Walker Group Employee Benefit Scheme (the “Scheme”)
Statement of Investment Principles (the “Statement”)

1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended in 2004) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended in 2018 & 2019).

The effective date of this Statement is August 2023. The Walker Group Employee Pension Trustee Limited (the “Trustee”) will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

2. Consultations Made

The Trustee has consulted with the Principal Employer, Tenneco-Walker (UK) Limited, prior to writing this Statement and will take the Employer’s comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Walker Group Employee Benefit Scheme. It has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Ltd (“Aon”) who is authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Scheme's assets has been delegated to asset managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement is available to the members of the Scheme and public online.

3. Primary Objectives and Policy for Securing Objectives

The Trustee’s primary objectives are:

- “funding objective” – to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;

- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy; and

- “security objective” – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustee will take into account the strength of Employer’s covenant when determining the expected improvement in the solvency position of the Scheme.

The Trustee recognises that these objectives may conflict. For example a greater allocation to more defensive assets may give greater security, but may result in a level of contributions which the Employer may find too difficult to support. The Trustee also recognises that in resolving this conflict it is necessary to accept some risk.

4. Investment Risk Measurement and Management

The key investment risks re recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustee takes advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustee also has an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the Employer. In particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and Employer-related Notifiable Events. On receipt of such notification, the Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustee monitors the risks arising through the selection or appointment of asset managers on a quarterly basis via investment monitoring reports prepared by its professional advisers. The Trustee has appointed Aon to alert them on any matters of material significance that might affect the ability of each asset manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the asset manager is taking a higher level of risk than indicated.

For due diligence purposes, the Trustee meets at least semi-annually and monitors asset managers on a quarterly basis. The Trustee will see its asset managers on an ad hoc basis as deemed necessary.

5. The balance between different kinds of investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation.

It therefore retains responsibility for setting asset allocation, and takes expert advice as required from its Investment Adviser.

The Trustee reviews its investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). Therefore at a minimum the asset allocation is reviewed at least once every three years.

A broad range of available asset classes has been considered. This includes consideration of so called "alternative" asset classes (namely property, private equity, securitised credit and hedge funds) and traditional mainstream asset classes (namely corporate bonds, government bonds and equities) as well as insurance products (namely annuities).

6. Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes. Day to day selection of stocks is delegated to asset managers appointed by the Trustee. As regards the review and selection of its asset managers, the Trustee takes expert advice from its Investment Adviser.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme. The Trustee, and asset managers (to the extent delegated), will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005, when selecting investments on behalf of the Scheme.

7. Environmental, social and governance ("ESG") considerations

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. This includes 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 its Investment Adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

8. 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 Scheme invests, as this ultimately this 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 takes advice from its Investment Adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee has delegated all voting and engagement activities to the Scheme's asset managers. The Trustee accepts responsibility for how the manager stewards assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies on an annual basis, as part of the preparation of its Engagement Policy Implementation Statement, to ensure they are in line with the Trustee's expectations and in members' best interests. Prospective asset managers are also required to provide this information for the Trustee to review in advance of any new appointment.

Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager to discuss how alignment may be improved. If, following engagement with the manager, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it 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.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to purchase an annuity. While the Trustee reviewed and was comfortable with the stewardship and corporate governance policies of Aviva as part of its initial due diligence of the insurer, the Trustee believes it has a limited scope to influence the ongoing stewardship and corporate governance activities. As a result, the Trustee will not actively seek to monitor its activities and policies in this area.

9. 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]).

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

10. Arrangement with Asset Managers

The Trustee, supported by its Investment Adviser, considers 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 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 receives regular reports and verbal updates from the Investment Adviser 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 assesses the asset managers at least every three years.

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

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 its expectations to the asset managers 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 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 and non-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 it is deemed necessary.

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.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf.

Given the nature of an annuity policy, the Trustee does not believe it is appropriate to monitor the performance of Aviva other than to ensure that benefit-related payments are paid into the Scheme as and when they fall due.

11. Cost Monitoring

The Trustee recognises the importance of monitoring the level of investment costs incurred in the management of its assets and the impact these can have on the value of the assets.

