

The ThyssenKrupp UK PLC 2006 Retirement and Death Benefits Plan

Statement of Investment Principles

9th Edition

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1. INTRODUCTION

This Statement of Investment Principles (the "Statement" or "SIP") has been prepared by the ThyssenKrupp UK 2006 Pension Trustee Ltd ("the Trustee") as Trustee of The ThyssenKrupp UK PLC 2006 Retirement and Death Benefits Plan (the "Plan") in accordance with Section 35 of the Pensions Act 1995, as amended and The Occupational Pension Schemes (Investment) Regulations 2005.

This document outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

The Plan has been set up as a sectionalised Plan. The beneficiaries, assets and liabilities of each Section are discrete and financially ring fenced within the Plan.

In preparing this Statement, the Trustee has obtained and considered written advice from a suitably qualified individual and consulted with the Principal Employer. The advice and consultation process considered the suitability of the Trustee's investment policy for the Plan.

2. INVESTMENT OBJECTIVES

The investment objectives of the Plan have been agreed by the Trustee board. These 'Ongoing' and 'Long Term' targets are listed below:

Ongoing target

Achieve and maintain a funding level of 100% (or more) of the technical provisions basis allowing for ongoing scheme expenses as scheduled in the current Recovery Plan through:

- a) recovery contributions as set out in the current Recovery Plan and
- b) maximisation of investment returns subject to acceptable levels of risk and asset classes

Long Term target

- i. Achieve self-sufficiency, i.e. sufficiently well-funded and invested so that the risk of the Plan requiring further contributions from the Company is greatly reduced
- ii. Consider buyout should circumstances be appropriate.

The Trustee believes the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary for each Section of the Plan.

3. TRUSTEE

3.1 Investment Sub-Committee

The Trustee has appointed an Investment Sub-Committee ("ISC"). The objective of the ISC will be to manage and maintain the Plan's investments in accordance with the ISC Terms of Reference.

The ISC formally reviews the contents of the SIP following any significant change in investment policy or on not less than a triennial basis.

3.2 The Trustee

The investment recommendations of the ISC must be formally ratified by the Trustee.

Arrangements are in place for the Directors of the Trustees to be remunerated for their trustee work, where this is not already covered by their employment by ThyssenKrupp UK PLC or one its subsidiaries.

4. INVESTMENT ADVISER

The Trustee has appointed an independent investment adviser to the Plan, detailed in Appendix A.

The adviser provides advice as and when the Trustee requires it, as well as highlighting any investment related issues of which the Trustee should be aware. The remuneration terms of the investment adviser are also set out in Appendix A.

The Trustee's investment adviser is authorised and regulated by the Financial Conduct Authority ("FCA").

5. INVESTMENT MANAGERS

The Trustee, after considering appropriate investment advice, as required by Section 35 of the Pensions Act 1995, has adopted a pooled fund based strategy for the investment of the Plan's assets. This means that the assets of each Section and asset class will be invested separately, but within 'pooled' arrangements along with the investments of other clients of each fund manager.

The decision is reviewed from time to time by the ISC and ratified by the Trustee.

The Trustee has delegated to its fund managers the discretion over the day to day management of each Section's assets, including stock selection, within the confines of this Statement.

The details of each fund and the basis of the contract between the Trustee and its investment managers are detailed in Appendix B

The investment managers are properly regulated by the appropriate regulatory body in relation to its investment business.

6. INVESTMENTS

6.1 Types of investment to be held

The types of investments held are detailed in Appendix B.

6.2 Risk measurement and risk management processes

The Trustee will commission asset liability investigations based around the results of the triennial actuarial valuations. This analysis details the structure and expected development of the Plan's assets and liabilities over time.

The Trustee has determined an investment strategy that is expected to meet the investment return objectives of the Plan over the long term. In formulating this investment strategy the Trustee has considered the relationship between:

- setting an investment strategy that brings greater certainty of achieving the primary objectives of the plan (i.e. to meet the benefit payments as they fall due); and,
- the long term costs of funding the Plan.

The level of risk within the investment strategy has been determined to strike an appropriate balance between these two factors (i.e. certainty and cost) reflecting, in particular, the following:

- the Trustee's risk appetite - taking into consideration the Sponsor covenant and the risk appetite of the Sponsor;
- the nature of the liabilities and the expected progression of this liability profile over time;
- the expected progression of the cashflow profile of the Plan and the requirement for liquidity and;
- the Trustee's long-term target as listed above.

The Trustee regularly monitors the impact of movements in investment markets on each Section's valuation of the liabilities and their ongoing funding level. Changes to the investment strategy will be implemented when necessary.

