

Delco Remy UK Employee Pension Scheme Defined Contribution Section

Statement of Investment Principles

1 Background

Purpose of Statement	This Statement sets out the principles governing decisions relating to the investment of the assets of the Defined Contribution Section (the Defined Contribution Section) of the Delco Remy UK Employee Pension Scheme (the Scheme).
Nature of Scheme	The Scheme is set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme has a Defined Benefit Section and Defined Contribution Section. This statement relates to the Defined Contribution Section, and a separate statement has been prepared for the Defined Benefit Section.
Compliance with Legislation	This Statement has been prepared to meet the requirements of Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Availability to Members	A copy of this Statement will be made available to Defined Contribution Section members on request to the Trustees of the Scheme.
Investment Advice	<p>The Trustees have obtained and considered professional advice on the content of this Statement from BBS Consultants & Actuaries Ltd (BBS), their appointed investment adviser, as well as from previous advisers. The Trustees' advisers have confirmed to the Trustees that they have the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.</p>
Consultation with the Sponsoring Employer	<p>The Trustees have consulted the Sponsoring Employer, Remy Automotive UK Limited, when setting the Scheme's investment options, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and deciding on investment policy rests solely with the Trustees.</p>
Investment Powers	The Trustees' investment powers are set out in Rule 61 of the Definitive Deed and Rules, dated 7 April 1998, as amended. The powers granted by the Rule are wide and this Statement is consistent with those powers.

2 Investment Objectives

Investment Objectives

The Trustees' investment objectives, in relation to the Defined Contribution Section, are as follows:

Investment options provided to members

The Trustees' objective is to provide members with access to a suitable range of funds that provide an appropriate range of expected risk and returns. Each fund offered would be expected to achieve at least one of the following aims:

- To generate investment growth in excess of price inflation over the long-term;
- To preserve capital; or
- To provide a relatively secure stream of income through interest payments and return of capital.

The range of funds should also offer value for money to members, have clear objectives that can be easily communicated and be sufficiently limited to avoid the risk of confusion from excessive choice.

Members who do not make their own choices

Where members do not make any investment choices, the Trustees will provide a default investment approach with the following objectives:

- To generate investment growth in excess of price inflation over the long-term;
- To reduce the potential variability of returns as members approach retirement; and
- As members approach retirement, to reduce uncertainty in the level of cash at retirement and post-retirement benefits that will be paid to members.

3 Principles for Setting the Investment Strategy

Investments that may be used in the Defined Contribution Section The Trustees may use a wide range of asset classes including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, money market securities and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments used will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may offer options that make use of derivatives where this is for the purpose of risk or efficient portfolio management.

The Trustees may hold insurance policies, such as immediate and deferred annuities.

The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

Selection of Funds for use by Members Investment decisions regarding the fund choices to be made available to members are taken by the Trustees based on advice provided by their advisers, and taking into account the views of the Sponsoring Employer.

In selecting funds to offer to members of the Defined Contribution Section, the Trustees will consider the investment objectives, expected returns, risks and other relevant characteristics of each fund.

The Trustees review the suitability of the fund options provided and, from time to time, may change investment managers or introduce additional investment options as appropriate.

Delegation to Investment Managers The Trustees will delegate the day-to-day management of the assets to professional investment managers and are not involved in the buying or selling of investments.

Arranging Investment Transactions The Trustees will invest and disinvest members' investments with the assistance of the Scheme's administrator, Capita Employee Benefits.

4 The Investment Strategy

Investment Manager The Trustees entered into a contract with Legal & General Investment Management (LGIM) in January 1999 to manage the Scheme’s investments.

The day-to-day investment management of the Defined Contribution Section’s assets is carried out by LGIM.

LGIM is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

Investment Options The Trustees have made the following pooled funds available for members to invest in and use them in constructing the default investment approach used for members who do not make an investment choice.

Asset Class	Fund Name	Underlying Fund
Global equities	Growth Fund	LGIM Global Equity (70:30) Index Fund
Index-linked government bonds	Bond Fund	LGIM Over 5 Year Index-Linked Gilts Index Fund
Cash	Cash Fund	LGIM Cash Fund

Default Investment Approach

For members who do not wish to make an investment choice, the Trustees will provide a default investment approach. The broad aim of the default investment approach is to provide investment growth in excess of price inflation for the majority of a typical member’s working life before gradually reducing the uncertainty in the level of benefits emerging as a member approaches retirement.

