

# EUROPEAN AUTOMOTIVE COMPONENTS GROUP PENSION SCHEME

## GOVERNANCE STATEMENT

The Trustees of the European Automotive Components Group Pension Scheme (the Scheme) present their annual Chair's statement on governance of the DC Section (the 'Statement') as required under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Plans (Charges and Governance) Regulations 2015. The Statement covers the annual period up to 31 March 2019.

### The default investment option

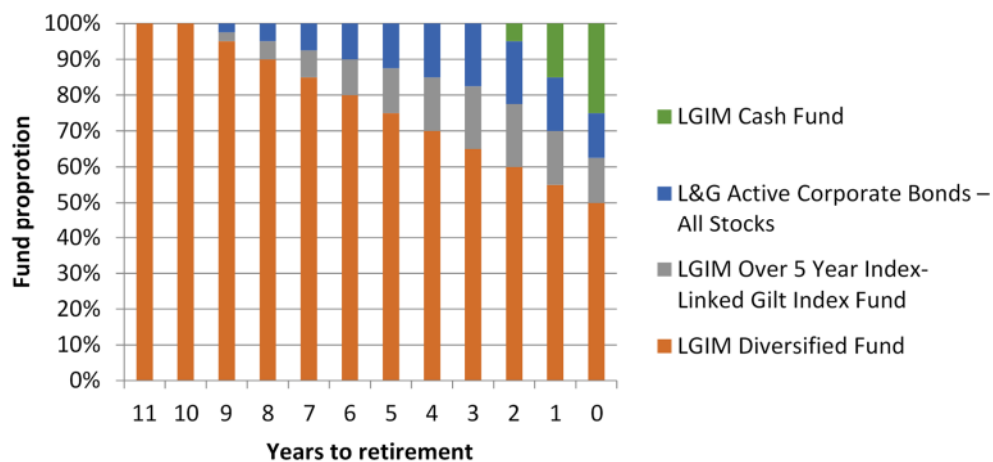
In accordance with the Administration Regulations, the Trustees are required to append the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Plan under Section 35 of the Pensions Act 1995 (the '1995 Act') and regulation 2/regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'). Therefore, the Statement of Investment Principles is attached to the statement and the Report and Accounts.

Under the governance framework provided by The Pensions Regulator the Trustees are required to undertake a review of the default investment strategy at least every three years. The review needs to take into account both current contributing and non-contributing members of the Scheme to ensure the default is appropriate to the membership's needs. A formal review of the default investment strategy and fund range was undertaken during the Scheme year, which implemented the following steps:

- 1) Assessed the likely needs of the Scheme's membership through Scheme experience and the demographic and risk profile of the savers. This included both active and deferred members of the DC Section.
- 2) Identified the required objective for a default investment strategy to meet the needs of the membership, as identified in step 1.
- 3) Reviewed the current default investment strategy and consider whether amendments are required.

The default investment strategy review concluded that the overall objective of the default investment strategy during the growth phase remains appropriate for the Scheme's membership. However, the Trustees concluded that the decumulation element of the default investment strategy should be updated to reflect the benefit options members are likely to take up at retirement as a result of the introduction of pension freedoms. Therefore, the Trustees proposed to implement the below new default investment strategy from June 2019.

EURAC Drawdown Lifestyle Strategy (default)



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The Trustees also concluded that alternative strategies should be included within the broader fund range that are appropriate for members who wish to access their benefits in alternative ways at retirement. The full fund range available is as follows:

Fund	
The EURAC Drawdown Lifestyle Strategy	Default Lifestyle
The EURAC Annuity Lifestyle Strategy	Lifestyle
The EURAC Encashment Lifestyle Strategy	Lifestyle
LGIM Diversified Fund	Fund
LGIM Active Corporate Bond All Stock Fund	Fund
LGIM Pre-retirement fund	Fund
LGIM Global Equity Market Weights (50:50) Fund	Fund
LGIM Cash Fund	Fund
LGIM Over 5 Year Index-Linked Gilts Index Fund	Fund
LGIM Over 15 Year Gilts Index Fund	Fund

Further information will be provided to members during the 2019/20 Scheme year when the revised strategy is implemented.

The next formal default investment strategy review will be due in 2021.

The Trustees have also reviewed the performance of each fund available to members, including those within the default investment strategy, during the year. The Trustees concluded that the funds are performing in line with the objectives set out in the Statement of Investment Principles.

