1. **Introduction**

Lear Corporation Pension Scheme Trustees Limited, the Trustee of the Lear Corporation UK Staff Pension Plan (“the Plan”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”), subsequent amendments and the Occupational Pension Scheme Investment Regulations 2005. The Trustee consults the Statement when making investment decisions to ensure that, where possible, the decisions made are consistent with the Statement.

As required under the Act, the Trustee has consulted a suitably qualified person in obtaining written advice from Mercer Limited (“Mercer”) which is regulated by the Financial Conduct Authority (“FCA”) in relation to investment services. In preparing this Statement the Trustee has consulted Lear Corporation (UK) Limited (“the Sponsoring Company”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan’s investment arrangements.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on expert advice, and is driven by its investment objectives as set out in Section 3.

The remaining elements of policy are part of the day-to-day management of the assets that is delegated to professional investment managers and described in Section 5.

2. **Process for Choosing Investments**

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk

In considering the appropriate investments for the Plan, the Trustee has adopted the principles outlined in this Statement and obtained and considered the written advice of Mercer whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. **Investment Objectives and Risk**

3.1 **Investment Objectives**

The Trustee’s main priority is to invest the Plan’s assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest with the Sponsoring Company, in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustee’s primary objectives are as follows:
To ensure that they can meet their obligations to the beneficiaries of the Plan.

To pay due regard to the Sponsoring Company’s interest in the size and incidence of contribution payments to maintain the Company’s support and to help remove any deficit that may arise.

The Trustee’s long term policy is to secure the Plan’s liabilities with an insurance company.

3.2 Risk

There are various risks to which any pension scheme is exposed, including the strength of the covenant of the sponsoring Company. The Trustee believes the risks set out below may be financially material to the Plan, and has therefore adopted various policies in order to manage these risks over the Plan’s anticipated lifetime;

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan’s assets and its liabilities, largely as a result of changes to long-term interest rates and inflation expectations. The Trustee aims to take these risks into account when setting in the investment strategy in order to minimise these risks where possible, whilst recognising the need to generate additional returns within the portfolio.

- The Trustee recognises that increasing expected returns over a long period tends to increase the risk of a shortfall in returns relative to that required to cover the Plan’s liabilities as well as producing more short-term volatility in the Plan’s funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk and balancing risk with the level of expected returns required.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the Plan’s assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The Trustee recognises that currency risk may also arise due to investment in overseas markets and looks to mitigate this through diversification across markets. Investments are also made in Sterling denominated funds where possible.

- The documents governing the investment manager’s appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The investment manager is prevented from investing in asset classes outside its mandate without the Trustee’s prior consent.

- Arrangements are in place to monitor the Plan’s investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, and to review the manager’s ability with regard to actively managed funds the Trustee meets with the Plan’s investment manager (usually on an annual basis) and receives reports from both the investment manager and Mercer. These reports include an analysis of the overall return, along with their component parts, to monitor the returns achieved relative to those expected.

- In order to mitigate counterparty risk for the Plan, the safe custody of the Plan’s assets is delegated to professional custodians (via the use of pooled vehicles).
• The Trustee recognises that the need for liquidity within the Plan’s investment strategy and therefore looks to invest in funds which are readily marketable. Where this is not the case, consideration is given to the overall liquidity of the Plan’s assets with the aim to ensure that there is sufficient liquidity to meet the Plan’s ongoing cashflow requirements.

• The risk that the returns of certain asset classes and sectors may be significantly affected by climate change. The Trustee takes climate risk into account in the selection, retention and realisation of the Plan’s investment managers.

Should there be a material change in the Plan’s circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

4. Investment Strategy

The Trustee regards the choice of asset allocation policy as the decision which has most influence on the likelihood that they will achieve their investment objectives. In deciding the asset allocation strategy, the Trustee takes advice from Mercer, as investment consultant to the Trustee, and makes decisions in consultation with the Sponsoring Company.

The table below shows the pooled funds the Plan invests in with their investment manager, the funds’ respective benchmarks and the long term target central benchmark allocation.

<table>
<thead>
<tr>
<th>Pooled Fund</th>
<th>Central Benchmark (%)</th>
<th>Control Range (+/- %)</th>
<th>Benchmark Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;G World Equity Index Fund</td>
<td>15.0</td>
<td>1.5</td>
<td>FTSE World Index</td>
</tr>
<tr>
<td>L&amp;G World Equity Index Fund - GBP Currency Hedged</td>
<td>15.0</td>
<td>1.5</td>
<td>FTSE World Index – GBP Hedged (with the exception of advanced emerging markets’ currencies)</td>
</tr>
<tr>
<td>L&amp;G Buy and Maintain Credit Fund</td>
<td>40.0</td>
<td>3.0</td>
<td>n/a</td>
</tr>
<tr>
<td>L&amp;G Over 15 Year Gilts Index Fund</td>
<td>10.0</td>
<td>1.5</td>
<td>FTSE Actuaries UK Conventional Gilts Over 15 Years Index</td>
</tr>
<tr>
<td>L&amp;G Over 15 Year Index-Linked Gilts Index Fund</td>
<td>20.0</td>
<td>2.0</td>
<td>FTSE Actuaries UK Index-Linked Gilts Over 15 Years Index</td>
</tr>
</tbody>
</table>