In choosing the default investment approach, the Trustees considered the needs of the members of the Defined Contribution Section, and took advice from their investment advisers. The default investment approach has been chosen to target a cash benefit with 25% of the member’s accumulated fund at retirement and to purchase an annuity with the remainder of the fund.

Under the default investment approach, a member’s accumulated fund will be invested as follows:

Period prior to member’s normal retirement age	Investment Default Approach
Up to 5 years prior to normal retirement age	The approach invests wholly in the Growth Fund.
From 5 years before normal retirement age	Phased switches are made between the funds to achieve an allocation of 75% in the Bond Fund and 25% in the Cash Fund by normal retirement age.

Investment Fees

The annual management charges (AMCs) for each of the funds available to members are set out below.

Fund Name	AMC (p.a.)
LGIM Global Equity (70:30) Index Fund	0.160%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.100%
LGIM Cash Fund	0.125%

All funds are single priced, i.e. no explicit dealing spreads apply on transactions.

Charges for the Default Investment Approach depend on which particular funds members are invested in at that time, but will be between 0.106% per annum and 0.160% per annum.

Benchmarks and Performance Objectives

The benchmarks and performance objectives for each of the funds available for members to invest in are given below:

Fund name	Benchmark	Performance objective
LGIM Global Equity 70:30 Index Fund	Composite global equity benchmark represented by 70% FTSE All-Share Index, 30% FTSE All-World (ex-UK) Index	To track the benchmark (gross of fees)*
LGIM Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	To track the benchmark to within $\pm 0.25\%$ p.a. for two years out of three (gross of fees)
LGIM Cash Fund	7 Day LIBID Rate	To perform in line with the benchmark (gross of fees)

*Net of withholding taxes charged by overseas governments, where appropriate

Employer Related Investment

Neither the Trustees nor the Investment Manager directly hold any employer related investments, as defined by Section 40 of the Pensions Act 1995.

Additional Voluntary Contributions (AVCs)

The Trustees have put in place arrangements for members to invest AVCs into any of the investment options available under the Defined Contribution Section.

5 Expected Returns and Risks

Expected Returns	<p>Over the long-term, the Trustees' expectations are as follows:</p> <ul style="list-style-type: none">• For the Global Equity (70:30) Index Fund, to achieve a rate of return in excess of UK price inflation, as measured by the Retail Prices Index;• For the Over 5 Year Index-Linked Gilts Index Fund, to achieve returns broadly in line with the market yields available on purchase of the underlying gilts, assuming that they are held to redemption;• For the Cash Fund, to achieve a return broadly in line with rates of interest available on short-term money market instruments.
Consideration of Risks	<p>The Trustees have considered the various risks faced by members in determining the default investment approach and in choosing the funds to be offered to members who wish to select their own investments. These include:</p> <ul style="list-style-type: none">• The risk of adverse market movements on investments.• The risk that the value of investments may be eroded in real (inflation adjusted) terms.• The risk of adverse currency movements on investments.• The risk of investments being concentrated either by asset class, sector or geographical region.• The risk of default of the underlying holdings within the investments.• The risk of investments being concentrated with a particular investment manager. <p>The Trustees consider that the default investment approach strikes a reasonable balance between seeking an appropriate level of return for members, whilst suitably mitigating key risks relative to a target benefit of a cash lump sum and an annuity at retirement.</p> <p>The Trustees also consider that the funds offered provide members with an appropriate range of investment approaches that enable them to express their own attitudes to risk and return.</p>
Diversification	<p>The Trustees believe that the default investment approach provides an appropriately diversified strategy over the course of a member's working lifetime, whilst the range of investment options offered to members allows them to construct a suitably diversified investment approach, if they decide to select their own investments.</p>

