Novelis UK Pension Plan ("the Plan")
Statement of Investment Principles

This Statement sets out the Principles governing decisions about the investments of the Plan. The Principles outlined in this Statement of Investment Principles became effective following the delegation of certain decision making powers by the Trustees to their **fiduciary manager** Aon Investments Limited (the "**Manager**"). The Trustees have taken advice from Aon Solutions UK Limited (ASL) regarding the suitability of the **Manager** in this capacity, and recognises that there exists a conflict of interest in taking this advice. The Trustees have consulted with the sponsoring employer.

Investment Objective

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Plan's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The overall objective which has been agreed with the Employer is to set an investment strategy that targets an expected return over the Liability Benchmark of 1.4% p.a. net of fees.

STRATEGY

The investment strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. The investment strategy is equivalent to the Manager targeting a return in excess of the Liability Benchmark + 1.4% per annum. However, the Trustees recognise the potential volatility in these returns, particularly relative to the Plan's liabilities.

The asset allocation is chosen by the Manager to meet the objective stated above. It is based on the assumption that equities will outperform gilts over the long term, that active management will add value and that some alternative asset classes offer diversification and outperformance relative to bonds. The asset allocation chosen by the Manager to meet the given investment objective may vary over time at the discretion of the Manager. The Liability Matching Component aims to take into account the movement in the underlying value of the Scheme's liabilities and the Growth Component is affected by market prices of a broad range of asset classes.

The Trustees have instructed the Manager on the proportion of inflation and interest rate sensitivity to hedge. The target level of protection against changes to inflation expectations and interest rates is set at the value of the assets. The Trustees will monitor the target level of interest rate protection periodically.

In addition, the Trustees also consulted with the sponsoring employer when setting this strategy.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

RISK

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration of the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustees will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the Manager~~s~~ to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the Manager and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Plan's investment strategy.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk of the extent to which ESG factors are not appropriately reflected in asset prices and/or not considered in investment decision making processes leading to underperformance relative to targets.
- The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustees to monitor some of the key risks they receive quarterly reports showing:

- Performance versus the estimated growth in the Plan's liabilities.
- Performance of the Manager and the fund managers chosen by the Manager versus target.
- Any significant issues with the Manager and the underlying fund managers chosen by the Manager that may impact their ability to provide the service agreed by the Trustees.

IMPLEMENTATION

ASL has been selected as investment adviser to the Trustees. ASL is paid on an ad valorem basis for the work it undertakes for the Plan. The Manager is paid on an ad valorem basis and from this amount the Manager will pay the fees of the underlying managers in which it invests. This structure has been chosen to align the interests of the Manager with those of the Plan.

The Trustees have delegated all day-to-day decisions in respect of the Plan's investments to the Manager through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustees and Manager are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

In setting the Plan's investment strategy, the Trustees' 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.

Environmental, Social, and Governance (“ESG”) considerations

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Plan’s investments. The Trustees considers these risks by taking advice from its investment adviser.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme’s investment strategy the Trustees do not explicitly take into account the views of 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"[1]).

Stewardship Policy

The Trustees recognise the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees receive and reviews annual reports on stewardship activity carried out by their Manager, these reports include detailed voting and engagement information from underlying managers.

As part of the Manager’s management of the Plan's assets, the Trustees expect the Manager to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;

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[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

As part of the Manager's management of the Plan's assets, the Trustees expect the Manager to:

  - Ensure that (where appropriate) underlying managers exercise the trustee's voting rights in relation to the Scheme's assets; and
  - Report to the trustee on stewardship activity by underlying managers as required.

The Trustees will engage with their Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Plan members.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of either the Trustees or the asset manager.

Where voting is concerned we would expect our underlying managers, to recall stock lending procedures, as necessary, in order to carry out reflective voting actions.

The Trustees may engage with their Manager, who in turn is able to engage with underlying managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

Arrangements with asset managers

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the underlying managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that their fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustees receive at least quarterly reports and verbal updates from the Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focuse on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives and assesses the Manager over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their Manager, which supports the

Trustees in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Manager and requests that they review and confirm whether their approach is in alignment with the Trustees' policies. The Trustees delegate the ongoing monitoring of underlying managers to the Manager. The Manager monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying managers:

- make decisions based on assessments about 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.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with their policies. Where possible, the Trustee will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment. The Trustees believe that having appropriate governing documentation, setting clear expectations to the fiduciary manager, and regular monitoring of the fiduciary manager's performance and investment strategy, is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the fiduciary manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the fiduciary manager but could ultimately replace the fiduciary manager where this is deemed necessary.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying managers that the Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Monitoring:

The Trustees are aware of the importance of monitoring the fiduciary manager's total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from the Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Plan;
- the fees paid to the Manager;
- the fees paid to the underlying managers appointed by the Manager;
- the amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Manager;
- the Trustees defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying managers appointed by the Manager;
- any charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- the impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying managers appointed on behalf of the Trustee.

The Trustees benefit from the economies of scale provided by the Manager in two key cost areas:

- the ability of the Manager to negotiate reduced annual management charges with the appointed underlying managers;
- the ability of the Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying managers and achieve efficiencies where possible.

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective.

The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the asset manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

GOVERNANCE

The Trustees are responsible for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees ▪ Set structures and processes for carrying out their role. ▪ Select and review the Scheme's Investment Objective ▪ Review actual returns versus the Scheme's investment objective ▪ Select and monitor AVC direct investments (see below). ▪ Select and monitor the investment advisers and the Manager. ▪ Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated) ▪ Approve this document
Investment Adviser ▪ Advise on appropriateness of service provided by the Manager ▪ Advise on investment strategy ▪ Advise on the investment liability benchmark ▪ Review the Statement of Investment Principles ▪ Carry out further project work when required
The Manager ▪ Set the strategy for investing in different asset classes in line with the investment objective. ▪ Determine strategy for selecting fund managers. ▪ Implement the investment strategy ▪ Select and appoint investment managers. ▪ Monitor investment managers ▪ Adjust asset allocations to reflect medium term market expectations ▪ Report on asset performance against the liability benchmark. ▪ Report on asset returns against objectives. ▪ Communicate any significant changes to the investment arrangements

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustees' policy is to review their direct investments and to obtain written advice about them annually. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the

Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the Manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustees have appointed BNYMellon as the Plan's custodian. The custodian provides safekeeping for all of the Plan's assets and performs the administrative duties including the collection of interest and dividends and dealing with corporate actions.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Signed on behalf of the Trustees of the Novelis UK Pension Plan

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Trustee Trustee

Effective Date: August 2020