ETERNIT PENSION PLAN

INVESTMENT POLICY IMPLEMENTATION DOCUMENT – FEBRUARY 2021

1. Introduction

This document is supplemental to the Statement of Investment Principles (the "Statement") and contains details of the investment policy of the Eternit Pension Plan (the "Plan"). This document will be reviewed at least every three years and updated as soon as practically possible after a change in investment strategy.

The investment policy falls into two parts: (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Trustee and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

The Trustee has appointed an Investment Committee ("IC"), which includes a number of Directors with a financial background and substantial experience. The IC is principally responsible for advising the Trustee on investment strategy, for implementing the agreed strategy through external investment managers and ongoing monitoring of investment performance.

2. Strategic Management

The Trustee has agreed to adopt the following strategic asset allocation, which is expected to evolve over time as the Plan matures:

Asset class	Strategic Allocation (%)		
	Year 1 1 April 2020 to 31 March 2021	Year 2 1 April 2021 to 31 March 2022	Years 3 onwards 1 April 2022 -
Growth	**22.5**	**25.0**	**25.0**
Multi-Asset Absolute Return	15.0	15.0	15.0
Infrastructure	7.5	10.0	10.0
Defensive	**77.5**	**75.0**	**75.0**
HLV Property	10.0	10.0	10.0
Private Debt	7.5	11.5	15.0
Securitised Credit	5.0	5.0	5.0
Insurance-Linked Securities	5.0	5.0	5.0
Buy & Hold Credit	20.0	20.0	20.0
LDI & Cash	30.0	23.5	20.0
Total	**100.0**	**100.0**	**100.0**

The Plan is expected to be fully funded on a low risk basis by around the end of the Asset-Backed Contribution ("ABC") in 2032, and at that point is expected to reduce risk in the investment strategy accordingly. The asset allocation at this point will depend on market conditions at the point of implementation, but is expected to be predominantly credit-based, with a high degree of liability hedging.

Over the past two years, the Trustee has made a number of investment strategy changes:

- The Trustee agreed to maintain the 10% strategic allocation to Infrastructure, through additional commitments of £10m in 2019 and £7m in 2020.
- The Trustee introduced a 5% allocation to Securitised Credit managed by Schroders, funded at the end of 2019 from the collateral supporting the LDI mandate.
- The Trustee introduced an opportunistic allocation to Credit Opportunities within the overall Private Debt portfolio, in order to benefit from COVID-19 related market dislocations. This was achieved through a £2.5m commitment in 2020.
- At the end of 2020, the Threadneedle Property portfolio was fully redeemed following a loss of conviction in the manager and the UK core property market in general. The Trustee agreed to rotate this 10% allocation into High Lease-to-Value property ("HLV Property") through an investment into the M&G Secured Property Income Fund ("SPIF"). M&G is expected to draw the £15m committed capital over the next 12 to 24 months.

3. Day-to-Day Management of the Assets

The Plan assets are split between those relating to the main Plan and those relating to the Additional Voluntary Contributions ("AVCs").

3.1. Investment Structure

The Trustee has appointed Invesco Ltd ("Invesco"), Ruffer LLP ("Ruffer"), Mercer Private Markets ("MPM"), Mercer Global Investments Ltd ("MGI"), Elementum Advisors LLC ("Elementum"), M&G Investments ("M&G"), Wellington Management Company ("Wellington") and Schroders Investment Management ("Schroders") as investment managers (the "Investment Managers") for the Plan. The Investment Managers are all regulated by the appropriate UK regulatory body.

The Trustee has entered into signed legal agreements involving these Investment Managers which are consistent with this implementation document. These agreements provide important protection for the Plan's assets including details of how the Plan's assets are managed, a description of each Investment Manager's investment brief, including performance targets, and also the guidelines and restrictions under which the Investment Managers are required to operate.

