Aston Martin Lagonda Limited Pension Scheme

Statement of Investment Principles

April 2022

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1. Introduction

1.1 Scheme Background

- This Statement of Investment Principles (the "Statement") details the principles governing investment decisions for the Aston Martin Lagonda Limited Pension Scheme (the "Scheme").
- The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries.
- The Scheme provides benefits calculated on a defined benefit basis.
- Buck Consultants (Administration and Investment) Limited ("Buck") are investment consultants to the Trustee Directors (the "Trustees").

1.2 Statement Structure

This Statement is divided into two main sections as follows:

- **Statutory Section**: This section covers the requirements of and the Scheme's compliance with the provisions of the Pensions Act 1995 and 2004.
- **Myners Section**: This section includes additional non-statutory information that was recommended by the Myners Principles and are now included in a strengthened Statement.

2. Statutory Information

2.1 Introduction

- This section of the Statement covers the requirements of the Pensions Acts 1995 and 2004 as amended by the Occupational Pensions Scheme (Investment) Regulations 2005. In accordance with section 35 of the Pensions Act 1995, the Trustees will review this Statement, in consultation with the investment consultant, the actuary and the sponsoring employer, at least once every three years, or more frequently if there are any significant changes in the Scheme's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

2.2 Statutory Requirements

- This part of the Statement details the Trustees' policy to secure compliance with the requirements of sections 35 and 36 of the Pensions Act 1995 and Sections 244-246 of the Pensions Act 2004.

- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustees have taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustees' approach to investment matters within the AVC arrangements is included within this statement.

2.2.1 Responsibilities and appointments

- Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this Statement.

2.2.2 Consultation

- In accordance with the Act, the Trustees have obtained and considered written advice from the investment consultant prior to the preparation (or revision) of this SIP and have consulted the Sponsoring Employer. However, it should be noted that neither the Trustees nor any investment manager to whom they have delegated any discretion to make decisions about investments shall require the consent of the Sponsoring Employer to exercise any investment power.

2.2.3 History and Review

- The Trustees will review this Statement at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this Statement will be given to the Scheme Actuary and will be made available to Scheme members on request and online on a publicly available website.

2.2.4 Investment Objectives and Suitability of Investments

- In constructing the investment strategy for the Scheme, the Trustees have taken advice from the investment consultant and actuary, taking due account of the Scheme's liabilities, assets and agreed funding plan.

- The investment strategy of the Scheme is reviewed on a regular basis, and at minimum on a triennial basis to coincide with actuarial valuations. The last full review was completed in 2020. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

- The primary objectives of the Trustees are:
  - To provide appropriate security for all beneficiaries.
  - To achieve long-term growth sufficient to finance any pension increases and ensure the residual cost is held at a reasonable level.

- The Trustees have translated their objectives into a suitable investment strategy, details of which are included in the appendix.

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to day investment management decisions has been delegated to investment managers authorised under the Act.

- The Trustees consider the Scheme's current strategic asset allocation to be consistent with the current financial position of the Scheme. This assessment will be updated once the 2023 actuarial valuation has been completed.

2.2.5 Diversification

- The Trustees, after seeking appropriate investment advice, have selected a suitably diversified investment strategy.

- Subject to their respective benchmarks and guidelines, the managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Scheme, the Trustees have decided to invest on a pooled fund basis; any such investment is affected through a direct agreement with an investment manager and/or through an insurance contract.

- The Trustees are satisfied that the range of pooled vehicles in which the Scheme's assets are invested provides appropriate diversification.

2.2.6 Balance between different kinds of investments

- The kind of investments held and the balance between them has been determined based on the overall investment and funding objectives. Further details are provided in Appendix 1.

2.2.7 Risk

- Investment policies are set with the aim of achieving an excess of the value of the assets over the value placed upon the liabilities of the Scheme, and of the need to avoid undue volatility of contribution rates. In determining their investment strategy, the Trustees received advice from their investment consultant on strategies with differing levels of investment risk relative to the Scheme's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 has been adopted.

- Each fund in which the Scheme invests has a stated performance objective by which investment performance will be measured. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

2.2.8 Expected return on investments

- The investment strategy is expected to deliver, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach / maintain a fully funded status under the agreed assumptions.

2.2.9 Kind of investments to be held

- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, corporate bonds, cash, private debt and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

- The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being: Security (or quality) of the investment, Yield (expected long-term return), Spread (or volatility) of returns, Term (or duration) of the investment, Exchange rate risk, Marketability/liquidity (i.e. the tradability on regulated markets), and Taxation.

- The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Scheme. The Scheme invests in pooled funds, including other collective investment vehicles.

2.2.10 Realisation of investments

- Before appointing any investment manager the Trustees consider how quickly the investments could be sold as and when required and the extent to which the time frames could extend in times of market stress. The suitability of the investment is then considered taking into account the overall portfolio liquidity requirements.

- The majority of the current assets are not expected to take an undue time to liquidate.

- The Trustees monitor the ongoing cashflow needs, liaising regularly with the Scheme administrator and investment consultant to retain sufficient cash in the Trustees' bank account.

2.2.11 Financially material considerations

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

- The Trustees have been provided with the investment managers' policies in respect of financially material considerations and are satisfied that they are consistent with the above approach.

- The Trustees will take into account the managers' ESG policies when appointing and reviewing investment managers.

2.2.12 Non-financial matters

- The financial interests of the Scheme members are the Trustees' first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

2.2.13 Stewardship in relation to the Scheme's assets

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their investment managers.

