

Metabrasive Retirement Benefits Scheme

Statement of Investment Principles

July 2025

Contents

1	Introduction	3
2	Investment Decision Making	3
3	Investment Objectives	3
4	Setting the Investment Strategy	4
5	Realisation and Rebalancing of Assets	5
6	Expected Returns	5
7	Risks	6
8	Security of Assets	6
9	Responsible Investment & Stewardship	7
10	Climate Change	8
11	Conflicts of Interest	9
12	Duration of Investment Arrangements	9
13	Incentivisation of Investment Managers	9
14	Portfolio Turnover Costs	9
15	Monitoring	10
16	Review of Statement	10
Appendix A	Investment Strategy Implementation Summary	11

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Metabrasive Retirement Benefits Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees. The Trustees' investment powers are set out in Clause 9 of the Scheme's Amending Deed, dated 3 October 2011. The powers granted to the Trustees under this Clause are wide and this Statement is consistent with those powers.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustees.

The Trustees have also consulted the Principal Employer, Winoa UK Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

3 Investment Objectives

In determining their investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme. They wish to target full funding over the next 5 years on an estimated solvency basis.

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.

- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Scheme's total estimated solvency liabilities.

Where future opportunities arise, the Trustees will consider steps to further reduce the volatility of the Scheme's funding position relative to its liabilities calculated on an estimated solvency basis.

The Trustees will also have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

Details of the investment strategy are set out in the Appendix to this Statement.

The Trustees' policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may also: • Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all the future liabilities due from it. • Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.
Target Asset Allocation	The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed considering any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment. The Trustees have agreed the range of funds to be used in the investment strategy, considering the maturity of the Scheme's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees' risk appetite changes and the Scheme matures.

Policy	
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios. Maintaining the Target Hedge Ratios will take precedence over maintaining the Target Asset Allocation.
Employer Related Investments	The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds and are fully and readily realisable. The Trustees have decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investments on a cost-effective basis;
- pooled funds allow the Scheme to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

The Trustees make disinvestments from the Investment Managers with the assistance of their administrators, as necessary, to meet the Scheme's cashflow requirements. There is no automatic rebalancing between the pooled funds.

6 Expected Returns

The Trustees expect the assets to produce a return more than the long-term growth in the value of the Technical Provisions and estimated solvency liability.

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Secured finance	To achieve a long-term return in line with the market yields available on investment-grade asset backed securities and more than the return on short-term money market instruments.
LDI with equity exposure	The LDI element is expected to perform in line with the sensitivity of the estimated solvency liabilities to changes in interest rates and inflation expectations. The equity element is expected to achieve a long-term return more than the yield available from UK gilts to compensate for the additional risk associated with investing in the exposure of a diversified portfolio of global equities.

7 Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, investment manager risk and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant.

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions and estimated solvency liability.

The calculation of the Scheme's Technical Provisions and estimated solvency liability uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions and the estimated solvency liability are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions and estimated solvency liability.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a range of asset classes through the funds and strategies they use and consider the Scheme's strategy to be adequately diversified.

The Trustees will monitor the investment, covenant and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

8 Security of Assets

The day-to-day activities that the Investment Managers carry out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safekeeping of the Scheme's assets held with the Investment Managers is performed by custodians appointed by them.

The Trustees have considered the security of the Scheme's holdings with the Investment Managers, allowing for their status as reputable regulated firms, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

The Trustees believe that to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustees' policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees do not currently impose any specific restrictions on the Investment Managers regarding ESG issues but will review this position from time to time. The Trustees receive information on request from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues. Regarding the specific risk to the performance of the Scheme's investments associated with the impact of climate change, this is set out in detail in Section 10 of this Statement.
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.
Engagement and Voting Rights	The Trustees' voting and engagement policy is to use their investments to improve the ESG behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the investment manager. The voting policies of the Investment Managers, can be found at the following websites: <u>TwentyFour Asset Management</u> <u>Columbia Threadneedle</u>
Capital Structure of Underlying Companies	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structures to be appropriate to the nature of the mandate.

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive Managed	ESG Views
Secured finance	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the investment manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment manager to engage with the underlying investee companies, where possible, although they appreciate that credit assets within the portfolio do not typically attract voting rights.
LDI with equity exposure	Passive	The underlying assets consist of government bonds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees will review the stewardship policies, as well as assessing the stewardship and engagement activity of the current Investment Managers on an annual basis.

10 Climate Change

Climate change risk can manifest itself through either through the impact of physical risks (such as extreme weather events), transition risks (such as technological change and the cost of moving towards a low carbon economy), or reputational risks (where a pension scheme's investments are not aligned with addressing climate change).