## Requirements for processing financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately.

This includes:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payment from the Scheme to, or in respect of, members.

The Trustees have an agreement in place with the Scheme's administrator regarding the service levels and core financial transactions. Broadly, the service level agreement is for 90% of tasks to be completed within the relevant target timeframe. Target timeframes range from 2 to 5 days for core financial transaction.

Information on the processing of core financial transactions is detailed within the quarterly management reports produced by the Scheme's administrator. The Trustees hold regular meetings and in the normal course of events meet three times a year and review financial transactions during each meeting. During the Scheme year, there have been no issues relating to core financial transactions. The Trustees have concluded that core financial transactions were processed promptly and accurately during the Scheme Year. In particular, contributions were invested within 3 working days of receipt.

The Trustees appointed administrator Xafinity Punter Southall, monitors the Scheme bank accounts on a daily basis, has a dedicated team for processing contributions, and robust and audited checking procedures for all investment and banking transaction involving two individuals.

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## Charges and transaction costs

As required by the regulations, the Trustees report on the charges and transaction costs for the investments used in the default arrangements and their assessment on the extent to which the charges and costs represent good value for members.

The employer meets the costs of administering the Scheme. Therefore, the Annual Manage Charge met by members consists principally of the investment platform manager's annual charge for managing and operating a fund(s) and includes additional expenses (such as custodian fees) incurred by the manager. The costs for other services provided by the Trustees, such as administration, communication and consultancy (Investment and pension consultancy services) provided to the Trustees are paid for by the Scheme's sponsor.

Below, we set out the Total Expense Ratio (TER) for each Fund utilised within the default investment strategy and the broader fund range, along with transaction costs as supplied by the investment manager:

	Total Expense Ratio	Annual impact of charges on £1,000	Total transaction costs incurred
<b>Default Instalment Strategy funds (during Scheme Year)</b>			
LGIM Diversified Fund	0.35%	£3.50	0.06%
LGIM Over 15 Year Gilts Index Fund	0.10%	£1.00	0.02%
LGIM Cash Fund	0.125%	£1.25	0.00%
<b>Core fund range</b>			
LGIM Diversified Fund	0.35%	£3.50	0.06%
LGIM Active Corporate Bond All Stock Fund	0.25%	£2.50	n/a*
LGIM Pre-retirement fund	0.20%	£2.00	n/a*
LGIM Global Equity Market Weights (50:50) Fund	0.165%	£1.65	0.01%
LGIM Cash Fund	0.125%	£1.25	0.00%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.10%	£1.00	0.14%
LGIM Over 15 Year Gilts Index Fund	0.10%	£1.00	0.02%

\*These funds were not available during the Scheme year. Therefore, transaction cost information has not been provided. The Trustees will first be required to consider this for the 2019/20 Scheme Year.

The Scheme's investment platform manager does not apply an explicit charge to switch investments between unitised funds.

## Value for Members

In accordance with regulation 25(1)(b), the Trustees are required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for money.

The Trustees appointed a specialist defined contribution consultancy, Punter Southall Aspire, to undertake a value for members assessment in conjunction with the Trustees' own views. Within the assessment, the Trustees considered each service which the members meet the cost for, namely the Scheme's investments plus a broader assessment across the entire range of services members receive but which are paid for by the employer.

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The Trustees concluded that overall the Scheme provides value to members. The reasons underpinning this conclusion include:

- Charges on funds have been assessed by our advisors as good for this type of arrangement. The charge cap for this type of scheme is 0.75% of funds under management as the Scheme is used as a Qualifying Workplace Pension for some of the contributing members.
- Transaction costs for the funds available to members were at a reasonable level that did not unduly detract from the overall level of return and value provided to members.
- The Trustees have taken steps to improve the value for members through reviewing the default investment strategy. The proposed new strategy structure of the default fund, and the availability of alternative lifestyle strategies and a core fund range will provide value to members.
- The investments made available to members have met their objective during the reporting period, providing value to members.

The cost of administration, investment and consultancy services are not met by the member and so fall outside of the required value for members assessment. However, the Trustees believe the administration of the Scheme provides good value to members. The Trustees will consider further whether additional engagement and communication would positively impact the value members receive.

## Illustrative impact of charges

We have provided an illustration of the likely impact of charges for a short, medium and long term member invested in the default investment (The EURAC Drawdown Lifestyle Strategy) compared to the charge cap requirements of a qualifying workplace pension scheme with a starting pot of £0.

