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Accuride Pension Scheme

Statement of Investment Principles – September 2020

Introduction

The Trustees of the Accuride Pension Scheme ("the Scheme") have 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 preparing this Statement the Trustees have consulted Accuride International 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
- 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 proper advice. The Trustees' investment consultants, 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.

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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.

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 can increase potential returns over a long period, it can also increase 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, the majority of the Scheme's investment exposure is obtained via pooled vehicles.
- The documents governing the managers' 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 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 can be managed through a mixture of active and passive management. The assets are currently passively managed.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

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. 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 (%) + / -
UK Equities	40.0	
Overseas Equities	30.0	
Total Growth Assets:	**70.0**	**5.0**
UK Fixed Interest Gilts	3.5	
UK Index-Linked Gilts	19.0	
UK Corporate Bonds	7.5	
Total Matching Assets:	**30.0**	**5.0**
Total:	**100.0**	

The Trustees will monitor the Scheme's actual asset allocation quarterly and will consider whether any action is required to rebalance the Scheme's investment strategy. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account advice from the Investment Consultant prior to making any decision. Further details on the 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, of circa 2.5% per annum, net of expenses, 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 and in the light of advice from the investment consultant.

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 Mandate

The Trustees have selected Legal & General Investment Management Limited ('LGIM') 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. Further details are set out in the Appendix.

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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 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 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 purely 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 the 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.

Environmental, Social and Governance ("ESG") Considerations

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 are an integral part of this duty.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees believe that the effective integration of ESG policies, by Investment Managers into their funds' investment philosophies and processes, can contribute to the generation of good investment returns. The Trustees believe that the effective integration of ESG policies typically involves taking financially material considerations, including but not limited to ESG considerations (including climate change), into account when selecting investee companies.

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 it when the manager attends Trustee meetings. The Trustees will monitor the voting being carried out by their Investment Manager and custodian 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.

However, as the pooled funds are managed on a passive basis, decisions regarding the selection, retention and realisation of investments are only made in order to ensure the efficient tracking of indices, and ESG considerations are not taken into account.

Additional Voluntary Contributions ('AVCs')

The Scheme holds AVC's with LGIM, which are invested in a variety of funds. This arrangement will be reviewed from time to time.

Employer-Related Investments

The Trustees' 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 paid a management fee on the basis of assets under management. No additional performance fees are paid. The investment consultant is paid on a fixed fee basis for providing 'core services'. The Trustees can also request that Capita undertake 'out-of-scope' projects, which may be undertaken on a fixed fee or time-cost basis - as negotiated between the Trustees and Capita.

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.

Trustee

Date 30 September 2020

Signed on behalf of the Trustees of the Accuride Pension Scheme

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Appendix – 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. Their mandate is set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %	Control Limits % + / -
UK Equities	LGIM	UK Equity Index Fund	Passive	40.0	
Overseas Equities	LGIM	World (ex-UK) Equity Index Fund	Passive	30.0	
Total Growth Assets				**70.0**	**5.0**
UK Fixed Interest Gilts	LGIM	All Stocks Gilts Index Fund	Passive	3.5	
UK Index-Linked Gilts	LGIM	Over 5 Year Index-Linked Gilts Index Fund	Passive	19.0	
UK Corporate Bonds	LGIM	Investment Grade Corporate Bond – All Stocks – Index Fund	Passive	7.5	
Total Matching Assets				**30.0**	**5.0**
Total				**100.0**	