Investments with Wellington and Schroders are invested directly in segregated mandates and the safekeeping of these assets is performed by the Plan's global custodian, JP Morgan Chase Bank ("JP Morgan"). The Trustee has entered into signed legal agreements with JP Morgan regarding JP Morgan's role. The investment with Ruffer is made directly in a segregated mandate and the safekeeping of these assets is performed by a custodian bank appointed by Ruffer. Investments with MPM, MGI, Invesco, Elementum and M&G are held in pooled vehicles, and the safekeeping of these assets is performed by custodian banks specifically appointed by the Investment Manager.

The table below illustrates the Plan's investment structure broken down by investment manager/mandate.

Asset Class	Manager	Years 3 to 12 Allocation (%)
Liquid Growth Assets		**15.0**
Multi-Asset Absolute Return (Active)	Invesco	7.5
Multi-Asset Absolute Return (Active)	Ruffer	7.5
Illiquid Growth Assets		**10.0**
Infrastructure (Active)	MPM	10.0
Illiquid Defensive Assets		**30.0**
HLV Property (Active)	M&G	10.0
Private Debt (Active)	MPM	15.0
Insurance-Linked Securities (Active)	Elementum	5.0
Liability Hedging/Liquid Defensive Assets		**45.0**
Buy & Hold Credit	Wellington	20.0
LDI	Schroders	20.0
Securitised Credit	Schroders	5.0
Cash	MGI	-
Total		**100.0**

3.2. Manager Mandates

Invesco – Global Targeted Returns Fund

Asset Class	Allocation	Benchmark	Outperformance Target	Expected Volatility
Multi-Asset Absolute Return	100%	3 Month Sterling LIBOR	+5% p.a. (gross of fees)	Less than half the volatility of global equities (rolling 3 month period)

The objective of the Invesco Targeted Returns Fund is to provide relatively strong returns above cash, whilst also limiting downside losses and preserving capital in times of market stress.

Ruffer – Global Long Only Absolute Return

Asset Class	Allocation	Benchmark	Outperformance Target	Expected Volatility
Multi-Asset Absolute Return	100%	3 Month Sterling LIBOR	n/a	n/a

While there is no defined performance objective for the Ruffer mandate, Ruffer's primary objective is to preserve capital over rolling 12 month periods, with a secondary objective to consistently deliver risk-adjusted investment returns greater than cash.

MPM – Private Investment Partners (“PIP”) Infrastructure

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking error tolerance
Infrastructure	100%	Not applicable	+7% - 10% p.a. (net of fees)	n/a

The performance target of the Mercer Infrastructure Sub-Fund is to provide strong returns over the long term, focusing not only on cash yield but also on net operational value creation that generates real, tangible, long-lasting value.

An initial commitment of €17.65m was made to PIP IV in 2017, which will be drawn down over time. In order to maintain the 10% strategic allocation over time, in March 2019 and March 2020, the Trustee agreed to make commitments of £10m to PIP V and £7m to PIP VI, respectively.

M&G – Secured Property Income Fund (“SPIF”)

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
HLV Property	100%	Retail Prices Index	3% p.a.	-

The investment objective of the M&G SPIF is to build a diversified portfolio of properties that have long term, stable, often inflation linked lease income that represents the majority of total expected return.

A commitment of £15m was made to SPIF in Q4 2020, expected to be drawn down over the following 12 to 24 months.

MPM – Senior Private Debt

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
Senior Private Debt	100%	Not applicable	+6-8% p.a. (net of fees)	n/a

The investment objective of the Senior Private Debt mandate is to provide superior returns and income generation, with an emphasis on recurring cash flows by investing in senior corporate debt.

The mandate is accessed through a bespoke pooled fund managed and administered by MPM. This pooled fund will facilitate commitments to a number of underlying investment managers, with the aim of building a diversified portfolio over time. MPM will be responsible for all administration related to the mandate, but the Trustee retains discretion for manager selection (taking advice from Mercer where required).

