

Ifor Williams Trailers Limited Retirement Benefits Plan

Statement of Investment Principles

As at June 2021

SPENCE

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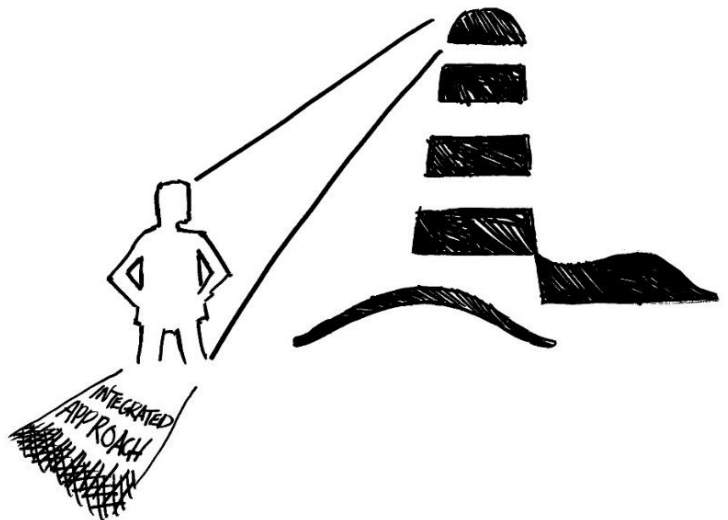
Executive Summary

This Statement of Investment Principles (“the Statement”) has been commissioned by and addressed to the Trustees of the Ifor Williams Trailers Limited Retirement Benefits Plan (“the Scheme”).

This document has been prepared by Simon Cohen, in his capacity as appointed Investment Adviser to the Scheme.

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and as amended by subsequent regulations.

For the purposes of this report, Ifor Williams Trailers Limited is referred to as the “Company”.



Introduction

This Statement sets down the principles governing decisions about investments for the Scheme and supersedes the previous Statement prepared by the Trustees.

In preparing this Statement, the Trustees have:

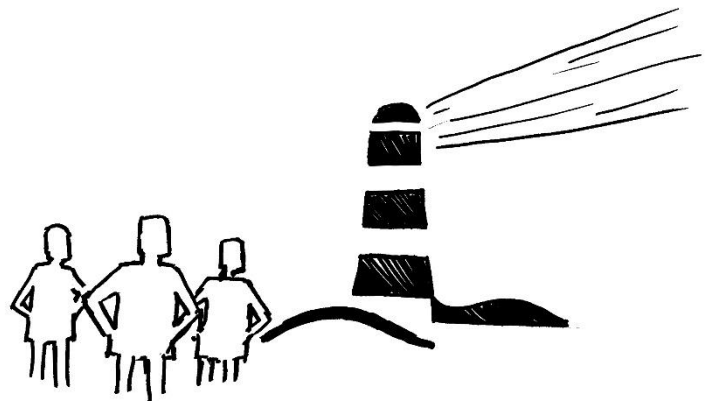
1. Consulted with the Company, although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustees.

2. Obtained and considered written professional advice and recommendations from Spence and Partners Limited ("Spence") who are the Trustees' appointed investment adviser. Spence is authorised and regulated by the Financial Conduct Authority ("FCA"). They have confirmed to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The Trustees will review this Statement at least once every three years to coincide with the triennial actuarial valuation or other advice relating to the statutory funding requirements. If there are any significant changes in any of the areas covered by this Statement, the Trustees will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Company.

The Scheme is a defined benefits plan. The Trustees' investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

This Statement has been prepared with regard to the Scheme Funding legislation.

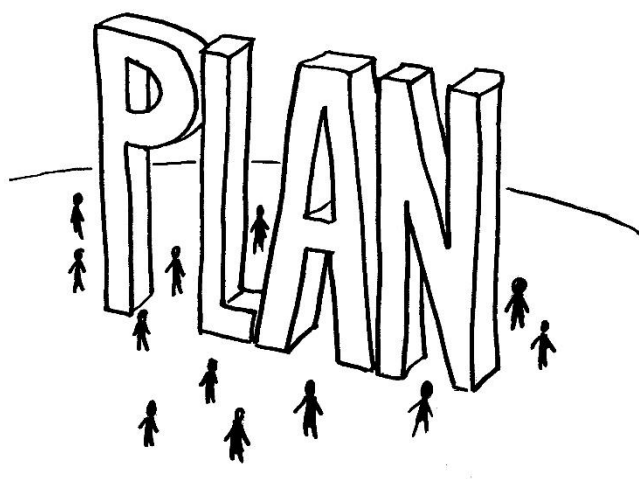


Investment Objectives

The Trustees' overall investment policy is guided by the following objectives:

