The Benfield Motor Group Pension Plan
(“the Plan”)

Statement of Investment Principles
as Required by the Pensions Act 1995 and the Pension Act 2004

September 2020

The Trustee confirms that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustee has considered written advice from the Investment Consultant prior to the preparation of this Statement and has consulted Addison Motors Limited, the Principal Employer, before agreeing this Statement and the investment strategy outlined in this document.

All day to day investment management decisions have been delegated to Investment Managers where the Investment Managers are authorised and regulated by the Financial Conduct Authority.

The Trustee has full regard to its investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

The Investment Manager will continue to prepare detailed quarterly reports on its activities and the Trustee will meet with representatives of the Investment Manager as required.

This Statement of Investment Principles will be reviewed at least every three years or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate, and following consultation with the Principal Employer.

1. General

This statement sets out the principles governing decisions about the investment of the assets of the Benfield Motor Group Pension Plan (the "Plan"). It has been prepared on behalf of the Trustee to comply with section 35 of the Pensions Act 1995 (the "Act") as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee reviews the Plan's investment strategy at least every three years, following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way).

2. Consulted Parties

As required under the Act, the Trustee has consulted a suitably qualified person in obtaining written advice from Deloitte Total Reward and Benefits Limited ("Deloitte TRB") on the suitability of the investments, the need for diversification and the principles contained in this Statement. Deloitte TRB is authorised and regulated by the Financial Conduct Authority ("FCA").

The Trustee, in preparing this Statement, has also consulted Addison Motors Limited, the Principal Employer (the "Company") in particular on the Trustee's objectives and investment strategy.

3. Investment Powers

The Trustee recognises that the assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries. The Trustee has overall responsibility for the prudent management of the Plan's assets. The strategic management of the Plan assets is fundamentally the responsibility of the Trustee, acting on advice from Deloitte TRB, and is driven by its investment objectives as set out in Section 4 below.

The remaining elements of policy are part of the day-to-day management of the assets that is delegated to the professional investment manager, Legal & General Assurance (Pensions Management) Limited where the management of the assets is undertaken by Legal & General Investment Management ("LGIM" or the "Investment Manager"), who is authorised and regulated by the FCA.

4. Investment Objectives

The Trustee's primary objectives for setting the investment strategy of the Plan are set out below:

- "funding objective" - to ensure that the Plan is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Company;

- "security objective" – to ensure that the solvency position of the Plan (as assessed on a prudent basis) is expected to improve.

- "stability objective" – to have due regard to the Company's ability in meeting its contribution payments given its size and incidence, and to have due regard to the volatility of measures of funding and security; and

- "liquidity objective" – to ensure, that over the shorter-term, the Plan's income and cash holdings, including contributions and investment income, will meet expenditure, for example on the provision of benefits and administration services except when exceptional payments are needed, such as members taking cash sums at retirement.

The investment arrangements outlined in Sections 6, 7 & 8 have been designed with these considerations in mind.

5. Choosing investments

The Trustee recognises that there are two main factors driving the investment characteristics of the pension liabilities:

- Firstly, the actuarial calculation of the liabilities of the Plan uses a discount rate linked to bond rates and thus investments in similar bonds would result in asset values moving in a similar pattern - "matching assets"; and

- Secondly, the liabilities include those increased annually for inflation (with some caps). Thus these individual liabilities have a direct link to inflation i.e. they are "real" liabilities as opposed to "nominal" liabilities.

Therefore it is considered that the best "matching assets" for the liabilities are a mixture of nominal and primarily index-linked bonds of appropriate durations. Such a portfolio of assets could be considered a “minimum risk” portfolio.

However the concurrent existence of a funding deficit within the Plan and the support of a sponsor are considered to justify a departure from a "minimum risk" position by investing, to a degree, in return seeking assets in the interim until relative market pricing and funding levels permit a reduction in the level of investment risk. The Trustee works with the Scheme Actuary and the investment consultant to decide what degree of risky assets are appropriate at each given point in time.

