

Vertellus Specialties UK Limited Pension and Life Assurance Plan

Statement of Investment Principles

30 May 2025

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1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Vertellus Specialties UK Limited Pension and Life Assurance Plan (the Plan).

The Plan is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Plan 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 Trustee's 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 Plan members on request to the Trustee or online.

2 Investment Decision Making

The investment of the Plan's assets is the responsibility of the Trustee. The Trustee's investment powers are set out in Clause 8 of the Plan's Deed, dated 27 September 1991, as amended. The powers granted to the Trustee under this Clause are wide and this Statement is consistent with those powers.

The Trustee has obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), its appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustee 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 Trustee.

The Trustee has also consulted the Principal Employer, Aurorium UK Limited, when setting its investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Plan's investment strategy rests solely with the Trustee. The Trustee will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.

3 Investment Objectives

In determining its investment objectives and strategy, the Trustee has considered the strength of the Principal Employer's willingness and ability to support the Plan. It has determined that it is reasonable to take a long-term view in determining the investment objectives and strategy.

The Trustee has also agreed that the funding position, measured on a gilts+0.5% p.a. basis is the assessment of scheme funding that is of most importance at this stage.

The Trustee's investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustee to meet the Plan's benefits as they fall due.
- To invest the Plan's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Plan's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustee's funding plan have a reasonable chance of being achieved in practice.
- To consider the interests of the Principal Employer in relation to the size and volatility of the contribution requirements.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Plan's funded liabilities (on a gilts+0.5% p.a. basis).

The Trustee also has 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 Trustee's policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	<p>The Trustee 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.</p> <p>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.</p> <p>The Trustee may also:</p> <ul style="list-style-type: none"> • 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 Plan's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Plan, 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 Plan.

Policy

Target Asset Allocation	The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting the 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 Trustee's view of the Principal Employer's covenant, the nature of the Plan's liabilities or relevant regulations governing pension scheme investment.
	The Trustee has agreed that the range of funds to be used in the investment strategy, considering the maturity of the Plan's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustee's risk appetite changes and the Plan matures.
Delegation to Investment Managers	The Trustee will delegate the day-to-day management of the Plan's assets to a professional Investment Manager and will not be involved in the buying or selling of investments.
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustee has responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustee monitors the asset allocation on a regular basis with the assistance of its 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.

The Trustee has decided to invest in pooled funds because:

- the Plan is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Plan 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.

5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustee makes disinvestments from the Investment Manager with the assistance of its administrators, as necessary, to meet the Plan's cashflow requirements.

The Trustee will use cashflow to help maintain the Target Hedging Ratios and Target Asset Allocation.

6 Expected Returns

The Trustee's objective is for the Plan's assets to produce a return more than the growth in the value of its Technical Provisions.

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

Asset Class	Expected Returns
Global equities	To achieve a long-term return more than the yield available from UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of global equities.
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.
Corporate bonds	To achieve a long-term return more than the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
Government bonds (gilts)	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.
Liability Driven Investments (LDI) funds	In line with the sensitivity of the liabilities (using a gilts+0.5% p.a. basis) to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustee from time to time.

7 Risks

The Trustee has considered various risks the Plan faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, 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 Plan's liabilities (on a gilts+0.5% p.a. basis).

The calculation of the Plan's liabilities 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 present value of the liabilities is sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

The Trustee accepts that the investment strategy may result in volatility in the Plan's funding position. Furthermore, the Trustee also accepts that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Plan's Technical Provisions.

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

The Trustee invests in a wide range of asset classes through the funds and strategies it uses and considers the Plan's strategy to be well diversified.

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

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

8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustee 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 Plan's assets held with the Investment Manager is performed by custodians appointed by them.

The Trustee has considered the security of the Plan's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

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

The Plan 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 Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

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

Policy	
Financially Material Considerations	<p>The Trustee recognises 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 Plan invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustee delegates day-to-day decisions on the selection of investments to the Investment Manager. The Trustee has an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Plan's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.</p> <p>The Trustee does not currently impose any specific restrictions on the Investment Manager regarding ESG issues but will review this position from time to time. The Trustee receives information on request from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>Regarding the specific risk to the performance of the Plan's investments associated with the impact of climate change, this is set out in detail in Section 10 of this Statement.</p>
Non-Financially Material Considerations	<p>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 Trustee believes these should not drive investment decisions. The Trustee expects the Investment Manager, 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.</p>

Policy

Engagement and Voting Rights

The Trustee's voting and engagement policy is to use its investments to improve the Environmental, Social and Governance 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 Trustee believes that having this policy and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustee will aim to monitor the actions taken by the Investment Manager on its behalf and if there are significant differences from the policy detailed above, it will escalate its concerns which could ultimately lead to disinvesting the assets from the Investment Manager.

