

# Statement Of Investment Principles

## **COOPER-AVON TYRES LIMITED PENSION PLAN**

# 1. Introduction

This Statement of Investment Principles (the "SIP") sets out the policy of Cooper-Avon Tyres Pension Trust Limited (the "Trustee"), on various matters governing decisions about the investments of the Cooper-Avon Tyres Limited Pension Plan (the "Plan"), a Defined Benefit ("DB") scheme. This SIP replaces the previous SIP dated 22 September 2021.

This SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995, (as amended by the Pensions Act 2004) (the "Act") and the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure)(Amendment) Regulations 2019 ("the Regulations") and subsequent legislation. This SIP is also in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles') and TPR's Investment Guidance for defined benefit pension schemes.

This SIP has been prepared after obtaining and considering written professional advice from the Trustee's investment adviser and Fiduciary Manager, Van Lanschot Kempen Investment Management (UK) Limited ("VLK IM"), and the Scheme Actuary, Lane Clark & Peacock LLP (collectively termed 'Professional Advisors').

The Trustee is responsible for setting the general investment policy, but delegate the responsibility for the selection of specific investments to VLK IM, who in turn delegate the day-to-day management of the assets to underlying investment managers. The Professional Advisors and investment managers provide the skill and expertise necessary to advise on and manage the investments of the Plan. The Trustee believes them to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, the circumstances of the Plan, and the principles contained in this SIP.

In preparing this SIP the Trustee has consulted the sponsoring employer, Cooper Tire & Rubber Company Europe Limited (the "Employer"), to ascertain whether there are any material issues which the Trustee should consider in determining the Plan's investment arrangements. The Trustee seeks to maintain a good working relationship with the Employer and will discuss any proposed changes to the SIP with the Employer. However, the fiduciary obligation of the Trustee is to the Plan's members and will take precedence over the Employer's wishes.

The Trustee will review this SIP from time to time and, with the help of its Professional Advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

## 2. Investment Governance

The trustee is responsible for the governance and investment of the Plan's assets. The trustee considers the governance structure set out in this SIP to be appropriate for the Plan, as it allows the Trustee to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management to its Professional Advisors. The Trustee has concluded a fiduciary management approach would be most appropriate for the Plan, and consequently appointed VLK IM as the Plan's investment advisor and fiduciary manager.

The responsibilities of each of the parties involved in the governance of the Plan are detailed in Appendix A.

## 3. Investment Policy

The investment policy is determined by the Trustee and specifies the key elements of the investment of the Plan's assets. It is the responsibility of the Trustee to maintain investments that are consistent with this investment policy (and consistent with the SIP more generally).

### 3.1 Objectives

The overall objective of the Trustee is to ensure the Plan should be able to meet benefit payments as they fall due. To do this, the Trustee, in consultation with their Professional Advisors, has agreed a number of additional objectives to help guide them in their management of the assets and control the various risks to which the Plan is exposed. These are as follows:

- To optimise the return on investments whilst managing and maintaining investment risks at an appropriate level.
- That the Plan should be fully funded on a technical provisions basis (i.e. the asset value should be at least that of its liabilities on this basis) by the date set out in the Plan's deficit Recovery Plan, as amended from time to time (this date is 31 July 2028 at the time this SIP was put in place). The Trustee is aware that there are various measures of funding, and has given due weight to those considered most relevant to the Plan.
- Achieve an investment return on the Plan's assets which is compatible with the Trustees' risk tolerance, in line with assumptions used to value the Plan's liabilities by the Scheme Actuary in the latest actuarial valuation; and
- That the key risks run by the Plan are reduced over time, as and when it is affordable to do so in light of progress against the objective of being fully funded on a technical provisions basis by the end of the deficit recovery period set out in the deficit Recovery Plan.

### 3.2 Investment strategy

In light of these objectives, an appropriate investment strategy is required that invests in various asset classes to achieve a return on investments that, over the long term, is expected to be consistent with the objectives. The Trustee recognises the importance of asset allocation to the overall investment strategy, and has therefore delegated to the fiduciary manager, VLK IM, to determine the appropriate asset mix and select investment managers and appropriate benchmarks, from time to time.