Manager Controls	<p>The day-to-day activities that LGIM carries out for the Trustees are periodically reviewed by the Investment Manager and its independent auditors to ensure that their internal operating procedures, guidelines and restrictions remain appropriate.</p> <p>Safe-keeping of assets is performed by external custodians on behalf of the Investment Manager, and the ongoing appointment of the custodians is reviewed by LGIM from time to time.</p>
Manager Security	<p>The Trustees have considered the corporate structure of the Investment Manager and the investment structures of the pooled funds in which members of the Scheme invest in. The Trustees consider that the financial strength of the Investment Manager and the protection offered to members to be reasonable and appropriate.</p>
Monitoring and Management of Risks	<p>The Trustees will monitor the investment risks faced by the Defined Contribution Section with the assistance of their investment advisers.</p> <p>In addition, the Trustees will review wider operational risks as part of maintaining their risk register.</p>

6 Responsible Investing, Governance and Engagement

Financially Material Considerations Related to Environmental, Social and Governance Considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues may have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which members invest. In turn, ESG issues may have a material financial impact on the returns provided by those assets over the medium to long-term, including the expected lifetime of the Scheme.

The Trustees delegate responsibility for day-to-day decisions on the selection, retention and realisation of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues making decisions concerning the selection, retention and realisation of the investments of the Defined Contribution Section, or will otherwise engage with the issuers of the underlying holdings of the Defined Contribution Section on such matters in a way that is expected to improve the long-term return on its assets.

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive regular information from the Investment Manager, on request, on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to performance of the investments of the Defined Contribution Section associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees will continue to monitor market developments in this area in conjunction with their adviser at least every three years, or whenever the investment options of the Defined Contribution Section are being reviewed.

Views of Members and Beneficiaries

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees do not explicitly solicit members' views on non-financial matters and therefore do not take these views into account in the selection, retention or realisation of investments of the Defined Contribution Section.

Engagement and Voting Rights	<p>The Trustees acknowledge that engagement with the issuers of the Defined Contribution Section’s underlying investment holdings is expected to support the long-term returns of the asset classes they provide to members via the investment options available. Responsibility for engagement with the issuers of the underlying investment holdings, including the use of voting rights, has been delegated to the Investment Manager. The Trustees can therefore only indirectly influence engagement and voting policy.</p> <p>The Investment Manager provides information to the Trustees, on request, on its actions in relation to engagement and use of voting rights, whilst the Investment Manager provides a summary of its actions on these aspects to the Trustees each quarter, both via its quarterly performance report to the Trustees, and as a separate document.</p> <p>Furthermore, the Trustees will request any training on how the Investment Manager takes ESG issues into account when managing the investments of the Defined Contribution Section, as and when it is required.</p>
Capital Structure of Investee Companies	<p>Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors these capital structures to be appropriate to the nature of the mandate.</p>
Conflicts of Interest	<p>The Trustees maintain a separate conflicts of interest policy and register.</p> <p>Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.</p>
Incentivisation of Investment Managers	<p>The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.</p> <p>Neither the Trustees nor the members directly incentivise the Investment Manager to align the approach it adopts for a particular fund with the policies and objectives of the Trustees and/or members. Instead, the Investment Manager and funds are selected so that the returns produced are expected to meet the investment objectives of members.</p> <p>Neither do the Trustees or members directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet members’ investment objectives.</p>

7 Review and Monitoring

Frequency of Review The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances of the regulations that govern pension scheme investment.

Monitoring the Investment Strategy and Manager The Trustees employ BBS to assist in monitoring LGIM, and to help review the investment options and default investment approach.

The Trustees receive quarterly reports from LGIM, and meets with its representatives periodically to review investment performance and processes.

The Trustees will monitor LGIM's performance against their stated performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the default and fund options, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

Portfolio Turnover Costs The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet its investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for the underlying funds used by members.

The Investment Manager can provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

Review of Fund Manager The Trustees will consider on a regular basis whether or not LGIM has the appropriate knowledge, philosophy, experience and processes to continue to manage the investments on behalf of members.

Information from Investment Manager LGIM will supply the Trustees with sufficient information each quarter to enable the Trustees and their advisers to monitor the financial and non-financial performance of the underlying funds used by members.

Signed MICHAEL CARUSO, TRUSTEE

Date NOVEMBER 26, 2019

On behalf of the Trustees of the Delco Remy UK Employee Pension Scheme