The investment/disinvestment of monies will be applied by Legal & General Investment Management Limited (“L&G”) to maintain the Plan’s asset allocation as possible to the central benchmark. On a weekly basis, should the investment/disinvestment of monies prove insufficient to maintain the Plan’s weightings within the control ranges, L&G will rebalance funds that have moved outside their control range back towards their central benchmark weighting, undertaking switches between the different funds as necessary such that the resulting distribution is as close as practicable to the central benchmark.
5. **Day-to-Day Management of the Assets**

5.1 **Main Assets**

The Trustee invests the main assets of the Plan in pooled funds operated by L&G. They are satisfied that the spread of assets by type and the investment manager’s policy on investing in individual securities within each type provides adequate diversification of investments.

The majority of the Plan’s assets are passively managed by L&G with the aim to track the Fund’s respective benchmarks. L&G manage the Plan’s corporate bond assets actively, albeit the Buy & Maintain Credit Fund aims to minimise portfolio turnover and is not managed to track or outperform a benchmark.

The size of the Plan’s assets is not sufficient to justify the costs of investment in segregated arrangements. The Trustee has therefore decided to use pooled investment funds for the foreseeable future.

5.2 **Investment Performance Benchmark**

The investment objective for the World Equity Index Fund (currency hedged and unhedged variants) is to track the benchmark index.

Although technically actively managed, the Buy & Maintain Global Credit Fund is benchmark agnostic. L&G’s objective is to invest in high quality bonds with the expectation to be held to maturity and only sold if significant downside risks appear. Furthermore, there is no defined tracking error for this fund.

The investment objective for both the Over 15 Years Index Fund and the Over 15 Years Index-Linked Fund is to track their respective benchmark indexes.

5.4 **Investment Restrictions**

As the Plan’s assets are invested in pooled funds, the investment restrictions applying to these pooled funds are determined by the investment manager and are detailed in L&G’s fund documentation.

5.5 **Buying and Selling Investments**

The Trustee has delegated the responsibility for buying and selling investments to the investment manager who has undertaken not to exceed the Trustee’s investment powers as set out in the Trust Deed. As already mentioned, the day to day activities which the investment manager carries out for the Plan are governed by the arrangements between the Trustee and the investment manager, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

5.6 **Realisation of Investments**

The investment manager has discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.
5.7 Monitoring the Investment Manager, Investment Consultant and Decision Making

The investment manager is appointed by the Trustee based on the strength of its capabilities and, therefore, the perceived likelihood of the manager achieving the expected return and risk characteristics required for the asset classes in which the Plan invests.

The Trustee will seek guidance from its investment consultant, where appropriate, on their forward looking assessment of a manager’s ability to deliver upon its stated objectives. This view will be based on the investment consultant’s assessment of the manager’s idea generation, portfolio construction, implementation and business management (amongst other things), in relation to the particular funds in which the Plan invests. Where available, the investment consultant’s manager research ratings assist with due diligence and decisions around selection, retention and realisation of manager appointments.

The Trustee will review an appointment if the investment objective for a manager’s fund changes to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives. As the Plan invests in pooled investment vehicles, the Trustee accepts that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustee receives investment manager performance reports produced on a quarterly basis, which present performance information over 3 months, 1 year and 3 years.

The Trustee reviews the absolute performance and relative performance against a suitable benchmark index (where appropriate). The Trustee’s focus is on long term performance, however they may review the appointment if:

- There are sustained periods of the manager failing to achieve its stated investment objectives.
- There is a change in the portfolio manager of a fund.
- There is a change in the underlying objectives of the fund.
- There is a significant change to the investment consultant’s rating of the manager.

The investment manager is remunerated by way of a fee calculated as a percentage of assets under management.

The Trustee does not actively monitor portfolio turnover costs. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask the manager to report on portfolio turnover cost.

The Trustee meets with the investment manager from time to time to review their actions together with the reasons for and background behind the investment performance. As noted above, the investment consultant assists the Trustee in fulfilling their responsibility for monitoring the investment manager.

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.
For open-ended funds, there is no set duration for the investment manager appointments. The Trustee will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy of the Trustee that no longer requires exposure to that asset class or manager.

- The manager appointed has been reviewed and the Trustee have decided to terminate the mandate.

