ArvinMeritor UK Pension Scheme ("the Scheme")
Statement of Investment Principles

(September 2024)

This Statement of Investment Principles covers the Scheme. It is set out with the objectives, the implementation, and finally the Trustee's overall policy on issues that apply to the Scheme.

Investment Objective

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members can be provided. In setting investment strategy, the Trustee first considered a low risk asset allocation to be adopted in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the low risk strategy, while maintaining a prudent approach to meeting the Scheme's liabilities.

STRATEGY

The Scheme's investment strategy is periodically reviewed by the Trustee, the current target asset allocation is set out in the table below. The Trustee recognises that the Scheme's asset allocation could be substantially out of line with the target asset allocation at any point in time. The Trustee monitors the asset allocation at least quarterly and will consider rebalancing the portfolio should it exceed the agree ranges specified. This strategy is set out in the following table.

Asset Class	**Current Target Allocation***
Property**	5.0%
Return Seeking Credit	10.0%
Diversified Liquid Credit	15.0%
Liability Driven Investment	70.0%

* Following discussions with the Company and the Trustee's advisors, during August 2020 the Trustee agreed to enter into a bulk annuity policy with Just Retirement Limited. This policy remains an asset of the Scheme and, at inception, was valued at c. £106m. As the buy-in policy held by the Trustee is an illiquid asset which is intended to be held until the windup of the Scheme, this has been excluded from the target asset allocation strategy outlined above.

** The Trustee submitted an instruction for the full redemption of the Blackrock UK Property fund on the 26 September 2022. Due to the high level of redemptions experienced by the Fund, combined with the broader outlook for the property market, redemptions were deferred. As at 30 June 2024 the Trustee had received c. 50% of the units held in the fund. The Target allocation reflects the approximate holding at this date. Once the remaining proceeds have been received the Trustee will revised its target asset allocation.

In order to secure the benefits that are promised to members, the Trustee will consider whether future opportunities to enter into buy-in arrangements with an insurance company are appropriate.

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

The asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that equities will outperform gilts over the long term. However, the Trustee recognises the potential volatility in equity returns, particularly relative to the Scheme's liabilities. When determining the Scheme's asset allocation strategy, the Trustee considered a range of assets classes, consulted with the Sponsoring Employer and considered written advice from its investment advisers. In doing so, they addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

Investment in asset classes such as private equity and infrastructure have been considered but not pursued, given the circumstances and characteristics of the Scheme. The Trustee will continue to assess a range of asset classes including these from time to time to determine whether or not they should be pursued.

Stewardship – Voting and Engagement

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

The Trustee regularly reviews the suitability of the Scheme's appointed asset managers and take advice from their investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in their policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.
The Trustee will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

The Trustee Directors have completed a survey with their investment advisors to identify key areas of concern around corporate stewardship and will level scrutiny on their investment managers accordingly. It is the expectation of the Trustee that the Scheme's asset managers will prioritize and actively monitor for these risks within the investments, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate while balancing goals of asset returns.

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

Where voting is concerned the Trustee expects their asset managers, to recall stock lending as necessary, in order to carry out voting actions.

The Trustee recognises that their collaborative behaviours can further work to mitigate the risks identified above, for the scheme. As such, the Trustee Directors are members of Aon's Responsible Investment Network membership which provides access to regular updates on the responsible investment market innovations and developments, responsible investment focused events, and research / focus group for discussion of key issues surrounding sustainable finance and responsible investment.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

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

RISK MEASUREMENT AND MANAGEMENT

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

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

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy and have specifically structured the Scheme's assets to balance the reduction of this risk with other risks.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.
- The risk of a default by a bulk annuity provider (buy-in insurer) ("insurer default/credit risk"). The Trustee and its risk settlement advisors considered the strength of the insurer before entering into the policy whilst considering the wider regulatory framework within which they are required to operate.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. In particular, the mismatching risk was modelled explicitly as part of the most recent investment strategy review.

The Trustee's policy is to monitor, where possible, these risks periodically. The Trustee receives quarterly reports showing:

- Performance of individual fund managers versus their respective targets as measured by the managers.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

Aon Investments Limited ("Aon") has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee and the Investment Working Group are fully briefed to take decisions themselves and to monitor those they delegate. Aon is paid on an annual basis for services needed on a regular basis. Some one-off projects fall outside the annual fee and the fees for those are negotiated separately. This structure has been chosen to ensure that cost effective, independent advice is received.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

Arrangements with Asset managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their investment consultant.

The Trustee receives regular reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the asset managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their asset manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express their expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at meetings with managers).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial performance.

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

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

Cost Monitoring

Ongoing reporting and compliance

The Trustee is aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their asset managers that can increase the overall cost incurred by their investments.

Data collection

The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what they're paying their investment managers.

Manager relationships

The Trustee will only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

Portfolio turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's investment consultant monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

Analysis of manager performance and remuneration

The Trustee assesses the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data in line with the CTI templates.