The Plan made an initial commitment of €19.5m that was committed to 6 underlying managers over the course of 2017/18. A further commitment of c. €15.0m was agreed by the Trustee in 2018, which has been committed to an additional 3 underlying managers over the course of 2018/2019 and start of 2020.

MPM – Credit Opportunities (part of Private Debt portfolio)

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
Credit Opportunities	100%	Not applicable	+10% p.a. (net of fees)	n/a

The investment objective of the Credit Opportunities mandate is to provide superior returns and income generation, by investing in stress and distress debt.

The Scheme made an initial commitment of £2.5m through PIP VI in September 2020, on the back of the opportunities that COVID-19 crisis presented in the distressed debt space. Unlike existing allocations to Private Markets, this is not expected to be maintained over the long term and the mandate will be allowed to naturally amortise over time as investments are realised.

Elementum – Insurance-Linked Securities

Asset Class	Allocation	Benchmark	Outperformance Target	Expected Volatility
Insurance-Linked Securities	100%	Absolute return of 6%p.a. in USD	To outperform benchmark	n/a

Elementum do not explicitly target an absolute return, but for performance measurement purposes we believe based on discussions with the manager that a target of 6% p.a. in USD terms is appropriate.

Wellington Asset Management – Global Buy & Maintain Credit

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
Global Buy & Maintain Credit	100%	Not applicable	-	n/a

The investment objective of the Global Buy & Maintain Credit Portfolio is to maximise the portfolio's total return on a GBP hedged basis, consistent with the preservation of capital while limiting portfolio turnover. The portfolio also provides interest rate duration exposure of 15 years, which contributes to the total interest rate hedge ratio. The portfolio is managed on a segregated basis.

Schroders - LDI and Securitised Credit

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
LDI	80%	n/a	-	n/a
Securitised Credit	20%	3 Month Sterling LIBOR	+2.0% p.a. (gross of fees)	-

The objective of the LDI portfolio with Schroders is to protect against an increase in the value of the Plan's liabilities caused by adverse changes to interest rates and market-implied inflation.

The current target for the LDI portfolio is to hedge 31% of the sensitivity of the Plan's liabilities on the Gilts +0% basis. In order to implement this, Schroders are permitted to invest in physical bonds as well as derivative instruments (e.g. gilt repurchase agreements and inflation swaps).

Schroders manage a trigger-based framework for increasing the liability hedge ratio, that is linked to the 20 year zero-coupon gilt yield (the 'reference yield'). The breach of the next trigger will result in an increase in the liability hedge ratio from 31% to 48%. The triggers are recalibrated immediately following a breach, to account for current market conditions.

Schroders also manage a Currency Hedging overlay on behalf of the Plan. This is intended to hedge the overseas currency exposure within the Infrastructure, Senior Private Debt and Insurance-Linked Securities portfolios back to sterling (to the greatest extent possible). This overlay makes use of the collateral holdings within the LDI portfolio where required.

Further to this, Schroders manages a Securitised Credit mandate, which targets a 2% p.a. outperformance above 3 month LIBOR, on a gross of fees basis. The mandate provides daily liquidity and consists of largely liquid securities, providing floating rate exposure to both US and non-US investment grade securitised assets across Residential Mortgage Backed Securities ("RMBS"), Collaterised Mortgage Backed Securities ("CMBS"), Asset Backed Securities ("ABS") and Collateralised Loan Obligations ("CLOs").

MGI – UK Cash (0% of total Scheme assets)

Asset Class	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
Cash	100%	Citigroup GBP 1 Month Euro Deposit Index	-	+/-0.5% over 3 year periods

The objective of the UK cash Fund is to provide a diversified portfolio of cash deposits with a range of financial institutions of an appropriate credit rating. MGI will oversee the capital call and distribution process for the Senior Private Debt and Infrastructure portfolios on behalf of the Trustee: upon the occurrence of a capital call from the MPM, MGI shall request that the required amount necessary to meet any such capital call, in full, is redeemed from the UK Cash Fund.

