

Chair's DC Governance Statement, covering 1 April 2021 to 31 March 2022

1. Introduction

The **Harsco Pension Scheme** (the "Scheme") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustees of the Scheme, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

This Statement covers the period 1 April 2021 to 31 March 2022 (the "Scheme Year").

2. Default arrangements

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes for monthly paid staff. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members. New members who join the Scheme and who do not choose an investment option are placed into the Lump Sum Strategy, (the "Default").

We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

The Annuity Targeting Strategy is classified as a default arrangement for some members, following past investment changes where members' funds have been transferred without the members expressing a choice.

Two other funds are also classified as defaults for some members, following recent investment changes where members' funds have been transferred without the members expressing a choice or where the objective of a Fund was changed, and it became a default arrangement for legislative purposes. These default arrangements are:

- the Harsco Scheme Cash Fund; and
- the Harsco Scheme Diversified Growth Fund.

The current Default was put in place in October 2018. The previous, main default arrangement was the 'Cash Lifestyle'. Members that were more than two years from retirement in October 2018 were transferred from the Cash Lifestyle to the Lump Sum Strategy. Members who were two years or less from retirement were not moved automatically, and hence some members remained in the Cash Lifestyle and other legacy lifestyles.

During the Scheme Year, the legacy lifestyles (Cash Lifestyle, Annuity Purchase Lifestyle, Drawdown Lifestyle A, Drawdown Lifestyle B and Old Lifestyle) were removed, and the few remaining members were moved (on an opt out basis) to the Harsco Scheme Cash Fund, which therefore became a default arrangement.

Following changes to the Harsco Scheme Diversified Growth Fund's underlying managers during the Scheme Year, the objective of the Harsco Scheme

Diversified Growth Fund was changed, and therefore the Harsco Scheme Diversified Growth Fund also became a default arrangement for legislative purposes.

As Trustees, we are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the main default (the Lump Sum Strategy) are set out in a document called the 'Statement of Investment Principles' ("SIP"). The objectives of the other default arrangements are set out in the Addendum to the SIP. The Scheme's SIP Addendum was updated in March 2022 to reflect the new default arrangements and is attached to this Statement as an Appendix, along with the SIP that was in effect over the Scheme Year.

The Default is reviewed at least every three years and we last reviewed this, with the help of our professional investment adviser, on 14 December 2020. We reviewed the glidepath of the Default and the underlying funds used (in other words, the changing mix of assets which members are invested in throughout their journey to their target retirement date). We also concluded that a cash lump sum remains an appropriate retirement target. All the other investments were covered as part of that review, and we concluded that they remain appropriate.

We agreed some refinements to the Default, including reducing the UK equity overweight in the growth phase, introducing a climate-tilted global equity fund to help mitigate climate change risk, replacing the current Diversified Growth Fund with a strategic multi-asset allocation (to reduce reliance on manager skill and to reduce fees), replacing the absolute return bond fund with a short duration credit fund (to reduce fees and complexity) and amending the glidepath (as described above). The performance and strategy of the Default were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the Default as stated in the SIP, and to check that it continues to be suitable and appropriate given the Scheme's risk profiles and membership. We are satisfied that the Default remains appropriate.

In addition to triennial strategy reviews we also review the performance of the default arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Scheme Year concluded that the default arrangements were performing broadly as expected given the market conditions and consistently with the aims and objectives as stated in the SIP.

3. Requirements for processing core financial transactions

DC arrangements

The processing of core financial transactions is carried out by the administrator of the Scheme's DC arrangements, Aegon. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members and beneficiaries.

We recognise that delay and error can cause significant issues for members. We have received assurance from Aegon that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Scheme has a Service Level Agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. All processes including core financial transactions are conducted in accordance with a strict governance framework. The key processes adopted by the administrator to help it meet the SLA are as follows:

- The documentation received in support of all financial transactions requested on a member's account is fully reviewed for completeness before processing may commence.
- Checklists are in place to help ensure that all necessary information for financial transactions has been received and that all regulatory and service level requirements have been met. Checklists are reviewed by a senior administrator.
- A senior administrator will also review the financial transactions that have been keyed into the record keeping system for completeness and accuracy. Financial transactions include contributions, switches, refunds, transfer out payments, deaths, and retirements.
- All requests for financial transactions are scanned into Aegon's work management system and tracked to ensure that they are actioned on a timely basis and completed in accordance with agreed service standards.
- A daily report is run to verify that the dealing deadline is met (ie that transactions are conducted in a timely and accurate manner). This report identifies members with a partially processed transaction and identified cases are investigated and actioned appropriately. Two further reports are run regularly to ensure that accounts are maintained in accordance with all relevant regulatory and scheme requirements.

- All contributions are submitted through Aegon's online portal. The contributions are checked against expected contributions due and any variances by plus or minus 10% are investigated and the appropriate action taken to resolve any issues. Before single contributions are invested, an "Authority to Bank" form is completed to confirm that the relevant Know Your Client/Anti Money Laundering checks have been performed and this form is checked by a senior administrator.
- A daily checklist is run by the administrator's dealing team to verify that all dealing activities are completed accurately and on a timely basis (eg that subscriptions, redemptions, and switches are processed on time). The checklists cover the dealing, pricing, and reconciliation functions of the team. Dealing activities with third-party managers include authorisation by two approved signatories. Aegon carries out daily holdings reconciliations between its recordkeeping system and its dealing system to highlight any differences. Any exceptions are investigated and resolved and reviewed by a senior administrator at Aegon.

To help us monitor whether service levels are being met, we receive and review quarterly reports about Aegon's performance, as well as ongoing member cases, membership movements and high-level accounting. The reporting includes activity reports which allow the Trustees to verify whether specified transactions (eg retirement quotations, transfer quotations) are performed within the agreed target turnaround performance standards for different activities specified under the SLA. Furthermore, Aegon conducts a data review exercise on an annual basis, to assess whether the Scheme data it holds is accurate and complete.

Additionally, on behalf of the Trustees, the Harsco Pensions Team holds periodic calls and meetings (at least annually) with Aegon to ensure that work is correctly prioritised and visible to the Trustees outside of quarterly reporting.

The SLA performance target for the period covered by the Statement is 90%. Aegon's performance against the SLA is shown below; this has been good over the Q2 and Q3 2021 but slightly below target over Q4 2021 and Q1 2022.

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|-----------|-----|
| • Q2 2021 | 90% |
| • Q3 2021 | 92% |
| • Q4 2021 | 86% |
| • Q1 2022 | 84% |

SLA performance over Q4 2021 and Q1 2022 was below the target due to resourcing issues caused by higher than forecasted work volumes for transfer, drawdown, and retirement work items, as well as time invested in training of new staff to improve resourcing in future.

Based on our review processes we are satisfied that over the period covered by this Statement:

- Aegon was operating appropriate procedures, checks and controls;
- there have been no material administration issues in relation to processing core financial transactions; and
- given the circumstances, core financial transactions on the whole have been processed promptly and accurately to an acceptable level during the Scheme Year.

Any issues identified as part of our review processes would be raised with the Aegon immediately, and steps would be taken to resolve the issues.