We compare the actual charges of the Scheme against a scenario where there is no charges and a scenario where the charges are in line with the current charge cap for qualifying workplace pension. The illustration follows the statutory guidelines for illustrating the cumulative effect of costs and charges.

	Total expense ratio (TER)	Short term (5 years)	Medium term (15 years)	Long term (25 years)
The default investment strategy. If no charges were to apply	0.00%	£6,301.51	£20,492.26	£37,138.16
The current default investment strategy	0.10% to 0.35%	£6,276.12	£20,079.77	£35,721.45
The Charge Cap	0.75%	£6,187.10	£19,368.19	£33,725.16

Starting assumptions:

Starting salary: £25,000,

Contributions: £200 per month

Salary increase: 2% p.a.

Nominal fund growth: 5% p.a.

Source: Punter Southall Aspire Pension Calculator

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## Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan. This requirement has been met during the course of the Scheme year as follows:

- The Trustees have undertaken ongoing training, both as a group and individually to keep abreast of relevant developments. In particular, the Trustees keep up to date with market, legislation and regulation through a range of briefing papers, news articles and market updates provided by professional groups including the Scheme's legal adviser (Eversheds), actuary (Xafinity Punter Southall) and DC adviser (Punter Southall Aspire).
- The Trustees have a good working knowledge of the Scheme's documents as set out the Scheme's training log and review of documents as required at Trustees meetings. The Trustees also have access to all scheme documents including the SIP, Trust Deed and Rules and other policies online should they be required to refer to them.
- The Trustees also receive an annual training programme whereby the Trustees invite one of their appointed advisors to provide training at each meeting on a topic relevant to any upcoming decisions. In October 2018 the Trustees received training on;
  - legal, regulatory and best practice requirements for governing a DC pension scheme; and
  - considerations when setting a default investment strategy from the appointed advisers, PS Aspire.
- The Trustees have regularly reviewed their training needs and this is discussed at the Trustees meetings to identify if any further training is required to be included in the training programme;
- As part of the Trustees' training plan for 2018, the Trustees have completed the Pension Regulator's Trustee Toolkit modules.
- The Trustees believe that the combined knowledge of the Trustees, including that of an appointed professional, independent trustee, together with the advice available enables the Trustees to properly exercise their duties to the Scheme and its membership.

I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

**NAME: Steve Jones**

**Signed:** .....

**POSITION: Chair of Trustees, European Automotive Components Group Pension Scheme**

## APPENDIX – STATEMENT OF INVESTMENT PRINCIPLES



### European Automotive Components Group Pension Scheme - Defined Contribution Section

Statement of investment principles – August 2019





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## Introduction

This document constitutes the Statement of Investment Principles (the SIP) required under Section 35 of the Pensions Act 1995 for the European Automotive Components Group Pension Scheme (the "Scheme") relating to the Defined Contribution ("DC") Section of the Scheme. The SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Defined Benefit ("DB") Section of the scheme is covered by a separate Statement of Investment Principles.

This SIP applies from 1 September 2019.

The DC Section is a defined contribution (also known as money purchase) arrangement that operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries and is registered pension scheme with HMRC under the Finance Act 2004.

The member's retirement benefits depend on:

- (i) The level of contributions made by or in respect of the member
- (ii) The investment growth (positive or negative) achieved by the selected unitised fund
- (iii) When and how members choose to access their accumulated fund.

The DC Section provides members with access to a core range of funds which are operated by Legal & General Investment Management (LGIM) (the Scheme's current investment platform provider).

The Trustees are responsible for the investment of the DC assets and arranging administration of the member's account. Where the Trustees are required to make an investment decision, it will first receive written advice from an Investment Adviser. The Trustees believe that this, together with its own expertise, ensures that it is appropriately familiar with the issues concerned.

The Trustees believe the Investment Adviser, Punter Southall Aspire, to be qualified by its ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the investment arrangements that the DC Section requires.

The SIP will be reviewed at least every three years, or following any significant change in investment policy.





## Scheme governance

The Trustees consider that the following governance structure is appropriate for the DC Section, since it enables the Trustees to retain the decision-making role on the investments available to members, while delegating the operational aspects to XPS as administrator and LGIM as investment platform manager.

