

European Metal Recycling Limited Pension and Life Assurance Scheme

Statement of Investment Principles

Investment objective

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' current and future 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 Trustees recognise that a portfolio of bonds is the strategy which will best protect against changes in the value of the liabilities. However, this is an ongoing pension scheme with the support of the Company, and the Trustees feel that some investment in growth assets is appropriate given the strong covenant of the Company. The Trustees recognise that holding an investment in growth assets is likely to bring increased volatility of Company contribution requirements in return for improved expected returns over the medium to long-term.

Reference benchmark, Investment management arrangements & Stewardship

The Trustees have appointed Goldman Sachs International Investment Management Division ("Goldman Sachs") as the investment manager for the Scheme. The investment manager is regulated under the Financial Services and Markets Act 2000. Details of the reference benchmark, including the individual components of the benchmark are detailed in the table below:

Asset class	Proportion %	Benchmark	Objective	Overall fees * %
Government bonds	50	JPM GBP Govt Bond 1-10 yr Total Return Index	Outperform the benchmark	0.30 (excluding uninvested cash) plus VAT
Equities	50	MSCI World Developed 50% Net Total Return Index (70% Hedged in GBP)	Outperform the benchmark	

** Additional fees will be incurred in relation to transactions and investment in certain underlying funds*

The Trustees have considered alternative asset classes when deciding upon the different types of investment that are suitable to meet the objectives of the Scheme. The portfolio will include a combination of return seeking and bond assets, including alternative assets (such as hedge funds) which are selected at the discretion of Goldman Sachs.

There is no formal rebalancing procedure in place. Future contributions and disinvestments will be used to maintain an asset allocation that the Trustees feel is appropriate. The current policy is to make disinvestments in line with the current proportions held in each asset class although Goldman Sachs have discretion on this.

The implications of the investment strategy have been considered having regard to the nature and duration of the Scheme’s liabilities. The investment strategy will be reviewed from time to time taking into account the factors set out in Appendix A.

The assets of the Scheme are diversified and consist predominantly of investments which are traded on regulated markets.

All decisions about the day-to-day management of the assets have been delegated to the investment 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;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers’ policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable. The Trustees’ policies relating to the Scheme’s investment management arrangements are detailed in Appendix B.

The investment manager’s (Goldman Sachs’) remuneration is based upon a percentage value of the assets under management. The Trustees have negotiated the fees and believe these fees to be competitive.

The custody of the holdings is arranged by the investment manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Liability monitoring

The Trustees accept that the investment strategy will not provide a hedge against the Scheme’s liabilities. The value added by the Trustees through their choice of investment strategy will be monitored by regularly assessing the performance of the overall portfolio against the following liability benchmark:

Liability benchmark	Proportion %
FTSE Over 15 Year Gilts Index	23
FTSE Over 5 Year Index Linked Gilts Index	51
FTSE Over 15 Year Index Linked Gilts Index	26
TOTAL	100

The liability benchmark has been set to broadly reflect the characteristics of the liabilities. The liability benchmark is for monitoring purposes only and does not place any restrictions on the bond portfolio chosen by Goldman Sachs.

Investment Manager Monitoring and Engagement

The Trustees monitor 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 Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement are where the Trustees determine that:
Performance, Strategy and Risk	<p>The investment manager has been appointed by the Trustees.</p> <p>The investment manager will prepare reports to the Trustees as requested, including:</p> <ul style="list-style-type: none"> • Valuation of all investments held for the Scheme; • Performance relative to benchmarks; • Records of all transactions together with a cash reconciliation; and • A review of recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy. <p>The investment manager will present the aforementioned report at each Trustee meeting.</p>	<ul style="list-style-type: none"> • 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 Trustees’ expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance (ESG) factors and the exercising of rights	<ul style="list-style-type: none"> • The Trustees request information from their investment advisers on the investment managers’ approaches to engagement. • The Trustees have held discussions with Goldman Sachs to better understand ESG factors investment and Goldman Sachs’ capabilities in this area as well as liaising with the Company on the matter. 	<ul style="list-style-type: none"> • The investment manager has not acted in accordance with their policies and frameworks. • The investment manager’s policies are not in line with the Trustees’ policies in this area.

