Compass Minerals UK Limited Defined Benefit Pension Plan

Statement of Investment Principles – July 2022

1. Introduction

The Trustees of the Compass Minerals UK Limited Defined Benefit Pension Plan (the "Plan") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments. A separate document detailing the specifics of the Plan's investment arrangements are set out in a separate Investment Policy Implementation Document (IPID).

In preparing this Statement the Trustees have consulted the Sponsoring Employer to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Plan's investment arrangements.

2. Process for Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives.
- Agree the level of risk consistent with meeting the objectives set.
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk.

In considering the appropriate investments for the Plan the Trustees have obtained and considered the written advice of Ashley Kneale Consultancy Ltd, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustees' objective is to invest the Plan's assets in the best interests of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustees' primary objectives are as follows:

- To reach a position where the assets of the Plan are sufficient to enable the full benefits of all members, dependants and other beneficiaries to be purchased by an insurance company in the future.
- To achieve and maintain a funding level of 100% on the ongoing funding basis

- To minimise risk in achieving and maintaining a 100% funding level on the ongoing basis subject to acceptable affordability

- To ensure that the Plan's assets are invested in a manner which will enable the Trustees to achieve their underlying funding objective, given the level of Company contributions.

- To ensure its investment managers take account of environmental, social and governance (ESG) factors where they may be financially material, considering the nature and time horizon of the investments.

- To ensure the suitability of assets in relation to the needs of the scheme.

- The expected return on the scheme assets is maximised whilst managing and maintaining investment risk at an appropriate level.

4. **Risk Management and Measurement**

There are various risks to which any pension plan is exposed. The Trustees' policy on risk management is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Plan's assets and its liabilities.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more short-term volatility in the Plan's funding position.

- The Trustees recognise the risks that may arise from the lack of diversification of investments and exposure from a mismatch of assets and scheme liabilities. With this primary thought in mind the Trustees initially sought to match assets against liabilities, utilising a Liability Driven Investment technique (LDI) via one investment manager (Schroder Pension Management Limited), and further changed to a Cash Driven Investment approach (CDI) designed to de-risk the strategy in incremental stages towards a final true "self Sufficiency Strategy.

- The contractual document governing these arrangements (Schroder Flight Path Swift Direct Contract) include guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The manager is prevented from investing in asset classes outside their mandate without the Trustees' prior consent.

- The Schroder Flight Path Swift arrangements allow on-line daily funding level monitoring and implementation by the Trustees and the Scheme Investment Manager. This will help the Trustees to routinely check that nothing has occurred that would bring into question the continuing suitability of the current investments. The Trustees meet periodically with the Plan's investment manager and receive regular reports from the investment manager.

- The safe custody of the Plan’s assets is delegated to Schroder Pension Management Limited, a professional custodian.

The Trustees will monitor these risks as part of the ongoing monitoring of the Plan’s progress to the underlying funding objective. In addition, the Trustees will engage in regular dialogue with the Company to ensure that all parties are aware of the risks as they evolve.

5. Investment Strategy

The Trustees’ investment strategy is determined with the help of their advisers and in consultation with the employer.

When deciding how to invest the Scheme’s assets, the Trustees consider several risks. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees have considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

In setting the investment strategy, the Trustees consider:

- The Scheme’s investment objectives, including the target return required to meet the Trustees’ investment objectives.
- The best interests of all members and beneficiaries.
- 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) and the funding level.
- An assessment of the strength of the covenant of the sponsoring employer and expected contributions.
- The risks, “net of fee” rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken.
- The need for appropriate diversification between different asset classes to ensure that both the Scheme’s overall level of investment risk and the

balance of individual asset risks are appropriate.

- Any other considerations which the Trustees consider financially material over the time horizon that they consider is needed for the funding of future benefits by the investments of the Scheme.

- The views of the sponsoring employer; and

- The Trustees' investment beliefs.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- Asset allocation is the primary driver of long-term returns.

