

The Currie Motors Retirement Benefit Plan

Statement of Investment Principles

7th Edition

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1. INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustee of The Currie Motors Retirement Benefit Plan ("the Plan") in accordance with Section 35 of the Pensions Act 1995, as amended and The Occupational Pension Schemes (Investment) Regulations 2005.

This document outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustee to ensure the effective implementation of these principles. This Statement also details the Trustee's compliance with the Myners Code of Best Practice.

In preparing this Statement, the Trustee has obtained and considered written advice from a suitably qualified individual and consulted with the Sponsoring Employer. The advice and consultation process considered the suitability of the Trustee's investment policy for the Plan.

2. INVESTMENT OBJECTIVES

The investment objectives of the Plan are to achieve an overall rate of return that will ensure:

- Sufficient resources are available to meet all liabilities as they fall due;
- Investment returns are maximised at an acceptable level of risk.

The Trustee will monitor the level of investment risk on an ongoing basis with a view to reducing it from time to time, such that, at any time, no more risk is taken than necessary to achieve the required investment returns.

The Trustee believes the investment objectives and the resultant investment strategy is consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

3. TRUSTEE

The Plan employs a professional Trustee from Ross Trustees Services Limited. Fees are paid for their services at what is believed to be the current market rate. The Trustee will manage and maintain the investment business plan including, but not limited to, the following tasks:

- the ongoing approval of the content of the Statement;
- the appointment and review of investment managers and investment advisers;
- the setting of objectives for the investment advisers and assessment against those objectives;
- the assessment and review of the performance of the investment managers on a regular basis;
- the setting and review of the investment parameters within which the investment managers can operate;
- the assessment of the risks assumed by the Plan at a global level as well as on a manager by manager basis;
- the approval and review of the asset allocation benchmark for the Plan;
- the compliance of the investment arrangements with those principles set out within the Statement.

The Trustee formally reviews the contents of the Statement following any significant change in investment policy or on not less than a triennial basis.

4. INVESTMENT ADVISER

The Trustee obtains advice as and when required. The Trustee's investment adviser is authorised and regulated by the Financial Conduct Authority ("FCA").

5. INVESTMENT MANAGERS

The Trustee has chosen Mobius Life Limited as the Plan's execution only investment platform provider to hold the funds detailed in appendix A and to help to streamline the Plan's investment administration.

The Trustee has delegated to the underlying fund managers the discretion over the day to day management of their funds, including short-term asset allocation and stock selection, within the confines of this Statement.

The Trustee, after considering appropriate investment advice, appointed Legal & General Investment Management, BNY Mellon Investment Management and Columbia Threadneedle Investments as the underlying investment managers to the Plan.

Mobius Life Limited and the underlying fund managers are authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

6. INVESTMENTS

6.1 Types of investments to be held

The Trustee utilises the following asset classes in order to enable them to meet the investment objectives of the Plan:

- UK equities;
- Overseas equities;
- Market driven diversified growth fund;
- Absolute return bonds;
- Liability Driven Investments;
- Insurance policies (bulk annuities); and
- Cash.

The Trustee reviews the Plan's investment strategy as and when further actuarial valuation results become available.

Derivatives are used only for efficient portfolio management purposes and to reduce specific investment risks faced by the Plan.

6.2 Use of bulk annuities

The Trustee considers bulk annuities to be a valuable investment option for achieving a high degree of matching between the Plan's investments and its liabilities. These are irrevocable contracts with a duly authorised insurance company, the payments from which exactly match the agreed benefits to be paid to those members for as long as they (and where relevant, their dependents) may live.

The Trustee holds policies issued by Just Group plc and ReAssure Life, and anticipates considering securing additional policies in the future, as and when financial circumstances permit.

6.3 Risk and Contingent Guarantee

The Trustee has chosen investment managers who hold a diversified portfolio of assets to reduce the stock specific risk faced by the Plan.

In the light of a funding shortfall, the Employer has offered to provide additional security to members' benefits. A freehold property owned by the Employer will provide security in this event.

