The Delphi Technologies Pension Scheme

Statement of Investment Principles

1. Introduction

1.1. This Statement of Investment Principles (the **"Statement"**), prepared by Delphi Technologies Pension Trustees Limited (the **"Trustee"**) as trustee of the Delphi Technologies Pension Scheme (the **"Scheme"**), sets out the principles and policies governing decisions about investments in relation to the Scheme's assets.

1.2. The Statement has been prepared to comply with Section 35 of the Pensions Act 1995 (the **"Pensions Act"**) (as amended by Section 244 of the Pensions Act 2004), Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 and the principles of the Myners Review of Institutional Investment.

1.3. The Scheme comprises a merger of The Delphi Diesel Systems Pension Scheme, Delphi Electronic Overseas Corporation Pension Plan and Delphi Lockheed Automotive Ltd Pension Plan. From 1 October 2015, there has been a fiduciary management agreement in place with Kempen Capital Management N.V. (the **"Fiduciary Management Agreement"** and **"Fiduciary Manager"**, respectively).

1.4. The Trustee has consulted the principal employer in relation to the Scheme, Delphi Powertrain Systems Management (the **"Company"**) before adopting the Statement. The Trustee has also received the advice required under Sections 35 and 36 of the Pensions Act from the Fiduciary Manager, which has confirmed to the Trustee that it has appropriate knowledge and experience of the management of the investments of occupational pension schemes established under trust.

1.5. The Trustee intends to review the Statement at least triennially or without delay if there is a significant change in the Scheme's investment policy or other circumstances (e.g. through the addition or removal of participating employers, a major change in the composition of the membership or the benefits, or a significant change in the funding level or in market conditions).

1.6. References in the Statement to investment vehicles include collective investment schemes, unit-linked life policies, open-ended investment companies and other vehicles for pooling the contributions of investors to allow them to be invested on a collective basis.

2. Nature of the Scheme

2.1. The Scheme is a registered pension scheme under the Finance Act 2004.

2.2. The Trust Deed and Rules set out the Scheme benefits in detail and specify the investment powers of the Trustee. These investment powers, and the relevant provisions of the Pensions Act, do not conflict with the content of the Statement.

2.3. The Scheme is of the defined benefit type where pensions are determined by earnings levels and length of service. The Scheme is contributory and provides retirement and dependents' pensions. The Scheme also provides benefits in the event of ill-health and death before and after retirement.

2.4. Subject to the funding and other requirements of Part 3 of the Pensions Act 2004, funding will be provided at a level agreed by the Trustee and the Company, taking into account regulatory guidance, as amended from time to time.

2.5. It is current policy for an asset liability study to be conducted on a triennial basis.

3. Investment Objective

3.1. Based on the Fiduciary Manager's advice, the Trustee adopted a return target that was in line with the expected return of the investment strategy. The agreed investment objective is:

3.1.1. to aim to outperform liability matching gilts by approximately 2.4% per annum; and

3.1.2. in order to achieve this, to take appropriate investment risks.

3.2. The Trustee is in the process of reviewing this objective.

4. Investment strategy

4.1. The strategy focuses on a diversified asset allocation and the hedging of key risks, including interest rate risk and currency risk.

4.2. It is anticipated that the strategy will be reviewed during 2020.

Asset allocation

4.3. The Trustee believes that it is important to invest in a diversified portfolio of assets to avoid an excessive concentration of risk in a limited number of asset classes. In addition, an adequate proportion of the Scheme's assets should be allocated to liability matching assets in order to provide a collateral base for the hedging of interest rate risk in the liabilities and currency risk in growth assets that are denominated in currencies other than pounds sterling.

4.4. For these reasons, the Trustee has adopted a policy to limit the concentration of risk in any individual asset class. These limits are specified in Table 1 below.

4.5. The Trustee is in the process of reviewing this allocation.

Table 1: Asset allocation limits

Portfolio/Asset Class	**Weight (%)**	**Bandwidth (%)**
Cash	2.0	
Liability Hedge	55.0	
Matching Portfolio	**57.0**	**50.0 – 64.0**
Developed Market Equities	9.5	
Investment Grade Credit	8.0	
Return Portfolio	**17.5**	**7.5 – 27.5**
Fund of Hedge Funds	9.0	
Infrastructure	7.5	
Private Debt	9.0	
Alternatives Portfolio	**25.5**	**15.5 – 35.5**

4.6. These limits will apply from 31 January 2020. In order to maintain proper diversification within the portfolio, the limits will be allowed to float during each calendar quarter and will be rebalanced to the limits shown in Table 1 as at the end of each calendar quarter.

