The Motor Industry Pension Plan (the 'Plan')
The Mobile Windscreens Ltd section of the Plan (the 'Section')
Statement of Investment Principles

Scope of Statement

This Statement has been prepared in accordance with s35 and s36 of the Pensions Act 1995, as amended by s244 and s245 of the Pensions Act 2004, respectively, and the Occupational Pension Schemes (Investment) Regulations 2005.

This Statement sets out the principles governing decisions about the investment of the assets of the Section. Mobile Windscreens Ltd ("the Employer") is the sponsoring employer of the Section.

The Plan is an industry-wide scheme. This Statement is issued by the trustee to the Plan Independent Governance Group Limited (the "Trustee").

The effective date of this Statement is 13 December 2023. The Trustee will review this Statement and the Section's investment strategy as and when appropriate, typically following each actuarial valuation.

Consultations made and parties involved

The Trustee has consulted with the Employer prior to finalising this Statement and will take the Employer's views on the appropriate investment strategy into account when raised. The Trustee will also consult with the Employer on any revision to this Statement.

The Trustee is responsible for the investment strategy of the Section. It has obtained and considered written advice on the investment strategy appropriate for the Section. It has obtained advice on the preparation of this Statement and this advice was provided by Aon Investments Limited ('Aon') who are authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Aon Investments Limited ('Aon') as the Section's investment manager, who are authorised and regulated by the Financial Conduct Authority. Aon manage the Section's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. Aon conducts the necessary day to day management of the funds required to meet the Trustee's objectives.

A copy of this Statement is available to the members of the Section upon request.

Objective

The objective of the investment strategy is to ensure that the Section's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Section as they arise. In addition, the Trustee aims to meet any prescribed funding requirements.

The balance between different kinds of investment

The Section's assets will be allocated to up to five different funds as detailed in the table below. The Nominal and Real Funds contain exposure to both the Growth Fund and liability hedging instruments. To the extent that the Section invests in one of the four funds containing liability hedging instruments, interest rate and inflation protection is provided across the value of those assets. The protection provided is based on the profile of a typical pension scheme's liabilities.

Investment	Objective	Return Target
Growth Fund	To generate long term capital growth through investment in a diversified portfolio of return-seeking assets.	SONIA +4% p.a.
Nominal +2 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's nominal liabilities.	Gilts(1) +2% p.a.
Real +2 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's real liabilities.	Gilts(1) +2% p.a.
Nominal +1 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's nominal liabilities.	Gilts(1) +1% p.a.
Real +1 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's real liabilities.	Gilts(1) +1% p.a.

(1) The manager will calculate a notional benchmark which reflects the underlying gilts held to match a typical pension scheme's liabilities with around 17 year duration

The Trustee reviews the investment strategy at least every 3 years (or more frequently should the circumstances of the Section change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Section.

Asset allocation strategy

The Section's investment strategy at outset has been established as laid out below. The Section’s actual position relative to this asset allocation strategy is to be reviewed from time to time in order to determine whether any rebalancing is required.

Investment	Weight (%)
Growth Fund	-
Nominal +2 Fund	22.5%
Real +2 Fund	22.5%
Nominal +1 Fund	27.5%
Real +1 Fund	27.5%

Note: Investments into and disinvestments from the Section will also typically be made in the proportions set out above. However, this is subject to variation from time-to-time.

Expected returns on assets

The target return of each fund is outlined in the above table. Broadly speaking, the objective of the Growth Fund is to generate long term capital growth through investment in a diversified portfolio of assets. Similarly, the Nominal and Real Funds seek to do this to varying degrees, whilst simultaneously matching movements in typical liabilities on an exposure basis.

Risks arising from the investments and risk management

Credit risk

Credit risk 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.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The manager carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of a pooled manager.

Indirect credit risk arises in relation to exposure to bonds within the underlying pooled investment vehicles. This risk is mitigated by funds holding a diverse portfolio of investments with exposure to a range of issues and issuers.

Cash is held within financial institutions which are at least investment grade credit rated.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Section is subject to currency risk because some of the Section's investments are held in overseas markets via pooled investment vehicles. Aon may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions.

Interest rate and inflation risk

Interest rate and inflation risk is the risk that the fair value or future cash flows of a financial asset, primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds, will fluctuate because of changes in market interest rates, in a different manner to the fluctuation created in the value of the liabilities.

The Section is subject to interest rate and inflation risk because of the approximate nature of the hedging achieved under the Section's investments (held in pooled Liability Driven Investment funds, as described above).

These investments are however held in order to mitigate the funding level impact of interest rate and inflation changes on the Section’s liabilities.

Liability mismatching risk

Liability mismatching risk is the risk that changes in the value placed on the Section's liabilities are not matched by similar changes in the value of the Section's assets.

From time to time, this risk is managed by assessing the progress of the actual growth of the liabilities relative to the selected investment strategy.

Other price risk

The Trustee defines other price risk as the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises principally in relation to the Section's return seeking assets. The Section's return seeking assets are invested in a diversified range of pooled investment vehicles which are themselves diversified.

