

International Motors Limited Retirement Benefits Scheme

Statement of Investment Principles

1. Introduction

- 1.1. Under the Pensions Act 2004 ("the Act"), Trustees are required to prepare a Statement of Investment Principles (SoIP) governing decisions about investments for the purposes of International Motors Limited Retirement Benefits Scheme (the Scheme). This document fulfils that requirement.
- 1.2. The Trustees are responsible for all matters affecting the Scheme including this statement. As required by the Act, this has been drawn up after consultation with International Motors Limited the Principal Employer under the terms of the Trust Deed. In drawing up this document the Trustees have sought advice from appropriate investment advisers and actuaries.
- 1.3. The Trustees will review this document at least once each year or where they consider a review is needed for other reasons.
- 1.4. The Trustees have regard to the requirements of the Act concerning diversification and suitability of investments and will consider these requirements on any review of this document or change in investment policy.
- 1.5. The IMLRBS trustees have agreed to reduce risk and volatility and now adopt a medium risk investment strategy (Previously Moderate) to deliver long term balanced returns to keep the scheme close to 100% of its technical provisions and consider positioning the scheme towards a potential future buy out, however, the trustees' knowledge of sophisticated investments and risk management techniques is limited. The trustees believe in active management with an element of market timing of investments, but do not have the time or resource to select and monitor investments. The IMLRBS scheme size is prohibitive to achieving suitable diversification and accessing some investment opportunities, without engaging a discretionary fund manager (fiduciary manager.) Given the trustees existing commitments and trustee board composition, the trustees would not be able to dedicate sufficient time and resource (for the foreseeable future) to enable the trustee board to actively engage with the investment and risk management arrangements for the scheme, as such the trustees seek such advice from an investment consultant.
- 1.6. The overriding scheme objectives are based around the duty to pay benefits promised in accordance with scheme rules as and when they fall due and are also linked to the statutory funding objective which require that sufficient and appropriate assets are held to cover the IMLRBS technical provisions (which are provided by the scheme actuary).

2. Compliance with Scheme Specific Funding

- 2.1. Under the provisions of the Act the Minimum Funding Requirement (MFR) has been replaced by the Statutory Funding Objective with scheme specific funding requirements. This was implemented for actuarial valuations from 23rd September 2005.

3. Fund Managers, Expected Return Targets and Benchmarks

3.1. Under the guidance of the scheme's investment consultant, Common Sense Financial Planning Ltd, the Trustees have appointed Close Brothers as their Asset Manager to manage the scheme's assets (the Fund). The Trustees have a signed agreement with the fiduciary manager (Close Brothers), setting out investment guidelines and measures of performance. Close Brothers and Spence and Partners, the scheme administrators, are managing the scheme's cash positions.

3.2. Close Brothers

3.2.1. A tender process was conducted in Q2 2023 for the role of Fiduciary Manager. After inviting a number of Managers to tender, the schemes Investment Consultant recommended Close Brothers as the new Fiduciary Manager for a 3 year period. This was accepted by the scheme Trustees. Close Brothers were given a mandate to deliver a growth rate of UK 15 years gilts plus 3.5% per annum compound. This benchmark was articulated to the fund managers and that this should be achieved taking the least possible risk and no more than a moderate risk. This mandate has continued for the current triennial period.

3.2.2. The Investment Consultant has defined *Medium risk (38-86% equity-like risk exposure)* *The priority of medium risk portfolios is to take advantage of the greater long-term returns that may be available from higher risk assets. The increased weighting in higher risk assets is likely to increase the volatility of returns which can be mitigated to a degree by holding a diversified spread of different investments.*

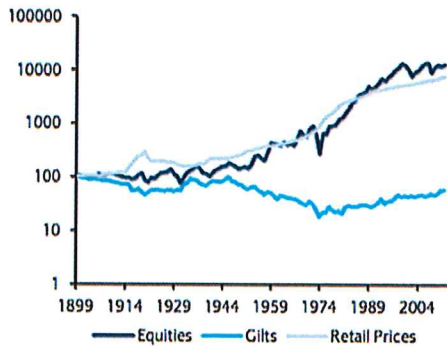
Capital protection is of equal importance to you than achieving a better return on the investment. Following a review and change to your asset allocation in 2024, You know feel a larger holding of Fixed Interest alongside Equity will help achieve the schemes objectives. This has been communicated to Close Brothers.

3.2.3. Whilst the next triennial period may be more challenging than the last, the long-term target, of UK 15 years gilts plus 3.5% per annum compound should remain achievable.

3.2.4. The trustees will track the performance of the investment manager. This will be taken from the inception of the relationship, as this will give a much clearer picture of their long-term performance and will take out any potential bias associated with only recording short term triennial period performance. The benchmark used for Close Brothers performance will be the Morningstar UK Core Bond GR GDP Index for the fixed interest element of the holdings whilst the equity holdings will be monitored against the MSCI World Equity Index. This was agreed by Common Sense Financial Planning, International Motors Ltd and Close Brothers.

