

Statement of Investment Principles

Aeromet International Plc Retirement Benefits Scheme

April 2025

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1. Introduction

1.1 What is a Statement of Investment Principles (“SIP”)?

It is a document produced by the Trustee of a trust-based pension scheme, setting out the investment principles governing decisions about investments for the purpose of the pension scheme. This SIP has been produced by the Trustee (the “Trustee”) of the Aeromet International Plc Retirement Benefits Scheme (“the Scheme”).

1.2 What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 (the “Act”) and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension schemes.

1.3 Who has had input to this SIP?

This SIP has been formulated after obtaining and considering written professional advice from the Scheme’s investment adviser and consulting Aeromet International Limited (the “Sponsoring Employer”) as required by the Act and subsequently the Regulations. The advisors have the knowledge and experience required under Section 2 of the Regulations to provide professional advice on the management of the investments of such schemes.

1.4 Who does it concern?

The document is produced as evidence of compliance with the Act and other relevant legislation, and to provide the opportunity for members, professional advisers, the investment managers and the Sponsoring Employer to understand and comment on the Trustee’s policy on investment.

1.5 Scheme details

The Scheme is a registered pension scheme with HM Revenue & Customs under the Finance Act 2004. The Scheme’s assets are held under a trust which is administered by the Trustee. The investment powers of the Trustee are set out in the Scheme’s trust deed.

The Scheme operates on a Defined Contribution basis where contributions are invested to accumulate capital sums to provide the members with retirement and death benefits.

The benefits each member receives at retirement depend upon the size of the member’s capital sum and the financial conditions prevailing at the time.

Certain members previously had the option to continue to build up State pension benefit or to “contract out” via the Scheme:

- For those members contracted out through the Scheme, when their benefits are purchased a guarantee applies which equates to the minimum pension that the Scheme must provide (“GMP”). The insurance policy held with Royal London Assurance Limited (“Royal London”), funds any shortfall between the cost of securing these GMPs and the value of the Defined Contribution funds.

- For members that did not choose to “contract out” via the Scheme, their benefits are invested on a Defined Contribution basis and no Defined Benefit underpin applies.

Individual member Defined Contribution funds are held partly in specialist unit linked funds and deposit funds (where the value of the units reflects the underlying value of the funds’ assets) and the rest in with-profits funds. As above, Royal London holds an insurance policy for the Scheme which covers any excess funds required to meet the Scheme’s GMP guarantees for those members who chose to “contract out” via the Scheme. This insurance policy however does not cover those GMP liabilities arising from the impact of GMP equalisation.

The Scheme also holds assets invested separately from the main funds in the form of insurance policies securing additional benefits on a Defined Contribution basis for those members who elected to pay additional voluntary contributions (AVCs).

The Scheme is fully paid up and no additional contributions are due from members nor the Employer in respect of future service or death benefits. Additional liabilities may need to be funded by the Employer resulting from GMP equalisation.

The Trustee triggered wind-up of the Scheme with an effective date of 31 March 2025.

1.6 Duties and responsibilities

The Trustee has established the duties and responsibilities of various parties and this is outlined in the table below:

Trustees	Investment manager
Set structures and processes for carrying out their role.	Operates within the terms of the written contracts and agreements.
Select & monitor Scheme investments.	Selects individual investments with regard to their suitability and diversification.
Select & monitor investment advisers and fund managers.	Investment adviser
Agree structure for implementing investment strategy.	Advises on all aspects of the investment of the Scheme's assets, including implementation, when requested by Trustee.
Make ongoing decisions relevant to the operational principles of the Statement of Investment Principles.	Advises on this Statement.
Report annually on compliance with this Statement	Provides required training.

2. Investment policy

It is the policy of the Trustee, after taking appropriate written advice from their investment advisers and in consultation with the Sponsoring Employer, to set the investment strategy for the Scheme, following a consideration of their objectives and other related matters. The Trustee has considered the Scheme's liabilities and strength of Employer covenant when setting the investment strategy and policies.

Given the insured nature of the Scheme there is limited flexibility on the investment approach. The Trustee has delegated responsibility for investment management to the Scheme's investment managers.

The Trustee relies on the investment manager to appoint appropriate Custodians for pooled funds in which assets are invested. The Custodians are responsible for the safekeeping of the assets of the Scheme.

When deciding whether or not to make any new investments, the Trustee will obtain written advice from the Scheme's investment adviser and consider whether future decisions about those investments should be delegated to investment managers.

The written advice will consider the issues set out in the Regulations and the principles contained in this statement.

As the Scheme is paid up and closed to new entrants and no further contributions are payable there is no requirement for the Trustee to set a default investment fund. As such, the Trustee has not set a policy on investing in illiquid assets.

The Trustee intends to adhere to the following restrictions:

- The Trustee will ensure that the Scheme's assets are predominantly invested in regulated markets.
- No more than 5% of Scheme assets can be held in investments related to the Employer.
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management. Responsibility for this has been delegated to the investment managers.
- Stock lending is permitted at the discretion of the Scheme's investment managers in line with their overall investment objectives, policies and procedures.