2.2.14 Engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

2.2.15 Investment Managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies

- The Trustees have delegated the day to day management of the Scheme's assets to investment managers. The majority of the Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

- The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

- The Trustees also expect their investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

How the method (and time horizon) of the evaluation of the investment manager’s performance and the remuneration for asset management services are in line with the Trustees’ investment policies

- The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

- If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees’ policies, they will make their concerns known to the investment manager and may ultimately disinvest.

- The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

- Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

- The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Scheme.

- The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

- The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees’ policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

- The Trustees have entered into a long-term agreement with each of their private debt managers.

2.2.16 Voting Rights

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the investment managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing investment managers.

2.2.17 Additional Voluntary Contributions (AVCs)

- AVCs are currently invested with Prudential and Utmost Life and Pensions.
- New contributions may be placed with Prudential, the other option is closed to new investment.
- The Trustees will monitor the performance of AVC providers and report to the membership annually in the Annual Report to members.
- Members are recommended to seek independent financial advice when considering whether to enter into an AVC arrangement.

3. Myners Principles

The original Myners review of "Institutional Investing in the UK" included a set of Principles that pension plan trustees were recommended to use when considering their investment strategy.

The Myners Principles were subsequently reviewed in October 2008; the explicit requirement to include certain items in a Statement was removed and replaced with a requirement for Trustees to act in a transparent and responsible manner. By making the following statements the Trustees believe that they are complying with the spirit of these principles.

3.1 Responsible ownership

Details of the responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments are included in Section 2.2.16.

3.2 Transparency & reporting

The Trustees have discretion over the form of reporting they wish to undertake. This Statement provides the following details of the Trustees' investment approach:

- Who is taking which decisions and why has the structure been selected?

Details of the Trustees' decision making structure are included in Section 2.1.

- What is the Trustees' investment objective?

Details of the Trustees' investment objective are included in Section 2.2.4.

- What is the Trustees' asset allocation strategy, including projected investment returns in each asset class, and how has the strategy been selected?

Details of the Trustees' asset allocation strategy are included in Appendix 1. The strategy was determined after taking advice from the investment consultant and consultation with the Sponsoring Employer and the Scheme Actuary.

- What are the mandates given to all advisers and investment managers?

The responsibilities of the Trustees, the investment consultant and the investment managers are outlined in Section 3.3.

- What is the nature of the fee structures in place for all advisers and managers and why have these set of structures been selected?

The Trustees have discussed and agreed these fees following consultation with their advisers, where appropriate, and believe they are reasonable for the services they receive. The investment manager fees are typically calculated as a percentage of assets under management whilst the investment consultant's fees are fixed fees for contracted services (and time cost charges in rare events when services are not covered under contract).

3.3 Appointments & Responsibilities

3.3.1 Trustees

The Trustees' primary responsibilities include:

- Preparation of the Statement of Investment Principles and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Sponsoring Employer, investment consultant and actuary, at least every three years or more frequently if there has been a significant change in investment policy.

- Appointing investment managers, investment consultants and actuaries as necessary for the good stewardship of the Scheme.

- Reviewing the investment strategy following the results of each actuarial review, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, in consultation with the investment consultant and actuary.

- Assessing the performance and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information, in consultation with the investment consultant.

- Monitoring compliance of the investment arrangements with this Statement on a regular basis.

- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.

- An Investment Sub-Committee ("ISC") has been established to facilitate investment decision making for the Scheme. The ISC will meet regularly to discuss investment related matters and will make recommendations to the main Trustee board. The main Trustee board remain responsible for investment decisions.

- The ISC will also be responsible for considering advice from the investment advisor regarding cash flow management and rebalancing.

3.3.2 Investment Consultant

The Trustees' investment consultant is Buck, their main responsibilities include:

- To assist the Trustees in the preparation and annual review of this Statement in consultation with the sponsoring employer and the actuary.

- Undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of investment managers.
- Advising the Trustees regarding cash flow management and rebalancing.

3.3.3 Investment Managers

The investment managers' main responsibilities include:

- To ensure that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.
- Providing the Trustees with quarterly reports including a review of the investment performance and any changes to their investment process.
- To attend meetings with the Trustees as and when required.
- To inform the Trustees of any changes in the internal performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.
- To exercise voting rights on share holdings in accordance with their general policy.

3.3.4 Custodian

- The custodianship arrangements are those operated by the investment managers for all clients investing in their pooled funds. The investment managers are expected to provide a statement of the security of the underlying assets annually.

3.3.5 Administrators

- The Scheme's pension administrator is Buck.

3.3.6 Actuary

The actuary's main responsibilities include:

- Performing the triennial (or more frequently as required) valuations and advising on the appropriate level of contributions and the Scheme's funding level in order to aid the Trustees in balancing short-term and long-term objectives.
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall.
- The actuary is Vishal Makkar of Buck.

3.3.7 Performance Monitoring

- The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

- The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly performance report. The investment managers will also report orally on request to the Trustees.

- The investment managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

- Each of the funds in which the Scheme invests has a stated performance objective by which the performance is measured.

- The Trustees receive an independent investment performance monitoring report from the investment consultant on a quarterly basis.

- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

Appendix – Investment strategy

Initial investment strategy

The Trustees' investment strategy is set out in the below table. Further information is set out in the Investment Implementation Document dated April 2022. The Trustees have chosen a cashflow-centred investment strategy for investing the Scheme's assets. This means that over time the strategic asset allocations are likely to change and, as such, this document will be updated accordingly as and when this happens.

Portfolio Type	Asset Class	Initial Allocation (%)
Return-enhancing portfolio	Global Equities	10.0
	Private Debt	12.0
Total Return-enhancing		**22.0**
Risk-reducing portfolio	Liability Driven Investments / Cash	48.0
	Corporate Bonds	13.0
	Asset Backed Securities	11.0
	Absolute Return Bonds	6.0
Total Risk-reducing		**78.0**