### Trustees

The Trustees are responsible for, amongst other things:

- Reviewing from time to time (at least every three years, or following any significant change in investment policy) the content of this SIP and modifying it if deemed appropriate in consultation with the Principal Employer and on advice from the appointed Investment Adviser
- Selecting and reviewing the default fund and core investment options available at least every three years or following significant change in investment policy, or the demographic profile of the DC Section membership
- Assessing the quality of the performance and processes of LGIM by means of regular reviews, at least annually, of the investment performance results of each fund through meetings and written reports in consultation with the appointed Investment Adviser
- Appointing and dismissing of the administrator and/or Investment Platform Provider (currently XPS and LGIM respectively) on advice from an appointed adviser
- Assessing the ongoing effectiveness of an Investment Adviser
- Consulting with the Principal Employer when reviewing the default fund, core fund range or investment policies
- Monitoring compliance of investment manager(s) of the default and core fund range on an ongoing basis
- Providing any appointed organisations/individuals with a copy of the SIP, where appropriate.

The Trustees have sufficient knowledge and understanding to undertake key investment reviews and monitoring tasks, with support from its appointed Investment Adviser when required.

### Investment Platform provider

The Investment Platform provider – LGIM – will be responsible for, amongst other things:

- At its discretion, but within the guidelines agreed with the Trustees, selecting and undertaking transactions in specific investments at a fund level
- Acting in accordance with the principles set out in the SIP

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### European Automotive Components Group Pension Scheme - Defined Contribution Section

- Providing administration for the DC Section on behalf of the Trustees, including investment of members' contributions in the default fund or the members selected fund(s) and providing information to the Trustees in an agreed format and timescale
- Providing the Trustees with sufficient information to facilitate the review of its activities, including:
  - Performance and rationale behind past and future strategy for each fund
  - A full valuation of the assets
  - A transaction report which includes details of any transaction costs in an acceptable format as prescribed in any guidance from the Financial Conduct Authority or other regulatory body.
- Informing the Trustees immediately of:
  - Any breach of this SIP
  - Any serious breach of internal operating procedures
  - Any material changes in the knowledge and experience of those involved in the Scheme's investment options.

#### **Investment Manager**

Each fund made available will be overseen by an Investment Manager, the manager will be responsible for, amongst other things:

- At its discretion, but within the guidelines agreed with the Trustees, selecting and undertaking transactions in specific investments within each fund
- Acting in accordance with the defined objective and mandate of the fund
- Providing the Trustees, through the Investment Platform provider, with sufficient information to facilitate the review of their activities, including:
  - Performance and rationale behind past and future strategy for each fund
  - A full valuation of the assets
  - A transaction report which includes details of any transaction costs
- Informing the Trustees, through the Investment Platform provider or Investment Adviser, immediately of:
  - Any change of fund objective
  - Any serious breach of internal operating procedures
  - Any material changes in the knowledge and experience of those involved in the Scheme's investment options.

#### **Investment Adviser**

An Investment Adviser would be responsible for, amongst other things:

- Participating with the Trustees in reviews of the SIP
- Advising the Trustees on how any changes, such as in the Scheme's membership and in legislation, may affect the manner in which the assets should be invested

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European Automotive Components Group Pension Scheme – Defined Contribution Section

- Advising the Trustees of any changes relating to the administrator or Investment Platform provider and other investment providers that could affect the interests of the Scheme
- Assisting the Trustees with monitoring the administrator and Investment Platform provider
- Discussing with the Trustees any changes in the investment environment that could either present opportunities or problems for the DC Section
- Undertaking reviews of the DC Section investment arrangements when requested by the Trustees including reviews of the investment options, administrator, Investment Platform provider, and selection of new provider(s) as appropriate.



## Risks

The Trustees recognises a number of risks are involved in the investment of DC assets.

Defined contribution members face four key risks:

- *Inflation risk* – the risk that the purchasing power of their retirement pot is not maintained
- *Pension income risk* – the risk that the value of pension benefits (or annuity) that can be provided by a given retirement pot amount is not maintained
- *Investment risk* – the risk that the value of their retirement pot may fall in value. (The impact is considered higher to members approaching retirement who may not have sufficient time to regain the value of investments)
- *Opportunity risk* – the risk that members take insufficient investment risk, especially at younger ages, which results in a smaller pot of money with which to provide benefits.

The importance of each risk varies with time and the potential impact of inflation is important throughout the savings period. Pension income and investment risks become increasingly significant as retirement approaches. The Trustees mitigate these risks through making available a range of investment options to members with a range of risk and return profiles.