6.4 Balance between different types of investment

The Trustee has delegated its investment managers the discretion over the day to day management of their funds, including short-term asset allocation and stock selection. There is no formal rebalancing procedure in place. Future contributions will be used to rebalance the overall Plan asset allocation in a pragmatic way.

6.5 Expected returns

The assets of the Plan are managed on both a passive and an active basis. The assets managed passively are expected to produce a return as close as possible to the respective benchmark index return for each market. The assets managed actively are expected to outperform their respective benchmarks over the longer term, and in targeting this level of outperformance the investment manager is also expected to limit the potential for underperformance. The benchmark and objective for each fund is detailed in Appendix A.

Overall, the absolute return achieved by the assets is expected to exceed the return required to fund the Plan's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation.

6.6 Realisation of investments

The majority of the Plan's assets are invested in quoted markets and are as readily realisable as the Trustee feels appropriate given the Cashflow/liquidity position of the Plan and the expected development of the Plan's liabilities, both of which are monitored by the Trustee as appropriate. The investment managers can be required to realise investments as soon as it becomes appropriate to do so.

6.7 Environmental, Social and Governance ("ESG")

The Trustee believes that their primary responsibility is to invest the Plan's assets for the longer-term financial best interests of the Plan's members, as reflected by the Trustee's strategic investment objectives described above (including the Plan's investment time horizon).

The Trustee believes that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Plan. Having considered the views of Trustee Directors, the Trustee has resolved that ESG should form part of any investment manager's investment selection and ongoing involvement regarding the portfolio.

The Plan's investment funds are chosen to aim to achieve the Plan's strategic investment objectives, with consideration given to ESG factors over the Plan's investment time horizon when these fund choices are both made and reviewed from time-to-time. The Trustee is aware of and regularly monitors the Plan's investment time horizon. The Trustee is able to take a long-term view of the Plan's investments when assessing managers' performance and/or asset allocation.

The Plan's investment funds are deliberately and consciously chosen to align with the Plan's strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Plan's investment funds are taken into account to ensure that these are also consistent

with the Plan's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

A key element of the selection of the Plan's investment funds is the Trustee's assessment of the likelihood of each investment fund achieving its performance target over the medium/long term and on a sustainable basis, which is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long term performance on financial measures.

An important part of each investment fund's ability to invest sustainably is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance.

The Trustee measures and monitors the performance versus target of all their investment funds on an after-fees basis, where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered further. The portfolio turnover costs will be part of the after-fees fund performance and are therefore reflected in that figure.

The Trustee's intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustee believes that an investment fund can no longer achieve its performance target, and believes that it is in the Plan's best interests to make a change, they will do so.

The Trustee periodically obtains and reviews the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustee will challenge the investment manager on their policies. Should the Trustee be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Plan's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustee's expectations with regard to ESG and Stewardship policy.

With respect to the bulk annuity policies, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately, delegated to the insurers, whose policies in this regard may differ from those of the Trustee and from each other.

When making investment decisions, the Trustee does not explicitly take into account the views of the Plan's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Plan's beneficiaries.

6.8 Non-Financial Considerations

The Trustee only considers factors that are expected to have a financial impact on the Plan's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

6.9 Corporate Governance and Voting Policy

The Trustee has concluded that the decision on how to exercise voting rights should be left with their investment managers who will exercise this right in accordance with their respective published corporate governance policies. These policies are provided to the Trustee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Plan's advantage.

Where the Trustee is specifically invited to vote on a matter relating to a policy or contract held with the Plan's investment managers, the Trustee will exercise their right in accordance with what they believe to be in the best interests of the majority of the Plan's membership.

6.10 Stewardship

The Trustee will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the members of the Plan. If the Trustee has any concerns, they will raise them with the investment manager, verbally or in writing.

7. MONITORING OF INVESTMENT MANAGERS

The Trustee reviews the performance of the funds against the relevant benchmarks on a regular basis.

