

SME CENTRALISED PENSION SCHEME:

H BOWERS

JOHN F HUTCHINGS

KEITH MOTORS

PERTWEE & BACK

STATEMENT OF INVESTMENT PRINCIPLES

DECEMBER 2025

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1 INTRODUCTION

This Statement of Investment Principles (the “Statement”) has been prepared by Vidett Trust Corporation Limited (the “Trustee”), in its capacity as Trustee of the SME Centralised Pension Scheme (containing the following Sections: H Bowers; John F Hutchings; Keith Motors and Pertwee & Back) (the “Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- previously obtained and considered written advice from a suitably qualified individual, employed by its investment adviser, Mercer Limited (“Mercer”), whom it believes to have a degree of knowledge and experience that is appropriate for the management of its investments; and
- consulted with the Sponsoring Employers, although the Trustee affirms that no aspect of the strategy is restricted by any requirement to obtain the consent of any of the Sponsoring Employers.

The previously given advice and the consultation process considered the suitability of the Trustee’s investment policy for the Scheme.

The Scheme has four remaining Sections: the H Bowers Section, the John F Hutchings Section, the Keith Motors Section and the Pertwee & Back Section. The assets and liabilities of each of these Sections are kept separate from each other within the Scheme. This separation of the assets and liabilities of the Sections is governed by the Scheme rules.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy for any of the Sections. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employers as appropriate.

2 INVESTMENT OBJECTIVES

John F Hutchings (JFH) Section

In order for the Trustee to ensure that it can meet its obligations to the beneficiaries both in the short and long-term without recourse to the Sponsoring Employer, the Trustee has entered into a buy-in arrangement, or Bulk Purchase Annuity (“BPA”), with Just Group Plc (“Just”).

The policy has not been structured with expected return in mind, but instead aims to exactly match the benefit obligations of the JFH Section of the Scheme.

H Bowers, Keith Motors and Pertwee & Back Sections

The Trustee’s primary investment objective for each Section is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of that Section.

The Trustee has received confirmation from the Scheme Actuary during the process of revising the investment strategy so that the resultant investment strategy for the H Bowers’ Section is consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

The Scheme Actuary has advised that for the Keith Motors and Pertwee & Back Sections, while the strategies implemented would not support the current Technical Provisions assumptions, that is of secondary concern in the scenario where an insurance transaction is scheduled. In the event that the proposed insurance transaction does not take place, further advice on both funding and investment will be required in conjunction with an understanding of the relevant Sponsoring Employer’s covenant.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives. It carries out its duties and fulfils its responsibilities as a single body.

The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of this Statement
- The appointment and review of the investment manager and investment adviser
- The assessment and review of the performance of the investment manager
- The assessment of the risks assumed by the Scheme at a Section level and manager level
- The approval and review of the asset allocation benchmark for each Section of the Scheme
- The compliance of the investment arrangements with the principles set out in this Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustee requires it, as well as raises any investment-related issues it believes the Trustee should be aware of.

With the JFH Section of the Scheme securing a BPA as described in this Statement, there are expected to be few further investment advice requirements, other than in relation to ongoing governance.

Matters on which Mercer, on request, expects to provide advice to the Trustee include the following:

- Participating with the Trustee in review of this Statement
- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Liaising with Mercer's manager research team ("MMRT") to determine funds and the investment manager(s) that are suitable to meet the Trustee's objectives
- Advising on cashflow management (investment and disinvestment) policies (see Appendix 2)

The Trustee may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, it recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustee regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustee monitors the performance of the Scheme's investment manager against their benchmarks, through quarterly performance reports produced by Phoenix.

Mercer makes a fund based charge which covers the services specified within the Investment Consultancy Services Agreement ("ICA"). Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustee is satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENTS WITH THE INVESTMENT MANAGER

JFH Section

The Trustee, after considering appropriate investment advice, has entered into a BPA with Just. Just has underwritten the JFH Section of the Scheme's liabilities, and will therefore invest in such a manner to ensure that the liabilities will be paid when they fall due.

The Trustee paid an initial premium to Just in September 2024, with a final reconciliation premium being paid in accordance with the BPA. There are no ongoing fees or performance related fees in respect of the policy.

