

Webasto Retirement Benefits Scheme

Statement of Investment Principles

This Statement of Investment Principles ["SIP"] consolidates various addenda to the previous SIP into one document for ease of reading.

The SIP sets out the policy of the Trustees of the Webasto Retirement Benefits Scheme ["WRBS" or "the Scheme"] on matters governing decisions about the Scheme's investments.

WRBS is a Registered Pension Scheme as defined by the Finance Act 2004. The Scheme is a Defined Benefit scheme which is closed to future accrual and to new members.

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 & 2004 ["the Act"], the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019 ["the Regulations"]. The Trustees were advised by their consultants in its preparation and consulted with the sponsoring employer and the investment manager. The SIP also reflects the Trustees' response to the voluntary code of investment principles in the Myners review.

Investment policy

The Scheme's assets are held in trust by the Trustees, whose investment powers are set out in the Scheme's governing documents. The Trustees invest the Scheme's assets in the best interest of the members and exercise their powers in a manner which supports the security, quality, liquidity and profitability of the Scheme as a whole.

Because of the Scheme's size, the Trustees use funds which pool the Scheme's assets with other funds; the funds selected consist predominantly of investments admitted to trading on regulated markets, any investments not admitted to such markets being kept at a prudent level.

The Trustees have a rolling contract with their Investment Manager.

The Trustees monitor the performance of their Investment Manager on a quarterly basis. This monitoring is reviewed by looking at the reports produced by their Investment Manager.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment objective

The Trustees aim to invest in a manner which helps to ensure that the benefits promised to members will be provided. Over the long term, this requires that a rate of return is achieved which supports the long term funding plan agreed with the sponsoring employer. In the short term, it means managing the volatility of the assets relative to the value of the liabilities.

Risks

In order to achieve their objective, the Trustees recognise the need to invest in both "liability-matching" and "return-seeking" assets. The Trustees identified the following investment risks:

- The risk that investment returns in general will not achieve expectations;
- The risk that the investment manager will not meet its targets;
- The risk that the value of liabilities may increase due to changes in interest rates or in actual or expected inflation;
- The risk that the performance of any single investment within the Scheme's assets may affect disproportionately the ability of the Scheme to meet its overall investment objective;
- The risk of mis-match between the value and timing of the Scheme's income and outgo;
- The risk of a shortfall in liquid assets held relative to the Scheme's immediate liabilities;
- The risk of misappropriation, unauthorised use or mis-delivery of assets;

The Trustees have recognised these different types of risk and seek to minimise them as far as possible by regular review of the appropriateness of the Scheme's prevailing strategy against the objectives, by a deliberate policy of diversification, by regular monitoring of performance and by taking into account the timing of future payments.

Strategy

The investment strategy uses two key types of assets:

1. "Liability-matching" assets: which exhibit characteristics similar to those of the Scheme's liabilities. Whereas UK government bonds, known as gilts, offer the minimum risk return, a portfolio of corporate bonds offers a slightly higher return whilst remaining low risk. A portfolio of government issued index-linked stocks provides protection against inflation.
2. "Return-seeking" assets: which target a rate of return in excess of both minimum and low risk. These currently consist of equities, selected globally, which might be expected to deliver 3% to 4% above the minimum risk return, but may also include diversified growth funds.

The Trustees invest in the pooled funds of the investment manager, given the size and nature of the scheme. Currency exposure on overseas investments is normally hedged back into sterling by the manager and the benchmark comparisons are expressed in sterling. The Trustees take advice on the balance of the liability profile [pre- and post-retirement] and have agreed a re-balancing process with the sponsoring employer, such that it is envisaged that the proportion of the Scheme's funds directed to liability-matching investments will normally be at least in proportion to the pensioner liabilities.

The Scheme does not, and will not, invest in the sponsoring employer.

Implementation

The Trustees have entered into a unit linked life policy with Threadneedle Pensions Limited. All the pooled funds used are accessed in this manner. Threadneedle, as investment manager, is responsible for the day-to-day management of the investments and is responsible for appointing custodians. As the Scheme's investments are through pooled investment funds, and consist of units held in these funds, there is no need for the Scheme to appoint its own custodian.

The investment manager is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Realisation of investments

The Trustees make realisations from the Scheme's investments to meet benefit payments and other outgoings. In doing so, they draw down from the appropriate section of the Scheme's funds: for example a transfer out for a member below retirement age will be funded by withdrawal from return-seeking assets, a pension payment from liability-matching assets.

Socially Responsible Investments and the exercise of investment rights

As the Scheme holds assets in pooled funds, the Trustees cannot directly influence the manager's policy on social, environmental and ethical factors or on the exercise of investment rights such as voting. The Trustees do, however, monitor the investment manager's general policies on these matters in line with the UN Principles of Responsible Investment.

The Trustees will monitor the voting being carried out by their Investment Manager and custodians on their behalf. They will do this by receiving reports from their Investment Manager which should include details of any significant votes cast and proxy services that have been used.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to their Investment Manager and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the Investment Manager's process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond mainly accountancy measures. The Trustees consider if the Investment Manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the Investment Manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, as long as the Investment Manager provides these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their Investment Manager monitors the frequency of transactions and portfolio turnover. If there are any targets then they will monitor compliance with these targets.

Fees

The investment managers are remunerated on an ad valorem fee basis, calculated as a percentage of the Scheme's holding in a particular pooled fund, in accordance with published scales. This structure aligns the investment manager's interest with that of the Scheme.

Decisions

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take, and which to delegate, the Trustees take into account whether they have the appropriate training and expertise in order to make an informed decision, and take advice when appropriate.

The Trustees agree the structure for implementing their investment strategy and select and monitor the planned asset allocation. They select and monitor the investment manager and advisor, and select and monitor the pooled funds to be used. The investment manager operates within the terms of this statement and the policy document, selects individual investments with regard to their suitability and diversification for the individual pooled funds; and ensures the suitability of the chosen benchmarks.

Review

The Trustees review strategy periodically, typically following an actuarial valuation, but more frequent reviews may occur in the light of a material change in circumstances.

Investment return experience is monitored quarterly, as is the balance of the fund. A detailed review with the investment manager is held at least annually.

The SIP is reviewed after any significant change in investment policy. The Trustees consult with the sponsoring employer on any material change.

Approved by the Trustees on 29th September 2020.

Signed on behalf of the Trustees: A.Lowe

Appendix

At the date hereof, the Scheme uses the following funds of Threadneedle Pensions Limited:

Fund	Benchmark	Performance Objective
Return-seeking funds		
Global Select Fund	MSCI AC World Index	To out-perform the index by 3% p.a., gross of fees, over rolling 3 year periods
Liability-matching funds		
Corporate Bond Fund	iBoxx Sterling Non-Gilts Index	To out-perform the index by 0.75% p.a., gross of fees, over rolling 3 year periods
Index Linked Bond Fund	FTSE UK Gits Index-Linked Government All Stocks Index	To out-perform the index, gross of fees, over rolling 3 year periods

AVC investments

Balanced Pathway Fund	37.5% FTSE All Share 13.1% S&P 500 13.1% FTSE World Europe ex UK 6.4% Topix 3.8% MSCI Asia Pacific ex Japan 1.1% MSCI Latin America 10/40 2% IPD UK Property 7.5% FTSE UK gilts (all stocks) 7.5% iBoxx GBP Non-Gilt 8% JPM Global Bond ex Japan	To out-perform the benchmark by 1.5%, gross of fees, over rolling 3 year periods.
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