The Trustee requires investment managers to report on the turnover of securities within invested portfolios and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable, taking account of the nature of the fund concerned.

8. CODE OF BEST PRACTICE

The Trustee notes that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustee is aware of this guidance (and subsequent revisions) and is satisfied that the investment approach adopted by the Plan is consistent with the guidance so far as it is appropriate to the Plan's circumstances.

The Trustee meets with its investment adviser as and when required, however the Trustee continually monitor developments, in relation to the Plan's circumstances and in relation to evolving guidance, and will revise the Plan's investment approach if considered appropriate.

9. COMPLIANCE

The Plan's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Plan's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plan's investment managers, the Plan's Auditor and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on 8 November 2023.

Signed by Roger Mattingly

Date 8 November 2023

For and on behalf of the Trustee of the Currie Motors Retirement Benefit Plan

APPENDIX A

Investment Manager Information (excluding bulk annuity policies)

The Trustee has chosen Mobius Life Limited as the Plan's execution only investment platform provider to hold the funds listed below and to help to streamline the Plan's investment administration. Mobius Life Limited is authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

The table below shows the details of the underlying investments:

Fund	Benchmark	Objective	Contact	Annual Management Fees*
LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged	Composite of 30/70 distribution between UK and overseas, 75% GBP Hedged	To invest in index-tracking funds to provide diversified exposure to the UK (30%) and Overseas equity markets (70%)	Insurance policy written by Mobius Life Limited	0.09% p.a.
LGIM Diversified Fund	FTSE Developed World Index – 50% GBP Hedged	To provide long-term investment growth through exposure to a diversified range of asset classes.	Insurance policy written by Mobius Life Limited	0.28% p.a.
BNY Mellon Global Dynamic Bond Fund	1 Month GBP LIBOR + 2% pa	To maximise the total return from income and capital growth from a global diversified portfolio of higher yielding corporate and government fixed interest securities.	Insurance policy written by Mobius Life Limited	0.35% p.a.
Columbia Threadneedle Dynamic Nominal LDI Fund	No formal benchmark	To track a set of liability cash flows resembling a typical defined benefit pension scheme with no inflation sensitivity	Insurance policy written by Mobius Life Limited	0.27% p.a.
Columbia Threadneedle Dynamic Real LDI Fund	No formal benchmark	To track a set of liability cash flows resembling a typical defined benefit pension scheme with 100% inflation sensitivity	Insurance policy written by Mobius Life Limited	0.27% p.a.

* Excludes the Mobius platform fee

APPENDIX B

Strategic asset allocation and cashflow policy

In 2015 the Trustee secured a bulk annuity policy with Just Group to cover the majority of pensions in payment. As at 5 April 2022 this insurance policy represented approximately 30% of the Plan's total assets.

The information below relates to the Plan's other, pooled invested assets.

Asset class	Fund	Management Style	Strategic Allocation
Global Equity	LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged	Passive	45%
Market driven diversified growth	LGIM Diversified Fund	Passive	23%
Absolute return bonds	BNY Mellon Global Dynamic Bond Fund	Active	10%
Liability driven investments	Columbia Threadneedle Dynamic Nominal LDI Fund	Mechanistic	22%*
Liability driven investments	Columbia Threadneedle Dynamic Real LDI Fund	Mechanistic	

* Indicative, and subject to market conditions

The Trustee has agreed that any cash flows for investment/disinvestment (including for LDI leverage rebalancing events) will be directed towards and taken from the Global Dynamic Bond Fund. Should the Global Dynamic Bond Fund become exhausted, disinvestments will be taken from the LGIM Diversified Fund. The Trustee may decide to change this investment/disinvestment cash flow policy and/or rebalance the asset allocation from time-to-time, subject to receiving the required written investment advice.