- Risk-taking is necessary to achieve return, but not all risks are rewarded.

- Equity, credit, and illiquidity are the primary rewarded risks; investment markets are not always efficient and there may be opportunities for good active managers to add value.

- ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors.

- Long-term environmental, social, and economic sustainability is one factor that should be considered when making investment decisions: and

- Costs have a significant impact on long-term net performance and therefore obtaining value for money from the investments is important.

6. Implementation of investment manager arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. Details of the investment managers are set out in a separate Investment Policy Implementation Document ("IPID").

The Trustees have a signed agreement with the investment manager, setting out in detail the terms on which the portfolios are to be managed. The investment manager's primary role is the day-to-day investment management of the Scheme's investments.

The Trustees and investment managers to whom discretion has been delegated, exercise their powers to giving effect to the principles in this SIP, so far as is reasonably practicable.

The Trustees have limited influence over the investment manager's investment practices because all the assets are held in pooled funds, but they encourage their investment managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensures they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund.

However, in practice investment 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 the Trustees' responsibility to ensure that the investment managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering 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 an investment manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate their investment managers by reference to their individual performance as well as the role they play in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each investment manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

7. Portfolio Construction

The Trustees have adopted the following control framework in structuring the Plan's investments:

- Effective August 2019 the Trustees moved to adopt a single manager appointment with Schroder Pension Management Limited utilising their Schroder Flight Path Swift Direct Contract focused on a Liability Driven Investment technique (LDI).

- At the total Plan funding level, the asset allocation will be split 50% matching assets and 50% growth assets. Together with a target liability coverage of 100%

- Investment via the Tailored LDI portfolio will attempt to match the plan's liabilities, in a range of different Gilt Funds (both normal and index linked as well as physical and synthetic). This aims to achieve a tailored approach best matching the liability exposure to interest rate and inflation movement.

- Investment via Schroders DGF (growth assets) will be across a range of asset classes with the aim of achieving equity like returns with lower volatility over the medium to long term.

- Effective Feb 2022 the Trustees instructed Schroders to implement a Cash Driven Investment approach to assist with consolidating the Scheme Funding position and commence de-risking the strategy (Final Target being a low dependency / self sufficiency position giving an opportunity for a Full and Final But-Out with an insurance company).

- At the Plan Funding Level, the asset allocation was to be split 40% Growth Assets and 60% matching Liability Driven Investments Assets with the intention to further reduce Growth Assets incrementally to zero and achieve 30% Matching LDI and 70% Buy and Maintain Credit.

- No investment is to be made in securities issued by the Plan's Sponsoring Employer or affiliated companies.

- No investment is to be made by Schroder Pension Management Limited in the securities issued by the Schroder Group or any affiliated companies.

- Borrowing is not permitted except as to cover short term liquidity requirements.

8. Day-to-day Management

As permitted by section 34(2) of the Pensions Act 1995, the Trustees delegate the day to day management of the assets of the scheme as follows:

A Schroders Flight Path Swift Direct Contract was exchanged between Schroder Pension Management Limited and the Trustees of the CMUK DB Pension Plan effective 2 July 2019.

An amendment to the Flight Path Swift Direct Contract dated 16 Feb 2022 was exchanged to amend the allocation to Growth Assets and Matching Assets for the new investment phase of the Flight Path Swift Contract.

Schroders will have absolute authority on a day-to-day basis to affect all allocations and switches in accordance with Part B Schedule I, including but not limited to switching assets between and within the Matching Assets and the Growth Assets.

It is the responsibility of the Trustees taking advice as it considers appropriate to keep under regular review the Flight Path Framework and to notify Schroders in the event it ceases to be suitable for the pension scheme.

Schroder Pension Management Limited is regulated by the Financial Conduct Authority. The Trustees have taken steps to satisfy themselves that Schroders, being an insurance undertaking, has the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently.

The Trustees regularly review the continuing suitability of the Plan's investments.