3.3. Asset Backed Contribution (ABC)

In addition to the above investment strategy, the Plan also has holdings in an asset backed funding arrangements since March 2018. These assets are not considered to form part of the Plan's formal investment strategy due to their unique structure and illiquid nature. The value of the ABC is, however, included in the overall value of the Plan's assets when assessing the Plan's funding level. As such, the ABC provides additional security to the Plan's financial status and this factor is considered by the Trustee when assessing the overall level of investment risk that it deems acceptable.

3.4. AVC Assets

Assets in respect of the Eternit Pension Plan members' AVCs are invested with the following provider:

Standard Life (via a group AVC structure)
Utmost Life and Pensions (following the business transfer of Equitable Life to Utmost on 1 January 2020)
London Life (via a group AVC structure)

With the assistance of the Plan's Investment Consultant, the AVCs arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members.

3.5. Fees

Manager	Asset Class	Fees
MPM	Private Debt	0.28% p.a. [1]
MPM	PIP IV Infrastructure	0.45% p.a. [2]
MPM	PIP V Infrastructure	0.50% p.a. [3]
MPM	PIP VI Infrastructure	0.41% p.a. [4]
MPM	PIP VI Credit Opportunities	0.41% p.a. [4]
MGI	UK Cash	0.00% p.a. to MGI Variable Sub-Investment Manager Fees (0.015% as at June 2018)
Invesco	Multi-Asset Absolute Return	0.55% p.a. 10% Performance related fee on excess return above a hurdle rate [5]
Ruffer [6]	Multi-Asset Absolute Return	1.00% p.a. of first £10m 0.80% p.a. of next £15m 0.85% p.a. of the next £25m 0.70% p.a. on remainder
Elementum	Insurance-Linked Securities	1.10% p.a. 10% Performance related fee with high watermark and hurdle rate in place
M&G	HLV Property	0.50% p.a.
Wellington	Buy and Maintain Global Credit	0.20% p.a.
Schroders	LDI	0.04% p.a. on first £200m 0.03% p.a. on next £300m 0.025% p.a. on remainder Fee applies to the aggregate LDI coverage between both Schemes and is subject to a minimum fee of £150,000 p.a. Any cash holdings will be charged at 0.10% p.a.
Schroders	Currency Hedging	0.05% p.a. on the notional value of FX contracts, subject to a minimum fee of £60,000 p.a.
Schroders	Securitised Credit	0.25% p.a.
JP Morgan (custodial services)	n/a	Fees charged for safekeeping and administration of assets plus transactions. Fees vary depending on domicile of assets. Minimum annual fee of £30,000 per relationship.

1. Fee to manage the delegated portfolio. Fee payable on committed capital during the investment period (year 1-3), and NAV thereafter. Additional fees will be payable to the underlying investment managers.
2. Fee to manage the delegated portfolio. Fee payable on committed capital during the investment period (year 1-3), and NAV thereafter. A performance related fee of 5% above a hurdle rate of 7% will also be payable. Additional fees will be payable to the underlying investment managers.
3. Fee to manage the delegated portfolio. Fee payable on committed capital during the investment period (year 1-4), and NAV thereafter. A performance related fee of 5% above a hurdle rate of 8% will also be payable. Additional fees will be payable to the underlying investment managers.
4. Fee to manage the delegated portfolio. Fee payable on committed capital during the investment period (year 1-4), and NAV thereafter. A performance related fee of 5% above a hurdle rate of 7% will also be payable. Additional fees will be payable to the underlying investment managers.
5. Invesco total fee is capped at 70bps p.a. over the three-year period since 1 April 2020 to 1 April 2023.
6. Based on the aggregate amount held by ML Pension Scheme and Eternit Pension Plan.