In recognition of the risks that asset allocation can imply, there are investment controls in place. The Trustee has signed an agreement with VLK IM setting out in detail the terms on which the strategy is to be run (the "Fiduciary Management Agreement").

#### Asset allocation

The portfolio is currently going through a period of transition to reduce the investment risk of the investment strategy. Once the transition is complete (expected Q3 2023), the central target is for the portfolio to be invested 79% in risk management assets and 21% in return enhancing assets, though the Trustee has delegated the decision as to the precise balance of these two broad categories to VLK IM, subject to a restriction that ensures the risk management assets do not fall below 70% of the total assets, and therefore

by extension the return enhancing assets do not rise above 30% of the total assets. The table below shows the minimum and maximum weights permitted for each portfolio.

## ASSET ALLOCATION ACROSS PORTFOLIOS

	MINIMUM WEIGHT (%)	MAXIMUM WEIGHT (%)
Matching portfolio (risk management)	70	100
Return portfolio (return enhancement)	0	15
Alternatives portfolio (return enhancement)	0	15

The main purpose of the matching portfolio is to manage liability risks (see below), while the return portfolio and alternatives portfolio are primarily there to generate additional return. The return portfolio will generally contain assets that are relatively liquid and can be priced and traded daily or weekly, whereas the alternatives portfolio will generally contain assets that are less liquid or price or trade less frequently. VLK IM will manage the exposure to less liquid assets appropriately, consulting with the Trustee on their time horizons where necessary.

In addition, the Plan's assets may only be invested in instruments that primarily provide exposure to the following asset classes:

## PERMITTED ASSET CLASSES

DEVELOPED MARKETS	EMERGING MARKETS	OTHER
Cash	Government bonds	Derivatives and repo for liability hedging purposes
Government bonds	Investment grade credit	Derivatives for currency hedging purposes
Investment grade credit	High yield credit	Derivatives for synthetic credit
High yield credit	Private debt	Derivatives for structured equity
Private debt	Infrastructure equity	
Private equity	Infrastructure debt	
Infrastructure equity		
Infrastructure debt		
Mortgages		

## Liability hedging

Further, the Trustee have agreed to minimize the volatility of the funding level with respect to the change in value of the Plan's liabilities. The value of the liabilities is sensitive to changes in interest rates and inflation, therefore the Trustee has instructed VLK IM to reduce this volatility via a hedge of the technical provisions liabilities. The current central target is to hedge 80% of the total liabilities, though the Trustee has delegated the decision as to the precise level of hedging to VLK IM, subject to the restriction shown in the table below.

LIABILITY HEDGING	MINIMUM (%)	MAXIMUM (%)
Interest rate risk	72	100
Inflation risk	72	100

### Factors considered when designing the investment strategy

In setting the strategy the Trustee took into account:

- the Plan's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the Plan's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Plan's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of the Trustee's key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded, such as interest rate, inflation and currency, should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good
- active managers can add value;
- responsible investment in well governed companies and engaging as long-term owners of capital can reduce risk over time and may positively impact investment returns; and
- costs have a significant impact on long-term performance.

## 3.3 Strategy Implementation

The Trustee has delegated the implementation of the strategy (including the appointment, termination and ongoing monitoring of the underlying investment managers who manage the assets of the Plan) to its fiduciary manager, VLK IM. The Fiduciary Management Agreement sets out in detail the terms on which the strategy is to be implemented.

Before investing in any manner, the Trustee obtains and considers proper written advice from VLK IM on whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified

investments that meet the Plan's investment objectives. The Trustee also receives advice from VLK IM on the appropriateness of the investment managers that are selected to implement the investment.

### **Diversification**

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk. The Trustee understands the importance of diversification and, as such, the fiduciary manager is required by the Trustee to ensure the assets are properly diversified. The choice of asset classes is designed to ensure that the Plan's investments are diversified by asset class type and geographical region.

