Renold Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

May 2025

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Renold Pension Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupataional Pension Schemes (Charges and Governance) Regulations 2015 and incorporates changes as required by The Pension Protection Fund (Pensionable Service);
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Reulgations 2019.

1.2. In preparing this statement the Trustee has consulted Renold plc ("the Employer") and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in the Definitive Trust Deed & Rules of the Renold Supplementary Pension Scheme (1967) dated 9 March 1993 and the Transfer Agreement dated 28 March 2013. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of managers against that target. In doing so, the Trustee considers the advice of professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in Appendix 1 of this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustee in setting a strategy to achieve these objectives will also take into account the returns required from any Recovery Plan which it agrees with the Employer.

3.3. The investment powers of the Trustee are set out in the Definitive Trust Deed & Rules of the Renold Supplementary Pension Scheme (1967) dated 9 March 1993 and the Transfer Agreement dated 28 March 2013. This statement is consistent with those powers.

3.4. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme can invest in a wide range of asset classes including: equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3. The Scheme has made an investment in a Central Asset Reserve (CAR) set up in conjunction with the Employer that provides an annual income which is derived from intercompany loans and over which the Trustee has security via the CAR.

4.4. The Trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 of this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.

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

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustee recognises that the Scheme is exposed to a number of different investment risks and seeks to manage these risks in an appropriate manner. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 of this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee will monitor these behaviours and report on the managers' practices in their annual Implementation Statement.
ESG/ climate risk	The Trustee will consider long-term financial risks to the Scheme, including Environmental, Social and Governance ("ESG") factors and climate risk when making investment decisions. This is covered in more detail in Appendix 2.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. Each investment manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis. The Trustee undertakes an annual review of the internal controls and processes of each of the investment managers.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, non-financially material considersations, the exercise of voting rights and engagement activities

9.1. The Trustee has set policies in relation to these matters, which are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

10.2. The Trustee carries out a strategy review, typically every three years, where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints.

10.3. In the event that an investment manager or fund ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, the appointment will be reviewed.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.4. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

10.5. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.6. The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and they will monitor this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.7. The Trustee monitors the performance of their investment managers over medium to long-term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

10.8. The Scheme invests in pooled funds. The investment managers, including those held through an investment platform, are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager and/ or through market movements, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

10.9. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.10. The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.11. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as Liability Driven Investment ("LDI"), a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

10.12. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels.

Duration of arrangement with asset manager

10.13. For the pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.14. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed typically every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, are assessed.

10.15. For closed ended funds, the Scheme reviews the appointment with the investment manager as the manager releases new iterations of the funds (which the Trustee may consider further investment into) and at, or just prior to, maturity of the closed-ended fund.

11. Agreement

11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Agreed by the Chair of the Trustee on behalf of Renold Pensions Limited (the Trustee of the Renold Pension Scheme) on 12 May 2025

Appendix 1 Note on investment policy of the Scheme as at May 2025 in relation to the current Statement of Investment Principles

1. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Scheme's assets. The investment managers are authorised and regulated by the Financial Conduct Authority.

- Alcentra Limited ("Alcentra");
- Legal & General Investment Management: ("LGIM");
- M&G Investments ("M&G") – accessed through the LGIM investment platform;
- Partners Group ("Partners");
- Schroders Investment Management ("Schroders") – accessed through the LGIM investment platform.

Details of the funds in which the Scheme invests (including benchmark and performance objectives) are included in Section 4 below. The performance of investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

In addition, the Scheme has a residual amount awaiting redemption with Harmony Capital. Harmony Capital is no longer authorised and regulated by the Financial Conduct Authority.

The Scheme also holds two buy-in policies with Just in respect of a proportion of the Scheme's pensioner members.

The Trustee has AVC contracts with Prudential, MGM, Aviva and Santander for the investment of members' Additional Voluntary Contributions. The AVC providers are authorised and regulated by the Financial Conduct Authority and these arrangements are reviewed from time to time.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham is generally remunerated on a time-cost basis but may charge fixed fees for certain defined tasks.

Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes, split between their growth and protection portfolios.

Growth portfolio	Protection portfolio
UK equities; Overseas equities; Direct lending assets; Diversified private markets.	Multi-Asset Credit ("MAC"); Liability Driven Investment ("LDI"); Asset-backed securities ("ABS"); Cash.

Where possible the Trustee has taken the decision to invest in currency hedged funds for its overseas equities.

The Trustee has set up a Central Asset Reserve ("CAR)" in conjunction with the employer. The CAR was established with effect from 5 April 2013 and is intended to provide an annual income of £2.5 million until March 2038, increasing each year in line with the increase in the Retail Prices Index plus 1.5% (subject to a maximum of 5%). The CAR is an additional investment which sits outside of both the growth and protection portfolios.

2. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The allocation does not include the buy-in policies or CAR investment.

