

Webasto Retirement Benefits Scheme

Statement of Investment Principles – October 2023

Introduction

The Trustees of the Webasto Retirement Benefits Scheme ('the Scheme') has drawn up this Statement of Investment Principles ('the Statement') to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments in relation to the DB liabilities of the Scheme. In preparing this Statement the Trustees has consulted Webasto Roof Systems Limited ('the Employer') on the Trustees' investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustees take advice. The Trustees' investment consultants, Capita Pension Solutions Limited ('Capita'), are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Scheme's assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustees understand, following discussions with the Employer, that it is willing to accept a degree of volatility in the company's contribution requirements in order to reduce the long-term cost of the Scheme's benefits. The Trustees are comfortable that the covenant of the Employer is strong enough to support this approach.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Scheme's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustees recognise that, where appropriate, the use of active or passive management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets may be managed through a mixture of active and passive management which may be adjusted from time to time.
- The safe custody of the assets of the pooled funds in which the Scheme has invested is delegated to professional custodians.
- Environmental, Social and Governance ("ESG") risks could have a material impact over the life of the Plan and the Trustee will look to manage these risks where proportionate to do so.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given their investment objectives the Trustees have agreed to the asset allocation detailed in the table below. This asset allocation is in respect of the assets that are not held in the annuity policies. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset Class	Strategic Asset Allocation (%)	Control Limits % + / -
Global Equities	55.0	
Growth Assets:	55.0	10.0
Corporate Bonds	22.5	
UK Index-Linked Gilts	22.5	
Fixed-Income Assets:	45.0	10.0
Total:	100.0	

The Trustees will monitor the Scheme's actual asset allocation at least quarterly and subject to stated Control Limits, will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees may take into account advice from the investment consultant prior to making any decision. Further details on investment funds and control ranges can be found in the Appendix.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme's liability value. This return is a "best estimate" of future returns that has been arrived at given the Scheme's longer term asset allocation..

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Investment Mandates

The Trustees have selected Columbia Threadneedle Investments ('Columbia Threadneedle') as the appointed investment manager ('the Investment Manager') to manage the assets of the Scheme. The Investment Manager is regulated under the Financial Services and Markets Act 2000.

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 contained in a report provided by their advisors.

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

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to its investment manager and how it rewards its 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 should 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.

Financially material considerations over the Scheme's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustees recognise that this is a DB scheme closed to new entrants with an ageing membership. Nevertheless, the Trustees believe that an appropriate time horizon for the Scheme could still be over 15 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in pooled funds, and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustees will consider the manager policies in all future selections and will deepen their understanding of their existing manager policies by reviewing these at least annually. The Trustees will also seek to understand what other options might be available at their manager and in the wider market. In cases where they are dissatisfied with a manager's approach, they will take this into account when reviewing them. They are also keen that all their manager are signatories of the UN Principles of Responsible Investment.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their manager can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They expect their managers to exercise good stewardship and use their voting rights in a way consistent with producing the best long term risk adjusted returns.

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.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their Investment Manager. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically. They will request the help of their investment consultants, where required. Consequently, the Trustees expect the Scheme's Investment Manager to have effective ESG policies (including the application of voting rights) in place and look to discuss the investment manager's ESG policies with them when the manager attend Trustee meetings.

Non-financial matters, including members' views are currently not taken into account.

Compliance with Myners' Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance.

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustee's policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The investment manager is 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.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and practical experience of, financial matters, and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Trustee

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Date

Signed on behalf of the Trustees of the Webasto Retirement Benefits Scheme

Appendix – Summary of Investment Mandates

The Trustees have appointed the Investment Manager to manage the Scheme's assets. The Investment Manager is regulated under the Financial Services and Markets Act 2000. The Investment Manager's mandates are set out below:

Asset class	Investment Manager	Fund	Management style	Benchmark	Strategic Asset Allocation (%)	Control Limits (%)
	Columbia Threadneedle	Global Select Fund	Active	MSCI AC World Index	55.0	
Total Growth Assets					55.0	± 10.0
	Columbia Threadneedle	Corporate Bond Fund	Active	iBoxx Sterling Non-Gilts Index	22.5	
	Columbia Threadneedle	Index-Linked Bond Fund	Active	FTSE UK Gilts Index-Linked Government All Stocks Index	22.5	
Total Matching Assets					45.0	± 10.0
Total					100.0	