AVC arrangements

Prudential and Equiniti were the Scheme's AVC providers during the Scheme Year.

The Trustees review the Scheme's AVC arrangements on a triennial basis and the last review took place on 26 February 2021. The Trustees concluded that the current AVC arrangements remain appropriate for members, however decided to close one of the policies (which is administered by Prudential) to future contributions following it being reopened for a one-off transfer-in payment in 2019.

The AVC providers have provided the following information in relation to the controls they have in place to ensure core financial transactions are processed promptly and accurately. Given that the AVC arrangements have a very small number of members and assets invested relative to the overall DC arrangements, the Trustees monitor the AVC providers administrative performance less frequently than they do Aegon's performance and do not currently require quarterly reports from them.

Prudential

There is one policy administered by Prudential. Prudential uses 'End to End' ("E2E") reporting rather than reporting against an SLA, which means that

performance is measured against the total time taken to deal with a work item, from the day of receiving it through to the closure date of the work item. Some examples of transactions that are covered by this reporting are complaints, contributions, retirement claims, and transfers in and out. Prudential have a target number of days for each work item within each of three categories. The three categories are 'Upper Target Days' where the aim is 75% of cases are completed, 'Lower Target Days' where the aim is 95% of cases completed and 'Tail Target Days' where no more than 1% of cases are completed beyond this timeframe. The target number of days in each category is set based on historical performance. As an example, for claims, Prudential aim for 75% of cases to be completed in less than 10 days, 95% of cases to be completed within 22 days and no more than 1% of cases to be completed beyond 43 days. Prudential's overall aim is to complete 95% of cases within the Upper and Lower Target Days, and no more than 1% in the Tail Target Days.

At the time of writing, Prudential was unable to provide E2E performance over the year to 31 March 2022 but has provided it over the period 1 January 2021 to 31 December 2021. Over the period where data has been provided, Prudential has completed over 90% of tasks within the Upper and Lower Target Days, however, has underperformed the target of 95%, and there have been more than 1% of tasks completed within the Tail Target Days.

Prudential is aware that we expect them to report any material administration errors in relation to processing core financial transactions. Having received no reports of such errors or been made aware of member complaints, we are satisfied that Prudential processed Scheme core financial transactions promptly and accurately to an acceptable level during the Scheme Year.

Equiniti

There are two policies administered by Equiniti but held by Prudential. Prudential work with Equiniti to ensure investments are completed correctly. There is no SLA in place for the Scheme, however, the Trustees have received assurance from Equiniti that it has adequate internal controls to ensure that core financial transactions in respect of the Scheme are processed promptly and accurately. Equiniti is aware that we expect them to report any material administration errors in relation to processing core financial transactions.

Equiniti has confirmed that there have been no material administration issues, errors or unreasonable delays. Therefore, we are satisfied that Equiniti processed Scheme core financial transactions promptly and accurately during the Scheme Year.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum (pa) figure and include any administration charges, since members incur these. However, to maintain lower fees for members, the Company pays an annual per member amount to Aegon, effectively covering part of the cost members would otherwise have to pay.

We are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Aegon as the Scheme's platform provider. Aegon has provided TERs as at 31 March 2022 and transaction costs for the year to 31 March 2022. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

Default arrangements

The Default arrangement for new joiners is the Lump Sum Strategy. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

Members also have the option to invest in a lifestyle designed to be appropriate for targeting income drawdown in retirement, and a lifestyle designed to be appropriate for targeting annuity purchase at retirement.

Following the strategy review in 2020, we decided to remove all legacy lifestyle arrangements from the Scheme, and this was done by Aegon on 25 March 2022. Remaining assets in these legacy lifestyles were moved to the Harsco Scheme Cash Fund. Since assets were moved without members' consent, the Harsco Scheme Cash Fund became a default arrangement for legislative purposes. Annualised charges and transaction costs for the Harsco Scheme Cash Fund are set out in the following tables, along with the Harsco Scheme Diversified Growth Fund, which became a default arrangement for legislative purposes over the Scheme Year following a change in its objective.

TERs and transaction costs are set out in the following tables for those arrangements deemed to be defaults. Since there were changes made to the options available to members over the Scheme Year, annualised TERs before and after the changes are shown. Transaction costs are shown for the lifestyles as they were before changes were made given that changes were made near the end of the Scheme Year. Given the changes made Aegon was only able to provide transaction costs over the year to 31 December 2021 (rather than to 31 March 2022) for the lifestyles and funds that were changed.

Lump Sum Strategy (default arrangement for new joiners)

Years to target retirement date	TER (% pa) before changes	TER (% pa) after changes	Transaction costs (% pa)
15 years or more to retirement	0.21	0.18	0.09
10 years to retirement	0.26	0.19	0.15
5 years to retirement	0.38	0.21	0.36
At retirement	0.39	0.17	0.44

Annuity Targeting Strategy (legacy default arrangement)

Years to target retirement date	TER (% pa) before changes	TER (% pa) after changes	Transaction costs (% pa)
15 years or more to retirement	0.21	0.18	0.09
10 years to retirement	0.26	0.19	0.15
5 years to retirement	0.25	0.22	0.08
At retirement	0.23	0.22	0.01

Harsco Scheme Diversified Growth Fund and Harsco Scheme Cash Fund (default arrangements and self-select options)

Years to target retirement date	TER (% pa) before changes	TER (% pa) after changes	Transaction costs (% pa)
Harsco Scheme Diversified Growth Fund ¹	0.40	0.23	0.44
Harsco Scheme Cash Fund ²	0.18	0.13	0.02

These funds are not set up as lifestyle options and so the fees and transaction costs do not change based on the years to target retirement date.

¹ The underlying passively managed fund was replaced by a mix of actively managed funds over the Scheme Year in March 2022.

² A fee reduction was applied for this fund, but the underlying fund did not change.

Self-select options charges and transaction costs

Annualised charges as at 31 March 2022 and transaction costs over the year to 31 March 2022 are set out in the following table for the alternative lifestyle option which is not considered a default arrangement. Since there were changes made to the options available to members over the Scheme Year, annualised TERs before the changes have also been shown.

Flexible Income Strategy (current self-select option)

Years to target retirement date	TER (% pa) before changes	TER (% pa) after changes	Transaction costs (% pa)
15 years or more to retirement	0.21	0.18	0.09
10 years to retirement	0.26	0.19	0.15
5 years to retirement	0.32	0.20	0.25
At retirement	0.32	0.19	0.30

There are also several 'self-select' funds available to members, which are not structured as lifestyle approaches. These funds are available for members who want to have more control over their investments (ie create their own strategy rather than using a lifestyle approach).

The level of charges for each self-select fund (including those used in the

Default) and the transaction costs over the period covered by this Statement are set out in the following table. Since there were changes made to the options available to members over the Scheme Year, annualised TERs before the changes have also been shown.