The Trustee reviews its investment strategy as appropriate, typically when further actuarial valuation results become available to ensure that the key factors that determined the investment strategy remain applicable.

The Trustee will also review its investment strategy following any significant scheme event.

The Trustee has appointed investment managers who hold a diversified portfolio of assets to reduce the stock specific risk faced by each Section of the Plan. The Trustee monitors the allocations to a single investment manager and diversify manager risk if required to avoid excess concentration with a single manager.

6.3 Balance between different types of investments

The balance between the different asset classes is detailed in Appendix B.

6.4 Asset Allocation Policy for all Sections

The long term asset allocation is detailed in Appendix B.

6.5 Expected returns

The Plan's growth assets are managed on an active basis and are expected to outperform their respective benchmarks over the longer term. In targeting this level of outperformance the investment managers are also expected to limit the potential for underperformance. The benchmarks and objectives for each investment manager in which the Plan invests are detailed in Appendix B.

Overall, the returns of each Section are expected to exceed the return required to fund the liabilities of each Section over the medium to long term, as detailed in each Section's ongoing actuarial valuation.

6.6 Realisation of investments

The majority of the assets of the Plan are invested in assets quoted in the major investment markets and are readily realisable as the Trustee feels appropriate given the cash flow position of the Plan and the expected development of the Plan's liabilities, both of which are monitored by the Trustee, through the ISC, as appropriate.

The investment managers can be required to realise investments as soon as it becomes appropriate.

6.7 ESG and ethical considerations

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee believes that ESG factors can be financially material and are considered as part of its decision-making process. The Trustee consider this risk by taking advice from its investment adviser when selecting managers and when monitoring their performance.

By endeavouring to invest for the best financial interests of the beneficiaries, the Trustee has elected to invest primarily in pooled funds and cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. However, where ESG factors are considered to be financially material the Trustee expects its investment managers to take account of these issues in their decision making.

The investment managers' policies regarding their approach to incorporating social, environmental and ethical factors in their selection of investments are available to the Trustee on request. The Trustee has decided not to impose any additional social, environmental and ethical guidelines on its managers.

In setting and implementing the Plan's investment strategy the Trustee does not explicitly consider the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

6.8 Arrangements with investment managers

Before appointing a new investment manager, the Trustee receives legal and investment advice with respect to the governing documentation associated with the investment which considers the extent to which it aligns with the Trustee's policies. Where possible, they will seek to amend that documentation so that there is more alignment with the Trustee's policies. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee will express its expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee/ISC meetings) or may choose not to appoint the investment manager.

The Trustee's investment adviser monitors the Plan's investments on an ongoing basis, which is reported to and regularly reviewed by the Trustee, and considers the extent to which fund managers:

- make decisions based on assessments about the expected medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial factors.

The Trustee receives quarterly reports and verbal updates from its investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives and assesses the investment managers regularly over a range of time periods.

There is typically no set duration for arrangements with investment managers, although the continued appointment of all investment managers will be reviewed periodically, with performance monitored on a monthly basis and managers invited to present to the ISC regularly.

The Trustee also receives information on stewardship including the monitoring and engagement activities carried out by its investment managers, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Plan's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

6.9 Stewardship – Voting and Engagement

The Trustee will review the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Plan's investment managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

This will include, where appropriate:

- Engaging with underlying investee companies and assets to promote good corporate governance and accountability; and
- Exercising the Trustee's voting rights in relation to the Plan's assets.
- Considering social, environmental or ethical considerations in the selection, retention and realisation of investments; and

The Trustee regularly reviews the continuing suitability of the appointed managers and take advice from the investment adviser regarding any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee has concluded that the decision on how to exercise voting rights should be left with its investment managers who will exercise this right in accordance with their respective published corporate governance policies. These policies are provided to the Trustee from time to time and consider the financial interests of the shareholders, which should ultimately be to the Plan's benefit.

Where the Trustee is specifically invited to vote on a matter relating to a policy or contract held with any of the Plan's investment managers, the Trustee will, where the outcome is considered to have a significant impact on the Plan, exercise its right in accordance with what they believe to be the best interests of the majority of the Plan's membership.

If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee's investment adviser will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

6.10 Cost transparency

Cost Monitoring

The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its investment managers that can increase the overall cost incurred by its investments.

The Trustee collects annual cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what they are paying its investment managers.

The Trustee will seek to only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Plan. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Plan.

Evaluation of Asset Managers performance and remuneration

The Trustee will assess the performance of its investment managers on a quarterly basis and the remuneration of its investment managers on at least an annual basis.