The range of, and any limitation to the proportion of, the Plan's assets held in any asset class will be agreed between the fiduciary manager and the Trustee. These permitted asset classes will be specified in the Fiduciary Management Agreement and may be revised from time to time where considered appropriate as circumstances change. The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

The Trustee, VLK IM and the underlying investment managers to whom discretion has been delegated exercise their powers giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

### **Monitoring**

VLK IM will monitor the performance of the investment strategy to ensure it continues to perform in a manner which is consistent with the agreed objectives and risk tolerances.

This will include monitoring the underlying investment managers, to ensure they continue to perform in a competent manner and have the appropriate knowledge, skills and experience to manage the assets of the Plan. This will involve quarterly assessments against criteria such as strength of organisation and their operating capabilities, adherence to and the success of their designated strategies, and reviews of portfolio characteristics including responsible investment factors.

### **Portfolio turnover costs**

These are the costs incurred as a result of the buying, selling, lending or borrowing of investments and the Trustee monitors these costs (as well as other investment management fees and costs) through annual cost reports provided by the fiduciary manager.

The Plan's investment portfolios are re-balanced quarterly, to ensure the assets continue to be aligned with the agreed investment strategy. The turnover and transaction costs associated with this rebalancing activity is expected to be small. A greater degree of portfolio turnover (and therefore cost) is only expected as a result of larger changes to the strategic asset allocation, for example as the investment strategy is de-risked as the funding level improves.

## 4. Risks

When deciding to invest the Plan's assets, the Trustee considers a number of risks, including, but not limited to those set out below. The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the investment adviser. The responsibilities of the Trustee, investment adviser and Plan actuary are set out in Appendix A.

### Strategic risk

This is the risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions. This risk is managed in the following ways:

- A liability benchmark is used as a proxy for the liabilities in order to measure the approximate changes in the liabilities. The Trustee monitors this change relative to the change in asset values on a regular basis.
- The Trustee also recognises the risks of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
- When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the liabilities and can therefore also be assessed as part of the regular review process.
- The Trustee will review the Plan's investment strategy regularly and at least every three years in light of the various risks faced by the Plan.

### Investment manager risk

The failure by the fiduciary manager and/or its selection of underlying investment managers to achieve the rate of investment return assumed by the Trustee. This risk has been considered by the Trustee on the initial appointment of the fiduciary and investment managers and thereafter will be considered as part of the investment review procedures the Trustee has put in place. This risk is also minimised using the following techniques:

- Appropriate diversification across asset classes and geographies to minimise the effect of a particular asset class underperforming.
- The use of instruments and strategies designed to control the extent of downside risk.
- The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
- Regular monitoring of performance, by both the Trustee and the fiduciary manager.

### Active manager risk

The Trustee understand that the use of active, rather than passive management introduces additional risk. Where active management is adopted, the Trustee deems the risk to be acceptable in the context of the Plan's overall investment risk profile.

### Concentration risk

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustees' ability to meet their investment objectives.



The Trustee believes that the need for the Plan's assets to be adequately diversified between different geographies, asset classes and underlying investment managers has been met by the investment strategy outlined in Section 3 and by the investment guidelines agreed with the fiduciary manager where the fiduciary manager aims to ensure that the Plan's investments are placed in an adequately diversified portfolio. To help diversify investment manager risk, the Trustee understands that the fiduciary manager may make multiple manager appointments within some asset classes.

### **Currency risk**

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because a proportion of the Plan's investments are held in overseas markets. The fiduciary manager on behalf of the Trustee considers the overseas currency exposure in the context of the overall investment strategy, and will reduce these risks as they deem appropriate via either a currency hedging program, or by making use of hedged share classes.

### **Counterparty and derivative risk**

Counterparty risk is reduced by investing the Plan's assets into pooled investment vehicles managed by competent investment managers with strong organisational and operational processes. In addition, and where securities are owned directly by the Plan, the Trustee has appointed a Custodian, Northern Trust, to mitigate the risk of misappropriation of such assets. The Custodian ring fences these assets from its own assets and from those of its other clients.

Where derivatives are used by the Plan, the Plan will have additional risk with the counterparty to that derivative. These risks are managed through the use of collateral arrangements with each counterparty.