<u>Cost Transparency</u>

The Trustee assesses the performance of its asset managers on a quarterly basis and the remuneration of its asset managers on an annual basis. The Trustee does not monitor Aviva on an ongoing basis as the insurer is not renumerated by the Scheme (the annuity policy is purchased by an up-front premium).

Portfolio Turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying asset managers' fund holdings change over a year. The Scheme's Investment Adviser monitors this on behalf of the Trustee as part of the manager monitoring it provides to the Trustee and flags to the Trustee where there are concerns. For the avoidance of doubt, the annuity policy with Aviva is excluded from this assessment.

12. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The asset managers of pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

The respective pooled fund custodians are independent of the Employer.

13. Realisation of Investments/Liquidity

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

The annuity policy held with Aviva is not easily realised but is expected to meet the Scheme's future benefit-related payments. The Scheme's remaining assets are realisable at relatively short notice.

14. Direct Investments

Assets directly held by the Trustee, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate, and written advice will be obtained from the Investment Adviser.

The Trustee will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005 when selecting direct investments.

15. Additional Voluntary Contributions ("AVC's") Arrangements

Some members obtain further benefits by paying AVC's to the Scheme. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. Details of AVC providers and fund options are included in Appendix I to this Statement.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

16. Investment Adviser

Aon Investments Limited has been appointed as Investment Adviser. It has the knowledge and experience required under the Pensions Act 1995.

Walker Group Employee Benefit Scheme (the "Scheme")
Appendix 1 to Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy, and is supplementary to the Trustee's Statement of Investment Principles.

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the Primary Objectives set out in the attached Statement. The details are laid out below:-

1. Asset Allocation Strategy

The Trustee has invested in an annuity with Aviva to insure the benefit-related payments of the Scheme. This means that all future benefit-related cashflows of the Scheme are expected to be covered by the annuity policy.

Following the purchase of the annuity in February 2023, the Scheme had some residual assets left over. These residual assets are as follows:

Manager	**Fund**	**31 July 2023 Valuation (£)**
	2042 Gilt Fund	253,958
LGIM	2035 Index-Linked Gilt Fund	220,449
	Sterling Liquidity Fund	4,649,133
M&G	UK Property Fund	448,052
Trustee Bank Account	n/a	680,552
Total		**6,252,144**

The Trustee has agreed to invest a portion of the residual assets in the LGIM 2042 Gilt Fund and LGIM 2035 Index-Linked Gilt Fund to broadly match the cost of insuring the Scheme's GMP equalisation benefits. The true cost of these non-insured benefits will only be known once the GMP equalisation exercise has been completed and a quote for insuring the benefits has been received from Aviva.

The Trustee has submitted a full redemption for the Scheme's holdings in the M&G UK Property Fund. The fund is now being formally wound up by M&G and so the Scheme's holdings are being returned as and when the underlying properties are sold by M&G. The Trustee expected to receive all proceeds by the end of 2024.

A working balance is currently being held in the Trustee bank account to meet expense payments. The Scheme's administrator has the ability to top-up the Trustee bank account from cash held within the LGIM Sterling Liquidity Fund if needed.

2. Investment Management Arrangement

The performance objective and management fees of each fund is shown over the page.

Manager	Fund	Benchmark	Target
LGIM	2042 Gilt Fund	2042 Gilt	Track the benchmark
	2035 Index-Linked Gilt Fund	2035 Index-Linked Gilt	Track the benchmark
	Sterling Liquidity Fund	SONIA	To provide a competitive return relative to benchmark
M&G	UK Property Fund	n/a – as in liquidation	n/a – as in liquidation

3. Fee structure for advisers and managers

3.1 Advisers

The Trustee's Investment Adviser is paid a fixed fee for agreed core advisory services and on the basis of the time spent by the adviser otherwise. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustee will endeavour to agree a project budget. These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Summary of investment management fee arrangements

The Trustee has chosen a fixed fee structure for the funds the Scheme invests in which represents fair value in the marketplace for the size and type of mandate.

Manager	Fund	Management Fees (% per annum)
LGIM	2042 Gilt Fund	0.03%
	2035 Index-Linked Gilt Fund	0.03%
	Sterling Liquidity Fund	0.13%
M&G	UK Property Fund	0.44%

4. Additional Voluntary Contributions

The Trustee has made available Additional Voluntary Contributions via the following investment providers:

a) Aviva

b) Prudential