These risks can be realised either through poor investment returns and/or a deterioration in the sponsoring covenant supporting the Scheme, ultimately resulting in a reduction in the Scheme's funding position. However, the Trustees also acknowledge that these risks can also present future opportunities.

The Trustees' policies in respect of climate change risks are set out below:

Policy	
Climate Change Views	The Trustees believe that the Scheme can help address the impact of climate change and transition to a low carbon economy through its investments and believe this forms part of their wider views on stewardship.
Setting the Investment Strategy	As part of setting the Scheme's investment strategy, the Trustees consider whether climate change risk should be explicitly considered, either through the types of investments that can be made on behalf of the Trustees, and whether the Investment Managers have any discretion to consider climate change issues when selecting investments to make.
Investment Managers' Responsibilities	The Investment Managers have the additional responsibility of managing climate change risks, and this is monitored via the Trustees' Implementation Statement prepared on an annual basis. Furthermore, the Trustees can receive reporting from the Investment Managers on how they are tackling climate change (either at the fund level or across the business of the investment manager).

Policy	
Climate Change Targets	The Scheme is currently not required to set targets in respect of climate change risk or align itself to the principles of the Paris Climate Agreement or the desire of the UK Government to achieve net zero emissions by 2050. However, the Trustees will consider setting targets in the future, where the opportunity arises.
Risk Assessment	The Trustees currently monitor climate change risk via their risk register which forms part of the Scheme's wider governance to manage and mitigate operational risks. This is reviewed on a regular basis.

11 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and a conflicts register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

12 Duration of Investment Arrangements

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the Investment Managers. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

13 Incentivisation of Investment Managers

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Managers are selected so that, in aggregate, the risk-adjusted returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issuers to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

14 Portfolio Turnover Costs

The Trustees expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Managers provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

15 Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Managers.

The Platform Provider and Investment Managers will supply the Trustees with sufficient information to enable them to monitor financial and non-financial performance. The Trustees and Broadstone will monitor the Investment Managers' performance against their performance objectives.

The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise an investment manager has had in meeting its objectives, both financial and non-financial.

The Trustees will consider on a regular basis whether the Investment Managers and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.

16 Review of Statement

The Trustees will review this Statement at least every three years, if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.



For and on behalf of the Metabrasive Retirement Benefits Scheme

Date: 4/11/25

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme's assets is as follows:

Asset Class	Target Asset Allocation
Secured finance	47%
Liability Driven Investment (LDI) with equity exposure	53%
Total	100%

The target is indicative only and the underlying objective for these assets is to maintain the Target Hedging Ratios, which protect against changes in long-term interest rates and inflation expectations.

A.2 Platform Provider

The Trustee has appointed Mobius Life Limited ("the Platform Provider") to provide a platform for the majority of the Scheme's assets. The Platform Provider is regulated under the Financial Conduct Authority and the Prudential Regulation Authority and has been selected to effect cost and operational efficiencies in the management of the assets. The Trustees utilise the Platform Provider to access Columbia Threadneedle Investments' ("CT") and TwentyFour Asset Management's funds (collectively "the Investment Managers"). The Investment Managers are regulated under the Financial Conduct Authority.

A.3 Strategies and Funds

The Trustees use the following funds operated by the Investment Managers:

Asset Class	Funds
Secured finance	MI TwentyFour AM Monument Bond Fund
LDI with equity exposure	CT LDI Equity-linked Nominal DLDI Sub-Fund CT LDI Equity-linked Real DLDI Sub-Fund

A.4 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme's total estimated solvency liability is summarised below:

	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

The Trustees note that CT may require additional assets from time to time to support the operation of the LDI with equity exposure funds or may release assets from time to time. The Trustees have put in place a policy with the Platform Provider regarding the re-leverage and de-leverage procedure.

A.5 Fund Performance Benchmarks and Objectives

The LDI element of the LDI with equity exposure funds has an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to CT, with the expectation that they will choose the most cost-effective method. The equity element of the LDI with equity exposure is passively managed, meaning that their objective is to track the return on specified market indices.

The secured finance fund used by the Trustees is actively managed, with an objective to outperform a cash (SONIA).

A.6 Investment Management Total Expense Ratio

The total expense ratio for each of the funds used are given below. The charges include the Mobius Life platform fees, which are 0.05% p.a.:

Fund	Total Expense Ratio
MI TwentyFour AM Monument Bond Fund	0.38% p.a.
CT LDI Equity-linked Nominal DLDI Sub-Fund	0.34% p.a.
CT LDI Equity-linked Real DLDI Sub-Fund	0.34% p.a.

In addition, Mobius Life charge a Policy Administration Fee, currently £3,060 per annum.

A.7 Additional Voluntary Contributions (AVCs)

AVCs are invested with Utmost Life & Pensions.