

Investment Policy Implementation Document for the Unipart Group Pension Scheme

1. Introduction

This Investment Policy Implementation Document (“IPID”) for the Unipart Group Pension Scheme (the “Scheme”) sets out details of the Scheme’s investment arrangements, based on the principles set out in its Statement of Investment Principles (“SIP”) dated March 2023.

The IPID should be read in conjunction with the SIP.

The IPID has been prepared by the Trustee of the Scheme, and the Trustee is responsible for ensuring it reflects the current investment arrangements. The Trustee delegates some elements of ongoing investment strategy management to an Investment Committee (“IC”) formed of a sub-set of the full Trustee Board.

2. Investment strategy

The Scheme’s investment strategy, as described in the SIP, along with the investment managers appointed to implement the strategy are set out below.

Asset class	Strategic allocation	Investment managers
Index-Linked Gilts	25.0%	Schroders
Structured Equity	0%*	Schroders
Real Assets	21.0%	CBRE, IFM, Innisfree, Partners Group
Private Credit	6.5%	Alcentra, Arcmont, Hayfin, BentallGreenOak
Opportunistic Credit	8.0%	Alcentra, CarVal, SVPGLOBAL
Multi-Asset Credit	6.0%	M&G Investments
Absolute Return Bonds	6.5%	Payden & Rygel
Diversified Growth	6.0%	Ruffer
Asset Backed Securities	13.5%	Insight
Buy & Maintain Credit	5.0%	Axa Investment Managers
Other ¹	2.5%	-
Total	100.0%	

* Note that the Scheme’s Structured Equity investment does not have a specific allocation within the Strategic Allocation as it is accessed synthetically. It is directly supported using collateral provided by the Index-Linked Gilts and indirectly supported by the Asset Backed Securities, Absolute Return Bonds

¹ ‘Other’ includes a vehicle accessing shares of the principal employer and working cash balances. These are not significant holdings in the context of the Scheme as a whole.

and Diversified Growth investments. The notional equity exposure is currently around 60% of the Scheme's overall assets.

The IC monitors the asset allocation from time to time. If material deviations from the strategic allocation occur, the IC will consider with its advisers whether it is appropriate to rebalance the assets taking into account factors such as market conditions and anticipated future cash flows. This point is also covered within the Scheme's cashflow management policy.

3. Asset managers

Details of the investment managers, their objectives and investment guidelines are set out in the following Sections. The IC monitors and reviews the Scheme's investment managers on an ongoing basis, to ensure that the Scheme's investments continued to be appropriately managed.

3.1. Index-Linked Gilts – Schroders

The Scheme invests in index-linked gilts through a segregated account. Schroders manages the index-linked gilts on a buy and hold basis. The primary objective of this mandate is to hedge a portion of the interest rate and inflation risk inherent in the Scheme's liability cash flows.

3.2. Structured Equity – Schroders

The Scheme has implemented a bespoke structured equity portfolio with Schroders. This structured equity portfolio consists of a number of option contracts across five equity market regions (US, Europe, UK, Japan and Emerging Markets). The primary objectives of the structured equity strategies are to provide efficient, risk-controlled access to equity markets with significant downside protection.

The IC monitors the mandate regularly and plan to restructure it from time-to-time, in conjunction with the Trustee's investment advisers and Schroders, to reflect latest market conditions and opportunities.

3.3. Real Assets – CBRE

The Scheme invests in global property through a pooled fund called the CBRE Global Alpha Fund. The objective of this fund is to achieve a nominal total return of 9-11% pa, in local currency terms and after the deduction of fees, over rolling three-year periods. The fund also targets a distribution yield of 5% pa.

The fund is denominated in USD and CBRE will not generally hedge the currency of the underlying investments. The Trustee is subject to an initial three year lock-in period and thereafter redemptions will be permitted semi-annually (with six months' notice). The fund is open-ended and unlisted.

3.4. Real Assets – IFM

The Scheme invests in global infrastructure through a limited partnership which gains exposure to infrastructure assets by acquiring units in the IFM Investors Global Infrastructure Fund. The objective of the fund is to return 10% pa, after the deduction of fees, over the long

term in local currency terms. IFM expects returns to be in the 8-12% pa range depending on the stage of the market cycle.

The fund is denominated in USD and IFM will not generally hedge the currency of the underlying investments. Redemptions are permitted quarterly (with 90 days' notice), and must be distributed within three years of the request. The fund is open-ended and unlisted.

