EUROPEAN METAL RECYCLING LIMITED PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES – June 2023

1. Introduction

1.1 The Trustees of the European Metal Recycling Limited Pension & Life Assurance Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the SIP") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. This SIP is intended to affirm the investment principles that govern decisions about the Scheme's investments.

1.2 In preparing this SIP, the Trustees have consulted suitably qualified persons by obtaining written advice from Goldman Sachs Asset Management International ("GS AM"), the "Fiduciary Manager". In addition, consultation has been undertaken with European Metal Recycling Limited (the "Sponsor") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and the Trustees' objectives.

1.3 Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in Section 3 and risk management as set out in Section 4 below. The investment strategy is set out in Section 5. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to professional investment managers as described in Section 6.

1.4 Sections 7,8 and 9 cover the Trustees' policies on the monitoring and alignment of the Fiduciary Manager and investment managers, stewardship of its assets and environmental, social, and corporate governance.

2. Process for Choosing Investments

2.1 The Trustees have appointed GS AM as a fiduciary manager who have been delegated the task of day-to-day management of the Scheme's investments. The Trustees and the Fiduciary Manager have agreed to a legally binding contract called the Investment Management Agreement ("IMA") which obligates the Fiduciary Manager to follow a prescribed investment strategy as determined by the Trustees. It spells out the guidelines under which the Fiduciary Manager must implement and execute the asset allocation.

2.2 In appointing a Fiduciary Manager, the Trustees have delegated the responsibility for investment decision making to the Fiduciary Manager (in line with the agreed guidelines as specified within the IMA). As such, the Fiduciary Manager may select externally and internally managers to invest the Scheme's assets in their funds. The underlying investment managers have full discretion to buy and sell investments as described in the offering memorandum or prospectus of the relevant funds (or the investment management agreement in the case of separate accounts). The Fiduciary Manager shall provide the Trustees with regular reports regarding the appointed investment managers to monitor consistency between the expected and experienced levels of risk and return.

2.3 Finally, in considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of GS AM as a fiduciary manager, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

3.1 To guide them in the strategic management of the assets and control the various risks to which the Scheme is exposed, the Trustees have considered their objectives and adopted the following (the "Investment Objectives"). The primary objectives are:

- To ensure that it can meet its obligations to the beneficiaries of the Scheme.
- To limit the probability of a significant reduction in the funding level.

3.2 To achieve the Investment Objectives, the Trustees have received advice from the Fiduciary Manager on an appropriate target period to achieve full funding on a prudent liability measure, given the expected benefit payments. This objective guides the investment strategy as set out in Section 5. The Trustees receive periodic advice from their Fiduciary Manager on the progression and appropriateness the investment objectives as set out above.

4. Risk Management and Measurement

4.1 The risk and other factors set out below are those that the Trustees determine to be financially material over the Scheme's anticipated lifetime:

4.2 The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and liabilities. The key risks that can cause a mismatch are:

- Interest rate risk (the risk that the assets do not move in line with the value placed on the Scheme's liabilities in response to changes in interest rates).
- Inflation risk (like interest rate risk but concerning market-implied inflation).

4.3 To mitigate this risk, the Trustees have implemented a Liability-Driven Investment ("LDI") mandate, which aims to 'hedge' against c.100% of the expected movement in the Scheme's liability value because of changes to interest rates and market-implied inflation as measured on a proxy Buyout liabilities measure.

4.4 The Trustees recognise and note the financial capacity and willingness of the Sponsor to support the Scheme, which is a key consideration of the Trustees and is reviewed on a regular basis.

4.5 The Trustees are also aware of concentration risk, which arises for example when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers or in the same or similar industry sectors. The overall investment arrangements are intended to provide an appropriate spread of assets by type and spread of individual securities within each asset class.

4.6 The Trustees recognise that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the short-term investment horizon as the Scheme looks to buyout all assets and liabilities, all of the Scheme's assets are realisable at relatively short notice.

4.7 The Trustees are aware of the exchange rate risk which arises from unhedged investments overseas. However, as the scheme is preparing for buyout, a significant proportion of its assets are denominated in pounds sterling and as such exchange rate risk is minimal.

4.8 The Trustees recognise that Environmental, Social and Governance ("ESG") risks, including climate change, may have a financially material impact on investment returns. The Trustees' policy in this regard is set out in further detail in Section 8.

4.9 Arrangements are in place to monitor the Scheme's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Fiduciary Manager provides regular reporting to the Trustees. The Trustees have appointed the Northern Trust Company ("Northern Trust") as Custodian of the Scheme's assets.

4.10 Should there be a material change in the Scheme's circumstances, the Trustees will review whether, and to what extent, the investment arrangements should be altered; in particular, whether the current risk profile remains appropriate.