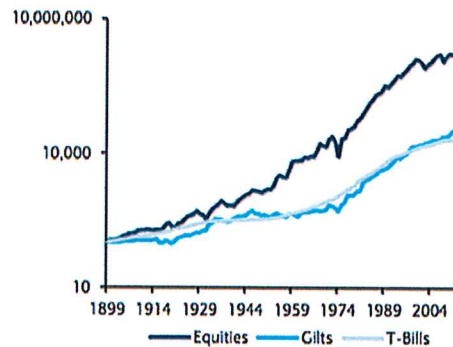
3.2.5. The reason for the long-term view of investing in equities, by the trustees, is due to the equity premium which has been observed over many years, as seen below;

FIGURE 12
Barclays price indices – Nominal terms



Source: Barclays Research

FIGURE 13
Barclays total return indices – Nominal terms, gross
Income reinvested



Source: Barclays Research

3.2.6. The trustees' policy in relation to the arrangement with Close Brothers is as follows;

3.2.6.1. Incentivisation

The trustees have not financially incentivised the investment manager, other than by the knowledge that their performance is monitored and if it were to fall below the expectations of the trustees, then they would be replaced.

3.2.6.2. Remuneration

The trustees have a fixed fee arrangement in place with Close Brothers.

3.2.6.3. Performance evaluation

The performance of Close Brothers is measured on a quarterly basis against the UK 15 years gilt rate plus 3.5% per annum compound

3.2.6.4. Portfolio turnover

As Close Brothers are paid a fixed fee the trustees are not overly concerned by trading volumes, however, if these were deemed to become excessive then this would be raised with the investment manager

3.2.6.5. Duration of agreement

From 2023 Close Brothers and any other fiduciary manager will be retained on a flexible 3 year contract, which will be automatically placed out to tender at the end of each triennial period, unless deemed necessary before then.

3.3. IM Properties

3.3.1. Assets held within IM Properties ceased to be held in the IMLRB from 5th February 2024.

4. Choosing Investments

- 4.1. The Trustees rely on the professional Fund / Asset Managers for the day to day management of the majority of the Funds assets, however, the Trustees retain control over some cash deposits via their administrators, Spence and Partners.
- 4.2. The Trustee policy is to review the investments and the investment return on a quarterly basis, following receipt of reports and valuations from the Fund /Asset Managers. The trustees have delegated the administration of this task to the scheme Investment Consultant who should notify them of any discrepancies against benchmarked performance. It has been agreed by the trustees that the Fund managers should also attend two quarterly trustee meetings per annum and report upon their investments and future strategies.
- 4.3. The Scheme Investment Consultant will consider the suitability of the investments, the need for diversification and the principles contained in this statement. This will include an annual suitability report, to ensure the continuing suitability of the investments for the scheme. The Investment Consultant will also have the knowledge and experience required under the Pensions Act.
- 4.4. The Fund at Close Brothers invests in Equities (UK and Overseas) and in Bonds (UK, Overseas and Index-Linked.) Within these broad asset classes the fund manager makes specific allocations to smaller sub-divisions. The Investment Manager is expected to maintain a diversified portfolio within each major asset class and sub-division. Most assets are directly held, but some use of pooled vehicles is made. Some use of derivatives may also be made.

5. Risk

- 5.1. The Fund acknowledges that an equity-based investment strategy may entail significant risk including short-term volatility or longer term underfunding. The trustee's investment strategy recognises the relatively immature liabilities of the Fund and the secure nature of the employer's covenant and is biased towards long-term higher returns rather than short term stability of income. The Fund pursues a policy of lowering risk through diversification of both investments and investment managers. A management agreement is in place for the Fiduciary Investment Manager. The trustees eventual aim is for the investments within the pension scheme to be of sufficient value to buy out the liabilities of the scheme. In order to de-risk this process over time, the trustees will start to move towards investing in a greater percentage of gilts within the balanced investment remit.

6. Monitoring

- 6.1. As outlined in section 3 investment managers are required to report performance on a quarterly basis. An independent performance measurement service, provided by the scheme Investment Consultant, is also used to verify returns. The main forum for performance monitoring is the quarterly trustee meeting. All active managers should present to the meeting at least six monthly with Close Brothers having a more regular monthly contact with the scheme Investment Consultant. The scheme Investment Consultant should also conduct an additional programme of quarterly reviews with managers. Consolidated performance is reported to the quarterly meetings.
- 6.2. The trustees will include an implementation statement in the scheme's annual report on how and the extent to which the Statement of Investment Principles has been followed in the scheme year, with the first declaration being made publicly available by 1st October 2021

7. Realisation of Investment

- 7.1. The Fund Managers will bring to the Trustees attention any category of investment held by the Scheme which, in their judgement, has become unsuitable for the Scheme. The Fund Managers are not expected to bring to the Trustees attention individual investments realised on purely investment grounds. The scheme Investment Consultant will perform the administration task to monitor this position.