3. Investment objectives and strategy

3.1 Members with DB underpins

The investment objective is to invest in such a way that the members' benefits can be provided as they fall due.

Those members who elected to contract out via the Scheme have a DB GMP underpin in respect of their benefits. As detailed above, any shortfall of assets against the value of the GMP underpin is covered by a policy of insurance provided by Royal London. For these members, the Trustee's objective is to ensure that the Scheme holds sufficient assets in order to meet the members' benefits as they fall due and at least cover the GMP DB underpin.

The Trustee has delegated investment responsibility to Royal London Asset Management for the assets applicable to these members. Royal London Asset Management invest these assets in the Royal London Crest Secure Plan. The Crest Secure Plan is operated on a deposit administration principles, which is similar to a with-profits arrangement but with a lower exposure to the stock market. The policy is invested in a mix of assets with a smoothed regular bonus rate being declared every year, which stabilises the rate of return on the underlying assets over the longer term. There is no terminal bonus on this policy.

3.2 GMP equalisation

The Trustee agreed to a schedule of contributions to reduce the funding shortfall, which have been paid. The Scheme has subsequently triggered wind-up and is preparing to pay the GMPE liabilities. The Trustee has set objectives for the investment of these funds. These are as follows:

- To minimise, as far as reasonably possible, movements between assets and the estimated GMPE liability.
- To have due regard to the split between members who will likely receive a Wind-Up Lump Sum ("WULS") and those expected to receive an annuity following equalisation of the GMP.

Details of the funds used in this portion of the portfolio are provided in the Appendix.

The Trustee received advice from Quantum Advisory on the investment of these funds.

3.3 Members without GMP underpins

For members who did not elect to contract out via the Scheme, their benefits are invested in a number of unit linked funds which are provided and managed by Royal London Asset Management. Details of the funds available to members are provided in the Appendix.

In relation to these members the Trustee has set the following objectives:

- To ensure members are given an appropriate range of investment options and guidance on the suitability of those options.
- To give members investment options that enable them to maximise their returns at acceptable levels of risk.
- To give members investment options that provide them protection against volatility.
- To ensure that members' invested funds make allowance for change in risk preference as members approach retirement.

- To adhere to the provisions contained in the SIP.
- To adhere to the Pension Regulator's DC code and DC regulatory guidance.

3.4 How is the Scheme's investment objective implemented?

The Trustee meets the investment objective by:

- Providing members with an appropriate range of investment options to enable them to reasonably expect to meet their retirement aspirations, together with guidance on those options, allowing members to make informed decisions on their pension savings. This will include a range of different choices with different return and risk characteristics.
- As the Scheme is paid up and closed to new entrants and no further contributions are payable there is no requirement for the Trustee to set a default investment fund.
- Investing in a manner which seeks to minimise movements between assets and liabilities where appropriate.

4. Financially material considerations, non-financial matters and stewardship policies

This section sets out the Trustee's policies on financially material considerations, non-financial matters and stewardship.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance adequately, or engaging with the companies they are investing in, they will use these factors in deciding whether to retain or terminate a manager.

The Trustee does not offer explicit remuneration to the Scheme's investment managers for considering these factors specifically.

4.1 Financially material considerations

The Trustee acknowledges the potential impact upon the Scheme's investments and members arising from financially material matters. The Trustee defines these as including, but not limited to ESG matters including climate change.

The Trustee has not explicitly incorporated ESG considerations into the setting of the investment strategy or its implementation. Therefore, the extent to which these considerations are taken into account is delegated to, and left to the discretion of, the investment manager. To date, the Trustee has not established any restrictions on the appointed investment managers but may consider this in future.

4.2 Stewardship

As the Scheme invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore, as noted above, delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers. The Trustee expects the investment managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the investment manager to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of the investment managers engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation, then the Trustee may consider terminating the relationship with the investment manager.

4.3 Financially material considerations

The Trustee considers non-financial factors (where members have been forthcoming with their views) however the Trustee does not employ a formal policy in relation to this when selecting, retaining and realising investments.

5. Selection and monitoring of investment managers

5.1 Duration of the arrangement with the asset manager

Appointments of the investment managers are expected to be long-term, but the Trustee will review the appointment of the investment managers, as necessary, in accordance with their responsibilities. Such reviews will include analysis of the investment manager's performance and processes and an assessment of the diversification of the assets held. The review will include consideration of the continued appropriateness of the mandate given to the investment manager within the framework of the Trustee's investment policies.

5.2 How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policy

The Trustee receives performance monitoring reports from the investment manager which consider underlying fund performance. If there are concerns, the Trustee may carry out a more in-depth review of the investment manager.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored on an ongoing basis to ensure it is in line with the Trustee's policies and with fee levels deemed to be appropriate for the particular asset class and fund type.

5.3 How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee requires the investment manager to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the investment manager expects and the reasons for any divergence.