The voting policies of Legal & General – Asset Management Limited (L&G), as the Investment Manager, can be found at the following website:

<https://am.landg.com/en-be/institutional/responsible-investing/investment-stewardship/>

Capital Structure of Underlying Companies

Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustee expects the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The Trustee's 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
Global equities	Passive	The Trustee acknowledges that the Investment Manager must invest in line with specified indices and, therefore, has selected an ESG index aligned with its policies. The Trustee also expects the Investment Manager to consider ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Secured finance and corporate bonds	Active	The Trustee expects 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 Trustee also expect its Investment Manager to engage with the underlying investee companies / securities, where possible, although it appreciates that credit assets do not typically attract voting rights.
Gilts and LDI	Passive	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustee believes 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 Trustee will review whether the stewardship policies are aligned before any new investment managers are appointed, as well as assessing the stewardship and engagement activity of the current Investment Manager on an ongoing basis.

10 Climate Change

Climate change risk can manifest itself through either 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 Plan, ultimately resulting in a reduction in the Plan's funding position. However, the Trustee also acknowledges that these risks can also present future opportunities.

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

Policy	
Climate Change Views	The Trustee believes that the Plan can help address the impact of climate change and transition to a low carbon economy through its investments and believe this forms part of its wider views on stewardship.
Setting the Investment Strategy	<p>As part of setting the Plan's investment strategy, the Trustee considered whether climate change risk should be explicitly considered, both through the types of investments that can be made on behalf of the Trustee, and whether the Investment Manager has any discretion to consider climate change issues when selecting investments to make.</p> <p>The Trustee has decided to invest the global equity allocation in the L&G Future World Global Equity Index Fund. This fund aims to cut its carbon emissions intensity by 50% (from its 2021 base year), and 7% annually. The fund may exclude companies listed on L&G's Climate Impact Pledge divestment list. This list includes companies, which after a certain period of engagement, continue to: (i) not perform well against L&G's climate assessment; (ii) are unresponsive to engagement recommendations; and/or; fall behind in meeting L&G's minimum standards. If the tracking deviation limit is exceeded, holdings of companies that are on the Climate Impact Pledge divestment list may be reduced rather than fully divested.</p> <p>L&G's Climate Impact Pledge can be found at the following website: www.lgim.com/climate-impact-pledge</p>
Investment Manager Responsibilities	The Investment Manager has additional responsibility of managing climate change risks, and this is monitored by the Trustee, either via updates from the Investment Manager to the Trustee or via the Trustee's Implementation Statement prepared on an annual basis. Furthermore, the Trustee can receive reporting from the Investment Manager on how it is tackling climate change (either at the fund level or across the business of the Investment Manager).
Climate Change Targets	The Plan 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.
Risk Assessment	The Trustee currently monitors climate change risk via its risk register which forms part of the Plan's wider governance to manage and mitigate operational risks. This is reviewed on a bi-annual basis.

11 Conflicts of Interest

The Trustee maintains 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 Manager, while also setting out a process for their management.

12 Duration of Investment Arrangements

The Trustee is a long-term investor and has not set an explicit target to review the duration of its arrangement with the Investment Manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

13 Incentivisation of the Investment Manager

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

The Trustee does not directly incentivise the Investment Manager to align the approach it adopts for a particular fund with the Trustee's policies and objectives. Instead, the Investment Manager is selected so that, in aggregate, the risk-adjusted returns produced are expected to meet the Trustee's objectives.

Neither do the Trustee directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve its performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Plan.

14 Portfolio Turnover Costs

The Trustee expects the Investment Manager to change underlying holdings only to an extent required to meet its investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target for its strategy or the underlying funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustee so that this can be monitored, as appropriate.

15 Monitoring

The Trustee employs Broadstone to assist it in monitoring the performance of the Plan's investment strategy and Investment Manager.

The Trustee receives quarterly reports from the Investment Manager and meets with its representatives periodically to review its investment performance and processes.

The Trustee and Broadstone will monitor the Investment Manager's performance against its performance objectives.

The appropriateness of the Investment Manager's 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 it has had in meeting its objectives, both financial and non-financial.

The Trustee will consider on a regular basis whether the Investment Manager remains appropriate to continue to manage the Plan's investments.

The Investment Manager will supply the Trustee with sufficient information each quarter to enable it to monitor financial and non-financial performance.

