

ArvinMeritor UK Pension Scheme (“the Scheme”)

Statement of Investment Principles

(August 2025)

This Statement of Investment Principles relates to the Scheme. It sets out the Trustee’s investment objectives, the implementation of the investment strategy, 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 considered a low risk approach for meeting the Scheme’s liabilities, and took the decision to insure the overwhelming majority of the benefits due to members. The Trustee believed that entering into a bulk annuity provided by an insurer would be the best way of ensuring that the members’ benefits are paid.

STRATEGY

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. 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.

In June 2025 and August 2020, the Trustee entered into Bulk Purchase Annuity Policies (the “Policies”) with Just Retirement Limited (“Just”) on behalf of the Scheme. Together, these policies are intended to insure the liabilities of the Scheme. The Policies are assets of the Scheme, held to meet the cashflows as they fall due. The Trustee received appropriate advice before entering into the Policies, including but not limited to Section 36 advice.

As the overwhelming majority of the Scheme’s liabilities are now insured, the Trustee is not looking to improve the funding position of the Scheme. As such any uninsured assets are invested in a manner which focuses on capital preservation and therefore the Trustee is not seeking to generate a return on the assets invested in excess of cash.

The Trustee reviews their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

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 Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

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.

Given the nature of buy-in policies the Trustee believes that the insurer is incentivised to manage their portfolios in an appropriate manner. It also believes that it has limited scope to influence these policies. As such, the Trustee does not seek to monitor these on an ongoing basis. Should the Trustee be provided with an opportunity which it deems appropriate to engage with its insurer, it will consider this and will outline its views and expectations of the insurer. Given the long term nature of buy-in policies, the Trustee does not believe that it is appropriate for the ongoing performance or appointment of the insurer to be reviewed.

The Trustee regularly reviews the suitability of the Scheme's appointed investment managers and takes advice from its 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 where relevant. Excluding the Annuity Policies, the Scheme's remaining investment is held in a single money market cash fund, an asset class where voting and engagement has limited materiality. If the Trustee were to invest in asset classes where voting and engagement were material, the Trustee would revisit its policy on voting and engagement at this time. This would include ensuring the relevant review of the stewardship activities on an annual basis, covering both engagement and voting actions.

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 Policies have removed most of the investment risks to which the Scheme may otherwise be exposed.

The main residual risks are:

- The risk that Just fails to make the pension payments covered by the Annuity Policy as they fall due ("Annuity Policy default risk"). This risk is mitigated by protections offered due to Just being regulated by the Financial Conduct Authority and The Prudential Regulation Authority.
- The risk that the liabilities insured with Just do not align with those payable to members ("policy mismatch risk") and, should those payable exceed those insured, a funding deficit may emerge. The Trustee believes this risk has been mitigated as far as is reasonably practicable by seeking appropriate advice from its advisors before entering into the Policies.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities and expenses ("cash flow risk"). The Trustee and its advisors will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs. Just is responsible for providing the cash for benefit payments covered by the Annuity Policies.
- The failure by the remaining investment manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisors both upon the initial appointment of the investment manager and on an ongoing basis thereafter.
- 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.
- In the unlikely event that a deficit did emerge, the risk remains that the Sponsor Employer may fail and not be able to make appropriate deficit repair contributions ("covenant risk"). The Trustee and its advisors considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to the suitability of the proposed strategy.

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.

The Trustee's policy is to monitor these risks on a regular basis.

IMPLEMENTATION

Aon Investments Limited ("Aon") has been selected as investment adviser to the Trustee. Aon is paid on a time and materials basis which the Trustee believes will ensure the best value for money for the Scheme, given the low-risk nature of the strategy and wider governance arrangements.

The Trustee has delegated all day-to-day decisions about the investments that fall within the remaining mandate, including the realisation of investments, to the fund manager through a written contract. When choosing investments, the Trustee and the fund manager (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).

Arrangements with Asset managers

The vast majority of the Scheme's assets are invested with Just Retirement Limited in the form of the Policies. The residual assets are invested in money market instruments managed by Legal & General.

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment manager are aligned with the Trustee's policies, including those on non-financial matters. In respect of the residual assets, this includes monitoring the extent to which the investment manager:

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

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

Before appointment of a new investment manager, the Trustee will review 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 investment manager by other means (where necessary), and regular monitoring of investment manager's performance and investment strategy, is in most cases sufficient to incentivise the investment manager to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the investment manager is 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 investment manager but could ultimately replace the investment manager where this is deemed necessary.

There is no set duration for the arrangement with the investment manager, although the continued appointment for the investment manager will be reviewed periodically, and at least every three years.

Cost Monitoring

Given the nature of the Policies, the Trustee does not monitor the costs associated with them. The Trustee does monitor the costs associated with the residual assets.

Ongoing reporting and compliance

The Trustee is aware of the importance of monitoring their investment manager's 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 investment manager 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 Trustee accepts that transaction costs will be incurred to drive investment returns. Transaction costs are 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. The residual assets are invested in a money market fund where ongoing transaction costs are expected to be low.

Analysis of manager performance and remuneration

The Trustee assesses the performance of their investment managers 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 investment managers on a regular basis by considering net of fees performance as needed. Where the Trustee believes this is not satisfactory it will challenge the investment manager.

The Scheme's remaining manager is remunerated on the basis of fees directly related to the value of funds under their management. The Trustee prefers to appoint their actively managed investment 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 for the residual assets is as follows:

Manager	Fund and Objective
Legal & General Investment Management	Sterling Liquidity Fund To provide capital stability and a return in line with money market rates whilst providing daily access to liquidity and an income.

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

Insurer	Objective
Just Retirement Limited	Two bulk annuity policies which are intended to provide cashflows as the fall due to meet the Scheme's liabilities.

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 • Monitor actual returns versus Scheme investment objective. • Set structures and processes for carrying out its role. • Select and monitor planned asset allocation strategy. • 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 • Advise on all aspects of the investment of the Scheme assets, including implementation. • Advise on this statement. • Provide any required training.	Fund Manager(s) • 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 manager(s) 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 Legal & General funds are arranged by Legal & General firms. Pooled funds are held in the name of the Trustee and therefore are not held on custody.

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.

This Statement of Investment Principles was approved by

Signed:

Date:

Name:

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
18.0 – Updated SAA	D:\Arvin\3. Compliance\SIP\2024 SIP\October update	November 2024
19.0 – full buy-out of Scheme	D:\Arvin\3. Compliance\SIP\2025 SIP\buyout SIP	July 2025