Just is authorised and regulated by the Prudential Regulation Authority ("PRA"), regulated by the FCA and adheres to Solvency II Capital Requirements regulation.

The primary responsibility of Just is to ensure that the correct amount as specified under the BPA is paid to the members of the JFH Section of the Scheme.

As there are no appointed investment managers, the Trustee does not currently need to consider how manager appointments are aligned with investment strategy, how managers are incentivised to consider long-term financial and non-financial performance, how managers are evaluated and remunerated, portfolio turnover costs, or manager turnover.

H Bowers, Keith Motors and Pertwee & Back Sections

The Trustee, after considering appropriate investment advice, has appointed Legal & General Investment Management ("L&G") as the Scheme's investment manager to manage the Scheme's assets for the H Bowers, Keith Motors and Pertwee & Back Sections. The assets are held on the Phoenix investment platform.

The Trustee only invests in pooled investment vehicles. Therefore, the Trustee accepts that it cannot specify the risk profile and return targets of the manager's funds, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis. If the manager is significantly downgraded by MMRT, the investment adviser will advise the Trustee, and it may replace that manager with a suitable alternative.

The investment manager is responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment manager is responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The investment manager engaged by the Trustee is authorised and regulated by the PRA, the FCA or both.

The investment manager is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of each Section of the Scheme.

The manager in whom the Scheme's assets are invested does not have performance-based fees, which could otherwise encourage short-term investment decisions aimed at meeting profit targets.

The Trustee therefore considers that the method of remunerating the investment manager is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment manager to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee accepts that it cannot influence the charging structure of the pooled funds in which each Section of the Scheme is invested in but is satisfied that the ad-valorem charges for the different funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this is the most appropriate basis for remunerating the investment manager and is consistent with the Trustee's policies as set out in this Statement.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Scheme's administrators, so far as they relate to the Scheme's investments, is set out at Appendix 3.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustee has determined the investment strategy for each Section after considering that Section's liability profile and requirements of the Statutory Funding Objective, the Trustee's appetite for risk, the relevant Sponsoring Employer's appetite for risk, and the strength of the relevant Sponsoring Employer's covenant. The Trustee received written advice from its investment adviser.

JFH Section

The Trustee has determined the investment strategy, a BPA, after considering its own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustee has also received written advice from its investment adviser.

Under the contract, Just will provide payments to the members of the JFH Section of the Scheme in line with the benefits promised under the BPA agreement.

The rationale for this approach is to secure the benefits of the JFH Section of the Scheme and ensure that all benefits will be met whilst removing the risk of any shortfall in benefits, which could occur if the Sponsoring Employer ever became insolvent or was no longer able to support the JFH Section of the Scheme.

Currently the BPA is a 'Buy-In', which means that it remains a Scheme investment and Just has taken responsibility for paying the benefits as specified in the BPA agreement.

It is intended that in due course, the individual policies will be assigned to the members of the JFH Section of the Scheme and the responsibility for paying the pensions of the JFH Section will be fully transferred to Just.

H Bowers, Keith Motors and Pertwee & Back Sections

The basis of the Trustee's strategy is to divide the assets (where appropriate) between those seeking long-term growth ("growth" portfolio) and those looking to provide protection against the changing value placed on the liabilities ("hedging" portfolio). The allocations are also set with regard to the overall required return objective on each Section's assets, which is determined by the funding objective and current funding level. Thus, the Trustee regards the basic distribution of the assets to be appropriate for each Section's objectives and liability profile.

The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where considered appropriate, the Trustee has invested in funds which provide diversification across a variety of asset classes.

Taking all of these factors into consideration, the Trustee has established a benchmark allocation for each asset class for each Section, which is set out in Appendix 1.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has set out its approach in Appendix 2.

4.2 INVESTMENT DECISIONS

The Trustee distinguishes between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of each Section of the Scheme.

The Trustee takes all such decisions themselves. It does so after receiving written advice from its investment adviser and consulting with the relevant Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and hedging portfolios
- Determining the allocation to asset classes within these portfolios
- Determining each Section's benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class. These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Tactical investment decisions are no longer relevant for the JFH Section, given that a BPA has been secured.

