Castings Plc (Shop Floor Employees) Pension & Life Assurance Scheme

Statement of Investment Principles – March 2025

1. Background

This Statement sets out the principles governing decisions about investments for the Castings Plc (Shop Floor Employees) Pension & Life Assurance Scheme (the "Scheme") to meet the requirements of the Pensions Act 1995 ("the Act") and the Occupational Pension Scheme Investment Regulations 2005.

Before preparing it the Trustees have consulted Castings Plc (the "Company") and obtained and considered written professional advice from their investment consultants.

The Trustees' investment responsibilities are governed by the Scheme's trust deed, a copy of which is available on request. This Statement takes full regard of the relevant clauses.

The Trustees refer to this Statement when making investment decisions to ensure that, where possible, they are consistent with the principles set out in this Statement.

The Trustees, in considering any aspect of its investment responsibilities, will always take into account the fact that the benefits which they are liable to provide are, in the main, pensions. There are also money purchase benefits arising from members' payments of additional voluntary contributions ("AVCs").

2. Investment Policy

The Trustees are accountable for the investment of the Scheme's assets. The Trustees delegate some aspects of the Scheme's investment arrangements in order to manage the Scheme's affairs effectively. The Scheme's principal asset is a bulk annuity with Aviva Life & Pensions UK Limited ("Aviva"). The Trustees entered into the bulk annuity contract with Aviva as part of the progression towards an insurer buy-out of the Scheme's known liabilities.

In addition, the Trustees invest in a liquidity fund managed by Legal & General Investment Management Limited ("L&G"), an associate company of Legal & General Assurance (Pensions Management) Limited, which is authorised and regulated by the Financial Conduct Authority ("FCA").

The Trustees retain direct responsibility for setting investment objectives, establishing risk and return targets and setting the Scheme's strategic benchmark and investment manager structure.

The Trustees do not expect to revise this Statement frequently because it covers broad principles. The Trustees will review it at least once every three years, and without delay if there are relevant material changes to the Scheme and/or the circumstances of the Principal Employer. These include changes in the Scheme's liabilities and in the attitude to risk of the Trustees or the Company.

3. Investment Objectives

The Trustees' primary objective is to endeavour to meet their obligations to the beneficiaries both in the short and long term. To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have considered and adopted the objective of minimising risk as far as possible. As a key step to achieving this, the Trustees, following consultation with the Company, have entered into a bulk annuity contract issued by Aviva. Aviva is authorised by the Bank of England Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK.

The Trustees' key short term objective is to ensure an efficient progression towards an insurer buy-out of the Scheme's known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Scheme's governing documentation and relevant legislation.

In due course, in order to complete buy-out, the known members' benefits will be secured by means of individual annuity policies directly with the members, in accordance with the terms of the bulk annuity policy. The Scheme will then be wound up. The aim is to complete the Scheme's buy-out and wind-up as soon as practicable.

The Trustees recognise that the Company has a legitimate interest in these objectives and have consulted the Company accordingly.

4. The Trustees Policy with Regard to Risk

There are various risks to which any pension scheme is exposed.

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities.

- The Trustees have sought to mitigate this primary risk and other key risks by the purchase of the bulk annuity policy. The Trustees have appointed Aviva as the annuity provider having obtained and considered written advice. The Trustees also acknowledges a number of risks remain having purchased the bulk annuity with Aviva:

  1) Counterparty risk – the risk that, between now and the completion of buy-out, Aviva may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contract, the Trustees obtained and carefully considered professional advice regarding the current financial strength of Aviva. The Trustees accepted the advice, namely that Aviva was financially strong and had sufficient capital resources to support the proposed transaction and that, correspondingly, there was no reason in relation to financial strength why the transaction should not proceed and concluded that the risk was acceptably low. In addition, the Trustee is aware that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS").

  2) Liquidity risk – the risk that the Scheme's assets are not sufficiently liquid to meet the Scheme's cashflow requirements. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with Aviva. Prior to purchasing the policy, the Trustees were satisfied that all known members' benefits would be insured in full. Under the terms of the policy, a post-transaction period of data verification will be undertaken between the Scheme

administrator and Aviva. Liquidity risk is managed by the holding of residual assets within the L&G in a liquidity fund which will allow unforeseen cashflows to be met.

3) Lack of diversification - The Trustees recognise that entering into an annuity contract with a single provider represents a concentration of risk. However, they are satisfied that this risk is acceptable after due diligence on the provider.

- The Scheme also invests in a liquidity fund with the appointed investment manager, L&G, to hold the assets in excess of those transferred to Aviva to purchase the bulk annuity. The fund in which the Scheme invests, allocates entirely to short dated debt and cash deposits and hence is subject to small amounts of interest rate risk, inflation risk and credit risk. The aim of the fund is to provide capital security (before fees) and liquidity.

- This is not an exhaustive list of risks that the Scheme's investments may face, but serves to highlight some of the key risks identified to date.

- The safe custody of the Scheme's assets outside of the bulk annuity is delegated to a professional custodian (via the use of a pooled investment vehicle).

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. Day-to-Day Management of Scheme's Assets

The Trustees have implemented the following investment strategy which the Trustees believe is consistent with its objectives.

The Scheme's defined benefit assets comprise:

- A bulk annuity policy with Aviva.

- Residual assets held in the L&G Sterling Liquidity Fund.

- A bank account for day-to-day cashflow purpose.

6. Additional Assets

The Trustees may from time to time hold additional insurance policies or other assets which are earmarked for the benefit of certain members. These may include for example:

- assets secured by additional voluntary contributions (AVCs) or other arrangements made individually with the Trustees;

- deferred or immediate annuity policies purchased to match part or all of the Scheme's liabilities.

Member's AVC assets are invested with Clerical Medical and Equitable Life.

7. Socially Responsible Investment and Corporate Governance

The Trustees believe that environmental, social and governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

However, since the Scheme's principal assets are a bulk annuity contract and a liquidity fund investing in short term debt and cash deposits, it is not possible in practice to take ESG factors into account in the retention and realisation of these investments. As noted above, the Trustee obtained and carefully considered professional advice before entering into the bulk annuity contract, including as regards the selection of Aviva as insurer.

Given the nature of the Scheme's investment policy, member views and Non-Financially Material Considerations are not taken into account in the selection, retention and realisation of investments.

8. Compliance with this Statement

In line with the Occupational Pension (Investment) Regulations (2005), the Trustees are required to review the Statement at least every three years and without delay after any significant changes in investment policy. Any such review will again be based on written expert investment advice and the Company will be consulted.

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of themselves and the Company which they judge to have a bearing on the stated investment policy.

This Statement is available to members upon request.

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Signed

For and on the Behalf of the Trustees of the Castings Plc (Shop Floor Employees) Pension & Life Assurance Scheme

March 2025