Portfolio turnover costs

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Plan's underlying investments through the information provided by its investment managers. The portfolio turnover is monitored annually with the assistance of the Plan's investment adviser.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, transaction costs are acceptable as long as they are consistent with the asset class characteristics, manager's style and historic trends. The Trustee does not define a targeted portfolio turnover range, but where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

7. MONITORING OF INVESTMENT ADVISER AND MANAGERS

7.1 Investment Adviser

The Trustee will review the appointment of the investment adviser periodically and change advisers as deemed appropriate. The Trustee has set its investment adviser objectives as required by The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and review its adviser against these objectives on an annual basis.

7.2 Investment Managers

The Trustee has arranged for regular performance measurement of the investments to be provided. The investment adviser provides an independent performance measurement service that reviews the performance of the individual funds against the relevant benchmarks and the overall investment performance of all the assets of each Section of the Plan against the overall strategic benchmark. In addition the strategy is measured against the expected movements in the value of the liabilities arising from investment factors.

8. CODE OF BEST PRACTICE

The Trustee is aware of the recommendations from the Myners' report 'Updating the Myners Principles: a response to consultation', with respect to greater transparency within its Statement. The Trustee has considered these recommendations when formulating its investment policy and have included them within this Statement to the extent that they feel is appropriate. The Trustee intends to regularly review its compliance with the recommendations.

9. COMPLIANCE

The Plan's Statement of Investment Principles and the annual report and accounts are available to members on request.

A copy of the Plan's current Statement of Investment Principles together with the Appendices can be supplied to the Plan's investment managers, the Plan's Auditors and the Scheme Actuary upon request. Each Section's Sponsoring Employer is also provided with a copy of the Plan's current Statement of Investment Principles together with the relevant Appendices, which relate to that Section.

This Statement of Investment Principles, taken as a whole with all the Appendices, was approved by the Trustee on 19 December 2022.

APPENDIX A – Investment Adviser Information

Investment Adviser Information

The Trustee has appointed Aon Investments Limited ("Aon") as an independent investment adviser to the Plan. Aon provide advice as and when the Trustee requires it, as well as highlighting any investment related issues of which the Trustee should be aware. Aon are primarily remunerated on a fixed fee basis, agreed in advance, with an element of time-cost based work when required.

APPENDIX B – Investments & Investment Managers

The Trustee of the Plan has agreed that they may use, but are not limited to, the following asset classes and strategies in order to enable them to meet the investment objectives of the Plan:

- Equities (UK and Overseas)
- Government bonds (UK and Overseas)
- Corporate bonds (UK and Overseas)
- Diversified Growth Funds
- Multi-Asset Credit
- Asset-backed securities
- Cash
- Derivatives (for efficient portfolio management and risk reduction purposes only)
- With Profits contracts
- Annuity contracts

Rebalance across investments

Within each asset class the Trustee has delegated to its investment managers the discretion over the day to day management of their funds. There are no formal rebalancing procedures in place.

The Trustee has agreed that rebalancing should occur on a pragmatic basis, whereby section cash flows will be used to broadly maintain the asset allocation in line with the strategic benchmark.

Both investments and redemptions are monitored on a quarterly basis by the Trustee and its advisers in light of the evolving asset and liability position of each Section.

Asset Allocation

The long-term strategic asset allocation benchmark for each of the Sections are as follows:

| Section | TKUK1 | Camford | Elevators Founders |
|--------------------|--------------|----------------|---------------------------|
| Multi-Asset Credit | 5% | 5% | 5% |
| UK Corporate Bonds | 20% | 20% | 20% |
| LDI & Cash | 75% | 75% | 75% |

The Camford section's current target asset allocation is different to the long-term asset allocation as the funding level is below 102.5% on a solvency basis. Upon reaching this funding level the Section will be de-risked to the strategy shown above. The current target asset allocation for Camford is as follows:

| Section | Camford |
|--------------------|----------------|
| Equity | 8% |
| Multi-Asset Credit | 7% |
| UK Corporate Bonds | 9% |
| LDI & Cash | 76% |

Investment Manager Information

The Plan invests with the following investment managers:

- Veritas Asset Management LLP ("Veritas")
- JP Morgan Asset Management ("JP Morgan")
- Legal & General Investment Management ("LGIM")
- Friends Life
- Insight Investment Management Limited ("Insight")
- State Street Global Advisors Limited ("SSGA")

The table below shows the details of the investments held with Veritas.

| Fund | Benchmark | Objective | Contract | | Dealing Frequency |
|--------------------------------------|---------------------|--|--|--|-------------------|
| Global Focus Common Contractual Fund | MSCI AC World Index | To outperform CPI by 6-10% p.a. over medium term (3-5 years) | An application form entered into alongside a fee side letter | | Daily |

The table below shows the details of the investments held with JP Morgan.

