Statement of Investment Principles for the Ferrari Maserati Money Purchase Pension Scheme

20 September 2019

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Ferrari Maserati Money Purchase Pension Scheme ("the Trustee") on various matters governing decisions about the investments of the Ferrari Maserati Money Purchase Pension Scheme ("the Scheme"), a Defined Contribution ("DC") Scheme. This SIP replaces the previous SIP dated April 2011.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Pension Regulator's guidance for defined benefit pension schemes (March 2017) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy or in the demographic profile of the relevant members in respect of the Scheme and at least once every three years.

- **Appendix 1** sets out details of the Scheme's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out the Scheme's investment manager arrangements.

2. Investment objectives

The Trustee's primary objective for the Section is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Scheme and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

3. Investment strategy

At least every three years, and following any significant change in investment policy or the demographic profile of the Scheme's members, the Trustee with the help of its advisers and in consultation with the employer reviews the investment strategy considering the objectives described in Section 2 above.

The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The default option was designed to be in the best interests of the majority of the members based on the demographics of the Scheme's membership. The default option targets annuity purchase at retirement. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 5 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking 25% of their assets as cash and using the remaining 75% to purchase an annuity.

To help manage the volatility that members' assets experience in the growth phase of the default strategy, the Trustee has made an allocation to "multi-asset fund", which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers several risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumption made by the Trustees in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 5.0% pa.

In determining the investment arrangements for the Scheme, the Trustee considered:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;

- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
- the Trustee investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee believes environmental, social and governance ("ESG") factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors. Long-term environmental, social and economic sustainability is one factor that the Trustee considers when making investment decisions.

The Trustee's key investment beliefs and understanding of the Scheme's membership are reflected in the design of the default option, and in the range of other funds made available to members.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

The Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment manager of the investment funds.

The Trustee and investment manager to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

6. Realisation of investments

The investment manager has discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

The Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment manager to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time review how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Voting and engagement

The Trustee recognises its responsibility as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee has limited influence over managers' stewardship practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

SIP signed for and on behalf of the Trustee of the Scheme:

Signed: ____________________________________

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Scheme overall. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

The Trustee of the Scheme is responsible for, amongst other things:

- Determining the investment objectives of the Scheme and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
- Formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change).
- Setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments.
- Reviewing from time to time the content of this SIP and modifying it if deemed appropriate, in consultation with the advisers.
- Reviewing the suitability of the investment policy following the results of each investment review, in consultation with the advisers.
- Reviewing the investment policy for the Scheme including assessing the continued appropriateness of the range of funds (and structuring of funds) from which members may choose to invest.
- Appointing, monitoring and dismissing investment managers, investment advisers, actuary and other service providers.
- Assessing the ongoing effectiveness of the advisers.
- Consulting with the employer when reviewing the SIP.
- Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- Monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act.

2. Platform provider

The investment platform provider will be responsible for:

- Providing access to a range of funds managed by various investment managers.

- Providing the Trustee with regular information concerning the management and performance of the assets.

3. Investment managers

The investment managers will be responsible for, amongst other things:

- Managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation.
- Taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets.
- Exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments.
- Providing the Trustee / investment platform provider with enough information on a regular basis to facilitate the review of its activities.
- Having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

The investment adviser will be responsible for, amongst other things:

- Participating with the Trustee in reviews of this SIP.
- Advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this.
- Advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations).
- Advising the Trustee of any changes in the Scheme's investment managers that could affect the interests of the Scheme.
- Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme.
- Undertaking reviews of the Scheme's investment arrangements including reviews of the current investment managers, and selection of new managers as appropriate.

5. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment manager and platform provider receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustee is satisfied, considering the external expertise available, that there are enough resources to support its investment responsibilities. The Trustee believes that it has enough expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. See Section 5 of the SIP. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

Policy towards risk

The Trustee considers that there are several different types of investment risk that are important to manage and monitor. These include, but are not limited to:

1. Risk of inadequate returns

As members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, an equity-based multi-asset fund, which is expected to provide positive returns above inflation over the long term, has been made available to members and features in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a lifestyle strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's default strategy is adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for its selected mandates.

4. Illiquidity/marketability risk

This is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

6. Risk from excessive charges

If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member’s account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Scheme are in line with market practice.

7. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the members of the Scheme, and takes these into consideration as far as practical in setting the Scheme’s investment arrangements.

Investment manager arrangements

The Trustee makes available a range of passively managed self-select funds and a lifestyle strategy. The default option is a lifestyle strategy. Details of the options are set out below. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The fund options are provided to members via a platform arrangement with BlackRock. The funds are priced daily. The funds are open ended and are unlisted.

1. Self-select fund options

The Trustee makes available the following funds, all of which are managed by BlackRock, with the objective of tracking their benchmark return closely.

Fund	Asset class	Benchmark
Aquila Life Consensus Fund	Multi-asset	BlackRock's Consensus Benchmark*
Aquila Life Over 15 Years UK Gilt Index Fund	Fixed Interest Gilts	FTSE UK Gilts Over 15 Years Index
Aquila Life Cash Fund	Cash	7-day LIBID

*BlackRock's Consensus Fund aims to invest in line with the average UK pension fund, and the benchmark is calculated by weighting the FTSE asset class index returns using average pension scheme asset allocations. Prior to 1 October 2016 the asset allocation weightings were taken from the balanced section of the CAPS Pooled Fund Survey ex-Property ex-Emerging markets. After this date the ABI Mixed Investment 40%-85% shares sector (excluding alternatives) is used for the asset allocation weightings.

2. The default strategy

For members that do not make an active choice regarding their investments, the Trustee has set the default option to be the Lifestyle Investment Programme. The default follows a pre-agreed investment strategy and provides an automated investment switching facility which will move members' funds from higher risk/return investments into lower risk/return investments as retirement approaches.

The switching process is as follows:

Years to retirement	Aquila Life Consensus Fund (%)	Aquila Life Over 15 Years UK Gilt Index Fund (%)	Aquila Life Cash Fund (%)
More than 5 years	100	0	0
5 years	80	20	0
4 years	60	40	0
3 years	40	55	5
2 years	20	65	15
1 year	0	75	25