5. Investment Strategy

5.1 The Trustees seek to manage the Scheme's assets in a responsible and prudent manner. They do so in the best interests of its members and beneficiaries; to protect the Scheme's assets and ensure that sufficient resources are available to meet its obligations as they fall due and the Investment Objectives as set out above.

5.2 Responsibility for the setting and oversight of investment strategy lies with the Trustees, although they do so in consultation with the Sponsor. While the Trustees are comprised of diverse individuals who bring various expertise, background, and perspective, they have chosen to seek expert outside advice to assist in achieving the Scheme's Investment Objectives.

5.3 The Trustees usually take a long-term perspective in developing an Investment Strategy. However, the Scheme is now in a position where it is more than fully funded on a proxy Buyout basis and currently going through a Buyout transaction as such has positioned the portfolio for minimal level of investment risk.

5.4 The main tool the Trustees employ to manage the Scheme's investments is the Strategic Asset Allocation ("SAA"). The SAA is the basic guideline that determines in which asset classes the Scheme's assets will be invested, in what proportions and within what ranges. This decision is driven by the Trustees' risk tolerance, time horizon, and overall Scheme objectives. Although regularly reviewed, the SAA has a long term perspective and generally will not change significantly – but rather gradually, as the Scheme evolves over time.

The basic principle the Trustees have adopted in developing the SAA is to view the Scheme's assets in one primary category: Matching Assets (which seek to match the risk profile of the Scheme's liabilities and thereby manage funding level risk).

This approach has been adopted given the current position of the Scheme which is more than fully funded on a proxy Buyout Basis as such the Trustees are currently targeting 100% allocation to Matching assets.

The Trustees understand that managing the Scheme's investments is a complex and full-time task, and accordingly have sought the advice of outside experts to assist them in implementing the SAA.

5.5 The Trustees main focus is to minimise risk in the Scheme's portfolio relative to the proxy Buyout liabilities basis and is not looking to generate returns above the liabilities growth rate over the long-term.

5.6 To manage this risk, the Trustees have adopted certain risk management tools (in addition to establishing the SAA and seeking the advice of outside investment management experts). The SAA is captured in the IMA objectives and guidelines provided to the Fiduciary Manager.

5.7 The current permitted asset class allocation ranges are set out below:

	Permitted Asset Class Allocation Range (as % of net asset value of the portfolio)	
Asset Class	**Minimum**	**Maximum**
Buy and Maintain Credit	[0]%	[30]%
Liability Driven Investment – Completion Portfolio	[60]%	[100]%
Total	**[0%]**	**[100%]**

6. Day-To-Day Management of the Assets

6.1 The Trustees have delegated the day-to-day management of the Scheme's assets to the Fiduciary Manager, who in turn selects externally and internally managers to invest the Scheme's assets in their funds. The underlying investment managers have full discretion to buy and sell investments as described in the offering memorandum or prospectus of the relevant funds (or the investment management agreement in the case of separate accounts).

6.2 The Trustees have taken steps to satisfy themselves that the Fiduciary Manager is fit to manage the Scheme's investments, and has the appropriate knowledge and experience to choose and combine the underlying investments.

6.3 The Trustees regularly review the continuing suitability of the Scheme's investments including the Fiduciary Manager's ability to select, appoint, remove, and monitor the investments managed by the appointed managers. GS AM, as current fiduciary manager, is authorised and regulated by the Financial Conduct Authority.

6.4 Realisation of Investments

6.4.1 The Fiduciary Manager and the underlying investment managers selected by them have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

6.5 Cashflow Policy

6.5.1 Cash flows, whether positive or negative, are used to move the Scheme's asset allocation to the individual underlying managers back towards the strategic allocation appropriate at that point in time given the level of de-risking that may have occurred.

6.6 Rebalancing

6.6.1 Rebalancing ranges have been set within the Matching portfolios to ensure the Scheme's assets remain invested in a manner which is consistent with SAA, and the commensurate guidelines within the IMA.

7. Monitoring the Investment Managers and Alignment of Interests

7.1 The Fiduciary Manager selects investment managers and negotiates their fees on behalf of the Trustees. The Trustees expect the Fiduciary Manager to ensure (where possible) that investment managers' investment guidelines and restrictions align to the SIP and focus on medium to long-term performance to align manager actions to the Trustees' investment time horizons where appropriate. The Trustees also expect, and where possible, that investment managers use any rights associated with the investment to drive better long-term financial and non-financial outcomes (including on ESG and stewardship matters).

7.2 Investment managers are typically paid an ad valorem fee which is normal market practice, with some investment managers paid a performance fee with appropriate hurdle rates and high-water marks. As part of the selection process, the Fiduciary Manager considers the fee structures of investment managers and seeks to ensure fee structures are aligned to an appropriate degree with Trustees' interests. Additionally, the Fiduciary Manager reports regularly to the Trustees setting out portfolio costs and charges at a total portfolio level but also for each individual strategy within the portfolio. The Fiduciary Manager also provides regular reporting which includes turnover costs based on calculation assumptions in line with MiFID costs and charges reporting in relation to allocation changes at the overall portfolio level.