5.4 What formal agreements are in place?

The Trustee has signed policy documents with Royal London Asset Management and Mobius Life Limited ("Mobius Life").

The Scheme holds assets invested separately from the main funds in the form of insurance policies securing additional benefits on a Defined Contribution basis for those members who elected to pay AVCs. These funds are also invested in funds managed by Royal London Asset Management.

The Scheme appointed Mobius Life as its implementation solution provider for the investment of sponsor contributions relating to the GMP equalisation exercise. The Scheme has entered into a unit linked life policy through a Trustee Investment Policy. The policy's value is linked to the underlying investments, which Mobius Life have been directed to purchase. Mobius Life is responsible for investing into the underlying funds and takes responsibility for the relationship

with the underlying investment managers. This includes transactions, reporting and governance.

The Trustee keeps the appointment of all investment managers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Scheme's investment strategy.

5.5 Custodians

The Scheme's assets are held by third party custodians who, although appointed by the investment managers, are separate business entities.

The custodians provide safekeeping for all the Scheme's assets and perform the relevant administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

6. Investment risks

6.1 Types of risk

The Trustee has identified a number of risks including (but not limited to):

- **Employer covenant risk** - This is the risk that the employer is unable to cover any shortfall in liabilities.
- **Asset risk** - This is the risk of an adverse movement in the values of member assets. This includes equity risk, property risk, currency risk, credit risk, interest rate risk and inflation risk.
- **Liability risk** - This is the risk of an adverse movement in the values of member liabilities. This includes interest rate risk, inflation risk and longevity risk.
- **Strategy risk** - This is the risk that unsuitable investment strategies provided to members result in adverse movements in value or the inability of members to realise their investments. This includes asset allocation risk, liquidity risk (including collateral risk) and growth asset risk (including currency risk).
- **Implementation risk** - This is the risk that selection of third parties results in adverse outcomes for members. This included investment manager risk, counterparty risk and operational risk.

6.2 How does the Trustee manage these risks?

These risks are measured and managed by the Trustee as follows:

- The Trustee has set an investment strategy that adheres to the contents of this SIP.
- The Trustee will seek strategic investment advice from an investment consultant, as required, that may include risk modelling and quantification whenever strategic changes are considered.
- The Trustee will undertake monitoring of the Scheme's investments supplemented by information provided by the investment manager, as well as advice from an investment consultant as and when requested.
- The Trustee assesses the strength of the Employer covenant, to the extent required, and will consider the use of external expertise where appropriate.
- The Trustee delegates the day-to-day management of some of these risks to the appointed investment managers.
- The Trustee considers the investment manager's role and approach to managing risk is considered when selecting appropriate investment managers.
- The Trustee considers issues around custodian relationships to ensure Scheme assets are held securely.
- The Trustee assesses whether appropriate controls are put in place by themselves, investment managers and Custodians (where there is a direct relationship).

7. Other matters

7.1. What is the Trustees' policy on the realisation of investments?

The Trustee recognises that assets may need to be realised to meet Scheme obligations at any time. The Trustee will ensure that an appropriate amount of readily realisable assets are held at all times.

The Trustee has considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustee believes that the Scheme currently holds an acceptable level of readily realisable assets. The Trustee will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

7.2. How are various parties who are involved in the investment of the Scheme's assets remunerated?

Quantum Advisory is remunerated on a fixed fee or time-cost fee basis, with budgets agreed in advance for ad hoc project work whenever possible.

The Scheme invests in pooled funds. The Trustee notes that the investment strategy and decisions of the fund managers cannot be tailored to the Trustee's policies and the managers are not remunerated directly on this basis. However, the Trustee sets the investment strategy for the Scheme and selects appropriate managers and funds to implement the strategy.

The Trustee does not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustee does, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustee considers the fees and charges associated with each investment before investing.

The investment managers are remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Scheme's funds they hold under management.

In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets. The Trustee may obtain an annual statement from the investment managers setting out all the costs of the investments of the Scheme.

7.3 Conflicts of interest

The Trustee considers any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustee's meeting and document these in the minutes. Investment managers report on potential and actual conflicts of interest annually.

8. Review

8.1 How often is this SIP reviewed?

The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments; and consulting the Sponsoring Employer.

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Signature

29 April 2025
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Date

For and on behalf of Vidett Trustees Limited - the Trustee of the Aeromet International Plc Retirement Benefits Scheme.

Appendix

Defined Contribution fund options

Asset class	Fund	Objective
Equity	RLP UK Equity Fund	Outperform the FTSE All Share Index
Cash	RLP Deposit Fund	Outperform SONIA Index
Bonds	RLP Fixed Interest Fund	Outperform the FTSE A British Govt All Stocks Index
Multi-asset	RLP Managed Fund	Maximise “real returns” over a ten-year period

Funds invested for GMP equalisation

Asset class	Manager	Fund	Objective	Strategic Allocation (%)
Cash	LGIM	Sterling Liquidity	Provide diversified exposure and a competitive return in relation to SONIA (Sterling Overnight Index Average)	100.0