Self-select funds charges and transaction costs

Fund name	TER (% pa) before changes	TER (% pa) after changes	Transaction costs (% pa)
Harsco Scheme Active UK Equity Fund ¹	0.45	0.73	0.10
Harsco Scheme Active Global Equity Fund	0.82	No change	0.04
Harsco Scheme Passive UK Equity Fund	0.11	No change	0.08
Harsco Scheme Passive Overseas Developed Equity Fund	0.11	No change	0.02
Harsco Scheme Passive 70:30 UK:Overseas Equity Index Fund	0.13	No change	0.05
Harsco Scheme Passive Emerging Market Equity Fund	0.30	No change	-0.03
Harsco Scheme Diversified Growth Fund ²	0.40	0.23	0.44
Harsco Scheme Passive Corporate Bond Fund	0.14	No change	0.03
Harsco Scheme Passive Long Dated Gilt Fund	0.11	No change	-0.03
Harsco Scheme Passive Index-Linked Gilt Fund	0.11	No change	0.06
Harsco Scheme Cash Fund ³	0.18	0.13	0.02
Harsco Scheme Low-Carbon Equity Fund ⁴	-	0.20	-

¹ This underlying fund was changed over the Scheme Year.

² The underlying passively managed fund was replaced by a bespoke mix of actively managed funds over the Scheme Year in March 2022. The transaction costs shown are for the fund prior to the changes given that this was the fund in the Scheme for the majority of the Scheme Year.

³ A fee reduction was applied for this fund, but the underlying fund did not change.

⁴ This fund was added to the self-select range over the Scheme Year in March 2022. The transaction costs are not shown for the fund given that this fund was not in the Scheme for the majority of the Scheme Year.

Legacy lifestyles charges and transaction costs

In 2018, as part of implementing the changes agreed from a detailed review of the DC investment arrangements, the Trustees closed the existing lifestyles and only members that were within two years of their target retirement date were permitted to remain in these legacy arrangements. Therefore, for these legacy arrangements, charges and transaction costs are only shown below and in the self-select options section for the at-retirement point.

Over the Scheme Year, members were invested in several legacy lifestyles, which were closed in March 2022. Given performance of these legacy lifestyles over the Scheme Year has been included in this Statement, we have also shown the annualised charges for these funds below.

Cash Lifestyle (legacy default arrangement)

Years to target retirement date	TER (% pa) before closure	Transaction costs (% pa)
At retirement	0.18	0.02

Annuity Purchase Lifestyle (legacy default arrangement)

Years to target retirement date	TER (% pa) before closure	Transaction costs (% pa)
At retirement	0.14	0.02

Drawdown Lifestyle A (legacy arrangement)

Years to target retirement date	TER (% pa) before closure	Transaction costs (% pa)
At retirement	0.54	0.27

Old Lifestyle (legacy arrangement)

Years to target retirement date	TER (% pa) before closure	Transaction costs (% pa)
At retirement	0.14	0.02

Legacy AVCs charges and transaction costs

The Scheme has legacy AVC policies with Prudential and Equiniti.

AVC funds

Fund name	TER ¹ (% pa)	Transaction costs ² (% pa)
Prudential With-Profits Cash Accumulation Fund ¹	N/A ³	0.00
Prudential Discretionary Fund ¹	0.77	0.05
Prudential Deposit Fund ¹	N/A ⁴	0.00

¹ Prudential provided TERs as at 1 April 2022.

² At the time of writing, Prudential has been unable to provide transaction costs over the year to 31 March 2022. Transaction costs have been shown over the closest period available which is over the year to 31 December 2021.

³ Charges on the Prudential With-Profits Fund depend on the performance of the Fund. Over time, if investment returns are higher, then the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower. The annual charge, further costs, and charges to cover the cost of these guarantees, are already considered when the bonus rates for the with-profits fund is calculated.

⁴ There are no explicit member charges for this fund.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- For the Default options, the projection assumes members are invested in the Lump Sum Strategy as at 31 March 2022 (ie after the strategy changes).
- The transaction cost figures used in the illustration are those provided by the managers over the past three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Scheme Year. For funds which were only added to the Scheme near the end of March, transaction costs for the year to 31 March 2022 have been assumed to be zero given the lack of historical data. For the Harsco Scheme Diversified Growth Fund where the underlying fund was replaced by a bespoke blend of funds, we have used the previous underlying fund transaction costs over 3 years to 31 March 2022.
- The illustration is shown for the Lump Sum Strategy, the Default for new joiners to the Scheme since this is the arrangement with the most members in it. It also shows funds available in the Scheme as at 31 March 2022 that are considered defaults for legislative purposes, as well as two funds from the Scheme's self-select fund range. The two self-select funds shown in the illustration are:
 - the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) – this is the Harsco Active Global Equity Fund
 - the fund with lowest annual member borne costs – this is the Harsco Passive Long Dated Gilt Fund.

Projected pension pot in today's money

Years invested	Lump Sum strategy		Annuity Targeting strategy		Harsco Scheme Diversified Growth Fund - Bespoke		Harsco Scheme Cash Fund		Harsco Scheme Active Global Equity Fund		Harsco Scheme Passive Long Dated Gilt Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£9,400	£9,400	£9,400	£9,400	£9,300	£9,300	£9,100	£9,100	£9,400	£9,400	£9,100	£9,100
3	£16,400	£16,300	£16,400	£16,300	£16,100	£16,000	£15,100	£15,100	£16,600	£16,300	£15,200	£15,200
5	£23,800	£23,500	£23,800	£23,500	£23,100	£22,700	£21,000	£20,900	£24,200	£23,600	£21,200	£21,100
10	£43,500	£42,800	£43,500	£42,800	£41,300	£40,100	£34,600	£34,300	£45,100	£42,900	£35,200	£35,000
15	£65,500	£63,800	£65,500	£63,800	£60,700	£58,100	£47,100	£46,600	£69,000	£64,100	£48,300	£47,800
20	£89,900	£86,900	£89,900	£86,900	£81,300	£76,800	£58,500	£57,600	£96,400	£87,400	£60,400	£59,700
25	£117,100	£112,300	£117,100	£112,300	£103,200	£96,200	£68,900	£67,700	£127,700	£113,000	£71,600	£70,600
30	£146,700	£139,300	£146,700	£139,300	£126,500	£116,400	£78,400	£76,800	£163,600	£141,100	£82,000	£80,600
35	£174,600	£163,900	£170,300	£160,100	£151,300	£137,300	£87,100	£85,000	£204,700	£171,900	£91,600	£89,900
40	£189,600	£176,500	£179,100	£167,200	£177,700	£158,900	£95,000	£92,500	£251,800	£205,800	£100,500	£98,500

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £6,000. This is the approximate average (median) pot size for members aged 30 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The starting salary is assumed to be £36,000. This is the approximate median salary for active members aged 30 or younger.
- Total contributions (employee plus employer) are assumed to be 9.0% of salary per year. This is the median total contribution rate for active members aged 30 years or younger.
- The projected annual returns used are as follows:
 - Lump sum strategy: 2.2% above inflation for the initial years, gradually reducing to a return of 1.2% below inflation at the ending point of the lifestyle.
 - Annuity Targeting Strategy: 2.2% above inflation for the initial years, gradually reducing to a return of 1.6% below inflation at the ending point of the lifestyle.
 - Harsco Scheme Diversified Growth Fund: 1.3% above inflation.
 - Harsco Scheme Cash Fund: 1.8% below inflation.
 - Harsco Scheme Active Global Equity Fund: 2.8% above inflation
 - Harsco Scheme Passive Long Dated Gilt Fund: 1.5% below inflation
- No allowance for active management outperformance has been made.