Other risks involved in the investment of assets include the following:

- *Underperformance risk* – the risk that a fund does not perform in line with its objective – addressed through monitoring the performance of the Investment Platform Provider and Investment Managers taking necessary action when this is not satisfactory
- *Transaction cost risk* – this risk includes the potential impact of inefficient or expensive trading which, through the cost of completing a transaction, detract from the performance of the fund. Transaction costs are monitored by the appointed Investment Adviser and are detailed in the annual Chair's statement. The Trustees, with the support of the Investment Adviser, may investigate alternative fund or funds, if the transaction cost operates at a level beyond which the Trustees deem acceptable
- *Liquidity risk* – the risk that members or the Trustees will be unable to encash members' funds in a timely fashion to support member transactions. As far as possible the Scheme invests in liquid, unit-linked investments that can be quickly realised as required
- *Communication risk* – the risk that communications (or the lack of communications) to members leads to poor decisions being made – addressed through the Trustees regularly monitoring member communications and updating them, where appropriate, as part of the ongoing governance of the Scheme
- *Inappropriate member decision* – addressed through communications to members and highlighting the benefits of members seeking financial advice
- *Organisational risk* – addressed through regular monitoring of the administrator, Investment Platform Provider, Investment Managers and Investment Adviser

- *Country/political risk* – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries
- *Environmental and social risks* – the long-term risk factors can influence long-term performance of investments. Where applicable, these factors will be considered within investment monitoring and review processes.

The Trustees will have regard for these risks when determining the investment strategy and will keep these risks under regular review.



## Investment aims and objectives

The Trustees aim and objectives are:

- To ensure that a sufficiently diverse choice of investment funds is available to members while being aware of the need for a manageable number of options to support member decision making
- To ensure that the range of funds includes those that aim to provide:
  - good long-term real rates of return (i.e. in excess of price and wage inflation) so that the value of members' assets can be reasonably expected to grow over the long-term.
  - protection for members' accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.
- To allow members sufficient choice to tailor their investments in line with their own personal and financial circumstances.
- To offer a number of funds that will perform in line with the chosen benchmark over rolling three-year periods.
- To consider the cost and complexity of the Scheme in terms of administration and communication.

Following reviews of the Scheme's investments, the Trustees and its Investment Adviser, identified that:

- The current Scheme membership has a moderate appetite for investment risk; members are neither particularly risk averse or risk tolerant
- The likelihood of members making investment decisions when further from retirement is low, with engagement increasing as members approach retirement
- Following the introduction of pension freedoms after the 2015 Budget, there are likely to be a diverse range of retirement objectives across the membership.





## Responsible Investment and Corporate Governance

The Trustees believe that good stewardship can enhance investment performance, and is therefore in the best interests of the Scheme beneficiaries and aligned with fiduciary duty.

The Trustees believe that environmental, social and corporate governance ("ESG") issues can affect the performance as part of investment portfolios and should therefore be considered during the Scheme's DC Section investment selection and monitoring process.

When reviewing or selecting investment funds, strategies and managers, the Trustees have considered a range of financially material considerations and the impact they may have over the time horizon of the Scheme. It is the Trustees' view that an appropriate time horizon would be the period of time until a member draws their benefits. For those members further from retirement this time horizon could be 40 years or more. Over this period, the Trustees acknowledge that environmental issues including climate change may have an impact on investment performance of the selected funds. As present, the policy is to delegate the considerations of the long-term financial impact of these considerations to the Investment Manager of the selected fund(s).

The Trustees are also aware that some members will have further views on investment matters including investing in line with an ethical or religious mandate. The Trustees do not believe that the current membership desires a specific fund to meet ethical or religious needs but will continue to review this position as part of its investment fund review process.

The Trustees have given each respective fund manager full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Fund's investments.

It is accepted that collective or pooled investments will be governed by the individual policies of the Investment Managers. The Scheme's Investment Manager or the selected fund manager exercise voting rights and undertake engagement in accordance with their own policies. The Trustees request information from Investment Managers and individual fund managers on how they exercise their voting rights and whether these are used to positively influence businesses invested in through the pooled investment vehicle. The Trustees review this on an annual basis to reaffirm that the Investment Managers or individual fund manager views continue to align with the Trustees.

Where the DC Section utilises a fund or an Investment Manager trading in UK equities, the authorised managers in the UK are expected to report on their compliance with the UK Stewardship Code on an annual basis.