### **Interest rate and inflation risk**

The Plan's assets are subject to interest rate and inflation risk because a portion of the Plan's assets are held either directly or indirectly in government bonds, interest rate and inflation swaps and other fixed income instruments such as corporate bonds. However, the interest rate and inflation exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

### **Liquidity risk**

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. To mitigate this risk, Trustee and its Professional Advisors will seek to ensure that the Plan has sufficient cash to meet the likely benefit outflow from time to time. The Trustee and its Professional Advisors will also ensure that there are sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements so that realisation of assets will not disrupt the Plan's overall investment plan where possible.

### **Environmental, social and governance risks**

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance.

## Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan. Examples include:

### Longevity risk

Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee recognises that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustee will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

### Covenant risk

The risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated. The Trustee also has an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustee and their Professional Advisors believe that they have addressed and are positioned to manage this general risk.

## 5. The Trustees' policy on financially material considerations and non-financial matters

The Trustee has considered how responsible investment, climate change and other ethical factors (collectively known as 'ESG'), should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan. The Trustee believes that if these factors are considered and managed within the investments the Plan holds, it is expected to produce better financial (and therefore member) outcomes.

In setting and implementing the Plan's investment strategy, the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as non-financial factors).

The Trustee believes that ESG factors within an investment context can be financially material, and that by taking these financial factors into account within the investment plan can yield different returns and/or risks. The Trustee also recognises that ESG factors, particularly climate change, are more likely to influence risk adjusted returns over the long term.

Without prejudice to the Trustee's legal obligations, the Trustee delegates full discretion to their investment advisor and fiduciary manager, VLK IM, around the evaluation of ESG and climate change within the investment process and the assets. VLK IM, who is responsible for the appointment and removal of the underlying investment managers, exercise discretion when evaluating ESG issues giving consideration to ESG related risks and making sure the investment strategy is aligned with the investment policy and ESG beliefs of the Trustee.

The Trustee recognises that VLK IM has limited influence over investment managers' investment practices where assets are held in pooled funds, but ESG factors and associated risks are managed as a consequence of the following:

- Each investment manager appointed by VLK IM is assessed based on international conventions and initiatives, such as UN Global Compact and the Principles for Responsible Investment (PRI)
- Each investment manager is also assessed against more specific ESG criteria, for example:
  - does the manager have a responsible investment policy
  - is the manager open for a dialogue on ESG, and
  - how well does the manager adhere to VLK IM's own responsible investment policies, for example does the manager have exposure to companies that are on VLK IM's exclusion list?
- All investment managers are then further reviewed against ESG criteria on an ongoing basis. For example:
  - Do ESG considerations continue to be integrated into their investment process
  - is the fund manager making progress
  - is the fund manager well informed and up-to-speed on ESG criteria and initiatives
  - screening of all underlying equity and debt securities during quarterly monitoring cycle to check for exclusion candidates
- VLK IM encourages their chosen managers to improve their practices where appropriate (as explained in the next section)
- VLK IM uses a "Sector Avoidance Framework", which ensures exclusion of companies involved in the production, trade and maintenance of controversial weapons.

As a result, the Trustee is satisfied that VLK IM is providing advice and implementation services that are aligned with the investment policy and beliefs of the Trustee, and that a responsible approach is being taken which is consistent with the long term financial interests of the Plan.

## 6. Stewardship

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has appointed VLK IM as an investment advisor and fiduciary manager, and thus a considerable degree of decision making with regards to the Plan's asset allocation and investment manager selection is delegated to VLK IM. Furthermore, the Plan's investment strategy is typically implemented by VLK IM using investment managers who operate pooled investment funds, whereby the Plan's assets are aggregated with those of other investors. As a result, direct control of the process of engaging with the companies that issue securities in which the Plan is invested, whether for corporate governance purposes or social, ethical or environmental factors, is delegated via VLK IM to the investment manager of the pooled investment fund. The investment managers, acting on behalf of the Trustee, are expected to have an interest in ensuring that corporate management act in the long-term interests of shareholders or bondholders and hence will, where appropriate and possible, engage with management.