Employer-related investments

The policy of the Trustees 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 collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not

exceed 5% of the Scheme's total asset value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Direct investments

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

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees do not enlist 'ongoing' services of investment advisers in a traditional capacity, but have the option to request advice from Isio Group Ltd, who 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.

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.

For and on behalf of the Trustees of the European Metal Recycling Limited Pension and Life Assurance Scheme

Date: September 2020

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below. All risks within this Appendix are considered to be relevant over the lifetime of the Scheme’s existing investment strategy in the context of the Trustees’ current objectives.

The Trustees adopt an integrated risk management approach. The three key risks associated with 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Funding risk is considered as part of any investment strategy review and the actuarial valuation. • The Trustees 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.	<ul style="list-style-type: none"> • When developing the Scheme’s investment and funding objectives, the Trustees take 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 changes in the value of the Scheme’s assets and the present value of its liabilities due to changes in interest rates and inflation expectations.	<ul style="list-style-type: none"> • The Trustees are comfortable that the strength of the covenant of the Company is sufficient to support the decisions not to actively mitigate this risk, and that investment in growth assets

		is a more appropriate use of funds.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	<ul style="list-style-type: none"> 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).
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	<ul style="list-style-type: none"> To remain appropriately diversified.
Credit	Default on payments due as part of a financial security contract.	<ul style="list-style-type: none"> When relevant, 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.	<ul style="list-style-type: none"> The Trustees have held discussions with Goldman Sachs to better understand ESG factors investment and Goldman Sachs' capabilities in this area as well as liaising with the Company on the matter. The Trustees have so far made adjustments to parts of the portfolio deemed appropriate and will keep the matter under review.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<ul style="list-style-type: none"> The Trustees' policy is to limit the currency risk within the portfolio by setting the fund manager a benchmark with limited exposure to non-GBP currencies (c.15% of total assets) against which the manager actively positions the investment portfolio (including currency exposures).
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	<ul style="list-style-type: none"> Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

Area of consideration	Policy
How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	<ul style="list-style-type: none"> • This depends on whether the Scheme is invested in pooled funds (i.e. where funds are aggregated from many individual investors) or segregated (i.e. bespoke, single-investor) arrangements. • Where the Scheme invests in pooled funds, alongside multiple other investors, the guidelines under which these mandates operate are set by the fund manager and the Trustees have no control over these. • Where individual securities are held at the discretion of Goldman Sachs, the Trustees do have flexibility to control the guidelines under which the mandate operates, and securities are selected.
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.	<ul style="list-style-type: none"> • The Trustees review the investment manager's performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of the Implementation Statement for the Trustee report and accounts. This will first be conducted for the Scheme Accounts dated 5 April 2020. By doing this, it indirectly incentivises the investment managers to make decisions based on non-financial information.
How the method (and time horizon) of the evaluation of investment manager's performance and the remuneration for their services are in line with the Trustees policies.	<ul style="list-style-type: none"> • The Trustees review 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 Trustees evaluate performance over a rolling 5 year time period.
The method for monitoring portfolio turnover costs incurred by the investment manager and how they define and monitor targeted portfolio turnover or turnover range.	<ul style="list-style-type: none"> • The Trustees do not directly monitor turnover costs. However, the investment manager is incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment manager.	<ul style="list-style-type: none"> • The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> ○ For closed ended funds or funds with a

	<p>lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees' objectives and Scheme's liquidity requirements.</p> <ul style="list-style-type: none">○ For open ended funds, the duration is flexible, and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.● At present, responsibility for selecting the Scheme's investments, and hence the above considerations and decisions, has been delegated to Goldman Sachs.
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