Stock Selection Decisions

All such decisions are the responsibility of the investment manager of the pooled funds in which each Section of the Scheme is invested in.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustee is permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth funds (DGF's)
- Liability driven investment
- Cash
- BPA

As noted previously for the JFH Section, the Trustee's investment is the BPA with Just.

Just is responsible for making payments to the JFH Section of the Scheme as set out in the BPA agreement. Just solely determines the underlying asset allocation backing the BPA. The Trustee has no responsibility for setting the underlying asset allocation.

All of the funds in which each of the remaining sections of the Scheme invests are pooled and unitised. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

4.4 FINANCIAL CONSIDERATIONS

JFH Section

The Trustee has secured a BPA and is working towards the wind up of the JFH Section of the Scheme. The lifetime of this Section is therefore expected to be very short and the Trustee is satisfied that it is appropriate not to embed environmental, social and governance (“ESG”) considerations into the Scheme’s investment strategy.

H Bowers, Keith Motors and Pertwee & Back Sections

In setting the investment strategy, the Trustee has prioritised assets which provide protection against the changing value placed on the Scheme’s liabilities and also assets which provide long-term growth and considers the financially significant benefits of these factors to be paramount.

The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to ESG factors.

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process. The Trustee carefully deliberated upon a wide range of factors to establish the stewardship priorities for the Scheme. After thorough consideration, the Trustee determined that the primary focus should be on Climate Action, Environmental Pollution, and Good Board Governance. These priorities will be regularly reviewed to ensure that the Scheme’s objectives are being effectively aligned with the actions taken by the manager. Additionally, this evaluation enables the Trustee to assess the suitability of investments in relation to these priorities.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

As noted earlier, the Scheme’s assets are invested in pooled funds. The Trustee accepts the fact that it has very limited ability to influence the ESG policies and practices of the companies in which its manager invests. The Trustee will therefore rely on the policies and judgement of the investment manager when assessing the impact on the value of the Scheme’s investments. Thus, the Trustee has delegated the task of incorporating ESG, including climate change issues, to the investment manager and that these matters will be included in the consideration of the appointment of the manager going forward.

Mercer’s ESG assessment framework considers the relevance of ESG considerations for a particular asset class, and where relevant, whether the manager has integrated ESG considerations into its decision-making process for a particular fund.

If a new investment manager is selected, the Trustee would consider Mercer’s ESG assessment for the new fund as part of its decision-making process.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

The Trustee will review ESG considerations at future reviews of this Statement, to make sure that the policy evolves in line with emerging trends and developments.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustee recognises that it is likely that members and beneficiaries will hold a broad range of views on ESG and other non-financial matters. Hence, it is not currently practical to take into account these potentially wide-ranging

views when setting the Scheme's investment strategy. The Trustee will, however, continue to remain open to consideration of members' views in the future.

Thus, on balance, the Trustee believes that its duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as and when they fall due. Hence, the Trustee's investment objectives are designed to ensure this duty is achieved on an on-going basis.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustee has concluded that the decision on how to exercise voting rights should be left with the investment manager, who will exercise these rights in accordance with its respective published corporate governance policies. These policies, which are available online and on request from the manager, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee will exercise its right in accordance with what it believes to be in the best interests of the majority of the Scheme's membership.

The MMRT receive regular reporting from the investment manager / funds which include information on the voting activity undertaken on behalf of the pooled funds. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund. If required, the MMRT will raise any concerns directly with the investment manager.

The Trustee notes that the investment manager's corporate governance policy is available on request and on its website.

4.7 STEWARDSHIP

The Trustee, in conjunction with its advisers, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment manager. In particular, the Trustee will:

- Monitor the performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time periods will be considered, the focus will be on the medium to long-term performance of the investment manager / fund. Where performance has failed to meet expectations and / or the MMRT's views on the future expectations of performance has changed, the investment manager / fund would be replaced with a suitable alternative;
- Monitor the performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustee must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- Monitor the level of risk on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately. It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g., general market movements;
- Review the ESG and stewardship policies of the investment manager on a regular basis. As noted earlier, the Trustee recognises that its ability to influence the stewardship policies of the investment manager is limited given its investment in pooled funds. As such, any changes to the Trustee's view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

5 RISK

The Trustee is aware, and seeks to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Section-specific strategic asset allocation with an appropriate level of risk.
- For the JFH Section, these have been managed by entering into a BPA with Just.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process, and by appointing Mercer to monitor and replace the manager where concerns exist over their continued ability to deliver the investment mandate.
- For the JFH Section, it has been managed by entering into a BPA with Just to remove the risk of investment managers underperforming.