In addition, the Trustee recognises the “regret risk” associated with not holding return seeking investments over the longer term. Consequently, the Trustee feels that some equities are appropriate in an effort to improve the ongoing and solvency positions and to reduce the reliance on the Company’s contributions to fund liabilities. However, both the Trustee and the Company recognise that holding return seeking assets will bring increased volatility of sponsor contribution requirements in anticipation of reduced costs in the long term.

6. Investments to be held

All investments to be held are to be managed by an FCA authorised and regulated investment manager.

Currently the Trustee invests in UK equities, corporate bonds and liability hedging instruments. Investments are achieved via units in LGIM’s UK Equity Index Fund, AAA-AA-A Corporate Bond over 15 Year Index Fund, Matching Core Funds and Sterling Liquidity Fund.

7. Distribution of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation and therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

As at the date of adoption of this Statement, the Trustee's central benchmark for its investment distribution across asset classes was as shown below:

Asset Class	Fund	%
UK Equities	LGIM UK Equity Index Fund	70
Corporate Bonds	LGIM AAA-AA-A Corporate Bond – Over 15 Year Index Fund	10
Liability Driven Investments	LGIM Matching Core Funds	20
Total		**100**

Rebalancing between asset classes is undertaken from time-to-time based on advice from the Trustee's investment advisor.

Further details on the funds in which the Plan invests are given in the next section.

8. Performance Benchmark and Expected Return on Investments

The Trustee expects the performance of the Funds to match the benchmarks as detailed below:

Asset Class	Benchmark Index
LGIM UK Equity Index Fund	FTSE All Share
LGIM AAA-AA-A Corporate Bond – Over 15 Year Index Fund	iBoxx £ Non-Gilts ex BBB 15 Year+
LGIM Matching Core Funds	Custom benchmark
LGIM Sterling Liquidity Fund	7 Day LIBID

LGIM's objective for all of the funds invested in is to achieve the performance of the relevant benchmark within an appropriate tolerance range.

9. Risk

In determining its investment policy, the Trustee has considered the following risks:

- *the risk of failing to meet the objectives set out in Section 4* – the Trustee will regularly take advice and monitor the investments to mitigate this risk;

- *funding and asset and liability mismatch risk* – the Trustee addresses this through the asset allocation strategy and through regular actuarial and investment reviews;

- *underperformance risk* – this is addressed through investment in passive funds, monitoring closely the performance of the Investment Manager(s) and taking necessary action when this is not satisfactory;

- *risk of inadequate diversification or inappropriate investment* – the Trustee addresses this by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector;

- *organisational risk* – this is addressed through regular monitoring of the Investment Manager;

- *sponsor risk* – the Trustee seeks to maximise overall investment returns subject to an acceptable level of risk and, as far as possible, are mindful of the impact of any volatility on the rate of contribution; and

- *liquidity risk* – the Trustee may need to pay pension and lump sum benefits in the short-term and, therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short notice.

- *credit and market risks* – the Trustee accepts a degree of each of these risks in the expectation of being rewarded by excess returns. The degree to which these risks are currently exposed to is expanded on further below.

The Trustee will monitor these risks from time-to-time, particularly those deemed to have high likelihood or significant adverse impact, and will look to introduce further control measures as appropriate to contain the overall level and distribution of risks to within acceptable limits.

Credit and market risks
This section includes a definition of investment risks based on the Financial Reporting Standard 102 (FRS102) and outlines the Plan's exposure to various risks.

FRS 102 requires disclosure of information that allows users of financial statements to understand the nature and extent of credit risk and market risk emanating from the assets in which the Plan invests. Under FRS 102, credit risk and market risk are defined as follows:

- Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.'

- Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

    - Interest rate risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

    - Currency risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

    - Other price risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.'

Market risk summary

Below is a summary of the Plan's exposure to market risk and the risk management tools used by the Trustee.

- Interest rate risk:

  The Plan is subject to interest rate risk through its investments in the Legal & General AAA-AA-A Over 15 Year Index Corporate Bond Fund and the Legal & General Matching Core Funds which account for c. 30% of its total assets. The Legal & General Matching Core Funds also have a leverage effect which leads to a larger economic exposure to interest rate risk. However, while the market values of the investments are sensitive to changes in interest rates, they are held because this sensitivity can largely offset the Plan's liability exposure to interest rates, overall reducing the funding level risk.