8. Trustees' Policy on Environmental, Social and Governance Investment ("ESG")

- 8.1. The Trustees believe that their primary responsibility regarding investments is to exercise their powers in the best financial interests of the scheme's beneficiaries. The Trustees note that social, environmental and ethical issues may be taken into account by their appointed Fund Managers in their investment selection process. The Trustees general policy is that adherence to ESG issues may enhance the performance of the companies in which the Fund Managers invest and are therefore a desirable feature, although ESG should not be the principal factor in the investment selection process.
- 8.2. The trustees and group's belief is that environmental, social and governance (ESG) factors materially impact long-term investment returns and must be taken into account by the IMLRBS fund's investment managers. In particular the trustees and group wish the IMLRBS investment managers to incorporate ESG filters into their invest choices, on behalf of the scheme, taking into consideration the following key factors;
 - Improving investment returns
 - Reducing investment risk
 - Impacting IM Groups reputation as a responsible investor
 - Impacting the future world our scheme members retire into
- 8.3. The trustees and the group believe that by requiring the IMLRBS investment managers to incorporate the above factors, into their investment selection and retention process, this increases the likelihood of the IMLRBS fund achieving its long term ambitions.
- 8.4. The trustees of the IMLRBS have two areas they instruct their investment managers to avoid, these being, adult entertainment and social classified drug production and distribution.
- 8.5. The IMLRBS wishes for its investment managers to apply a positive tilt to their investment strategy and also look at impact investing, that may make a positive change to the world their beneficiaries inhabit. This will be implemented as follows;
 - ESG integration – The IMLRBS has instructed its investment managers to incorporate ESG considerations into the portfolios managed on behalf of beneficiaries.
 - Active Ownership – The IMLRBS has communicated to its investment managers that they require them to apply thoughtful voting, alongside constructive engagement, with both companies and fund managers which the fund is invested in both now and in the future, with the supporting objective of enhancing long-term investment returns for beneficiaries.
 - Longer-term risks and opportunities - As a long-term investor, the IMLRBS requires its investment managers to monitor risks and opportunities over the timeframe it will be paying members' pensions.
 - Factors which the trustees and group have communicated as important to the IMLRBS are seen in the following list (this list is not exhaustive and may be added to over time.) The trustees have given discretion to their investment managers, where particular companies, that may not meet certain standards at present but are moving in the right direction, should not necessarily be automatically sold or excluded from future purchase consideration.
 - Environmental - Greenhouse gas emissions, fossil fuel usage, alternative energy usage and technology, water usage, waste generation, recycling activity and biodiversity.
 - Social - Employee training, diversity, supply chain, privacy and data security, animal testing (non-medical), alcohol and tobacco.
 - Governance - Executive remuneration (not being linked to performance), voting rights, board independence, diversity, bribery and corruption and tax transparency.

- 8.6. The trustees will include a publicly available implementation statement on how and the extent to which the Statement of Investment Principles ESG policy has been followed by its fiduciary investment managers during each scheme year. The first declaration will be made publicly available, alongside the Statement of Investment Principles.

9. Trustees' Policy on their Appointed Fund Managers' Voting Policy

- 9.1. The Trustees have instructed their fund managers to engage in decisions on voting matters on a direct basis and expect that any voting is in line with the trustees policy on environmental, social and governance matter, as outlined in section 8 of this document. The trustees have also supplied their fund managers with the IM Values document, which will help them make further sense of the policy outlined previously.
- 9.2. The trustees will monitor and engage with all stakeholders and 'relevant persons' to ensure that the capital structure of the scheme and any conflicts of interest are kept under close review. This will be discussed at each quarterly meeting.

10. Revision of Statement

10.1. Before this statement is revised, the Trustees will:

- Consult the employer (although the ultimate power on investment policy lies solely with the Trustees) and
- Consult the Scheme Actuary
- Consult with the fiduciary managers
- Consult with the scheme Investment Consultant

11. Advice

- 11.1. The Trustees will review this statement annually, or sooner if there is a change in policy.
- 11.2. The Trustees will consult with the Company (International Motors Limited) and take written advice when revising this statement.
- 11.3. At least once every year, the Trustees will consider whether or not a Fiduciary Manager
 - has the appropriate knowledge and expertise;
 - is carrying out his work satisfactorily.
 - has paid regard to the suitability of each investment and each category of investment.
 - If the Fiduciary Manager is not able to satisfy the Trustees about these issues, the Trustees will review the appointment of the Fiduciary Manager.

12. Myners Principles

- 12.1. The fund is compliant with each of the Myners Principles as set out in the CIPFA Pensions Panel guidance and updated in October 2008.

Signed on behalf of the Trustees:

Signature

Date

GARY ERNEST HUTTON
Trustee

5/12/2024

STEPHEN HENRY EARDLEY
Trustee

27 November 2024

ROBERT CROFT
Trustee

27/11/24

NICHOLAS DAVID FLAVELL
Trustee

27/11/24