Liquidity Risk

- This is monitored according to the level of cashflows required by each Section of the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets (with the exception of the JFH Section) are invested in pooled funds which are readily realisable.
- For the JFH Section, this has been managed by entering a BPA to pay the JFH Section of the Scheme's pensions as they fall due.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through assessment of the levels of diversification within the investment policy.
- For the JFH Section, it is managed by entering into a BPA with Just.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment manager's policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the manager, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available online and on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.
- For the JFH Section, it is managed by delegating the exercise of voting rights to the BPA provider.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of each sponsor to support the continuation of the relevant Section and to make good any current or future deficit.
- For the JFH Section, this has been removed by entering a BPA.
- It is managed by assessing the interaction between each Section and the relevant sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The JFH Section is exposed to direct credit risk in respect of the BPA with Just, in the event that Just is no longer able to meet liability payments when they are due. In order to manage this risk, the Trustee carried out appropriate due diligence when selecting Just and the Trustee notes that there are considerable protections through the regulatory regime that applies to insurance companies.
- The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled fund manager, the regulatory environments in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For the JFH Section, this has been removed by entering a BPA.
- For the H Bowers Section, this risk is managed by investing a portion of the Scheme's growth assets in DGFs. Within the DGFs the management of currency risk related to overseas investments is delegated to the investment manager.

Interest/inflation rate risk

- This is the risk that an investment's value will change due to a change in the level of interest/expected inflation rates. This affects debt instruments more directly than growth instruments.
- For the JFH Section, this has been removed by entering a BPA.
- The Trustee recognises that the Scheme's liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the assets to be exposed to a similar level of interest rate risk. The Trustee

manages the Scheme's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

Other Price risk

- This is the risk that principally arises in relation to the growth portfolio.
- For the JFH Section, this has been removed by entering a BPA.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and has therefore invested a proportion of the H Bowers Section of the Scheme's growth assets in DGFs in order to achieve a diversified exposure to different investment markets and manage this risk.

ESG Risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- For the JFH Section, this has been removed by entering a BPA.
- The Trustee manages this risk by investing in a well-respected investment manager where ESG principles are an established part of the investment decision making process as stated above.
The Trustee is aware that responsible investing is one of the core beliefs of the investment manager and the investment adviser. As a result, part of the rating process of the investment adviser and decision-making process of the investment manager is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISER AND MANAGER

6.1 INVESTMENT ADVISER

The Trustee continually assesses and reviews the performance of its adviser in a qualitative way, and undertakes a formal review annually. In doing so, the Trustee considers the objectives it sets for the investment adviser, which it reviews on an ongoing basis and at least every three years.

6.2 INVESTMENT MANAGER

With the securing of a BPA, there is no further investment performance to monitor in relation to the assets of the JFH Section of the Scheme.

The Trustee receives monitoring reports on the performance of the L&G funds from Phoenix on a quarterly basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the manager's performance.

The Trustee, in consultation with the investment adviser, is responsible for replacing the investment manager when appropriate. It takes a long-term perspective in evaluating whether a replacement is necessary, and such decisions are not based solely on short-term performance fluctuations. Instead, any change would be prompted by a significant downgrade of the investment manager by MMRT, reflecting a substantial decline in Mercer's confidence that the manager can meet the fund's mandate over the long-term.

Changes will also be made to the manager if there is a strategic change to the overall strategy such that a Section of the Scheme no longer requires exposure to that asset class or manager.

6.3 PORTFOLIO TURNOVER COSTS

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee does not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, some of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for any Section of the Scheme.

The Trustee is working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustee has historically provided for AVC facilities to be made available to members.

The Scheme's AVC arrangements are provided by Phoenix and also invested in the L&G funds.

The Trustee reviews the AVC arrangement periodically in line with its responsibilities to the Scheme.