The LDI funds employ leverage (ie, the level of protection provided against changes in longer-term interest rate/inflation expectations is greater than the amount invested). Should the leverage within one of the LDI funds deviate substantially from the target leverage level, Columbia Threadneedle will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested for, or released from, the LDI funds. The Trustee has established a default investment/disinvestment cash flow policy for these LDI leverage rebalancing events (see above).

The strategic asset allocations to LDI are likely to fluctuate over time, possibly significantly, due to the combination of changes in financial market conditions and the leverage within the funds. Crucially, it is the hedge ratios that drive the size of the LDI allocations, not the other way around, as the LDI allocations are whatever is needed to achieve the desired hedge ratios. These are therefore shown as indicative in the above table.

The Real Dynamic LDI Fund provides protection against changes in both longer-term interest rates and longer-term inflation expectations. The Nominal Dynamic LDI Fund provides protection against changes in longer-term interest rates only. The management style of the LDI funds is described as "mechanistic" because whilst the LDI funds actively switch between different gilts/swaps according to an algorithm as the relative yield differences change, the investment manager maintains the same hedge ratio and is not actively taking views on the future direction of markets.

The Trustee acknowledges that fluctuating market conditions make it inevitable that the Plan's investments are unlikely to be exactly in line with the strategic allocations noted above at any particular time, and indeed, at times of exceptional market volatility, the deviations may be significant. Moreover, the Plan's hedge ratios are likely to fluctuate from time to time. The Trustee monitors the position on an ongoing basis, and will take steps as it deems necessary to correct deviations; alternatively, the Trustee may allow them to continue if it deems this prudent; for example, pending further analysis, etc., or to avoid excessive trading costs.

Review Mechanism

The Trustee has adopted a framework for implementing a progressive reduction in investment risk within the Plan. Under this framework the Trustee, in consultation with the Employer, will consider whether to switch pre-agreed proportions of Plan assets between the funds as and when the Technical Provisions funding level reaches certain pre-defined levels.

The purpose of this mechanism is to create an objective mechanism for aiding decisions about timing of the reduction in investment risk within the Plan in stages, and potentially to take advantage of shorter-term volatility in financial markets, whilst staying true to the Scheme's longer-term strategic and funding goals. The details of this framework (i.e., the proposed amounts to be bought/sold and the associated funding levels) are set out below.

There is no formal ongoing monitoring of the funding level for these purposes, but the Trustee plans to respond to opportunities in a timely manner if and when they may be identified.

	Strategic Asset Allocation (excluding bulk annuity policies)							
	Starting asset allocation at 31 January 2023	After trigger 1	After trigger 2	After trigger 3	After trigger 4	After trigger 5	After trigger 6	After trigger 6 (Target allocation)
Indicative time frame		1 year: Jan 2024	2 years: Jan 2025	3 years: Jan 2026	4 years: Jan 2027	5 years: Jan 2028	6 years: Jan 2029	7 years: Jan 2030
Technical provisions funding level* reaches:	56%	63%	70%	77%	83%	89%	95%	100%
LGIM Global Equities	45%	40%	35%	30%	15%	0%	0%	0%
LGIM Dynamic Diversified	23%	23%	19%	15%	8%	0%	0%	0%
BNYM Global Dynamic Bond	10%	15%	15%	17%	21%	24%	10%	10%
LDI	22%	22%	21%	20%	17%	12%	8%	5%
Gilts	-	-	10%	18%	39%	64%	82%	85%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Interest rate hedge ratio target	43%	50%	60%	70%	80%	90%	100%	100%
Inflation hedge ratio target	53%	53%	60%	70%	80%	90%	100%	100%
Estimated expected return p.a. over gilts	4.1%	4.0%	3.6%	3.2%	2.1%	0.9%	0.3%	0.3%
Estimated asset amount (£m) switched per trigger (total = c. £14.4m):		500,000	1,200,000	1,300,000	3,600,000	4,300,000	3,000,000	500,000
Estimated reduction (£m) in technical provisions deficit per trigger (total = £7.5m):		1,200,000	1,200,000	1,200,000	1,000,000	1,000,000	1,000,000	900,000