| Fund | Benchmark | Objective | Contract | | Dealing Frequency |
|--------------------------|--------------------|---|---|--|-------------------|
| Multi Sector Credit Fund | Benchmark agnostic | 5% +/- 2% p.a. over a rolling 3 year period (gross of fees) | An application form has been entered into alongside a fee side letter | | Twice monthly |

The table below shows the details of the investments held with LGIM.

| Fund | Benchmark | Objective | Contract | | Dealing Frequency |
|--|-------------------------------|---|---|--|--------------------------|
| Core Plus Fund | iBoxx Sterling Non-Gilt Index | To outperform the Index by 1.15% p.a. (gross of fees) | Insurance contract with Legal & General Assurance (Pensions Management) Limited | | Weekly |
| Single Gilt and Index-Linked Gilts Funds | Track the liabilities | To perform in line with the benchmark (gross of fees) | Insurance contract with Legal & General Assurance (Pensions Management) Limited | | Weekly |

The LGIM Core Plus Fund is currently comprised of three sub-funds: two active corporate bond funds (GBP and USD denominated) that target 0.75% outperformance and a return-orientated overlay fund to achieve the remaining outperformance with a wider opportunity set.

The table below shows the details of the investments held with SSGA.

| Fund | Benchmark | Objective | Contract | | Dealing Frequency |
|--|-----------------------|---|--|--|--------------------------|
| Single Gilt and Index-Linked Gilts Funds | Track the liabilities | To perform in line with the benchmark (gross of fees) | An application form entered into alongside a fee side letter | | Daily |

The table below shows the details of the investments held with Insight.

| Fund | Benchmark | Objective | Contract | | Dealing Frequency |
|----------------------------------|-----------------------|---|-----------------------|--|--------------------------|
| LDI Partially Funded Gilts Funds | Track the liabilities | To perform in line with the benchmark (gross of fees) | IMA issued by Insight | | Daily |
| LDI Enhanced Selection Funds | Track the liabilities | To perform in line with the benchmark (gross of fees) | IMA issued by Insight | | Daily |
| ILF GBP Liquidity Fund | SONIA | To perform in line with the benchmark (gross of fees) | IMA issued by Insight | | Daily |
| ILF GBP Liquidity Plus Fund | SONIA | To outperform the benchmark by 0.12% p.a. (gross of fees) | IMA issued by Insight | | Daily |
| Insight Liquid ABS Fund | SONIA | To outperform the benchmark by 0.5% p.a. (gross of fees) | IMA issued by Insight | | Daily |

Friends Life

The investment held in the Friends Life With Profits Fund is expected to produce smoothed absolute returns from year to year. Fund returns do not directly reflect the actual performance of the underlying assets over the short term. The 'smoothing' is achieved by holding some monies 'in reserve' when investment returns are high and using some of this reserve when returns are low.

In administrative terms, the Friends Life Group Pension Contract (With Profit Fund) operates like a bank deposit account where contributions are paid into a "pool" and money is taken from that pool to provide benefits as and when required. When a member retires, the Trustee may use part of the pool to purchase an annuity. The cost of the annuity is set by life assurance companies, based on life expectancy and the price of assets used to meet the annuity payments, namely bonds.

The Group Pension Contract provides annuity guarantees for contributions paid prior to 6 April 2000. The annuity guarantee provides pension benefits at pre-determined annuity rates. It should be noted that upon retirement of a member, the Trustee is not restricted to purchase a pension through Friends Life and could purchase a pension with another insurer if they offer more competitive annuity rates.

Friends Life currently levy a surrender penalty of 5% upon cessation of the policy with the insurer.

The Trustee believes that the arrangements in place are appropriate to protect the benefits of the Section's members.

Sections with a With Profits Fund allocation do not have a strategic allocation to the fund.

APPENDIX C - Additional Voluntary Contributions

The Sections have policies/contracts with the following providers for members who have contributed or who wish to contribute to enhance their retirement benefits. The Trustee believes these options to be an appropriate vehicle for this purpose.

| | |
|---------------------------|--|
| TKUK1 | <p>A range of different investment choices with AEGON (previously Scottish Equitable), Utmost Life & Pensions, Marine and General, Royal London (previously Scottish Life), Scottish Equitable, Standard Life Investments Limited, Phoenix (Century Life), Friends Life and Prudential M&G.</p> <p>The Section also has a number of annuity contracts with AEGON (previously Scottish Widows), Prudential, Canada Life, Aviva (previously Friends Life) and Standard Life.</p> |
| Camford Section | <p>A range of different investment choices with Utmost Life & Pensions and a cash accumulation account with Prudential M&G.</p> <p>The Section also has a number of annuity contracts with Prudential.</p> |
| Elevator Founders Section | <p>Legal and General.</p> |