

The ThyssenKrupp UK PLC 2006 Retirement and Death Benefits Plan

Statement of Investment Principles – 11th Edition

# **The ThyssenKrupp UK PLC 2006 Retirement and Death Benefits Plan**

## **Statement of Investment Principles**

**11th 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 are listed below:

- Achieve and maintain a funding level of 100% (or more) of the technical provisions basis as agreed in the funding plan with the Company (i.e. self sufficiency, so that the risk of the Plan requiring further contributions from the Company is greatly reduced)
- maximisation of investment returns subject to acceptable levels of risk and asset classes

The Trustee believes the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Plan Actuary for each Section of the Plan. The Trustee, in consultation with the Company, may consider other ways to manage and mitigate risks, such as insurance options.

## **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 (as amended), 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 security 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 Responsible Investment – Environmental, Social & Governance matters and other 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 ("ESG") 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 ESG and other 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 ESG factors in their selection of investments are available to the Trustee on request. The Trustee has decided not to impose any additional ESG guidelines on its managers.

The process for identifying and assessing climate-related risks and opportunities is captured by:

- Our advisers demonstrating how they have considered climate change risks and opportunities when providing new strategic investment advice, new mandates, new funding plans and new advice on the covenant.
- Investments that are positively rated by our Adviser having at least an appropriate or advanced process to identify, evaluate and mitigate potential financially material ESG risks, including climate change, within the portfolio.
- Our asset managers demonstrating how they have considered short and long-term climate change risks and opportunities when reporting on their portfolios.

This will enable us to understand what measures are being taken to reflect climate change opportunities and risk within the investments, funding and covenant.

In order to identify and assess climate change the Trustee has received training on climate change and its associated risks and opportunities and considered the possible short, medium and long-term effects of climate change on the Plan's objectives and its operations.

The Trustee is aware of the impact diversity and inclusion can have on investment decisions.

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 (where applicable) 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 environmental, social or governance 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 regularly collects cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with industry standards. 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 industry standard 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 a regular 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 regularly 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 regulations 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. CONSIDERATION OF BEST PRACTICE GUIDANCE**

The Trustee will consider, with support from its Adviser, any new best practice guidance or regulations that arise from time to time in relation to the governance of the Plan's assets (e.g., from the Pensions Regulator) and will aim to adopt this, where appropriate.

## **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 Plan Actuary upon request.

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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 18 December 2025.

## **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:

- Government bonds (Global)
- Corporate bonds (Global) – predominantly high quality, investment grade
- Asset-backed securities
- Cash
- Derivatives (for efficient portfolio management and risk reduction purposes only)
- 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.

The Trustee recognises that the asset allocation in different asset classes will vary over time as a result of market movements. The Trustee has agreed that rebalancing should occur on a pragmatic basis, in order to uphold a balance between maintaining the asset allocation in line with the strategic benchmark and the ranges set and limiting the cost of rebalancing. Where possible, cash flows will be used first to broadly maintain the asset allocation in line with the strategic benchmark.

### Cashflow

Cashflow (investments and redemptions) and rebalancing opportunities are monitored on a quarterly basis by the ISC in consultation with its advisers in light of the evolving asset and liability position of each Section.

A working balance of cash is held for the payment of benefits or expenses expected over the short term. Under normal circumstances it is not the intention of the Trustee to hold a significant cash balance. The Plan's administrator carefully monitors this and reports the amounts held from time to time to the Trustee.

### Asset Allocation

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

Section	Long Term Target			Ranges
	TKUK1	Camford	Elevators Founders	
Buy and Maintain Credit	15%	15%	30%	+/- 5%
Sterling Corporate Bonds	15%	15%	-	+/-5%
Asset Backed Securities	5%	5%	-	+/-5%
LDI & Cash	65%	65%	70%	+/-7.5%

### Strategic hedging

### Strategic interest rate and inflation hedge target

The Trustee implements LDI (Liability driven investment) to seek to manage its interest rate and inflation risks, as part of its wider investment strategy. This is managed against a cashflow hedging benchmark which has been constructed to represent the liability profile of the Plan on the Technical Provisions (TP) basis. The Trustee currently aims to hedge 100% of the interest rate and inflation sensitivity of the TP basis (net of any insured liabilities). This helps the Trustee reduce volatility of the Plan's funding level on the TP basis, albeit drift will occur due to necessary approximations, differences in assumptions, and experience.

The Trustee updates the cashflow hedging benchmark at least triennially in line with Actuarial Valuation, or earlier if there are significant market or Plan specific changes. The Trustee seeks expert advice on this.

### Monitoring

The Trustee receives quarterly monitoring from its Investment Adviser of the hedging assets relative to the cashflow hedging benchmark to ensure the LDI manager is performing as expected.

The LDI manager will manage the LDI portfolio relative to the cashflow hedging benchmark within certain tolerances specified in the Investment Management Agreement and will automatically rebalance the LDI portfolio if the hedge ratios drift outside of these tolerances.

### Collateral

Under the Investment Management Agreement with the LDI manager, the LDI manager has established protocols to ensure sufficient collateral is maintained within the funds it operates and has flexibility to access additional collateral within the assets they hold (Cash and Asset Backed Securities).

The Plan's Investment Advisor additionally provides advice on collateral headroom, where required, and should collateral headroom be insufficient with the LDI portfolio action will be taken to source this from the Plan's wider assets. All of the Plan's assets are liquid and generally realisable at short notice.

### **Investment Manager Information**

The Plan invests with the following investment managers:

- Legal & General Investment Management ("LGIM")
- Insight Investment Management Limited ("Insight")
- State Street Global Advisors Limited ("SSGA")

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

<b>Fund</b>	<b>Benchmark</b>	<b>Objective</b>	<b>Contract</b>	<b>Dealing Frequency</b>
Core Plus Fund	iBoxx Sterling Non-Gilt Index <sup>1</sup>	To outperform the Index by 1.15% p.a. (gross of fees)	Insurance contract with Legal & General Assurance (Pensions Management) Limited	Weekly
Buy and Maintain Credit Fund(s)	Not applicable <sup>2</sup>	To provide investors with credit risk exposure through investing principally in a globally diversified portfolio of non-government bonds and avoiding investment in bonds which in the opinion of the Investment Manager are likely to default or experience a significant deterioration in credit quality.	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

1. 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. 2. The ISC will consider a range of metrics (credit quality, downgrades, defaults, absolute performance, etc) in the ongoing monitoring of these funds.

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

<b>Fund</b>	<b>Benchmark</b>	<b>Objective</b>	<b>Contract</b>	<b>Dealing Frequency</b>
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.

<b>Fund</b>	<b>Benchmark</b>	<b>Objective</b>	<b>Contract</b>	<b>Dealing Frequency</b>
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

**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 &amp; Pensions, Marine and General, Royal London (previously Scottish Life), Scottish Equitable, Standard Life Investments Limited, Phoenix (Century Life), Friends Life and Prudential M&amp;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 &amp; Pensions and a cash accumulation account with Prudential M&amp;G.</p> <p>The Section also has a number of annuity contracts with Prudential.</p>
Elevator Founders Section	<p>Legal and General.</p>