## Investment Strategy

Having considered advice from the Investment Adviser, and having regard for the risks and the aims and objectives in sections 3, 4 and 5, the Trustees have selected a long-term insurance policy with the Investment Platform provider, which allows it to make available a default investment strategy and a number of alternative investment funds. Members can choose to invest their contributions and accumulated fund in one or more of the alternative investment funds.

The Scheme administrator, XPS, also undertakes the day-to-day administration of the Scheme and acts on the Trustees' behalf to ensure that each member's funds are invested in accordance with the investment options selected by the member.

There is no single investment product that manages all of the key risks. Of the major asset classes, equities have traditionally been used to provide the most effective means of managing inflation risk. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing investment risk but does not manage inflation risk.

The varying nature of the risks faced by a defined contribution scheme member through time means that it is unlikely that a single investment product will adequately meet the needs of the investor throughout the investing period. Therefore, the Trustees have taken advice from its Investment Advisers to ensure that a suitable default investment strategy and range of alternative investment funds is offered to members for effective management of the risks faced.

The Trustees' policy on risk is to provide members with a range of investment options into which they may direct their investments, so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective, while providing a default investment strategy option that provides a suitable investment strategy for the Trustees' belief on what a typical member of the Scheme requires, as set in the Trustees' aims and objectives.

### Default investment strategy

Following advice from the Trustees' Investment Adviser, Punter Southall Aspire, the Trustees have put in place a default investment strategy known as the EURAC Drawdown Lifestyle Strategy. This default strategy was implemented from 28 June 2019 and replaced the Scheme's previous default, the "Default Fund", which was no longer deemed appropriate for the membership due to its annuity targeting approach.

### The aims of the default investment strategy:

The EURAC Drawdown Lifestyle Strategy targets growth when the member is further from their selected retirement age. The de-risking phase commences ten years from the member's selected retirement age, when investments will automatically be switched gradually into lower risk funds appropriate for someone that wishes to either leave their funds invested to draw down over time, or take a mix of the options available for accessing pension savings.

The below table sets out the glide path and investment allocation throughout a member's journey to retirement:



## The growth phase investment strategy

The below table sets out the fund utilised in the growth phase, alongside the fund objective and charge:

Allocation	Fund and objective	Total charge
100%	<b>LGIM Diversified Fund</b> The investment objective is to provide long-term investment growth through exposure to a diversified range of asset classes.	0.35%

## The derisking phase

The below table sets out the funds utilised in the de-risking phase, the asset allocation at the member's target retirement alongside the fund objective and charge:

Allocation at retirement (100%)	Fund and objective	Total charge
50%	<b>LGIM Diversified Fund</b> The investment objective is to provide long-term investment growth through exposure to a diversified range of asset classes.	0.35%
25%	<b>LGIM Cash Fund</b> The fund aims to perform in line with 7 Day GBP LIBID, without incurring excessive risk.	0.125%
12.5%	<b>LGIM Over 5 Year Index-Linked Gilt Index Fund</b> To track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index to within +/-0.25% p.a. for two years out of three.	0.10%
12.5%	<b>L&amp;G Active Corporate Bonds - All Stocks</b> To exceed the Market iBoxx E Non-Gilts Index by 0.75% p.a. (before fees) over a three year rolling period.	0.25%
<b>Weighted average total charge</b>		<b>0.25%</b>

## Alternative lifestyle strategies

The Trustees offer two alternative lifestyle strategies:

### The EURAC Annuity Lifestyle Strategy

The EURAC Annuity Lifestyle Strategy has the same objective as the default when further from a member's selected retirement age (long term growth). However, from 10 years prior to the member's selected retirement age the strategy de-risks into assets appropriate for someone that wishes to purchase an annuity with their pension savings.



### The EURAC Cash Lifestyle Strategy

The EURAC Cash Lifestyle Strategy has the same objective as the default when further from drawing the member's selected retirement age (long term growth). However, from 10 years prior to the member's selected retirement age the strategy de-risks into assets appropriate for someone that wishes to take their whole pension savings as a one off or short-term series of cash lump sums.



## Self-select investment options:

The Scheme also provides access on a member self-select basis to additional funds as detailed below. The Trustees consider that each available fund contains suitable investments given each fund's objective and that each fund provides a properly diversified portfolio.