The Trustee has therefore adopted a policy of delegating voting decisions on stocks to their investment managers who will exercise the voting rights attached to individual investments on their behalf in accordance with their own voting and engagement policies. The trustee also expects the fiduciary manager to undertake monitoring and engagement with the underlying investment managers, in line with its' own responsible investment policies.

The fiduciary manager supports and expects the underlying managers, who are regulated in the UK, to comply with the UK Stewardship Code 2020, including public disclosure of compliance via an external website. For an underlying manager to be appointed, they must also abide by VLK IM's Responsible Investment and Exclusions policy, or at least show a willingness to abide to it over time (with progress monitored by VLK IM).

The Trustee will review annual reports on the voting undertaken by the underlying manager during the period to get assurance that it remains broadly consistent with the Trustee's view of good stewardship standards. However, the Trustee is conscious that the underlying manager may not be able to provide voting records for all investment held within certain pooled structures.

## 7. Fee structures

The Trustee recognises that the provision of investment management, implementation and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustee has agreed Terms of Business with the Plan's advisers, under which charges are calculated on a fixed fee or "time-cost" basis as appropriate.

The fiduciary manager levies a fee based on the value of the assets managed by the fiduciary manager which covers the design, implementation, monitoring and review of the investment strategy. This fee structure helps align the Trustee's policies and investment priorities. In addition, the underlying investment managers also levy fees based on a percentage of the value of the assets under management.

The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

## 8. Other

### **Additional Voluntary Contributions (AVCs)**

Some members obtain further benefits by paying AVC's into the Plan. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. The objective of the Trustee is to provide a range of investment funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations. The Trustee has appointed the following investment managers for AVCs.

- Utmost Life & Pensions,
- Standard Life,
- ReAssure.

Individual member transfers-in from other pension arrangements are invested with Clerical Medical and Utmost Life & Pensions.

### **Realisation of assets**

VLK IM has discretion over the timing of the realisation of portfolios managed by the selected underlying investment managers. The underlying investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs VLK IM of any liquidity requirements. The preference of the Trustee is for investments that are readily realisable, but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (e.g. property and infrastructure assets). In general, the Trustee's policy is to use cash flows to rebalance the Plan's assets towards the strategic asset allocation, and also receive income from some of the assets where appropriate. The majority of the assets are held in liquid pooled funds, most of which can be realised easily if necessary.

### **Custody**

The Trustee has appointed Northern Trust as the custodian of the assets managed by VLK IM.

Details of other custodians used by the investment manager who provides the AVC services for the Plan are set out in the agreement between that party and the Trustee on behalf of the Plan.

### **Derivatives**

Derivatives or other financial instruments may be used to hedge the Plan's liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks).


At any given time a minimum level of assets of sufficient liquidity and quality will be held to ensure the Plan is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

## 9. SIP compliance and review

The Trustee will monitor compliance with this SIP annually. In particular they will obtain confirmation from its Professional Advisors that they have complied with this SIP insofar as is reasonably practicable and that in exercising any discretion they have done so in accordance with Section 4 of the Occupational Pension Plan (Investment) Regulations 2005. The Trustee undertake to advise the fiduciary manager and, where necessary, investment managers promptly and in writing of any change to this SIP.

The Trustee will review this SIP after consultation with their professional advisers once every three years, and immediately after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of professional advisers who the Trustee reasonably believes 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.

Adopted by the Trustee with effect from: 26 April 2023

Signed  Name QUENTIN WOODLEY

duly authorised to sign on behalf of Woodley Pension Trustees Limited in its capacity as a director of Cooper-Avon Tyres Pension Trust Limited, acting in its capacity as trustee of the Cooper-Avon Tyres Limited Pension Plan.



