

# Arconic Pension Plan

## Statement of Investment Principles

### *Defined Benefit (DB) Section*

#### **Purpose of this Statement**

This SIP has been prepared by the Trustee of the Arconic Pension Plan (the “Plan”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Plan.

The Plan’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Plan’s investment arrangements are set out in the Investment Implementation Document (“IID”).

#### **Investment Objective**

The Trustee invests the assets of the Plan with the aim of ensuring that all members’ accrued benefits can be paid. The Plan’s funding target is specified in the Statement of Funding Principles, and the Plan’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 Plan’s circumstances.

The Plan’s 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).

#### **Investment Strategy**

The investment strategy was derived following careful consideration of the factors set out in Appendix 1.

The Trustee has undertaken an investment strategy review to determine the ongoing strategy and how this might develop over time. The considerations when determining the strategy included the nature and duration of the 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 Plan, 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 Trustee has also considered how the Plan’s illiquid mandates will run off over time and how this will be taken into account in the strategy.

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 Plan consist predominantly of investments admitted to trading on regulated markets.

## **Investment Management Arrangements**

The Trustee has appointed several investment managers to manage the assets of the Plan as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

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:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.
- The exercise of rights (including voting rights) attached 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 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 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 Plan'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.

## **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.

## Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Plan'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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Plan's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.</li> </ul>	<ul style="list-style-type: none"> <li>• There are significant changes made to the investment strategy.</li> <li>• The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations.</li> <li>• Underperformance vs the performance objective over the period that this objective applies.</li> </ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>• The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li> <li>• The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.</li> <li>• The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters.</li> </ul>	<ul style="list-style-type: none"> <li>• The manager has not acted in accordance with their policies and frameworks.</li> <li>• The manager's policies are not in line with the Trustee's policies in this area.</li> </ul>

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 Trustee 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 Plan'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 Plan 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 Plan's value.

## **Governance**

The Trustee of the Plan 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 Plan.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio, 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 Trustee in the interests of obtaining best value for the Plan.

### *Defined Contribution (DC) Section*

Some members of the Plan may have paid 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 Plan may select one or more in which to invest their AVCs.

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 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 Plan consist predominantly of investments admitted to trading on regulated markets.

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 Plan'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 investment related administrative duties such as the collection of dividends.

## **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 Trustee 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.

Name (Print).....**Pavan Bhardwaj**.....

Date.....**6 March 2024**.....

Name (Print).....**Scott Duncan**.....

Date.....**6 March 2024**.....

**Signed for and on behalf of the Trustee of the Arconic Pension Plan**

## Appendix 1

### 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 Plan's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> <li>Selecting an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsoring company's covenant strength.</li> <li>Investing in a diversified portfolio of assets.</li> </ul>
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> <li>Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li> <li>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.</li> </ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	<ul style="list-style-type: none"> <li>When developing the Plan's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.</li> </ul>

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

Risk	Definition	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).
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.
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 Plan 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 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: <ol style="list-style-type: none"> <li>1) Responsible Investment ('RI') Policy / Framework</li> <li>2) Implemented via Investment Process</li> <li>3) A track record of using engagement and any voting rights to manage ESG factors</li> <li>4) ESG specific reporting</li> <li>5) UN PRI Signatory</li> <li>6) UK Stewardship Code signatory</li> </ol> The Trustee monitors the managers on an ongoing basis.
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.
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.

## Appendix 2

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

<p><b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</b></p>	<ul style="list-style-type: none"> <li>As the Plan 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.</li> </ul>
<p><b>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.</b></p>	<ul style="list-style-type: none"> <li>The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.</li> <li>The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.</li> <li>The Trustee does not directly incentivise the investment managers to make decisions based on non-financial performance, but takes ESG considerations into account when making decisions around selection, retention and realisation of investment manager appointments.</li> </ul>
<p><b>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.</b></p>	<ul style="list-style-type: none"> <li>The Trustee reviews the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.</li> <li>The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.</li> <li>Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.</li> </ul>
<p><b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b></p>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<p><b>The duration of the Plan's arrangements with the investment managers</b></p>	<ul style="list-style-type: none"> <li>The duration of the arrangements is considered in the context of the type of fund the Plan invests in.             <ul style="list-style-type: none"> <li>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 Plan's liquidity requirements.</li> <li>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.</li> </ul> </li> </ul>



<b>Voting Policy - How the Trustee expects investment managers to vote on their behalf</b>	<ul style="list-style-type: none"> <li>• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.</li> </ul>
<b>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'</b>	<ul style="list-style-type: none"> <li>• The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Plan's investment managers on their behalf.</li> <li>• The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.</li> </ul>