- 1.** The Trustees' primary investment objective for the Scheme is to ensure sufficiently liquid assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.
- 2.** The Trustees have considered the Company's covenant and have taken a long-term view to setting their funding and investment objectives. They are aware of the relationship between the investments held and the funding level of the Scheme liabilities and believe that their investment objectives and the resultant strategy are consistent with the valuation of those liabilities.
- 3.** To fully fund the Scheme on a Self Sufficiency basis within 10 years from 31 March 2019.

The Scheme Actuary has confirmed during the process of revising the investment strategy that the investment objectives and resultant strategy are consistent with the actuarial valuation methodology and assumptions used in the statutory funding objective.



Investment Responsibilities

The Trustees

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustees. Therefore, the Trustees are responsible for the setting the investment objectives and determining the strategy to achieve those objectives. They set the overall investment target and then monitor the performance of their investment managers against the target. In doing so the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

Their duties and responsibilities include but are not limited to:

- ✓ Regular approval of this Statement and monitoring compliance with this Statement
- ✓ Appointment, removal (where applicable) and review of their investment managers or investment adviser and their performance relative to relevant benchmarks
- ✓ Assessment of the investment risks run by the Scheme
- ✓ Monitoring and review of the asset allocation

Investment Adviser's Duties and Responsibilities

The Trustees have appointed Spence as their investment adviser. Spence provides advice when the Trustees require it and/or when Spence feels it suitable to do so. Areas on which it can provide advice are as follows:

- ✓ Setting investment objectives
- ✓ Determining strategic asset allocation
- ✓ Determining suitable funds and investment managers
- ✓ Managing cashflow

It should be noted that the Trustees retain responsibility for all decisions.

Spence is remunerated on a basis point fee, which is based on the assets of the Scheme. This charge covers all investment services as defined in the consulting services contract with Spence.

Any extra services provided by Spence will be remunerated on a time cost or fixed fee basis as agreed with the Trustees.

Spence does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of their advice. Any manager discounts received through the use of the investment platform are passed in full to the Scheme.

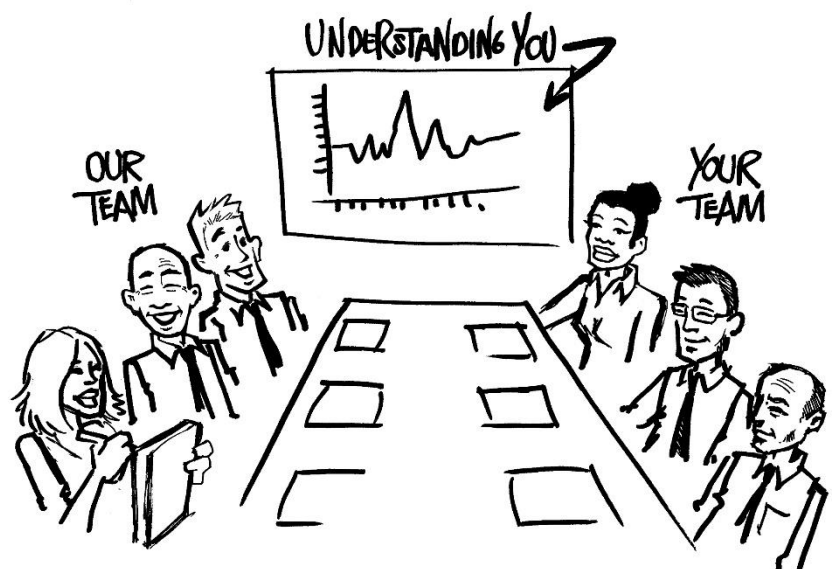
The Trustees are satisfied that this is a suitable adviser compensation structure.

Investment Responsibilities cont'd...

Investment Managers' Duties and Responsibilities

The Trustees, after considering suitable advice, have appointed various managers to manage the assets of the Scheme via the Mobius Life investment platform.

The investment managers are detailed in the Appendix of this Statement. These Investment Managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation (if managing a multi-asset portfolio) and the exercise of voting rights. The managers are compensated by fund-based charges on the value of the Scheme's assets that they hold.