5. Investment returns over periods to Scheme Year end

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Scheme Year for at least 1 year (the funds which were added to the Scheme near the end of March 2022 are not shown due to the limited performance history available).

Net returns are shown over the 12 months to 31 March 2022. Figures over 5 years to 31 March 2022 are not available given that the funds were inception on the Aegon platform in October 2018.

For the arrangements where returns vary with age, such as for the Lump Sum Strategy, the Flexible Income Strategy, and the Annuity Targeting Strategy, returns are shown over the Scheme Year, for a member aged 25, 45 and 55 at the start of the period the returns are shown over. For the legacy arrangements where returns vary with age, such as the Cash Lifestyle, Annuity Purchase Lifestyle, Drawdown Lifestyle A, and the Old Lifestyle, returns are shown over the Scheme Year for members aged 63 and 65 at the start of the period the returns are shown over since there were no younger members invested over this period.

Lump Sum Strategy

Age of member at the start of the period	1 year (%)
25	10.2
45	10.2
55	6.8

Flexible Income Strategy

Age of member at the start of the period	1 year (%)
25	10.2
45	10.2
55	7.2

Annuity Targeting Strategy

Age of member at the start of the period	1 year (%)
25	10.2
45	10.2
55	6.2

Cash lifestyle (legacy)

Age of member at the start of the period	1 year (%)
63	0.1
65	0.0

Annuity Purchase Lifestyle (legacy)

Age of member at the start of the period	1 year (%)
63	-1.9
65	-2.4

Drawdown Lifestyle A (legacy)

Age of member at the start of the period	1 year (%)
63	-1.0
65	-1.7

Old Lifestyle (legacy)

Age of member at the start of the period	1 year (%)
63	-2.4
65	-2.4

Self-select funds

Fund name	1 year (%)
Harsco Scheme Active UK Equity Fund ¹	8.9
Harsco Scheme Active Global Equity Fund	9.8
Harsco Scheme Passive UK Equity Fund	12.3
Harsco Scheme Passive Overseas Developed Equity Fund	14.1
Harsco Scheme Passive 70:30 UK:Overseas Equity Index Fund	11.9
Harsco Scheme Passive Emerging Market Equity Fund	-7.8
Harsco Scheme Diversified Growth Fund ²	1.9
Harsco Scheme Passive Corporate Bond Fund	-5.3
Harsco Scheme Passive Long Dated Gilt Fund	-8.0
Harsco Scheme Passive Index-Linked Gilt Fund	3.6
Harsco Scheme Cash Fund	0.0

¹ This underlying fund was changed over the Scheme Year. Given the Scheme has not been invested in this fund for a long period of time, performance of the previous underlying fund is shown instead.

² This underlying passively managed fund was replaced by a mix of actively managed funds over the Scheme Year in March 2022. Given the Scheme has not been invested in this fund for a long period of time, performance of the previous underlying fund is shown instead.

Harsco Scheme Low-carbon Equity Fund was added to the self-select range near the end of March 2022 and therefore has not been available for long enough to include 1 year performance.

AVC options

Fund name	1 year (%)	5 years (% pa)
Prudential With-Profits Cash Accumulation Fund ¹	6.3	5.1
Prudential Discretionary Fund	5.5	5.1
Prudential Deposit Fund	0.2	0.4

¹At the time of writing, Prudential was unable to provide returns to 31 March 2022. Returns assume that 1 and 3 scheme revision dates ending after 15 March 2022 have passed since the contribution was invested.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The last review was on 17 May 2022.

We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have benchmarked the Scheme's member borne charges against other similar schemes and have confirmed that the fund charges are competitive for the types of fund available to members.

Our assessment included a review of the performance of the Scheme's lifestyles and investment funds (after all charges and transaction costs) in the context of their investment objectives. Over the 12 months to 31 March 2022:

- The Default has met its objective of gradually reducing volatility for members approaching retirement.
- Most of the passive funds have tracked their respective benchmarks within acceptable limits. Where a larger than expected relative return has been delivered (+/- 0.3%) our advisers have queried this with Aegon and confirmed that this is due to the timing of the funds' pricing points (fund returns are calculated based on a midday price whereas benchmark returns are calculated to close of business).
- The Harsco Scheme Active UK Equity Fund underperformed its target, although met its target over the 3 years to 31 March 2022. The underlying fund of the Harsco Scheme Active UK Equity Fund was changed in March 2022 as part of the strategy changes agreed from the triennial strategy review.
- The Harsco Scheme Active Global Equity Fund underperformed its target materially over the year, and longer-term performance is also below target. We are reviewing this fund with our advisers and considering alternatives.
- The Harsco Scheme Diversified Growth Fund underperformed over the year and 3 years to 31 March 2022. The underlying fund (managed by BlackRock) has been replaced near the end of March 2022.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- our oversight and governance, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Scheme are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section. The Trustees also note that members benefit from Harsco paying a per member amount to the DC bundled provider, Aegon, which significantly reduces the charges that members would otherwise incur on their investments.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at meetings if they were material. During the period covered by this Statement, we received training on the following topics:

- The Pensions Regulators new single code of practice, incorporating the effective system of governance and own risk assessment;
- The Pensions Dashboard introduced in the Pensions Act 2021.

Additionally, we receive quarterly updates on topical pension issues from our investment advisers and quarterly legal updates from their legal advisers concerning the law relating to pensions and trusts.

We are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and

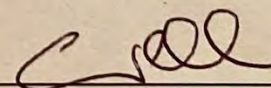
deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Scheme has in place a structured induction process for new trustees. All new Trustees receive a full day's inhouse "one to one" training, usually conducted by the Pensions Manager and the Scheme Actuary. This is followed up by ensuring the new Trustee has access to all Scheme documentation and to the Regulator's website to fully take on board the knowledge and understanding requirements and access the Toolkit. All Trustees are encouraged to undertake the Pensions Regulator's Trustee Toolkit.

The evaluation of Trustees' knowledge and training needs is not formalised by completion of questionnaires but rather the Trustees are encouraged to highlight at each meeting any area we perceive to be a gap in our knowledge and understanding so that the appropriate training can then be arranged.

There is not a formal process in place to evaluate the performance and effectiveness of the Trustee Board but rather we the Trustees rely on our advisers to highlight any areas for improvement, either specifically perceived in their dealings with the Trustees or by comparison with areas of good practice displayed by other clients. All Trustees have completed Trustee fitness and propriety questionnaires, based on the Regulator's own questionnaire for those wishing to be included on its register of independent Trustees.

In addition to the above, some Trustees bring with them wider experience of trusteeship and the financial sector through other appointments that they have held or continue to hold. Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustees of the Scheme properly and effectively.



Date: 25/10/22.