- Currency risk:

  The Trustee acknowledges that the Plan's liabilities are all payable in sterling and has managed currency risk by investing in sterling denominated pooled funds which hold sterling denominated assets.

- Other price risk:

  The Plan is also exposed to changes in equity market prices through its investment in a pooled UK equity fund. The Legal & General UK Equity Index Fund aims to track the FTSE All Share and will therefore hold a diversified portfolio of UK listed stocks. That said, investing in UK equities means that the Plan is be exposed to the fortunes of the UK economy.

  The Trustee periodically monitors the Plan's overall asset mix and will undertake corrective action if it believes the Plan is becoming too heavily weighted towards a particular asset class.

  The Plan is exposed to inflation risk through the index-linked gilts, swaps and repurchase agreements ("repos") holdings underlying the LGIM Matching Core Funds. Assets in the LGIM Matching Core Funds will increase in value when inflation rises (and decrease when inflation falls) which can offset a large amount of the exposure to inflation expectations within the Plan's liabilities.

- Credit risk summary

  The Plan invests in pooled fund investment vehicles via unit-linked insurance policies and is therefore exposed to direct credit risk. The Plan is also indirectly exposed to credit risk through the corporate bond and derivative holdings (swaps and repos) underlying the Legal & General AAA-AA-A Over 15 Year Index Corporate Bond Fund and the Legal & General Matching Core Funds.

  Bond holdings:

  Credit risk arising from the bonds underlying the pooled funds is mitigated by invested in government index-linked bonds where the credit risk is minimal, or corporate bonds which are rated at least A or above.

  Pooled fund holdings:

  This direct credit risk is mitigated by the fact that underlying assets within these pooled funds are ring-fenced from the investment manager and the regulatory environments in which the investment managers operate. In addition, the Trustee carries out due diligence prior to investing in a pooled fund, taking advice from their investment advisor and legal advisor where relevant.

Swaps & repos:

The credit (counterparty) risk of these instruments is managed by the use of central clearing for swaps, diversifying counterparty exposure and requiring high-quality collateral (cash or gilts) from each side. Counterparty creditworthiness is reviewed by Legal & General on a monthly basis.

Cash holdings:

The Plan is also exposed to indirect credit risk across the pooled funds to the extent that there are underlying cash holdings.

10. Realising investments

In general, the Investment Manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. Moreover, by definition, cash is the most liquid and, ignoring term deposits, the most realisable of asset classes.

All of the funds invested in by the Plan provide at least weekly liquidity; where assets are required to be liquidated for cashflow purposes the Trustee makes disinvestments after consultation with Deloitte TRB.

11. Environmental, social and governance (ESG) policies and stewardship

The Investment Manager is responsible for managing the Plan's investments in accordance with the agreements in place with the Trustee. The Trustee has requested that the Investment Manager has the financial interests of the Plan members as their first priority when choosing investments and the Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager.

The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Plan's investments and the likelihood that the Plan's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Plan's membership been consulted on such issues.

As part of the selection, retention and realisation of the Plan's investments, the Trustee, in consultation with their Investment Advisor, have reviewed the ESG and stewardship policies of the Investment Manager and are comfortable that these policies are consistent with their views. In particular, the Trustee notes the following:

- The Investment Manager has clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.
- Where the Plan's investments are passively managed, the Investment Manager is restricted in the choice of underlying assets to invest in. As such, stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration.
- The Trustee notes that the Investment Manager has clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the Investment Manager has demonstrated how it acts on these policies. For example, the Investment Manager has voted on company proposals covering climate risk, capital structure, political donations, gender

diversity on company boards, board independence issues / conflicts of interest and remuneration policies.

- The Investment Manager regularly publishes detailed results of how its stewardship policies are enacted in practice and the Trustee expects the Investment Manager to provide regular updates on how they exercise those rights, including how often the Investment Manager votes against company proposals.

- Regarding the Plan's LDI assets, the nature of these assets dictate that the ESG factors are less likely to be financially material. The Trustee does however have confidence that the Investment Manager has adequate governance practices in place to capture key regulatory developments which might influence the future management/ performance of these assets.