## Appendix A: Responsibilities

### The Trustee

The principal responsibilities of the Trustee in relation to investments include but are not limited to:

- Determining an appropriate division of responsibilities.
- Appointing, monitoring and removing third party service providers, for example investment advisors such as the fiduciary manager.
- The level of delegation afforded to the investment advisor or any other advisor.
- Setting an investment policy consistent with relevant legislation, which consists of:
  - A strategic investment objective.
  - Agreeing an investment strategy designed to meet the investment objectives of the Plan
  - A strategy for hedging key risks
  - Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with investment advisors.
  - Assessing the ongoing effectiveness of the investment advisors and the underlying investment managers.
- Consulting with the Principal Employer when reviewing investment issues.
- Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- Advising the investment advisors of any changes to Plan benefits and significant changes in membership.

### Fiduciary Manager

The fiduciary manager is responsible for all aspects of advising on and implementing the Trustee's investment plan. The fiduciary manager is required to exercise its powers having regard to the criteria for investment as set out in the Occupational Pension Plans (Investment) Regulations 2005. They select and liaise with asset managers and other service providers on behalf of Trustee, and monitor the Plan's assets to ensure compliance with the agreed parameters and objectives. The fiduciary manager's powers and responsibilities are specified in the Fiduciary Management Agreement ("FMA").

The fiduciary manager's principal responsibilities in an investment advisory capacity include, but are not limited to:

- Advising the Trustee on this SIP and the investment policy, taking into account the liabilities of the Plan and the view that the Trustee has formed regarding the covenant of the Employer.
- Advising the Trustee how any changes within the Plan's benefits, membership and funding position may affect the manner in which the assets should be invested.
- Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Plan.
- Undertaking reviews of the Plan's investment arrangements including reviews of the investment strategy and the investment managers the Plan is invested in, as appropriate.
- At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the investment objectives.
- Providing the Trustee with sufficient information each quarter to facilitate the review of its activities.

The fiduciary manager's principal responsibilities in an investment implementation capacity, include but are not limited to:

- Appointing and monitoring a custodian for the Plan. Where pooled vehicles are used, the custodian for the pooled vehicles is selected by the manager of the pooled vehicle.
- Implementing and managing the Plan's investments in accordance with the investment plan. In particular:
  - Rebalancing the assets to maintain compliance with the investment plan.
  - Appointing, monitoring and dismissing investment managers (except in cases where the Trustee retains responsibility for this either because the fiduciary manager is itself acting as an investment manager, or because the Trustee decides to retain this responsibility for other reasons).
  - Entering into legal agreements on behalf of the Plan, including for derivative transactions and for investment management, obtaining legal advice where appropriate.
- Monitoring the Plan's investments and informing the Trustee immediately of:
  - Any breach of this SIP that has come to their attention.
  - Any serious breach of internal operating procedures.
  - Any material change in the knowledge and experience of those involved in managing the Plan's investments.
  - Any breach of investment restrictions.
- Making provision for the Plan's cash flow requirements, based on projections provided by the Plan's administrator and as agreed with the Trustee.

### **Investment Managers**

The investment managers will be responsible for, amongst other things:

- Ensuring that assets under their control are at all times managed against appropriate market benchmarks.
- When necessary making changes to their portfolio to ensure that the range of investments used is optimal and in accordance with their stated strategy.
- Ensuring that at all times they act within their agreed investment guidelines and terms as defined in the Prospectus (as amended).
- Ensuring that all investment decisions are reported in a timely and accurate manner.

### **Legal advisor**

When they consider it necessary, the Trustee will seek legal advice in relation to investments including, but not limited to:

- Advice on agreements with respect to the appointment of Professional Advisors.
- Advice on the SIP and on other legal aspects of investment governance.
- Advice on investment management agreements for managers appointed by the Trustee directly (though in most cases appointments are made by the fiduciary manager who obtain their own legal advice).

### **Scheme Actuary**

The actuary's responsibilities in relation to investments include, but are not limited to:

- Performing the triennial (or more frequently as required) actuarial valuations and advising on the appropriate contribution levels and any recovery plan.
- Liaising with the fiduciary manager on the suitability of the Plan's investment strategy given the characteristics of the liabilities.
- Advising the Trustee and the fiduciary manager of any changes to contribution levels and funding level.

- Providing liability data to the fiduciary manager as necessary and confirming any market-derived assumptions used to value the Plan's liabilities, to assist the fiduciary manager with interpreting its own estimates of the Plan's funding position.