Signed by the Chair of Trustees of the Harsco Pension Scheme

Statement of Investment Principles

For the Harsco Pension Scheme

Effective from: 20 October 2021



1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustees of the Harsco Pension Scheme.

It sets out our policies on various matters governing investment decisions for the Harsco Pension Scheme ("the Scheme"), which has Defined Benefit ("DB") and Defined Contribution ("DC") Sections. This SIP covers both the DB and DC Sections, and also covers the Additional Voluntary Contribution arrangements ("AVCs").

This SIP replaces the previous SIP dated 13 September 2019.

This SIP has been prepared after obtaining and considering written advice from Lane Clark & Peacock ("LCP"), our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy or in the demographic profile of the members invested in the DC default investment option, and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme's investments, but which are not required to be included in the SIP.

2. Investment objectives for the DB and DC Sections

The primary objective for the **DB Section** is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- that the Scheme should be fully funded on a Technical Provisions basis;
- that the Scheme has a long-term journey plan in place to help it achieve full funding by 31 August 2025 on the Technical Provisions basis. Progress against this long-term journey plan is reviewed on a regular basis via reporting from our advisers; and
- that the expected return on the Scheme's assets is maximised whilst managing and maintaining risk at an appropriate level.

We also pay due regard to the interests of the sponsoring employer on the size and incidence of its contributions. Given the ongoing commitment of the relevant employer to the Scheme, a degree of mismatching risk can be accepted, having consulted on the level of risk with the employer. We have considered how the Scheme is expected to develop over time. In particular, we recognise that the Scheme has a finite lifespan (since it is closed to accrual of future pension liabilities).

Our objective for the **DC Section** is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a **default investment option** that we believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the Default Option is to generate returns significantly above inflation whilst members are far from retirement, and to switch automatically and gradually to lower risk and expected return investments as members become relatively close to retirement, with the asset allocation at retirement being designed to be appropriate for members taking a cash lump sum.

All policies relating to the **DC Default Option** are covered in this SIP, rather than in a separate SIP, so all our policies on the Scheme's investments are in one document. Our investment objective for the AVCs is to make available a suitable range of investment options to meet members' risk / return objectives.

3. Investment strategy

With input from our advisers and in consultation with the employer, we reviewed the investment strategy for the DB and DC Sections in April 2021 and December 2020 respectively, considering the objectives described in Section 2.

The investment strategy for the **DB Section** is shown in the following table.

Asset class	Strategic allocation
UK equities	6.0%
Overseas climate-tilted equities (hedged)	7.0%
Global equities (unhedged)	7.0%
Emerging market equities	6.5%
Total equities	26.5%
Listed infrastructure	5.0%
Long-lease UK property	3.0%
Total alternatives	8.0%
Corporate bonds	21.0%
Liability driven investment (“LDI”) and money market cash	30.0%
Short duration credit	14.5%
Total matching portfolio	65.5%
Grand total	100.0%

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Scheme’s circumstances. We believe that the strategy above meets this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets, considering factors such as market conditions and anticipated future cash flows.

As the Scheme matures, we will seek to de-risk the investment strategy in line with changes in the liability profile of the Scheme. This means that the investment strategy is expected to target a higher allocation to lower risk assets over time.

As part of agreeing the 31 March 2018 triennial actuarial valuation, a schedule of contributions was put in place, with contributions to be paid to the Scheme until 31 August 2025. Therefore, our target is to achieve full funding on a Technical Provisions basis by 31 August 2025 or sooner.

We have put in place a “required return” de-risking trigger mechanism, designed to reduce the risk of the investment strategy as appropriate given the above target. If the required return to be fully funded on a Technical Provisions basis by 31 August 2025 falls to a pre-determined level (ie there is good news, such as better than expected returns on the Scheme’s assets), then the Scheme’s assets will be moved to a new lower risk investment strategy. If there is bad news and the required return increases (meaning the de-risking triggers are now far from being reached), then we will engage with the Company about potential actions that we should take, including reviewing the trigger mechanism.

There were originally four de-risking triggers, but two triggers were hit in 2021 and the investment strategy was de-risked accordingly, resulting in the allocation in the prior table. The target expected return of the current strategy is around 2% pa above gilts. The remaining required return triggers are set out in the following table:

Required return trigger	Action
1.2% pa over gilts	De-risk investment strategy to target an expected return of 1.7% pa over gilts
0.9% pa over gilts	De-risk investment strategy to target an expected return of 1.4% pa over gilts
1% above expected return of current strategy	Trustees and Company to discuss next steps. Review other triggers. Re-consider trigger levels given they are now less likely to be reached.

As at the time of producing this SIP, the Scheme’s matching portfolio was hedging approximately 80% of the Technical Provisions. The percentage refers to both interest rate risk and inflation risk hedging.

For the **DC Section** of the Scheme, we make available a range of investment funds for members with different levels of expected return, including equity and

bond based funds, infrastructure and property fund and a cash fund. Each member is responsible for specifying one or more funds for the investment of their account.

If members do not choose an investment option, their account will be invested into the **Default Option**, the “Lump Sum Strategy” which is managed as a “lifestyle” strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age for that member). The Default Option initially invests to target a high expected return (making use of equity based funds) and then gradually switches to investments with a lower expected return and risk (such as bond and cash funds) as the member gets closer to retirement.

The Default Option was designed to be in the best interests of the majority of the members based on analysis of the demographics of the membership. The Default Option targets a large cash withdrawal at retirement, since from analysis of the membership, we believe that most members will wish to take their benefits in this form. We monitor member behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

Our policy is to review the Default Option at least every three years and we last reviewed this, with the help of our advisers, on 30 November 2020. We concluded that a large cash lump sum target remains an appropriate retirement target.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme’s assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes. We recognise that the Scheme is exposed to several risks, including for example: equity risk; credit risk; currency risk; interest rate and inflation risk; investment manager risk; ESG risks; liquidity risk; counterparty risk; collateral adequacy risk; excessive charges risk; valuation risk; longevity risk; and sponsor covenant risk. How we measure and manage those risks is detailed in Part 2 of SIP addendum.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. For the DB Section investment risk is measured using “Value at Risk”, and for the DC Section investment risk is measured using standard deviation.

In setting the strategy for the **DB Section** it is our policy to consider:

- our investment objectives, including the target return required to meet

these

- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant
- the need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

In determining the investment arrangements for the **DC Section including the Default Option** and for the AVCs it is our policy to consider:

- the overall best interests of members and beneficiaries
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement
- the need for appropriate diversification to manage investment risk within the **Default Option** made available to DC members, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate
- the need for appropriate diversification between and, where appropriate, within the investment options offered to members.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the DB, DC and AVC benefits, including environmental, social and governance (“ESG”) factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important
- investment markets are not always efficient and there may be opportunities for active managers to add value
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified

- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers, and a platform provider in respect of the DC Section setting out the terms on which the portfolios are to be managed. The DC platform provider makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying managers of the DC investment funds.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future

performance. The Trustees' Investment Committee receives and discusses investment performance reports from its investment consultants on a quarterly basis. Those reports present information about individual investment funds' performance over shorter and longer term periods, against the relevant fund's performance objectives or target. If an investment manager is not meeting its performance objectives or targets, the Investment Committee will review the relevant appointment or investment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. If it is no longer appropriate, the Trustees will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

For the DB Section, we instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

For the DC Section including the Default Option, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

We consider how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given we recognise that these factors can be relevant to investment performance.