The Trustee will keep its investments under review, and should they feel that the Investment Manager no longer acts in accordance with its views on ESG, the Trustee will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence their policies on ESG and stewardship; and

- if necessary, look to appoint a replacement investment manager or managers that are more closely aligned with the Trustee's policies and views.
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These statements are made noting that the Plan's assets are invested in pooled funds and as such, the Trustee is restricted in their ability to directly influence its Investment Manager on the ESG policies and practices of the companies in which the pooled funds invest.

The Trustee's policy is to invest in pooled investment vehicles. It is the investment manager that is responsible for the exercise of rights (including voting rights) attaching to these investments. The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Trustee expects the investment managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee expects the Scheme's investment manager to provide regular updates on how they exercises voting rights and actively engages with the companies in which they invest, including how often they vote against company proposals.

12. Manager Arrangements

If the Trustee believes that the Scheme's investment manager is no longer acting in accordance with the Trustee's policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustee will take the following steps:

- engage with the investment manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and

- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustee's policies and views.

The Trustee believes that this approach will incentivise the investment manager to align its actions with the Trustee's policies.
The Trustee recognises the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustee will set an appropriate monitoring framework to ensure the Scheme's investment manager is regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures, and also engagement activity and compliance with the Trustee's stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise the Scheme's investment manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The Trustee recognises the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Scheme's assets are being managed appropriately. The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager.

In addition to performance measures, the Trustee will review the engagement activity of the investment manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustee will also monitor the voting activity of the investment manager to ensure votes are being used and are aligned to their views on ESG.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and replace the investment manager if net of fees investment performance and ESG practices are not in line with the Trustee's expectations and views. This incentivises the investment manager to act responsibly

The Trustee also reviews the fees charged by its investment manager on a regular basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Scheme's size and complexity.

The Trustee reviews investment manager costs and charges (including portfolio turnover costs) on a regularly, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. By also monitoring performance net of all costs, investment managers are incentivised to consider the impact of portfolio turnover on investment performance.

The Trustee invests in passively-managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/selling or stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

The Trustee, with guidance from their Investment Advisor, has chosen to invest in open-ended pooled funds.

For open ended pooled funds the Trustee's policy is to enter arrangements with no fixed end date. However, in this case the Trustee will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open ended investments are weekly dealt. The Trustee will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustee may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

13. Governance

The Trustee of the Plan is responsible for the investment of the Plan's assets. The Trustee takes some decisions and delegate others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether the Trustee has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

Trustee • Select and monitor planned asset allocation strategy; • Select and monitor investment advisors and investment managers; • Select and monitor any direct investments; • Responsible for all aspects of the investments of the Plan's assets, including ESG considerations and implementation.
Investment Advisor • Advises on this statement; • Advises the Trustee's on areas of strategy, manager selection, ESG and implementation as required; • Provides required training when engaged on a separate basis by the Trustee.
Investment Manager • Operates in line with the agreement with the Trustee, which the Trustee believes is consistent with the terms of the SIP; • Manages in accordance with the agreement, including decisions around the selection and retention of underlying investments; • Is responsible for the stewardship of underlying investments.

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement. DTRB was appointed to provide investment advisory services including the provision of this advice.

The Trustee recognises that, as the Plan is invested in a range of pooled funds, there is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds.

The Investment Manager's objective for its passive funds is to invest so as to replicate the benchmark indices and their performance.

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate to the Investment Manager through a written contract. These duties include:

- Realisation of investments;

- Taking into account ESG factors;
- Voting and corporate governance in relation to the financial potential of the Plan's assets.

The Trustee expects the Investment Manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The Investment Manager is remunerated on a percentage value of assets basis. In addition, the Investment Manager pays commissions to third parties on trades they undertake in the management of the assets.

14. Custodian

The Plan's investments are accessed via insurance policies. The investments in pooled pension funds are a share (measured in units) of larger pools of investments managed by Investment Managers. The custodianship arrangements are those operated by LGIM for all clients investing in the relevant pooled funds. The Investment Manager provide a statement of the security of the underlying assets annually.

This SIP was approved by the Trustee of the Benfield Motor Pension Plan on 25 September 2020.