3.5. Real Assets – Innisfree

The Scheme invests in infrastructure through a limited partnership which gains exposure to infrastructure assets by acquiring units in the Innisfree PFI Secondary Fund. The objective of the fund is to provide income over its 50-year lifetime targeting greenfield and secondary infrastructure assets in the UK, Europe and Canada. The fund has a target yield of 7% pa.

The fund is denominated in GBP although non-GBP income is generally not hedged. The fund is an illiquid investment, and the Trustee should expect to hold it until capital is returned from maturing / repaying investments. The fund is closed-ended and unlisted.

3.6. Real Assets – Partners Group

The Scheme invests in infrastructure through a limited partnership which gains exposure to infrastructure assets by acquiring units in the Partners Group Direct Infrastructure 2020 Fund. The objective of the fund is to achieve attractive risk-adjusted returns on a diversified portfolio of private infrastructure equity investments, where it will (mostly) take a majority controlling position. The fund does not have a formal benchmark; however, Partners Group seeks a return of 8-12% pa net of all fees over the lifetime of the fund.

The fund is denominated in EUR and Partners Group has the discretion as to whether it will hedge the currency of the underlying investments. The fund is an illiquid investment, and the Trustee should expect to hold it until capital is returned from maturing / repaying investments. The fund is closed-ended and unlisted.

3.7. Private Credit – Alcentra

The Scheme invests in private credit through a limited partnership which gains exposure to private credit assets by acquiring units in the Alcentra European Direct Lending Fund III. The objective of the fund is to generate attractive risk adjusted returns by originating and investing predominantly in European middle-market loans. Informally, the fund targets a net return of 7-9% pa and a net money multiple² of 1.25x – 1.35x.

The fund is an illiquid investment, and the Trustee should expect to hold it until capital is returned from maturing / repaying investments. The fund is closed-ended and unlisted.

3.8. Private Credit – Arcmont

The Scheme invests in private credit through a limited partnership which gains exposure to private credit assets by acquiring units in the Arcmont Senior Loan Fund I. The objective of the fund is to originate and underwrite a diversified, defensive portfolio of lending solutions to

² The money multiple is found by dividing the cumulative distributions received from an investment by the paid-in capital.

European upper-medium sized companies. The fund targets an IRR³ of 9% pa before the deduction of fees. Informally, Arcmont also targets a cash yield to investors of 4-5% pa, although this is not guaranteed.

The fund is an illiquid investment, and the Trustee should expect to hold it until capital is returned from maturing / repaying investments. The fund is closed-ended and unlisted.

3.9. Private Credit – BentallGreenOak

The Scheme invests in private credit through a limited partnership which gains exposure to private credit assets by acquiring units in the BentallGreenOak UK Secured Lending III Fund. The informal objective of the fund is to seek a net IRR of 7-9% pa in GBP terms. BentallGreenOak looks to achieve this target by investing in loans and other debt securities in connection with commercial real estate assets, primarily in the UK.

The fund is an illiquid investment, and the Trustee should expect to hold it until capital is returned from maturing / repaying investments. The fund is closed-ended and unlisted.

3.10. Private Credit – Hayfin

The Scheme invests in private credit through two limited partnerships which gain exposure to private credit assets by acquiring units in the Hayfin Direct Lending Fund II (“DLF II”) and the Hayfin Special Opportunities Fund II (“SOF II”).

The objective of the DLF II is to generate attractive risk-adjusted returns by investing primarily in the most senior debt obligations in the capital structure of non-investment grade companies. The DLF II targets an IRR of 8-10% pa before the deduction of fees and cash yield to investors of 5.5% pa.

The objective of the SOF II is to generate attractive risk-adjusted returns by investing in opportunities which exhibit a level of complexity in sourcing, underwriting or structuring, where the market’s perceived risk is greater than Hayfin’s analysis of actual risk. The SOF II targets an IRR of 15% pa before the deduction of fees.

The funds are illiquid investments, and the Trustee should expect to hold them until capital is returned from maturing / repaying investments. The funds are closed-ended and unlisted.

3.11. Opportunistic Credit – Alcentra

The Scheme invests in opportunistic credit through a limited partnership which gains exposure to opportunistic credit assets by acquiring units in the Alcentra Strategic Credit Fund. The informal objective of the fund is to generate an IRR of 15% pa after the deduction of fees and a net money multiple of 1.7x. Alcentra looks to achieve this target by investing directly or indirectly in loans, debt and equity securities and other obligations of companies that are in

³ IRR = Internal rate of return, the rate of interest available or achieved on a portfolio or investment. It can be used as a measurement of returns to date but also gives an indication of return potential if considered on investments yet to be raised. This is a money-weighted measure of return, which takes into account all cashflows.

financial distress and other special situations, as well as in structured credit instruments related to such companies.