4.7. If a limit is temporarily breached as a result of market movements or transactions then appropriate steps will be taken to rebalance the assets back to the asset allocation limits set out in the Table 1 as soon as reasonably practicable.

4.8. In the investment plan that the Trustee will adopt annually (see paragraph 5 below), the Trustee will determine how and to what extent it will delegate the positioning within these bandwidths to the Fiduciary Manager.

<u>Interest rate and inflation risk</u>

4.9. In order to manage this risk, the Trustee's policy is to hedge the nominal and real interest rate risk in the Scheme's funded liabilities within a tolerance range.

4.10. The Trustee's strategic policy is to hedge, to the extent reasonably practicable, the currency exposure of any non-sterling assets.

<u>Liquidity</u>

4.11. The Trustee, together with the Scheme's administrators and the Fiduciary Manager, will seek to ensure that the Scheme holds sufficient cash to meet the likely benefit outgo from time to time. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment strategy where possible.

5. Investment management

5.1. Whilst the Trustee is responsible for establishing and monitoring the Scheme's investment principles it has delegated the day-to-day operation of the investment funds to the Fiduciary Manager under the Fiduciary Management Agreement.

5.2. Matters covered in that agreement, and not in the Statement for commercial reasons, include how the Fiduciary Manager will be incentivised to make investment decisions in line with the Statement and based on assessments about the medium- to long-term performance of both debt and equity products. It also sets out the duration of the Fiduciary Management Agreement and how the Fiduciary Manager will be incentivised to engage with issuers of debt or equity with a view to improving performance.

5.3. In consultation with the Fiduciary Manager, the Trustee will establish annually an investment plan that specifies an investment benchmark and investment limits that are consistent with the investment strategy.

5.4. The Fiduciary Manager will be responsible for implementing and managing the investment of the assets in accordance with the investment plan. By managing the asset allocation and by selecting managers within each asset class in accordance with the investment plan, the Fiduciary Manager will seek to outperform the benchmark.

5.5. The Fiduciary Manager will realise units within the pooled investment vehicles or the assets in which the Scheme is invested in accordance with the terms of the Fiduciary Management Agreement.

5.6. The Fiduciary Manager will report quarterly on the movement of the Scheme's investments relative to the Scheme's liabilities, together with economic and market views and statistics as specified in the Fiduciary Management Agreement.

5.7. The Trustee will assess the quality of the performance and processes of the Fiduciary Manager at least annually and monitor compliance of the investment arrangements with this Statement on an ongoing basis.

6. Responsible Investment Policy and Voting Policy

6.1. The Trustee is aware of the effect that environment, social and governance (ESG) factors, including climate change, can have on the long-term performance of the Scheme's investments.

6.2. The Fiduciary Manager has published an engagement policy, setting out how it

6.3. integrates ESG factors into its process for selecting, retaining or realising investments and how it monitors fund managers and investment portfolios in this regard.

6.4. It has also published a separate climate change policy statement, setting out its approach to reducing the risks to long-term investments associated with climate change. The Fiduciary Manager is committed to being as transparent as possible about its activities in this area and reports key outcomes from its engagement in an annual responsible investment report.

6.5. In addition, the Fiduciary Manager uses a "Sector Avoidance Framework" which ensures exclusion of companies involved in the production, trade and maintenance of controversial weapons and also excludes companies involved with the production of tobacco. This includes exercising rights attaching to investments, including voting rights.

6.6. Non-financial matters, such as the views of members and beneficiaries on ethical issues, ESG impact and quality of life, will not be taken into account in respect of the Scheme's investment processes.

6.7. It is the Trustee's policy, in relation to its rights attaching to its interests in an investment vehicle, to exercise those rights to protect the value of the Scheme's interests in its investments, having regard to appropriate advice.

6.8. The Fiduciary Manager's policies referenced above, including its proxy voting policy, can be accessed on its website at: https://www.kempen.com/en/asset-management/responsible-investment.

7. Risk management

7.1. Risk can take a variety of forms. For example, the Trustee considers 'risk' to include:

7.1.1. the failure to pay benefits as and when they fall due;

7.1.2. the likelihood of failing to achieve either funding or investment objectives;

7.1.3. the failure of some investments;

7.1.4. risks associated with actions of the Fiduciary Manager and the managers selected by the Fiduciary Manager;

7.1.5. custody risk; and

7.1.6. insolvency risk of any bank with which the Scheme's cash is deposited or to which the Scheme has uncollateralised counterparty exposure.