16 Review of Statement

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

For and on behalf of Dalriada Trustees Limited in capacity as Trustee for the Vertellus Specialties UK Limited Pension & Life Assurance Plan

Date:

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

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

Asset Class	Target Asset Allocation
Global equities (with ESG tilt)	10%
Secured finance	30%
Corporate bonds (buy and maintain)	25%
Gilts / Liability Driven Investment (LDI) solution	35%
Total	100%

The allocations will drift from the Target Asset Allocation over time and will not be automatically rebalanced. The allocations to corporate bonds and gilts / LDI are primarily designed to hedge the interest rate and inflation risk, and the proportions required to maintain the target hedge ratio will change over time. The Trustee will monitor the asset allocation quarterly and take corrective action as required (with advice from Broadstone).

The LDI solution includes holdings in levered and unlevered gilt and index-linked gilt funds.

Income can be distributed from the investments and used to help meet benefit payments.

A.2 Investment Manager

The Trustee entered a contract with Legal & General – Asset Management Limited (L&G) in April 2025. The Investment Manager undertakes day-to-day investment management of the Plan's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.3 Strategies and Funds

The Trustee uses the following funds operated by the Investment Manager:

Asset Class	Funds
Global equities (with ESG tilt)	L&G Future World Global Equity Index Fund
Secured finance	L&G US Securitised Plus Fund - GBP Currency Hedged
Corporate bonds (buy and maintain)	L&G Maturing Buy and Maintain Credit Fund 2025-2029
	L&G Maturing Buy and Maintain Credit Fund 2030-2034
	L&G Maturing Buy and Maintain Credit Fund 2035-2039

	L&G 2027 Gilt Fund
	L&G 2034 Gilt Fund
	L&G 2038 Gilt Fund
	L&G 2073 Index-Linked Gilt Fund
	L&G 2042 Leveraged Gilt Fund
	L&G 2049 Leveraged Gilt Fund
	L&G 2055 Leveraged Gilt Fund
	L&G 2060 Leveraged Gilt Fund
Gilts / LDI solution	L&G 2068 Leveraged Gilt Fund
	L&G 2030 Leveraged Inflation-Linked Gilt Fund
	L&G 2034 Leveraged Inflation-Linked Gilt Fund
	L&G 2037 Leveraged Inflation-Linked Gilt Fund
	L&G 2042 Leveraged Inflation-Linked Gilt Fund
	L&G 2047 Leveraged Inflation-Linked Gilt Fund
	L&G 2055 Leveraged Inflation-Linked Gilt Fund
	L&G 2062 Leveraged Inflation-Linked Gilt Fund
	L&G 2068 Leveraged Inflation-Linked Gilt Fund

A.4 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the Plan's funded liability (on a gilts+0.5% p.a. basis), or asset value, are summarised below:

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

The Trustee will monitor the hedge ratio quarterly and take corrective action as required (with advice from Broadstone).

A.5 Fund Performance Benchmarks and Objectives

The global equity fund used by the Trustee is passively managed. Its benchmark and tracking criterion are given below:

Fund	Benchmark	Tracking Criterion
L&G Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	Track the performance of the benchmark to within $\pm 0.6\%$ p.a. for two years out of three.

The secured finance fund used by the Trustee is actively managed, with an objective to provide long term capital growth and income. The comparator benchmark, is given below:

Fund	Benchmark	Performance Target
L&G US Securitised Plus Fund - GBP Currency Hedged	Bloomberg Barclays US Agg ABS Index	N/A

The funds composing the corporate bonds and gilts / LDI sections aim to perform in line with their objectives. The combination of funds used is intended to meet the Trustee's Target Hedging Ratios.

A.6 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
L&G Future World Global Equity Index Fund	0.23% p.a.
L&G US Securitised Plus Fund - GBP Currency Hedged	0.30% p.a.
L&G Maturing Buy and Maintain Credit Funds (x3)	0.15% p.a.
L&G Gilt Funds (x3)	0.10% p.a.
L&G Index-Linked Gilt Fund	0.10% p.a.
L&G Leveraged Gilt Funds (x5)	0.24% p.a.
L&G Leveraged Inflation-Linked Gilt Funds (x8)	0.24% p.a.

L&G also charge a flat fee of £1,500 per annum, which falls to £1,000 per annum should the asset value exceed £10 million.

A.7 Additional Voluntary Contributions (AVCs)

The Plan holds funds accumulated in respect of AVCs separately from the assets backing defined benefits with FIL Investment Services (UK) Limited. From time to time, the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.