Goodyear Dunlop Tyres UK Limited Pension Plan (“the Plan”) Statement of Investment Principles

Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan’s liabilities. The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which maintains a funding level in excess of 100% on a low dependency basis (gilts +0.25%).

1. INTRODUCTION

This Statement of Investment Principles ("SIP") 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 SIP gives a broad overview of the principles governing investment decisions by the Trustee in respect of the Plan. For more detailed information on the Plan's current investment arrangements, please refer to the appropriate schedules within the Investment Policy Implementation Document ("IPID") which is a supplemental document to this SIP.

2. STRATEGY

In setting the strategy the Trustee considered:

- The Plan’s investment objectives, including the target return required to meet the Trustee‘s investment objectives;
- The Plan’s cash flow requirements in order to meet benefit payments in the near to medium term;
- The best interests of members and beneficiaries taken as a whole;
- The characteristics of the Plan, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- The risks, rewards and suitability of a number of possible asset classes and investment Strategies;
- The need for appropriate diversification between and within different asset classes to ensure that both the Plan’s overall level of investment risk and the balance of individual asset risks are appropriate; and
- Any other considerations which the Trustee considers financially material.

The investment strategy is reviewed on a regular basis.

When choosing the Plan's planned asset allocation strategy the Trustee considered written advice from its investment consultant and, in doing so, 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; and
- The need for appropriate diversification.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

3. THE ARRANGEMENTS WITH FUND MANAGERS

The Trustee recognises that the arrangements with its fund managers are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that the managers are incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries. The Trustee is supported in this activity by its investment consultant.

The Trustee receives quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives

The Trustee shares the policies, as set out in this SIP, with the Plan's managers.

Before appointment of any new fund managers, the Trustee reviews the governing documentation associated with the fund manager 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 Plan invests in a collective vehicle, then the Trustee will express its expectations to the fund manager by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the managers by other means (where necessary), and regular monitoring of managers' performance and investment strategy, is in most cases sufficient to incentivise the managers 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 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 manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment for all managers is reviewed periodically.

The Plan invests its return seeking assets in a fund managed by Aon Investments Limited ("AIL"). The fund is AIL's Active Global Fixed Income Strategy (Adept Strategy 2 Fund) which invests in a range of underlying investment vehicles.

The Plan's risk-reducing assets are managed by Insight and the Trustee maintains arrangements with that manager directly.

Within the return seeking portfolio the Trustee delegates the ongoing monitoring of the underlying fund managers to AIL. The manager monitors the Plan's return seeking assets and considers the extent to which the investment strategy and decisions of the underlying managers are aligned with the investment objectives of the return seeking portfolio.

This includes monitoring the extent to which the underlying managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt; and

- Engage with issuers of debt in order to improve their performance in the medium- to long-term.

4. STEWARDSHIP

The Trustee recognises the importance of its 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 Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

The Trustee will engage with the Plan's managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned.

The Trustee annually reviews the stewardship activity of the managers to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustee receives annual reports on stewardship activity carried out by AIL. These reports include detailed engagement information from the underlying managers. This supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

As part of AIL's management of the Plan’s return-seeking assets, the Trustee expects the manager to report to the Trustee on stewardship activity by underlying managers as required. As part of this delegation, the Trustee accepts responsibility for how the managers steward assets on its behalf, including the casting of votes in line with each managers’ individual voting policies. The Plan does not invest in equities, so voting responsibilities are not applicable to the Plan.

The Trustee may engage with AIL – who in turn is able to engage with underlying managers, investee companies or other stakeholders – on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case-by-case basis, a range of methods by which it would monitor and engage (such as emails, calls or face-to-face meetings) so as to bring about the best long-term outcomes for the Plan.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights when appointing managers.

5. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") CONSIDERATIONS

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

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustee considers these risks by taking advice from its investment consultant.

As part of the management of the Plan's assets, the Trustee expects its managers to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers and investee companies;
- Use its influence to engage with underlying managers and investee companies to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

In setting and implementing the Plan's investment strategy the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to non-financial matters[1].

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

6. COSTS

Understanding Costs:

Fund managers are remunerated on an ad valorem basis which ensures the fund managers' interests are aligned with those of the Plan. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

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

The Trustee collects annual cost transparency reports covering all of its investments and ask that the managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand what it is paying its managers. The Trustee works with its investment consultant and managers to understand these costs in more detail where required.

Evaluation of performance and remuneration:

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

The Trustee also carries out an annual fee review exercise whereby it checks the management fees charged by each manager are in line with the agreed fee basis.

Transaction costs:

The Trustee is aware of the transaction costs (transaction costs, or 'portfolio turnover costs', are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to their underlying investments through the information provided by the fund managers. The transaction costs are monitored annually, with the assistance of the investment consultant.

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.

The Trustee is supported in its cost transparency monitoring activity by its investment consultant.

Ongoing reporting:

The Trustee will provide reporting on the implementation of the Plan's cost transparency policy to the Plan's members via the annual engagement statements.

7. RISK

The Trustee recognises that the key risk to the Plan 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 Plan'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 consultants considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustee will manage the Plan'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 consultants 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 consultants considered this risk when setting the Plan's investment strategy and has also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustee and its consultants considered this risk when setting the 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 consultants 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.

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.

Having set an investment objective which relates directly to the Plan's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks periodically. The Trustee receives quarterly reports showing:

- Actual funding level;
- Performance versus the Plan's investment objective;
- Performance of individual fund managers versus their respective benchmarks; and
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

8. IMPLEMENTATION

Aon has been selected as investment consultant to the Trustee. Aon operates under an agreement to provide a service which ensures the Trustee is briefed to take decisions itself and to monitor those it delegates. Aon is paid an agreed annual fee which includes most services needed on a regular basis. Some ad-hoc projects fall outside of the annual fee and the fees for those are agreed separately or charged on a time cost basis.

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).

9. GOVERNANCE

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with 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. 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 fund manager(s).

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 consultant 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.

The Trustee will review this SIP at least every three years and 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.

10. AVCS

The Trustee provides a range of funds for the members. The key aim of the Trustee is to provide a range of investments that are suitable for meeting members’ long and short-term investment objectives, based on the Trustee’s consideration of members’ needs.

The fund range is reviewed from time to time to ensure that it continues to meet the needs of members. On an annual basis the Trustee considers performance information and the range of funds is considered at least on a triennial basis.

Dated: September 2023

2023

Version	Document Name	Nature of change	Implemented
2015 V1	Goodyear_Dunlop_SIP_ June_2016	Reformatting SIP to allow for new IPID	June 2016
2018 V1	Goodyear_Dunlop_SIP_ March_2018	Updating SIP to allow for equity sale, suspension of flight plan and Aon Hewitt becoming Aon	March 2018
2019 V1	Goodyear_Dunlop_SIP_ September_2019	Updating SIP to incorporate ESG wording	September 2019
2020 V1	Goodyear_Dunlop_SIP_ September_2020	Updated SIP to reflect the Trustee's policy on cost transparency, responsible investment and stewardship	September 2020
2021 V1	Goodyear_Dunlop_SIP_ August_2021	Updates to reflect that AIL is not a fiduciary manager	August 2021
2022 V1	Goodyear_Dunlop_SIP_ September_2022	Updating SIP to reflect the Plan’s current funding level position, removal of the Investment Sub-Committee and updated fee arrangement with Aon as investment consultant.	November 2022
2023 V1	Goodyear_Dunlop_SIP_ September_2023	Updating SIP to reflect the latest guidance from the Department for Work and Pensions relating to stewardship.	September 2023