7.2. The Trustee, in defining the investment strategy, has taken several steps to minimise and control these risks. Additional measures to minimise and control risks are provided for in the annual investment plan in the Fiduciary Management Agreement.

7.3. In terms of magnitude, the Trustee considers that asset-liability mismatch risk is one of the most important measures to control. Therefore, following an actuarial valuation, the Trustee conducts an asset/liability review which focuses on the impact of varying asset allocations on expected future funding levels. The Trustee considers the results using advanced modelling techniques and, with the assistance of expert advisors, is able to measure and quantify these results in terms of its definitions of risk. Consideration may also be given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions etc.) to further assess the potential risks associated with a particular investment strategy.

8. Additional Voluntary Contributions ("AVCs")

8.1. The preceding provisions of this Statement are modified in relation to the investment of AVCs in respect of Scheme members.

8.2. Members of the Scheme, who wish to do so, pay AVCs to the Scheme. The Trustee arranges for those contributions to be paid on to the AVC provider.

8.3. It is the Trustee's policy:

8.3.1. to give consideration to the organisation, array and quality of investment choices being offered, the investment performance of such vehicles, as well as the level of services being offered in relation to the charges;

8.3.2. to offer an adequate range of investment choices to meet different return and diversification objectives of members without overcomplicating the choices;

8.3.3. to review from time to time (and, in any event, at least once every five years) the continued suitability of each AVC provider and its AVC vehicles;

8.3.4. to consider the appropriateness of the expected return of the investment vehicles into which Scheme members have requested that their voluntary contributions be paid; and

8.3.5. that, in normal circumstances, AVC investments for a particular member are realised at the time when benefits to or in respect of that member become payable or a transfer value becomes payable.

8.4. However, if the Trustee judges that the AVC investments, or any of them, are no longer appropriate having regard to the requirements of Section 36 (Choosing Investments) of the Pensions Act, it is the Trustee's policy to consider whether it is appropriate to realise those investments.

8.5. The Trustee has entered into two arrangements with AVC providers to give members investment choice: a with-profits insurance contract with Prudential Assurance Company Limited and a unit-linked contract with Fidelity Insurance Limited.

8.6. In the ordinary course of events, the Trustee's policy is that the investment of AVCs in respect of Scheme members are to be realised in accordance with the instructions of the Scheme member in question or otherwise at or close to the time when the Scheme member's benefits become payable.

9. Choosing investments and Section 36 of the Pensions Act

9.1. As set out above, the Trustee has delegated the day-to-day investment

9.2. management in respect of the Scheme to the Fiduciary Manager. The majority of Scheme investments will therefore be made on behalf of the Trustee in accordance with the Fiduciary Management Agreement and in compliance with Section 36 (Choosing Investments) of the Pensions Act. If the Trustee chooses to make a direct investment in any investment product outside of the Fiduciary Management Agreement, it will obtain written advice from an appropriate advisor.

10. Fiduciary Manager remuneration and costs

10.1. The fees of the Fiduciary Manager, including the fees for Fund Managers and the Custodian, are determined in accordance with the terms of the Fiduciary Management Agreement. An annual summary of fees is provided to the Trustee each year and evaluated in light of investment performance and the principles set out in the Statement.

10.2. The Fiduciary Management Agreement also sets out how the Trustee will monitor the costs incurred by the Fiduciary Manager in buying, selling, lending or borrowing investments. For significant pieces of advice (for example large projects, such as asset liability modelling), the Trustee may agree a project fee.

10.3. All fees have been negotiated with the aim of providing the Scheme with value for money, within the context of the available marketplace for the required services and standard practice for the structure of those fees.

11. Transitional arrangements

11.1. The Statement is effective from 31 January 2020. The Trustee has agreed with the Fiduciary Manager that to the extent required, if any, the Fiduciary Manager will transition the investments to comply with the Statement as soon as reasonably practicable, taking into account market circumstances.

11.2. To the extent there is any conflict between the terms of the Fiduciary Management Agreement, in relation to transitioning from the existing investment position of the Scheme's assets to the position envisaged by the Statement, the Statement will be deemed to be modified to tie in with the Fiduciary Management Agreement.

12. Date for next review of the Statement

12.1. It is intended that the next review of the Statement by the Trustee will take place:

12.1.1. within three years from the effective date of this Statement or sooner; and

12.1.2. without delay after any significant change in investment policy. It is expected that the strategy will be reviewed and changed during 2020.

12.2. Adopted for the purposes of compliance with Section 35 of the Pensions Act 1995 with effect from 31 January 2020.

Signed.. Date 4th March 2020

for and on behalf of the Trustee of the
Delphi Technologies Pension Scheme