8 CODE OF BEST PRACTICE

The Trustee notes that in March 2024, the Pensions Regulator released the General (single) Code of Practice: <https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice>.

The Trustee receives investment advice which ensures that the principles contained within this guidance are adopted by the Scheme as far as they are appropriate to the Scheme's circumstances.

The Trustee meets with its investment adviser when it is deemed necessary, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance and will revise the Scheme's investment approach if considered appropriate.

9 COMPLIANCE

This Statement is available online.

A copy of this Statement is also supplied to the Sponsoring Employers, the Scheme Auditor and the Scheme Actuary.

This Statement supersedes all others and was approved by the Trustee:

Name:

Date:

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The **H Bowers** Section's strategic asset allocation benchmark is set out below.

Asset Class/Fund	Strategic Asset Allocation Benchmark (%)
L&G World Equity Index	28
L&G Diversified Fund	27
L&G Corporate Bond >15 Year Index	6
L&G >15 Years Gilts Index	9
L&G >15 Years Index Linked Gilts	30
L&G Sterling Liquidity Fund*	0
Total	100

**There is no long-term allocation to cash (or cash-like instruments), but it is anticipated that some cash may be held from time to time.*

The Scheme holds a BPA with Just for all of the liabilities of the **John F Hutchings** Section.

The **Keith Motors** Section's strategic asset allocation benchmark is set out below.

Asset Class/Fund	Strategic Asset Allocation Benchmark (%)
L&G Corporate Bond >15 Year Index	40
L&G >15 Years Gilts Index	30
L&G >5 Years Index Linked Gilts	30
Total	100

The **Pertwee & Back** Section's strategic asset allocation benchmark is set out below.

Asset Class/Fund	Strategic Asset Allocation Benchmark (%)
L&G Corporate Bond >15 Year Index	20
L&G >15 Years Gilts Index	25
L&G >5 Years Index Linked Gilts	55
Total	100

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Cashflow Policy

Where possible, cash outflows will be met from cash balances held by the relevant Section in order to minimise transaction costs.

Investments and disinvestments will be applied in proportion to the assets held at the closest valuation point available to the Scheme's administrators.

The Trustee will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in each Section's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

Rebalancing Policy

Phoenix rebalances the assets on a quarterly basis for the Keith Motors Section and the Pertwee & Back Section.

For the H Bowers Section, there is no quarterly rebalancing as the secondary aim is to maintain hedge ratios as close to 100% as possible, and rebalancing could inadvertently affect these ratios. Hedge ratios will be reviewed periodically, especially during periods of market volatility, and Mercer will advise the Trustee on the best course of action to ensure the strategy's objectives are maintained.

APPENDIX 3: RESPONSIBILITIES OF PARTIES

TRUSTEE

The Trustee's responsibilities include the following:

- Reviewing at least triennially, and more frequently, if necessary, the content of this Statement in consultation with the investment adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and Scheme Actuary
- The appointment and review of the investment adviser
- Appointing the investment manager(s) and custodian (if required)
- The assessment and review of the performance of the investment manager
- Assessing the quality of the performance and processes of the investment manager by means of regular reviews of investment returns and other relevant information, in consultation with the investment adviser
- The assessment of the risks assumed by the Scheme at a Section level and fund level
- The approval and review of the asset allocation benchmark for each Section
- Consulting with the Sponsoring Employers regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis and section 36 of the Pensions Act 1995 on a continuing basis

INVESTMENT ADVISER

The investment adviser's responsibilities include the following:

- Participating with the Trustee in reviews of this Statement
- Advising the Trustee, at its request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the investment manager's organisation, or that of the investment manager, could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or threats for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and review of the investment manager
- Advising on the selection of new managers and/or custodians
- Advising on cashflow management (investment and disinvestment) policies (see Appendix 2)

INVESTMENT MANAGER

As noted in this Statement, the Scheme's assets for the H Bowers, Keith Motors and Pertwee & Back Sections are invested in L&G funds on the Phoenix investment platform.

The responsibilities of the investment manager via the Phoenix investment platform include the following:

- Informing Phoenix of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of each Section's investment strategy given the financial characteristics of each Section
- Assessing the funding position of each Section and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment manager according to the Trustee's instructions.