The Scheme has a current asset allocation (excluding the investment in the CAR) of 62% in the growth portfolio and 38% in the protection portfolio. The asset allocations within each portfolio are shown below.

Fund	Allocation
Growth portfolio	**62.0%**
LGIM World Global Equity Index Fund (GBP Hedged)	13.0%
Partners Group Generations Fund	10.0%
Alcentra European Direct Lending Fund III*	18.0%
M&G Total Return Credit Investment Fund	7.0%
LGIM Absolute Return Bond Fund	7.0%
Schroder AAA Flexible ABS Fund	7.0%
Protection portfolio	**38.0%**
LGIM Leveraged Single Gilt Funds	38.0%
Total	**100.0%**

*The Alcentra European Direct Lending Fund is returning capital to investors and therefore the allocation is expected to reduce over time.

The Trustee also holds residual assets awaiting redemption with Harmony Capital which are not considered as part of the allocation above.

3. Rebalancing and cashflow management

The Trustee recognises that the allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalancing. The Trustee will monitor the asset allocation relative to the strategic allocation and make decisions to rebalance as appropriate.

The Scheme is invested in LGIM's Leveraged Single Gilt Funds, the allocations to which are designed to target a specific level of interest rate and inflation hedging of the Scheme's liabilities. The value of these investments can change materially over time due to movements in long-term interest rates and market-implied inflation and will therefore deviate from the initial allocation set out above. The Trustee will therefore consider how any investments or disinvestments involving the LDI funds will affect the level of interest rate and inflation hedging before taking action.

Therefore, through the normal course of events, cashflow management transactions will not be made using the LDI funds unless a change in the hedging level is required, or under other circumstances at the Trustee's discretion.

New money is invested to rebalance the asset allocation towards its overall benchmark. However, it is expected that cashflow requirements will be such that the Trustee will need to make disinvestments on a regular basis. In doing so the Trustee seeks to move the overall asset allocation in line with the long term asset allocation whilst recognising the liquidity and marketability of assets held and allowing for the point made above about the LDI assets.

The Trustee considers likely cashflow requirements and keeps this policy under review on a regular basis. The Trustee may from time-to-time choose to disinvest from other asset classes so as to move the overall asset allocation to be in line with the long term target or to take advantage of relative pricing advantages of certain asset classes.

4. Investment funds as at May 2025

The investment benchmarks and objectives for each investment manager, which are unaffected by the platform arrangement, are given below:

Investment manager	Benchmark	Objective
LGIM		
Future World Global Equity Index Fund GBP Hedged	Solactive L&G ESG Global Markets Index (GBP Hedged)	Benchmark +/- 0.6% p.a. for two years out of three
Absolute Return Bond Fund	ICE Bank of America Sterling Overnight Index Average 3-Month Constant Maturity Total Return Index	Benchmark + 1.5% p.a. (gross of fees)
Leveraged Single Gilt Funds	Respective leveraged gilt/ index-linked gilt benchmark	Track benchmark
Partners Group		
Generations Fund	No official benchmark	7-11% p.a. after fees over a full market cycle
M&G Investments		
Total Return Credit Investment Fund	1-month Sterling Overnight Index Average	Benchmark + 3-5% per annum (gross of fees), over any five-year period
Schroders		
AAA Flexible ABS Fund	ICE Bank of America Sterling 3-Month Government Bill Index	Benchmark + 1% per annum (gross of fees), over any three to five year period
Alcentra		
European Direct Lending Fund III	7-9% p.a. after fees	Track benchmark

Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially material considerations

The Trustee believes that environmental, social and governance considerations (including but not limited to climate change) have the potential to be financially material and therefore have a policy to consider these when selecting or reviewing the Scheme's investments.

The Trustee takes account of all other financially material considerations when making any investment decisions. More details on the Trustee's policies on risk and return considerations are shown in Sections 6 and 7 of this statement.

All financially material considerations are viewed in light of the Scheme's investment time horizon. The 2019 Recovery Plan expects the Scheme to achieve full funding by April 2038 so the investment time horizon is assumed to be at least until this date.

The Trustee will be reliant on the information presented by their investment advisors and investment managers regarding the extent to which an investment manager allows for ESG in making their investment decisions. The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Where appropriate, the Trustee will receive updates from their investment consultants on the ESG credentials of the investment managers.

Realisation of investments: The Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain training on ESG considerations as required in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- The investment consultant will inform the Trustee of any changes to the ESG credentials of the investment managers and stewardship activities will be reported on annually in the Implementation Statement; and
- Through their investment consultant the Trustee will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

The Trustee's policy is not to take into account non-financial matters, such as the views of the members and beneficiaries including (but not limited to) their ethical views, on the grounds that the investment objectives of the Scheme will take priority over other considerations.

3. The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee consider it a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustee also considers it part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, the Trustee expect this to be reflected in the Scheme's regular performance monitoring.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/ investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.