All Scheme assets are invested in pooled funds. We cannot usually influence investment managers' policies directly on ESG and ethical factors where assets are held in pooled funds; this is due to the nature of these investments.

We consider that it is necessary in all circumstances to act in the best financial interests of the Scheme's members, and expect our investment managers to take account of financially material considerations (including climate change and other ESG considerations) to the appropriate extent. However, from time to time we review how their managers are taking account of these issues in practice. We encourage our managers to improve their practices where appropriate.

We seek to appoint managers that have appropriate skills and processes to manage ESG risks appropriately. As part of any decision as to whether to invest with a manager, we will consider how ESG factors are addressed by the manager.

We currently do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. The Investment Committee (as representatives of the Trustees) regularly meet with the investment managers, and cover ESG and stewardship matters as part of receiving updates from them. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us

with reporting on the results of their engagement and voting activities regularly and at least once a year.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

Addendum to the Statement of Investment Principles

For the Harsco Pension Scheme

Effective from: 31 March 2022

This addendum to the Statement of Investment Principles (“SIP”) for the Harsco Pension Scheme (the “Scheme”) has been produced by the Trustees of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme’s investment arrangements.



Part 1:

Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.

1. Trustees

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pension Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary.

We have delegated consideration of certain investment matters to an investment committee ("IC"), although any decisions remain the responsibility of the Trustees.

2. DC platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers
- providing us with regular information concerning the management and performance of the assets
- performing administration functions in respect of the DC Section, such as processing transfers in or out.

3. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios. All of the Scheme's investments are via pooled funds, and therefore there is no direct relationship between the Scheme and the custodians.

4. Investment adviser

The investment adviser's responsibilities include:

- for the DB Section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
- for the DC Section, advising on a suitable self-select range and Default Option for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations)
- assisting us with reviews of this SIP.

5. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms with the Scheme's actuarial and investment advisers, under which tasks undertaken are charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and DC platform provider receive fees calculated by reference to the market value of assets under management, and also in some cases a performance related fee. The fee rates are believed to be consistent with the managers' general terms for institutional clients and we consider them to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme. However, we will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment

governance processes and will decide how this may then be reported to members.

7. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:

Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Our aim is to strike the right balance between risk appetite and risk capacity.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time
- the agreed journey plan and employer contributions
- the Scheme's long-term and shorter-term funding targets
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Scheme's cash flow and target return requirements
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

The Scheme's investment strategy as set out in the SIP has a three-year 95% Value at Risk of approximately £115m¹. This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £115m or more, compared to the expected position, over a three-year period. When deciding on the current investment strategy, we believe this level of risk to be appropriate given the Scheme's objectives.

2. Approach to managing and monitoring risks

We consider that there are several different types of investment risk that are important to manage and monitor. These include, but are not limited to:

Risk of inadequate returns

For the DB Section, a key objective of ours is that, over the long-term, the Scheme should generate its target return so that it has adequate assets to meet its liabilities as they fall due. We therefore invest the DB assets to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by us on a regular basis.

In the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the Default Option. To reduce the chance of a sharp deterioration in members' benefits close to retirement, we have made the Default Option a "lifestyle" strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. We believe that the Scheme's DB assets and DC Default Option are adequately diversified between different asset classes and within each asset class, and the DC investment options provide a suitably diversified range for

¹ Figure from 10 May 2021 investment consultant advice to the Trustees on the investment strategy, based on analysis of the funding position as at 6 May 2021

members to choose from. This was a key consideration when determining the Scheme's investment arrangements and is monitored by us on a regular basis.

Equity risk

We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is subject to credit risk because it invests in bonds via pooled funds. We manage credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and by satisfying ourselves that the managers are taking into account credit risk when making investment decisions for their respective funds.

Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, we manage the amount of currency risk to some extent by investing in pooled funds that hedge currency exposure.

Within the DB Section we hedge back to Sterling around 50% of the Scheme's developed market overseas equity exposure to foreign currency.

Interest rate and inflation risk

The DB Section's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bond funds and Liability Driven Investment ("LDI") funds. However, the interest rate and inflation exposure of the Scheme's assets hedge part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

We believe that interest rate and inflation risks are generally unrewarded investment risks. As a result, we aim to hedge around 80% of the Scheme's exposure to interest rate risk and inflation risk.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written advice from a

suitably qualified advisor, LCP, and will typically undertake an investment manager selection exercise. We monitor the investment managers and meet with them on a regular basis to ensure they remain appropriate for their selected mandates.

We use well established asset managers with well-known custodians in place. LCP regularly monitors the internal control procedures of each of the investment managers and custodians. The Scheme's cash deposits, which may suffer from a business failure, are spread across a number of accounts and deposit takers. Invested assets are ring-fenced from the investment managers' own assets, so that a bankruptcy event of either the fund management company or its parent should not result in an investment loss for the Scheme.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and from time-to-time review how this risk is being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk to the Scheme's investments, some of which could be financially material over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately and from time to time review how these risks are being managed in practice.

Illiquidity/marketability risk

For the DB Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due or that the Scheme will become a forced seller of assets to meet benefit payments. We are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the DC Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to a lack of liquidity in the investments. We manage this risk by only using pooled funds with daily dealing within the DC section.

Counterparty risk

This is the risk that one party to a contract (such as a hedging contract) causes a financial loss to the other party by failing to discharge a contractual obligation. This

risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, the manager of our LDI investment strategy makes use of derivative and gilt repo contracts within its LDI funds, and they are used to match efficiently a portion of the Scheme's liabilities. Counterparty risk is managed within this fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

Collateral adequacy risk

The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that cash calls to the LDI fund are not met within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced, and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, we ensure that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice if required.

Risk of excessive charges

Within the DB Section, if the investment management charges are excessively high then this will mean lower returns (after fees), a lower funding level and therefore more reliance on employer contributions.

Within the DC Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily.

We are comfortable that the charges applicable to the DB and DC Section are in line with market practice and assess regularly whether these represent good value.

Valuation risk

Some of the Scheme's assets (such as listed equities) can be valued regularly based upon observable market prices. For other assets (such as property) prices may only be estimated relatively infrequently using one or more of a range of approximate methods – eg mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be

achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as property.

We consider exposure to valuation risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Other non-investment risks

We recognise that there are other, non-investment, risks faced by the Scheme, and take these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples for the DB Section include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. We regularly review progress towards the Scheme's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level. By understanding, considering and monitoring the key risks that contribute to funding risk, we believe that we have appropriately addressed and are positioned to manage it.

Part 3:

Investment manager arrangements

Details of the investment managers are set out below.

