

Bodycote UK Pension Scheme
Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the Bodycote UK Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustee decisions to invest the assets of the Scheme.

The Trustee has also taken the Myners’ Principles into consideration when making decisions about the Scheme’s investment arrangements.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Update to this Statement

In December 2025, the vast majority of the Scheme’s assets were transferred to an insurer as part of a full Scheme buy-in. The Trustee therefore acknowledges that the policies set out in this statement may be less applicable or limited on the remaining assets held in respect of the Scheme. However, such policies remain relevant for the remaining investment managers by the Trustee until full wind-up of the Scheme (the strategic objective of the Trustee).

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles.

In December 2025, the Trustee purchased a buy-in policy with Pension Insurance Corporation (“PIC”) to insure all of the Scheme’s liabilities. This has effectively removed all the investment risk (and longevity risk) from the Scheme and has enhanced the security of members’ benefits. A small amount of residual assets is being retained in the L&G US Securitised Fund held separately to the buy-in policy. There is also a residual illiquid holding, c.4% of total Scheme assets (Permira Direct Lending mandate) from the legacy investment strategy that will run on until fully distributed.

The Trustee invests the remaining residual liquid assets of the Scheme with the aim of ensuring an appropriate balance between:

- Generating at least a return commensurate with investing in Cash, until full Scheme wind-up; and
- Capital preservation.

As cash is returned from the Direct Lending mandate, it will be reinvested in line with the above aims.

Investment strategy

In December 2025, the Trustee purchased a buy-in policy with PIC to insure all of the Scheme’s liabilities that are not already insured. A relatively small amount of residual assets is being retained alongside the buy-in policy. This includes cash being held in the Trustee Bank Account and an Asset Backed Securities fund, but also an illiquid holding that will run on until it fully distributes proceeds from the underlying holdings.

The purchased buy-in policy with PIC is expected to remove all the investment risk (and longevity risk) from the Scheme and has enhanced the security of members’ benefits. A detailed list of the risks considered is

provided in Appendix A. It is important to note that the buy-in policy is not a totally risk-free asset and that small residual risks do remain.

The remaining assets of the Scheme include investments which are traded on regulated markets.

Investment Management Arrangements

The Trustee has appointed an insurer and various investment managers ('the providers') to manage the assets of the Scheme as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the providers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate

The Trustee takes the providers policies into account when selecting and monitoring them. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis.

As the Scheme's non-buy-in residual assets are invested in a pooled fund generating a cash-like return, the custody of the holdings is arranged by the investment manager. The Trustee decided to retain its incumbent investment manager for investing the residual assets.

Investment Manager Monitoring and Engagement

Given the nature of the buy-in policy any ongoing monitoring and engagement is limited.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed: Bodycote Pension Trustees Limited on behalf of the Bodycote UK Pension Scheme

Date: December 2025

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach to managing these risks over the long term. The three key risks associated within this framework and how they are managed are stated below. Whilst the buy-in effectively removes all risks from the Scheme, it is important to note that it is not a totally risk-free asset and that small residual risks do remain. These were discussed as part of the buy-in selection exercise.

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets. • The buy-in is expected to remove a significant proportion of the investment risk from the Scheme • The residual assets are invested in low-risk fund(s), which prioritise capital preservation.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• The buy-in asset is expected to fund all future liability payments, effectively removing all funding risk from the Scheme.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustee take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support. • The Scheme can now rely on the insurer covenant (although the sponsoring company's covenant is still relevant up until any buy-out).

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The buy-in removes interest rate and inflation risk from the Scheme.

Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	The buy-in removes liquidity risk from the Scheme in respect of member benefit payments. The Scheme is regularly monitoring the cashflows from the residual illiquid asset to ensure the mandate is distributing as forecasted.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable. Given the heavily regulated nature of the bulk annuity market, market risk is effectively removed from the Scheme.
Credit	Default on payments due as part of a financial security contract.	Given the heavily regulated nature of the bulk annuity market, credit risk is effectively removed from the Scheme.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	Given the nature of the buy-in policy it is not possible to actively monitor any ESG criteria in the Scheme.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To largely invest in GBP share classes where possible to eliminate direct currency risk. The buy-in policy removes currency risk for the Scheme.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters, such as reputational risks, are taken into account in the selection, retention and realisation of investments where it is deemed appropriate.
Longevity	Members of the Scheme living longer than expected, leading to a larger than expected liability.	The buy-in policy removes longevity risk for the Scheme.
Counterparty	A counterparty fails to meet its financial transaction obligations.	The buy-in policy removes counterparty risk for the Scheme.

Notes: The Scheme's Direct Lending manager may have non-GBP principal investments which are hedged back with a portion of income hedged also.

Appendix B

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	• The purchase of the buy-in policy is aligned to the overarching strategic objective of the Scheme to meet liabilities as and when they fall due.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	• The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The purchase of the buy-in policy means expected turnover is now low and not a point the Trustee will monitor on an ongoing basis.
The duration of the Scheme's arrangements with the investment managers	• The purchase of the buy-in policy is a permanent investment, and this was deemed to be appropriate for the Scheme given the security it provides for members' benefits.
Voting Policy – How the Trustee expects investment managers to vote on their behalf	• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy – How the Trustee will engage with investment managers about 'relevant matters'	• The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.