Realisation of investments and liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

Environmental, Social, and Governance (“ESG”) considerations

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 adviser.

The Trustee has appointed Aon to manage the Plan's assets. Aon invests in a range of underlying investment vehicles.

As part of Aon’s management of the Plan's assets, the Trustee expects Aon to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;

- Use its influence to engage with underlying managers to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

Members' Views and Non-Financial Factors

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 ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Stewardship – Voting and Engagement

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 ultimately this creates long-term financial value for the Plan and its beneficiaries.

The Trustee has delegated all voting and engagement activities to the Plan's underlying managers, via its investment manager Aon. The Trustee accepts responsibility for how the underlying managers steward assets on its behalf, including the casting of votes in line with each underlying manager's individual voting policies. The Trustee relies on Aon to review manager voting and engagement policies and activities on an annual basis. The Trustee reviews manager voting and engagement policies on an annual basis from Aon to ensure they are in line with the Trustee's expectations and in members' best interests. As part of Aon's management of the Plan's assets, the Trustee expects Aon to:

- Ensure that (where appropriate) underlying managers exercise the Trustee's voting rights in relation to the Plan's assets; and
- Report to the Trustee on stewardship activity by underlying managers as required.

Underlying managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG consideration and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interests) This will take the form of annual reporting which will be made available to Plan members on request.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan's assets, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustee.

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

The Trustee may engage with Aon, which in turn is able to engage with underlying managers, or other stakeholders, on matters including the performance, strategy, risks, social and environmental

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

impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made..

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned. This will take the form of annual reporting and follow up meetings, where necessary, from Aon. Such reporting will be made available to Plan members on request.

Should the Trustee's monitoring process reveal that an underlying manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustees will engage with Aon, via different medium such as emails and meetings, to discuss how alignment may be improved to bring about the best long-term outcomes for the Plan.

Arrangements with asset managers

Alignment of interests and decision making

The Trustee has appointed Aon as its investment manager.

The Trustee recognises that the arrangements with Aon, and correspondingly the underlying managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that Aon is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustee receives quarterly reports and regular verbal updates from Aon 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 Plan's objectives, and assesses the performance of Aon over 3-year periods.

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

The Trustee shares the policies, as set out in this Statement, with Aon and requests that Aon reviews and confirms whether its approach is in alignment with the Trustee's policies.

The Trustee accepts responsibility for Aon's ongoing monitoring of underlying managers, including prospective underlying managers. Aon monitors the Section's investments to consider the extent to which the investment strategy and decisions of the underlying managers are aligned with the investment objectives of the Section. 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 or equity; and
- engage with issuers of debt or equity to improve their performance in the medium- to long-term.

The Trustee believes that having appropriate governing documentation, setting clear expectations to Aon, and regular monitoring of Aon's performance and investment strategy, is sufficient to incentivise Aon 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 Aon or the underlying 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 engage with Aon (or the underlying managers via Aon) to understand the circumstances and materiality of the decisions made.

Before the appointment of a new underlying manager Aon, on behalf of the Trustee, reviews the extent to which the manager is aligned with the Trustee's policies.

Evaluation of performance and remuneration

The Trustee assesses the net of all costs performance of Aon on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The remuneration paid to Aon and fees incurred by third parties appointed by Aon are provided annually by Aon to the Trustee. This cost information is provided alongside the performance of Aon to provide context. The Trustee monitors these costs and performance trends over time.

Cost monitoring

The Trustee is aware of the importance of monitoring its asset 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, there are other costs incurred by asset managers that can increase the overall cost incurred by its investments.

The Trustee receives annual cost transparency reports from Aon. These reports present information in line with prevailing regulatory requirements. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Plan;
- the fees paid to Aon;
- the fees paid to the underlying managers appointed by Aon;
- the amount of portfolio turnover costs incurred by the underlying managers (the Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying managers);
- any charges incurred through the use of pooled funds (custody, administration, and audit fees); and
- the impact of costs on the investment return achieved by the Plan.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. Aon monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying managers.

The Trustee benefits from the economies of scale in a number of areas:

- investing the Section’s assets alongside other Sections of the Plan
- the ability of Aon to negotiate reduced annual management charges with the underlying managers; and

- the ability of Aon to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying managers and achieve efficiencies where possible.

Duration of arrangements

There is no set duration for the Trustee's arrangement with Aon, although the continued appointment will be reviewed periodically.

Similarly, there are no set durations for arrangements with the underlying managers, although these are regularly reviewed as part of Aon's manager research and portfolio management processes.

Direct investments

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 without a contract, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments. In the case of the Section, any Additional Voluntary Contribution ("AVC") contracts are invested with Legal & General Investment Management Limited and these form direct investments.

The Trustee's policy is to review the Section's direct investments and to obtain written advice about them from time to time. The Trustee has full discretion as to the appropriate vehicles made available for AVCs. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the 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.

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Signed Date

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Signed Date

Approved and agreed by Independent Governance Group Limited, Trustee of the Motor Industry Pension Plan, on XX.