Defined Benefit Section

1. Legal & General Investment Management (“L&G”) – UK equities, overseas equities, corporate bonds

On a strategic basis we have allocated:

- 9% of the DB Section’s assets to the L&G Active Corporate Bond All Stocks Index Fund. The objective of this fund is to outperform the iBoxx £ Non-gilts (All Stocks) Index by 0.75% pa, before fees, over rolling three-year periods. The expected risk relative to the benchmark is +/- 1.5% pa. The Scheme first invested in this fund on 1 August 2014.
- 6% to the L&G UK Equity Index Fund. The objective of this fund is to perform in line with the return of the FTSE All Share Index, before fees. The target tracking error of the fund is +/-0.25% pa for two years out of three. The Scheme first invested in this fund on 26 February 2010.
- 7% to a currency hedged overseas equity portfolio. The objective of each underlying equity fund is to perform in line with the return of its respective FTSE benchmark index before the deduction of fees. The Scheme first invested in this portfolio on 15 August 2014. On 23 June 2021 the regional equity funds were switched to funds that aim to have significantly lower exposure to carbon emissions (by tilting away from high emitters), as a way to mitigate the impact of climate change on the investments.

The low carbon currency hedged overseas equity portfolio comprises of four pooled hedged regional overseas equity funds, with a formal target allocation with rebalancing for the funds, as follows:

Low Carbon Transition Regional Fund	Benchmark	Target allocation	Rebalancing tolerance
North America Equity Index Fund – GBP Hedged	Solactive L&G Low Carbon Transition North America Index – GBP Hedged	30%	+/- 2.0%
Europe (ex UK) Equity Index Fund – GBP Hedged	Solactive L&G Low Carbon Transition Europe ex UK Index – GBP Hedged	40%	+/- 2.5%
Japan Equity Index Fund – GBP Hedged	Solactive L&G Low Carbon Transition Japan Index – GBP Hedged	15%	+/- 1.5%
Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Hedged	Solactive L&G Low Carbon Transition APAC ex Japan Index – GBP Hedged	15%	+/- 1.5%

The L&G funds the Scheme invests in are priced weekly and are open ended and unlisted.

2. Aberdeen Standard – Long-lease UK property, corporate bonds

We have allocated:

- 3% to the Aberdeen Standard Long Lease Property Fund. The objective of this fund is to outperform the return of the FTSE-A All Stocks Gilts Index by 2% pa, before the deduction of fees, over rolling five-year periods. The Scheme first invested in this fund on 27 April 2006.
- 12% to the Aberdeen Standard Corporate Bond Fund. The objective of this fund is to outperform the return of the Bank of America Merrill Lynch Sterling Non-Gilts All Stocks Index by 0.8% pa, before fees, over rolling one-year periods. The expected risk relative to the benchmark is 0.8% to 1.5% pa. The Scheme first invested in this fund on 18 May 2011.

The Aberdeen Standard funds the Scheme invests in are priced daily and are open ended and unlisted.

3. Fundsmith – Global equities

7% of the DB Section's strategy is allocated to the Fundsmith Equity Fund. The stated objective of the fund is to achieve long-term growth in value. However, Fundsmith confirmed that it aims to outperform the Sterling return of the MSCI World Index by 7% pa, before fees, over a full business cycle. There is no specific risk target for this fund. The Scheme first invested in this fund on 18 January 2018.

This fund is priced daily, is open ended and unlisted.

4. JP Morgan Asset Management (“JP Morgan”) – Emerging market equities

6.5% is allocated to the JP Morgan Life All-Emerging Markets Equity Fund. The objective of the fund is to outperform the return of the MSCI Emerging Markets Index by 3% pa, before the deduction of fees, over rolling three-year periods. The expected tracking error risk relative to the benchmark is 4% pa. The Scheme first invested in this fund on 22 March 2012.

This fund is priced daily, is open ended and unlisted.

5. Lazard Asset Management Limited (“Lazard”) – Listed infrastructure

5% is allocated to the Lazard Global Listed Infrastructure Fund. The objective of this fund is to achieve a return 5% pa in excess of inflation (as measured by the change in the UK Retail Prices Index), before the deduction of fees, over rolling five-year periods. The expected tracking error of the fund is around 6% pa. The Scheme first invested in this fund on 17 October 2014.

The fund is priced daily is open ended and unlisted.

6. BMO Global Asset Management (“BMO”) – LDI

We have allocated:

- 30.0% to the BMO's pooled dynamic LDI funds and the BMO Sterling Liquidity Fund. The objective of the LDI fund is to provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme. This is no specific performance objective or risk target for the funds. The funds are priced weekly, are open ended and unlisted. The objective of the liquidity fund is to provide high levels of liquidity, preserve capital and generate a return in line with the GBP 7-Day

LIBID. The fund is priced daily, open-ended and unlisted. The Scheme first invested in these funds on 20 April 2016.

- 14.5% to the BMO Global Low Duration Credit Fund. The fund does not have a formal benchmark, but the objective of the fund is to deliver a total return commensurate with investment in low duration non-government bonds and other similar assets. The fund is priced daily, open ended and unlisted. The Scheme first invested in this fund on 3 February 2020.

Additional Voluntary Contributions

We have made available to members a range of AVC funds offered by Aegon. The Aegon funds are those made available to members of the DC Section.

There are also two legacy AVC arrangements with Prudential Assurance Company Limited and Aviva. Some of the Prudential policies are administered by Equiniti. The Prudential policies are closed to new members and contributions from existing members. The Prudential funds available to members are the:

- Discretionary Fund;
- Deposit Fund; and
- With-Profits Cash Accumulation Fund.

The legacy Aviva policy only has two members remaining in it and both are invested in the Aviva Pension Managed Fund only.

We do not provide any advice to individual members concerning the members' choice of AVC funds. However, we are responsible for monitoring the AVC funds available to members and providing information to members from the AVC providers.

Defined Contribution Section

Members are provided with clear information on the investment options and their characteristics, so they can make an informed choice. Members can choose from a range of passively and actively managed self-select funds and three lifestyle strategies. The Default Option is the Lump Sum Strategy. Details of the options are set out below.

The fund options are provided to members via Aegon's DC bundled (investment and administration) platform. The funds are priced daily. The funds are open ended unless otherwise specified and are unlisted.

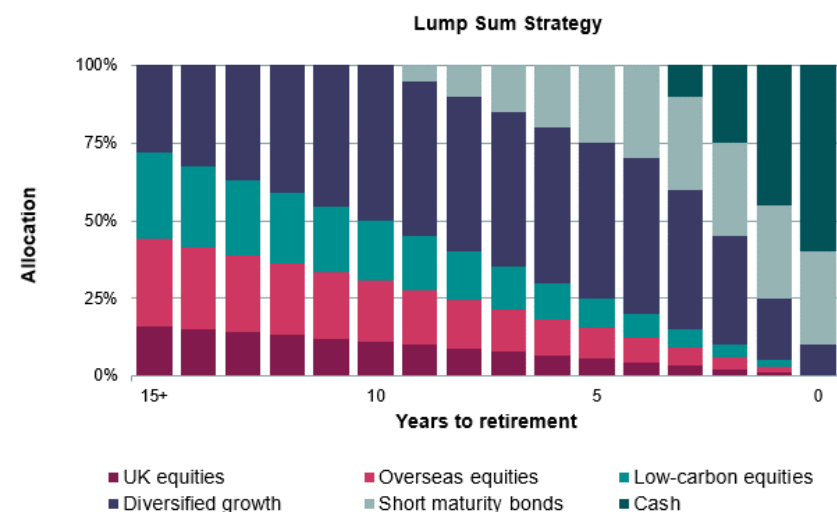
Default Option

For members that do not make an active choice regarding their investments, the Default Option is the Lump Sum Strategy.