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Fund and objective
<p>LGIM Diversified Fund</p> <p>To provide long-term investment growth through exposure to a diversified range of asset classes.</p>
<p>LGIM Active Corporate Bond All Stock Fund</p> <p>To exceed the Markit iBoxx £ Non-Gilts Index by 0.75% p.a. (before fees) over a three year rolling period.</p>
<p>LGIM Pre-retirement fund</p> <p>To provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.</p>
<p>LGIM Global Equity Market Weights (50:50) Fund</p> <p>To provide diversified exposure to UK and overseas equity markets. A 50/50 distribution between UK and overseas assets is maintained with the overseas allocation mirroring that of the FTSE World (ex-UK) Index.</p>
<p>LGIM Cash Fund</p> <p>The fund aims to perform in line with 7 Day GBP LIBID, without incurring excessive risk.</p>
<p>LGIM Over 5 Year Index-Linked Gilts Index Fund</p> <p>To track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index to within +/-0.25% p.a. for two years out of three.</p>
<p>LGIM Over 15 Year Gilts Index Fund</p> <p>To track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.</p>



## Monitoring

The Trustees will monitor the performance of the Scheme's Investment Platform provider and Investment Managers against the agreed performance of the objective for each fund.

The Investment Adviser provides an annual investment performance report to the Trustees.

The Trustees will undertake regular reviews (at least annually) of the Investment Platform Provider to consider whether they are continuing to carry out their work competently and continue to have the appropriate knowledge and experience to manage the assets of the Scheme.

In any event, the Trustees will formally review the progress and performance of the Investment Platform Provider and Investment Managers every three years. As part of this review, the Trustees will consider whether or not the Investment Platform Provider and Investment Managers:

- are carrying out their work competently
- have regard to the need for diversification of investments
- have regard to the suitability of each investment and each category of investment
- have been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

### Advisers

The Trustees will monitor the advice given by an Investment Adviser on a regular basis.

### Trustees

The Trustees will monitor all the decisions it takes by maintaining a record of all decisions taken, together with the rationale in each case.

### Other

The Trustees will review this SIP regularly (at least triennially) and modify it if deemed appropriate, in consultation with the Principal Employer and an Investment Adviser.





## Charges

A total expense ratio (TER) is an annual fee levied on the members to cover the costs of managing their funds. It is calculated as a percentage of the value of the fund. The TER for the unit-linked funds are as follows:

### EURAC Drawdown Lifestyle (Default)

Charges as at July 2019

Fund and objective	Total charge
Growth Phase	0.35%
Derisking phase	0.25%

### EURAC Annuity Lifestyle

Charges as at July 2019

Fund and objective	Total charge
Growth Phase	0.35%
Derisking phase	0.181%

### EURAC Cash Lifestyle

Charges as at July 2019

Fund and objective	Total charge
Growth Phase	0.35%
Derisking phase	0.125%

### Self-select funds

Charges as at July 2019

Fund	Total charge
LGIM Diversified Fund	0.35%
LGIM Active Corporate Bond All Stock Fund	0.25%
LGIM Pre-retirement fund	0.20%
LGIM Global Equity Market Weights (50:50) Fund	0.165%
LGIM Cash Fund	0.125%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.10%
LGIM Over 15 Year Gilts Index Fund	0.10%



## Declaration

The Trustees confirm that this SIP reflects the investment strategy they have implemented for the DC section under the Scheme. The Trustees acknowledges that it is its responsibility, with guidance from the Investment Adviser, to ensure the assets of the DC Section are invested in accordance with these principles.

Signed:

Date:

4th September 2019

On behalf of the Trustees of the European Automotive Components Group Pension Scheme.

## Who are we?

### About Punter Southall Aspire

Punter Southall Aspire is a major investment and savings business that blends a strong customer focused heritage with a modern and technology-led outlook.

Uniting pensions consultancy, workplace savings and individual financial advice, we work with employers, trustees and private clients through our 13 regional UK offices to design and manage solutions that meet their unique needs.

Our new and innovative Master Trust solution provides cost-effective pension scheme management for employers and pension freedom solutions for individuals.

Punter Southall Aspire is part of the Punter Southall Group, which is proudly independent and majority employee-owned.



c. 1,250  
PENSION SCHEMES



c. £4.3bn  
OF ASSETS  
UNDER ADVICE



c. 200,000  
SCHEME MEMBERS  
  
c. 1,700  
PRIVATE CLIENTS



13  
OFFICES ACROSS  
THE UK



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