Setting the Investment Strategy

The Trustees have determined their investment strategy after considering the Scheme's liability profile, their own appetite for risk and the views, risk appetite and covenant of the Company. They have also received written advice from their investment adviser.

Types of Investment

The Scheme's assets are invested on behalf of the Trustees by Mobius Life Limited ("Mobius"), through an investment platform, with underlying investment managers.

The Trustees are permitted to invest across a wide range of asset classes, including but not limited to equities, bonds, cash, property and alternative asset classes. The use of derivatives is permitted by the guidelines that apply to the pooled funds.

The Trustees have no employer-related investments.

Balance Between Different Types of Investment

The Scheme invests in assets that are expected to achieve the Scheme's objectives detailed previously. The allocation between the different asset classes is shown in the Appendix of this Statement.

The Trustees have considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The current managers are shown in the Appendix.

The Trustees have established a framework to de-risk the Scheme's investment strategy based on a series of pre-determined trigger points. These trigger points are shown in the Appendix.

From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected events.

The Trustees may also hold insurance policies which are for the benefit of certain members to match part or all of their liabilities.

Expected Return on Investments

The Trustees have noted the long-run relationships that exist between the returns from different asset classes and have noted the different expected risk/return characteristics of the various different asset classes.

In particular, they have noted that equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from fixed interest gilts, index-linked gilts or cash, but that typically equities are the most volatile asset class in terms of market returns on an annual basis.

The Trustees' chosen policy is to get a balance between stabilising the Scheme's funding level and pursuing higher expected return to improve the Scheme's funding level.

Setting the Investment Strategy cont'd...

Realisation of Investments

The Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary.

Financially Material Considerations

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. They believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes that they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their fund managers and investment adviser to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with their responsibilities to the beneficiaries of the Scheme with the help of their investment adviser.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment adviser. The Trustees will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

- ✓ Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and their investments;
- ✓ Use ESG ratings information provided by their investment adviser, to assess how the Scheme's investment managers take account of ESG issues; and
- ✓ Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via their investment adviser.

If the Trustees determine that financially material considerations have not been factored into the investment managers' process, they will take this into account on whether to select or retain an investment.

Non-Financially Material Considerations

The Trustees have not considered non-financially material matters in the in the selection, retention and realisation of investments.

Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.

Setting the Investment Strategy cont'd...

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of their investment adviser, and decide if they are appropriate.

The Trustees also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of their investment adviser, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments that they manage.

Investment Manager Arrangements

Incentives to align investment managers' investment strategies and decisions with the Trustees' policies

The Scheme invests in pooled funds and so the Trustees acknowledge the funds' investment strategies and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then select managers that best suits their strategy taking into account the fees being charged, which acts as the fund manager's incentive.

The Trustees use the fund objective/benchmark as a guide on whether their investment strategy is being followed and monitors this regularly.

Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustees select managers based on a variety of factors including investment philosophy and process, which they believe should include assessing the long term financial and non-financial performance of the underlying company that they invest in.

The Trustees also consider the managers' voting and ESG policies and how they engage with the investee company as they believe that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their managers to make every effort to engage with investee companies but acknowledge that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but do expect that investing in those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme. The Trustees believe that the annual fee paid to the fund managers incentivises them to do this.

Setting the Investment Strategy cont'd...

If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, they will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the fund managers' performance and the remuneration for asset management services are in line with the Trustees' policies

The Trustees review the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustees assess the performance of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of their investment adviser to ensure it is in line with the Trustees' policies.

How the Trustees monitor portfolio turnover costs incurred by the fund managers, and how they define and monitor targeted portfolio turnover or turnover range

The Trustees monitor the portfolio turnover costs on an annual basis.

The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment adviser and this is reported to the Trustees so they too can monitor this.

The duration of the arrangement with the fund managers

The Trustees plan to hold each of their investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the fund managers can lead to the duration of the arrangement being shorter than expected.

Risks

The Trustees are aware and seek to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. Overall, the Trustees measure and monitor their risks by receiving quarterly monitoring reports which report on the performance of their assets, their managers and the movements in the Scheme's liabilities.

The key risks and the policies are as follows:

Solvency and Mismatching Risk

This is measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a scheme specific asset allocation with an appropriate level of risk.

Concentration Risk

This is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities, and different investment managers.