Further details of the appointed manager can be found in a separate document produced by the Trustees entitled "Investment Policy Implementation Document (IPID)", which is available to members upon request.

9. Expected Return

The Trustees expect to generate a return, over the long term, in line with that of the actuarial assumptions under which the funding plan has been agreed. It is recognised that over the short term, performance may deviate significantly from the long-term target.

10. Additional Assets

Under the terms of the Trust Deed, the Trustees are responsible for the investment of Additional Voluntary Contributions that have been paid by members. The Trustees review the investment performance of the funds available to members on a regular basis and take advice as to the provider's continued suitability.

11. Realisation of Investments

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments, within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

12. Financial material consideration and non-financial matters

The Trustees has considered how ESG and ethical factors should be taken into account in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its liabilities. The Trustees seek to appoint investment managers that have the appropriate skills and processes to do this.

13. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believes 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. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights and engagement with issues of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risk and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees reviews how these are implemented in practice.

14. Compliance with this Statement

The Trustees will monitor compliance with this Statement annually.

15. Review of this Statement

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

Signed on behalf of the Trustees of the
Compass Minerals UK Limited Defined Benefit Pension Plan

Gavin Humby

July 2022.

Appendix

Strategic Investment Management – recent history

Q3 2009 with Company approval, the investment strategy was modified to 20% in equities and 80% in Bonds to broadly move in line with how the insurance sector priced buy-out contracts and hopefully facilitate a full and final buy-out of the pension plan. The subsequent financial crisis that followed resulted in the insurance industry changing the cost / cash structure and as a result the possibility of a full and final buy-out was shelved.

Q2 2013 with Company involvement the investment strategy saw asset allocation change to 55% Equities and 45% Index Linked Bonds. (The Trustees were advised that the level of investment risk arising from this change in strategy was acceptable given the strength of the Company's covenant).

Q2 2015 with Company suggestion and endorsement the Trustees switched the full value of Equities (held in the L&G Global Equity Fund) and split the value between Standard Life GARS and Schroder Life DGF Funds. As at Aug 2015 asset valuation showed Standard Life GARS £9.8m Schroder Life DGF £14.2m and LGIM with 4 categories of Index Linked Gilts £22,2m (Total Assets £46,2m).

Q1 2019 Routine and regular investment review particularly throughout 2018 and following notification from the Scheme Actuary that no deficit existed as at 1 Jan 2018 prompted a desire for a possible change in investment strategy to consolidate this slight scheme surplus. Attention focused on the Liability Driven Investment (LDI) technique. At a Trustees Meeting held on 7 Mar 2019 the Scheme Investment Manager advised LDI is split into two components (one manages the liability risks and the other seeks to generate an appropriate level of return). At the Trustees Meeting held on 20 June 2019 the Company and the Trustees unanimously voted to implement the LDI technique via Schroder Pension Management Limited. The transition to Schroders was undertaken late July 2019 and completed on 6 Aug 2019. Disinvestment from Standard Life GARS (£9.7m) and LGIM Index Linked Gilts (£23.0m). As at 12 Aug 2019 the asset allocation was a Tailored LDI portfolio 50% (£26,060m) and Schroders Life DGF 50% (£25.210m).

Q3 /Q4 2021 Throughout this period and during a regular investment review the Trustees / Company discussed steps to further consolidate the Fully Funded position of the Scheme (30th June 2021 Funding Level was 103.9%). After due debate and following Investment Presentations on 21 Oct 2021 and 24 Nov 2021, there was a unanimous vote by the Trustees to move early to a Cash Driven Investment approach with the Company unprepared to commit and support at this stage. Following further representations with the Company in late Dec 2021 it was confirmed the Company was in general agreement for a move to self-sufficiency and endorsed a move to a

Cash Driven Investment approach. The implementation of a change to CDI (and the initial reduction of Growth Assets from 50% to 40%) took place on 23 Feb 2022.