustainability team conducts periodic check-ins with the assets on the ongoing ESG & sustainability projects and assesses whether adequate resources are being devoted to the material ESG & sustainability opportunities and risks. The PG team ensures that boards are informed on an annual basis, and KPIs and PAI are reported as needed. ESG & sustainability data is shared with potential buyers during sales processes, as relevant. For every engagement, PG discusses its commitment to ESG and ambition for the company with company management teams. They align with company management and PG Investment and Industry Value Creation teams on the ESG topics most relevant to the company or asset's business and stakeholders, identify key ESG improvement opportunities, and define the vision and strategy for the company or asset's ESG engagement with PG.
KKR Lending Partners Europe	KKR does not produce an engagement summary.	KKR do not currently have a firm-wide stewardship policy in place. Currently, engagement is the responsibility of the credit analysts and is not centralised with the ESG team. KKR also do not track and report specific ESG engagements. Should ESG issues be material to the credit worthiness of a deal, KKR may involve senior advisors and internal experts to engage with the portfolio company pre-investment. Once invested, KKR will monitor deals on an ongoing basis and track and quantify ESG issues where possible.

Voting (for equity/multi asset funds only)

The Plan does not currently invest in equity or multi asset mandates and therefore Isio do not expect any of the Plan's managers to have a material number of voting rights.

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