Investment Manager Risk

This is assessed as the deviation of actual risk and return relative to that specified in the investment managers' objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment managers' agreed objectives and an assessment of factors supporting the managers' investment process.

Sponsor Risk

This is assessed as the ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit. This is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.

Liquidity Risk

This is monitored according to the level of cashflows required by the Scheme over a specified time period. The Company will assess the cash requirements to limit the impact of cashflow requirements on the Scheme's investment policy.

The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Scheme invests in assets that there are invested in quoted markets and are as readily realisable as the Trustees feel suitable given the Scheme's cashflow position and the expected development of the liabilities.

Risks cont'd...

Currency Risk

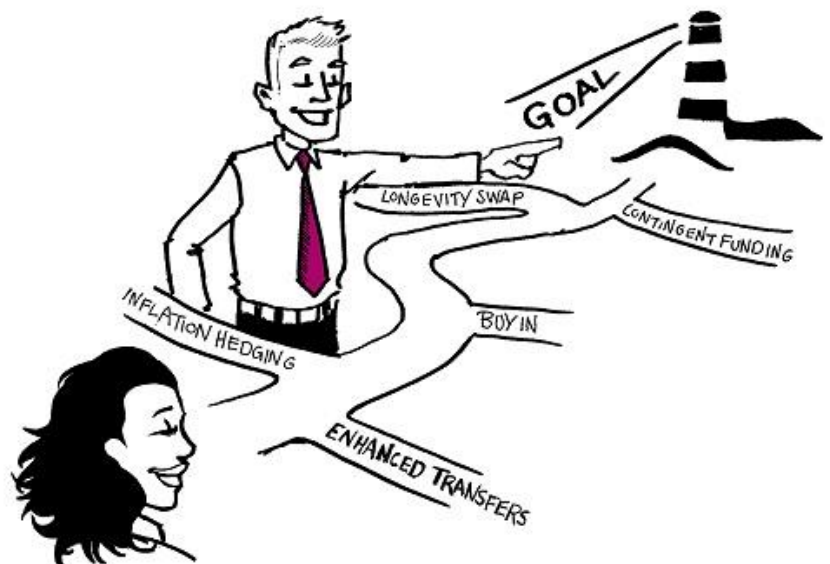
The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging is used to manage this risk.

Loss of Investment Risk

There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustees undertake regular reviews of the internal controls and processes of the investment managers.

Environmental, Social and Governance (ESG) and Climate Change Risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustees have considered ESG issues including climate change as part of the investment process.



Compliance

The Trustees confirm that they have received and considered written advice from Spence on the establishment and implementation of their investment strategy.

The Trustees confirm that they have consulted with the Company regarding their strategy. Copies of this statement and any subsequent amendments will be made available to the Company, the investment managers, the Scheme Actuary and the Scheme auditor upon request.

The Trustees will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

Signed on behalf of the Trustees of the Ifor Williams Trailers Limited Retirement Benefits Plan

Date of Signing: 23 June 2021



Appendix

Appendix

Strategic Asset Allocation

The Scheme has a strategic asset allocation as set out in the table below:

Portfolio	Allocation	Control Range	Asset Class	Allocation
Global Equities	5.0%	+/- 2%	Legal & General Investment Management ('LGIM') World Equity Index Fund	2.5%
			LGIM World Equity Index Fund – GBP Currency Hedged	2.5%
Diversified Growth Fund ("DGF")	25.0%	+/- 5%	LGIM Dynamic Diversified Fund	25.0%
Multi-Asset Credit	28.0%	+/- 6%	Newton Global Dynamic Bond Fund	14.0%
			TwentyFour Asset Management Strategic Income Fund	14.0%
UK Corporate Bonds	12.0%	+/- 3%	BlackRock Asset Management Up to 5 Year Corporate Bond Index Fund	12.0%
Leveraged Liability Driven Investment ('LDI')	30.0%	n/a	LGIM Matching Core Funds	30.0%
Total	100%			100%

Notes: LDI will also not be rebalanced in order to maintain a liability hedge ratio.

Rebalancing and Cashflow management

The Trustees recognise that the asset allocation of investments will vary over time due to market movements. The Trustees seek to keep the asset allocation in line with its benchmark but are cognisant of the costs of rebalancing.

Where possible, cash outflows will be met from the income of the Scheme's assets to minimise transaction costs. Where income is insufficient monies will be raised through the sale of assets so as to move the allocation closer to the central benchmark allocation subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required. Similarly, where cashflows in are received, the money will be invested in such a way as to bring the allocation into line with the central benchmark allocation.