5.8 Additional Assets

Assets in respect of members’ additional voluntary contributions are invested with Scottish Widows Fund & Life Assurance Society and Equitable Life Assurance Society.

The Trustee also maintains a bank account for small working cash balances.

6. Socially Responsible, Environmental and Ethical Investment and Corporate Governance

6.1 Environmental, Social and Corporate Governance (“ESG”), Stewardship, and Climate Change Beliefs

The Trustee believes that ESG factors have a material impact on investment risk and return outcomes (and so are considered to be financially material), and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

6.2 ESG, Stewardship, and Climate Change Policies

The assets of the Plan are invested in pooled vehicles and the Trustee accepts that pooled investments will be governed by the individual policies of the investment manager. These polices are reviewed as part of the consideration of pooled investments. As such, the Trustee has given their investment manager full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments in accordance with their own corporate governance policies, and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee increasingly considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Managers are expected to provide a summary of their ESG and stewardship policies and to comment on these issues as part of any meeting with the manager.

The Trustee will consider how the manager’s approach to ESG integration, climate change, and stewardship and responsible investment aligns with the Trustee’s policies when determining future investment strategy decisions including the selection, retention and realisation of manager appointments. The Trustee will ask the manager to comment on these areas when they meet them from time to time at Trustee meetings.

6.3 Member Views

Non-financial considerations, including member views are not explicitly taken into account in the selection, retention and realisation of investments at the current time.
6.4 Investment Restrictions

The Trustee has not set any investment restrictions on the appointed investment manager in relation to particular products or activities, but may reconsider this in future.

7. Advisors

7.1 Custodian

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment manager.

The investment manager rather than the Trustee is responsible for the appointment of the custodian of the assets contained within the various pooled fund investments.

7.2 Actuary

The Scheme Actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree the Company’s contribution rate.

7.3 Investment Consultant

Whilst the day-to-day management of the Plan’s assets is delegated to an investment manager, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers is based on advice received from the Investment Consultant. Mercer has been appointed for this purpose.

8. Fee Structures

8.1 Investment Manager

The investment manager levies fees based on a percentage of the value of the assets under management, as shown in the table below.

<table>
<thead>
<tr>
<th>Fund</th>
<th>% p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World Equity index Fund % p.a.</strong></td>
<td></td>
</tr>
<tr>
<td>For the first £5m</td>
<td>0.200</td>
</tr>
<tr>
<td>For the next £10m</td>
<td>0.175</td>
</tr>
<tr>
<td>For the next £35m</td>
<td>0.150</td>
</tr>
<tr>
<td>For any balance above £50m</td>
<td>0.125</td>
</tr>
<tr>
<td><strong>World Equity Index Fund GBP Hedged % p.a.</strong></td>
<td></td>
</tr>
<tr>
<td>For the first £5m</td>
<td>0.223</td>
</tr>
<tr>
<td>For the next £10m</td>
<td>0.198</td>
</tr>
<tr>
<td>For the next £35m</td>
<td>0.173</td>
</tr>
<tr>
<td>For any balance above £50m</td>
<td>0.148</td>
</tr>
<tr>
<td><strong>Buy &amp; Maintain Global Credit Fund % p.a.</strong></td>
<td></td>
</tr>
<tr>
<td>All assets</td>
<td>0.150</td>
</tr>
<tr>
<td><strong>Over 15 Year Gilt Index Fund % p.a.</strong></td>
<td></td>
</tr>
<tr>
<td>For the first £5m</td>
<td>0.100</td>
</tr>
<tr>
<td>For the next £5m</td>
<td>0.075</td>
</tr>
<tr>
<td>For the next £20m</td>
<td>0.050</td>
</tr>
</tbody>
</table>
For any balance above £30m 0.030

Over 15 Year Index-Linked Gilts Index Fund % p.a.

<table>
<thead>
<tr>
<th>For the first £5m</th>
<th>0.100</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the next £5m</td>
<td>0.075</td>
</tr>
<tr>
<td>For the next £20m</td>
<td>0.050</td>
</tr>
<tr>
<td>For any balance above £30m</td>
<td>0.030</td>
</tr>
</tbody>
</table>

* When calculating the fees payable for this fund, assets held by the Plan’s sister scheme, Guilford Europe Pension Scheme, are allowed for, with any resulting fee discount allocated proportionately across all funds.

8.2 Adviser’s Fees

The Scheme Actuary and the Investment Consultant typically work on the basis of time cost; however in certain circumstances a fixed fee will be agreed.

9. Compliance with this Statement

The Trustee will monitor compliance with this Statement on a regular basis.

10. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and Principal Employer, which it judges to have a bearing on the Statement. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Lear Corporation Pension Scheme Trustees Limited as Trustee of the Lear Corporation UK Staff Pension Plan

Signed: Cliff Powell

Signed: Delvinder Sehmar

September 2020