7.3 The Fiduciary Manager levies a fee based on a percentage of the value of the assets under management which covers the provision of strategic advice and investment management of the assets.

7.4 Investment managers' performance is regularly reviewed and monitored by the Fiduciary Manager and reported to the Trustees monthly with a process in place to identify investment managers that either have underperformed or are at risk of future underperformance with appropriate action taken by the Fiduciary Manager. Investment manager fees are also reviewed by the Fiduciary Manager periodically to confirm that they are in line with market practices and remain in line with the Trustees' policies and investment strategy.

7.5 The Trustees and the Fiduciary Manager appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. Given this, the Trustees' arrangements with its investment managers have no set duration, but have appropriate termination rights included in their terms.

7.6 The Trustees expect the Fiduciary Manager to be cognisant of the turnover of the portfolio and costs associated with turnover, but the Trustees have no target turnover or turnover ranges. The Fiduciary Manager considers turnover and associated costs at several levels: 1) at the total portfolio level turnover costs are considered as part of regular rebalancing decisions; 2) turnover at the level of investment managers is periodically reviewed as part of the wider ongoing investment manager review processes; 3) investment manager performance is reviewed net of turnover costs; and 4) total portfolio turnover costs are incorporated into portfolio costs reporting.

8. Stewardship

8.1 The Trustees recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its members and beneficiaries.

8.2 The Trustees do not engage with debt or equity issuers directly but have adopted a policy of delegating voting decisions to the Fiduciary Manager and investment managers.

8.3 When selecting and reviewing the performance of investment managers, the Trustees expect the Fiduciary Manager to consider the managers' stewardship and ESG polices relative to both the Trustees' and the Fiduciary Manager's policies.

8.4 The Trustees believe it is appropriate for the Fiduciary Manager and investment managers to engage in stewardship activity with key stakeholders. Such stakeholders may include corporate management of debt or equity issuers, other holders of the debt or equity, others with an interest in the issuer or debt or equity, or regulators and governance bodies (as appropriate to the Trustees' investments). As part of this, the Trustees expect the Fiduciary Manager and investment managers to discuss with these stakeholders matters concerning the relevant issuer of debt or equity, including corporate governance, management of potential conflicts of interest, capital structure, performance, strategy, risks and ESG factors.

8.5 The Trustees expect that investment managers will provide details of their stewardship policy and activities on a periodic basis and will monitor this with input from their Fiduciary Manager.

8.6 The Fiduciary Manager will engage with the investment managers where necessary for more information.

9. Environmental, Social & Governance (ESG) Factors

9.1 The Trustees believe that ESG factors may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have also considered the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

9.2 The Trustees have delegated all day-to-day decisions about the Scheme's investments, including the selection, retention and realisation of investments and the selection and retention of investment managers, to the Fiduciary Manager. As part of its delegated responsibilities, the Trustees expect the Fiduciary Manager to consider financially material considerations (including ESG factors such as long-term risks posed by sustainability concerns, including climate change risks).

9.3 Investment managers may be delegated responsibility for the selection, retention, and realisation of the investments, within their respective mandates. As part of their delegated responsibilities, the Trustees expect the investment managers to consider financially material factors, which may include corporate governance, social, and environmental considerations (including ESG factors such as long-term risks posed by sustainability concerns, including climate change risks) in the selection, retention, and realisation of investments.

9.4 The Fiduciary Manager selection process for investment managers includes the consideration of ESG factors where deemed relevant as part of the criteria which may be taken into consideration in their research and selection of investment managers and investments included in the portfolio. The Trustees expect that for some types of investment, ESG factors may be less relevant e.g., liquid alternatives and Hedge Funds.

9.5 The Trustees regularly engage with the Fiduciary Manager to monitor performance of the portfolio, including, where relevant, how it takes account of financially material factors.

9.6 Non-financial matters including but not limited to members' views in relation to social and environmental impacts are not explicitly considered in the selection, retention, and realisation of investments. However, members have a variety of methods by which they can make views known to the Trustees.

10. Compliance with this Statement

10.1 On a regular basis, the Trustees will review this SIP in response to any material changes to any aspect of the Scheme, its liabilities, finances, and the attitude to risk of the Trustees and the Sponsor, which is judged to have a bearing on the stated Investment Objectives. Any such review will again be based on expert investment advice and will be in consultation with the Sponsor.

10.2 The Trustees will, at a minimum, review this SIP every three years to ensure that it remains accurate. The SIP will be amended more frequently should any changes be made to the Scheme's investment arrangements. The Trustees are committed to maintaining the accuracy of this SIP on an ongoing basis.