The Default Option is structured as a lifestyle, which means it follows a pre-set investment strategy. In the strategy there is automated switching to move members' funds from higher risk/return investments into lower risk/return investments as retirement approaches.

The Default Option is reviewed at least every three years and was last reviewed on 30 November 2020. Based on analysis of the membership demographics, the Trustees concluded that a retirement target that includes a cash lump sum remains appropriate. The investments reflecting changes from the review are as follows.

Objective: To generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement, on the basis that members will withdraw 100% of their pension savings as a cash lump sum.



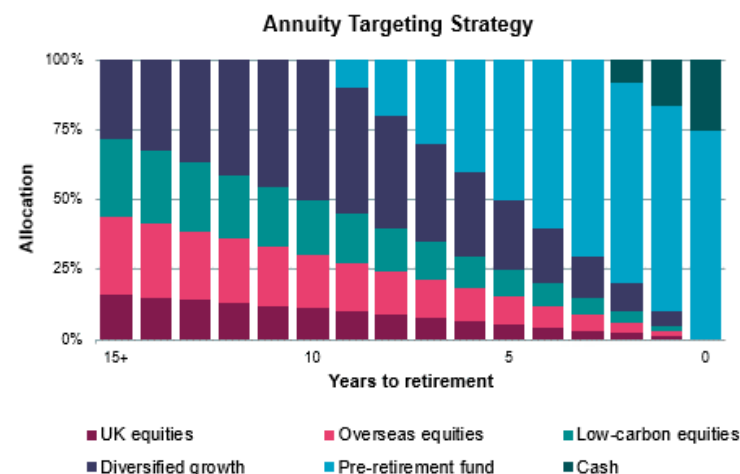
Lifestyle strategies

In addition to the default lifestyle, there are two other lifestyles that members can invest in, as detailed below.

Annuity Targeting Strategy (legacy default arrangement)

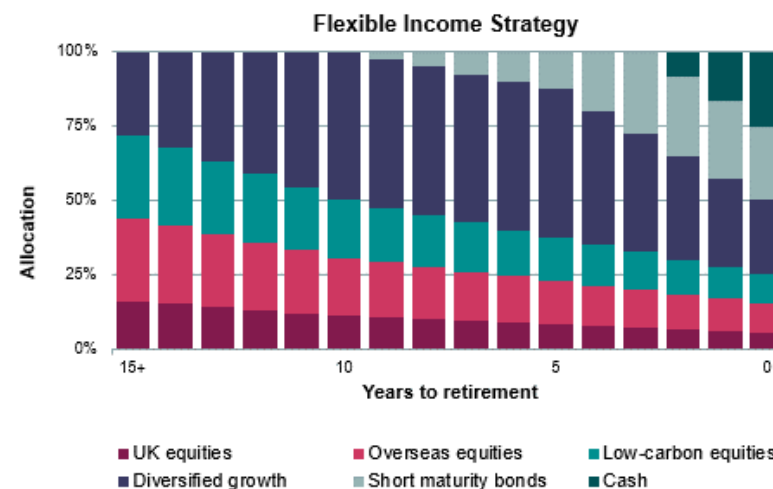
Objective: To generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to

lower risk investments that are expected to move broadly in line with annuity prices as members near retirement, on the basis that at retirement members will use 75% of their pension savings to buy an annuity and take the remaining 25% as a cash lump sum.



Flexible Income Strategy

Objective: To generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement, on the basis that members will re-invest 75% of their pension savings to draw down for income in retirement, and take the remaining 25% as a cash lump sum.



Passively managed self-select fund options

All of the passive funds are managed by BlackRock or L&G, with the objective of tracking their benchmark return to within the specified tracking error before the deduction of fees.

Fund	Benchmark	Tracking error
Harsco Scheme Passive UK Equity Fund	FTSE All-Share Index	+/- 0.2% pa
Harsco Scheme Passive Overseas Developed Equity Fund	FTSE All World-World (ex-UK) Index	+/- 0.4% pa
Harsco Scheme Passive Emerging Markets Equity Fund	MSCI Emerging Markets Index	+/- 1.0% pa
Harsco Scheme Passive 70:30 UK:Overseas Equity Index Fund ¹	Composite index ²	+/- 0.4% pa
Harsco Scheme Low-Carbon Equity Fund	Solactive L&G Low Carbon Transition Developed Markets Index	+/- 0.6% pa
Harsco Scheme Passive Corporate Bond Fund	iBoxx £ Non-Gilt Index	+/- 0.3% pa
Harsco Scheme Passive Long Dated Gilt Fund	FTSE UK Gilts Over 15 Years Index	+/- 0.2% pa
Harsco Scheme Passive Index-Linked Gilt Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	+/- 0.2% pa

¹This fund is closed to members not already invested, but existing members may remain invested and can continue to contribute to the fund.

Actively managed self-select fund options

The following actively managed funds are available as self-select options:

White-labelled fund	Underlying fund(s)	Objective
Harsco Scheme Active UK Equity Fund	Lindsell Train UK Equity Fund	To achieve capital and income growth over the long term above the FTSE All-Share Index.
Harsco Scheme Active Global Equity Fund	MFS Global Equity Fund	To outperform the MSCI World Index by 2.0% pa, before the deduction of fees, over a market cycle.
Harsco Scheme Cash Fund	BlackRock Cash Fund	To outperform the return of SONIA, before the deduction of fees.
Harsco Scheme Diversified Growth Fund	Equal allocation (12.5%) to the following funds: <ul style="list-style-type: none"> Harsco Scheme Passive Emerging Markets Equity Fund Harsco Scheme Low-Carbon Equity Fund Harsco Scheme Passive Overseas Developed Equity Fund Harsco Scheme Global Property Fund Harsco Scheme Infrastructure Fund Harsco Scheme Passive Corporate Bond Fund Harsco Scheme Passive Index-Linked Gilt Fund Harsco Scheme Passive Long Dated Gilt Fund 	To outperform the three-month SONIA by 3.5% pa, before the deduction of fees over the long-term, and to reduce volatility of returns over the long-term.

Both the Harsco Scheme Cash Fund and Harsco Scheme Diversified Growth Fund are considered to be default arrangements following changes to the DC Section made in March 2022 (transfer without consent of members into the Cash Fund, and material change to the investment objective of the Diversified Growth Fund).

² 70% FTSE All-Share Index and 30% split between developed economies according to the ABI 40-85 Sector Index. The ABI 40-85 Sector Index is a composite of funds that can hold a mixture of investments, but must hold between 40% and 85% in equities.