Appendix cont'd...

Triggers

The Trustees have established a framework to de-risk the Scheme's investment strategy based on a series of pre-determined trigger points. These are based on the required return which the asset portfolio has to achieve in order to meet the Investment Objectives.

As the Scheme's funding level is expected to rise over time, the Scheme will gradually de-risk in order to hedge against volatility should the funding level improve ahead of target. This requires switching from return seeking asset classes into safer, lower yielding asset classes. As such, the required return on the portfolio decreases as the funding level increases.

The table below shows the pre-determined trigger points (i.e. required returns) and the resultant investment strategies.

Asset Allocation	Current Strategy	Trigger Band 1	Trigger Band 2	Trigger Band 3	Trigger Band 4
Required Return above Gilts	1.4% p.a.	1.2% p.a.	1.0% p.a.	0.75% p.a.	0.5% p.a.
Equity	5% (+/- 2%)	0%	0%	0%	0%
DGF	25% (+/- 5%)	25% (+/- 5%)	17.5% (+/- 4%)	8.5% (+/- 2%)	0%
Multi-asset Credit	28% (+/- 6%)	26% (+/- 5%)	25% (+/- 5%)	25% (+/- 5%)	25% (+/- 5%)
Corporate Bonds	12% (+/- 3%)	12% (+/- 3%)	12% (+/- 3%)	10% (+/- 2%)	10% (+/- 2%)
LDI/Gilts/Cash	30%	37%	45.5%	56.5%	65%
Total	100%	100%	100%	100%	100%

Notes:

Re-balancing ranges are shown in brackets.

LDI will not be re-balanced within each trigger band.

If a de-risking trigger is hit, then the portfolio will be automatically de-risked. The Trustees will also use these triggers for re-risking. This is where the required return decreases to a previous trigger point. This will only occur if the portfolio has been de-risked from the "Current" trigger band. If a re-risking trigger is hit, then the Trustee will hold a conference call with Spence to discuss whether to re-risk.

Appendix cont'd...

Investment Managers

The Trustees have invested the Scheme assets through an insurance policy with Mobius Life. Mobius Life provides investment administration for the Scheme and so carries out the day to day management of the investment managers.

The table below shows the investment managers appointed to carry out the day to day management of the assets, as well as the funds that they manage, their benchmarks and relevant objectives.

Investment Manager	Fund	Benchmark	Objective
Legal & General Investment Management	LGIM World Equity Index Fund	FTSE World Index	Track benchmark within +/- 0.5% p.a. for two years out of three
	LGIM World Equity Index Fund (Currency Hedged)	FTSE World Index (GBP Hedged)	Track benchmark within +/- 0.5% p.a. for two years out of three
	LGIM Dynamic Diversified Fund	Bank of England Base Rate	+4.5% p.a. gross of fees over a full market cycle
	LGIM Matching Core	An investible index of gilts and swaps	Hedging
BlackRock Investment Management	Up to 5 Year Corporate Bond Index Fund	iBoxx Sterling Non-Gilts 1-5 Year Index	Track benchmark
Newton Investment Management	Global Dynamic Bond Fund	LIBOR GBP 1 Month	+2.00% p.a. gross of fees over 5-year period
TwentyFour Asset Management	Strategic Income Fund	LIBOR GBP 3 Month	+4.00% p.a. net of fees over a 1-year period

The underlying investment managers' performance will be monitored on a quarterly basis.

Aviva UK Life and Prudential Assurance Company Limited are appointed as the providers of AVC services.

Appendix cont'd...

Fees

The fee arrangements for the investment managers are summarised below:

Investment Manager	Fund	Annual Management Charge % p.a.
Legal & General Investment Management	World Equity Index Fund	0.14% p.a.
	World Equity Index Fund — GBP Currency Hedged	0.17% p.a.
	Dynamic Diversified Fund	0.43% p.a.
	Matching Core Funds	0.24% p.a.
BlackRock Investment Management	Up to 5 Year Corporate Bond Index Fund	0.10% p.a.
Newton Investment Management	Global Dynamic Bond Fund	0.40% p.a.
TwentyFour Asset Management	Strategic Income Fund	0.49% p.a.

Spence are remunerated on a basis point fee (i.e. as a percentage of the Scheme's assets), although additional fees may be agreed for specific projects.

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