The fund is an illiquid investment, and the Trustee should expect to hold it until capital is returned from maturing / repaying investments. The fund is closed-ended and unlisted.

3.12. Opportunistic Credit – CarVal

The Scheme invests in opportunistic credit by participating in limited partnership interests in the CarVal Credit Value Fund IV and the CarVal Credit Value Fund V. The informal objective of the funds is to generate an IRR of 12-15% after the deduction of fees, and a net money multiple of 1.5-2.0x. CarVal looks to achieve this target by constructing a diversified portfolio of investments in corporate securities, loan portfolios, structured credit and hard assets.

The funds are denominated in USD and CarVal has the discretion as to whether it will hedge the currency of the underlying investments. The funds are illiquid investments, and the Trustee should expect to hold them until capital is returned from maturing / repaying investments. The funds are closed-ended and unlisted.

3.13. Opportunistic Credit – SVPGLOBAL

The Scheme invests in opportunistic credit through limited partnerships which gain exposure to opportunistic credit assets by acquiring units in the Strategic Value Special Situations Fund IV and the Strategic Value Special Situations Fund V, each of which is sponsored by Strategic Value Partners, LLC (“SVPGLOBAL”). The informal objective of the funds is to generate an IRR “in the mid-teens” after the deduction of fees, and a net money multiple in excess of 1.75x. SVPGLOBAL looks to achieve this target by investing the substantial majority of the funds’ capital in distressed and deep-value opportunities, targeting the debt of middle-market companies and other assets.

The funds are denominated in USD and SVPGLOBAL has the discretion as to whether it will hedge the currency of the underlying investments. Limited partnership interests in the funds are illiquid investments, and the Trustee should expect to hold them until capital is returned from maturing / repaying investments. The funds are closed-ended and unlisted.

3.14. Multi-Asset Credit – M&G Investments

The Scheme invests in multi-asset credit through a pooled fund called the M&G Alpha Opportunities Fund. The objective of this fund is to deliver a total return of 3-5% pa above three-month GBP SONIA, gross of fees. The fund is priced monthly. The fund is open-ended and unlisted.

3.15. Absolute Return Bonds – Payden & Rygel

The Scheme invests in absolute return bonds through a pooled fund called the Payden Absolute Return Bond Fund. The objective of this fund is to achieve a return of 3% above local currency overnight deposit rates while seeking preservation of capital over a medium-term horizon. The fund is priced daily. The fund is open-ended and is listed on the Irish Stock Exchange.

3.16. Diversified Growth – Ruffer

The Scheme invests in diversified growth through a pooled fund called the LF Ruffer Absolute Return Fund. The objective of the fund is to achieve a return (after the deduction of fees) greater than the Bank of England Bank Rate and to preserve capital over twelve month rolling periods. The fund is priced weekly on a Wednesday and on the last business day of the month. The fund is an open-ended investment company (OEIC) registered in the UK.

3.17. Asset Backed Securities - Insight

The Scheme invests in asset backed securities through a pooled fund called the Insight High Grade ABS Fund. The objective of this fund is to produce an interest-rate based return by investing in a portfolio of asset-backed securities and corporate floating rate notes. The fund is benchmarked against 1-month GBP SONIA. The fund is priced daily. The fund is open-ended and is listed on the Irish Stock Exchange.

3.18. Buy & Maintain Credit - Axa Investment Managers

The Scheme invests in buy & maintain credit through a pooled fund called the Axa Sterling ACT Carbon Transition Sterling Buy & Maintain Credit Fund. The objective of this fund is to capture the beta of the sterling credit market and provide investors with a better risk-adjusted yield and superior returns to the market, over a full cycle. The fund also has an objective to keep its Weighted Average Carbon Intensity (WACI) lower than the fund's carbon emissions benchmark (which is based on an initial lower WACI than the reference universe, reducing further each year). The fund is benchmarked against the ICE Bank of America Merrill Lynch Sterling Non-Gilt Index. The fund is priced daily. The fund is open-ended and is listed.

4. Custodians

For the Scheme's investments, each investment manager is responsible for custody of the assets of their respective funds. The Trustee does not have a direct relationship with any of these custodians.

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