The Trustee assesses value for money received from their asset managers on a regular basis by considering net of fees performance. Where the Trustee believes this is not satisfactory it will challenge the asset manager.

All of the Scheme's managers are remunerated on the basis of fees directly related to the value of funds under their management. The Trustee prefers to appoint their actively managed asset managers on a performance fee basis where possible, rather than on an annual management fee basis however accepts that this may now always be possible/practicable.

Fund Manager Structure
The fund manager structure and investment objectives for each fund manager are as follows:

Manager	Fund and Objective
BlackRock Investment Management	**UK Property Fund** To deliver outperformance relative to similar funds within the Association of Real Estate Fund (AREF)/Morgan Stanley Capital International (MSCI) All Balanced Property Fund Index.
Legal & General Investment Management	**Liability Driven Investment** To hedge a proportion of the Scheme's interest rate and inflation exposure. **Risk Management** Manage strategies which are designed to reduce the Scheme's investment risk (e.g. equity protection strategies and currency risk management).
Aon Investments Limited	**Adept Sub Fund 2 – Return Seeking Bond Strategy** 2% per annum outperformance of SONIA, net of fees, over a market cycle **Adept Sub Fund 29 – Diversified Liquid Credit Strategy** 1.5% per annum outperformance of SONIA, net of fees, over a market cycle.

In addition, the Trustee also holds the following bulk annuities:

Insurer	Objective
Just Retirement Limited	A bulk annuity policy which insures approximately £106m of the Scheme's pensioner liabilities at inception (August 2020)

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee	**Investment Working Group**

• Monitor actual returns versus Scheme investment objective.
• Set structures and processes for carrying out its role.
• Select and monitor planned asset allocation strategy.
• Appoint Investment Working Group.
• Consider recommendations from the Investment Working Group.
• Select and review direct investments (see below).
	• Make recommendations on:
	  ▪ Selection of investment advisers and fund managers.
	  ▪ Structure for implementing investment strategy.
	• Monitor investment advisers and fund managers.
	• Monitor direct investments.
	• Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.

Investment Adviser	**Fund Managers**
• Advise on all aspects of the investment of the Scheme assets, including implementation. • Advise on this statement. • Provide any required training.	• Operate within the terms of this statement and their written contracts. • Select individual investments with regard to their suitability and diversification. • Advise Trustee on the suitability of their benchmarks.

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

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs and the insurance policies issued by Legal & General. The assets invested with Legal & General are invested in a unit-linked life policy issued by Legal & General Assurance (Pensions Management) Limited. The investments underlying the policy are represented by allocations of units in pooled funds managed by another company within the Legal & General group.

When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the policy's fund manager.

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

- The best interests of the members and beneficiaries
- Security.
- Quality.
- Liquidity.
- Profitability.
- Nature and duration of liabilities.

- Tradability on regulated markets.
- Diversification.
- Use of derivatives.

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

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

As the Scheme currently only invests in pooled assets the custody of the assets held within the Walter Scott, BlackRock, Aon Investments Limited and Legal & General funds are arranged by those firms. Pooled funds are held in the name of the Trustee and therefore are not held on custody, with the exception of the Trustee's pooled funds managed by BlackRock which are held on custody by Bank of New York Mellon (International) Limited.

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

SECTION 2

Version Control Record

The following table records changes to this document:

Version – Comment	Document Name	Date
1.0	s:\client\Arvin\011nh SIP	October 2002
2.0	s:\client\Arvin\055dh SIP Nov 04	November 2004
3.0	s:\client\Arvin\069 SIP 2006	10 October 2006
4.0	O:\CLIENTS\Arvin\SIP\2008 SIP	28 August 2008
5.0	O:\CLIENTS\Arvin\SIP\2009 SIP	03 November 2009
6.0	O:\CLIENTS\Arvin\SIP\SIP 2012	July 2012
7.0	O:\CLIENTS\Arvin\SIP\SIP 2013	July 2013
7.1	O:\CLIENTS\Arvin\SIP\SIP 2013	September 2013
8.0	O:\CLIENTS\Arvin\SIP\SIP 2013	October 2013
9.0	O:\CLIENTS\Arvin\SIP\2015 SIP	June 2015
10.0	O:\CLIENTS\Arvin\SIP\2015 SIP	September 2015
11.0	O:\CLIENTS\Arvin\SIP\2016 SIP	January 2016
12.0	O:\CLIENTS\Arvin\SIP\2017 SIP	September 2017
12.1	O:\CLIENTS\Arvin\SIP\2017 SIP	October 2017
13.0 – RI 2019	O:\CLIENTS\Arvin\SIP\2019 SIP	July 2019
14.0 – RI 2020 & buyin	O:\CLIENTS\Arvin\SIP\2020 SIP	August 2020
15.0 – Derisking	O:\CLIENTS\Arvin\SIP\2021 SIP	March 2021
16.0 – Endgame strategy	D:\Arvin\3. Compliance\SIP\2023 SIP	March 2023
17.0 – Equity sale	D:\Arvin\3. Compliance\SIP\2024 SIP	June 2024