Lookers Pension Plan (“the Plan”)

Statement of Investment Principles

This Statement of Investment Principles (SIP) has been prepared by the Trustee of the Lookers Pension Plan (the ”Trustee”) to comply with the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005.

The overall investment objective has been agreed with Lookers Plc (the Sponsoring Employer) and is as follows:

> To implement an investment strategy which targets a long term expected return over the liabilities (as valued by gilt yields) of 1.5% p.a. (net of fees).

1. INVESTMENT OBJECTIVE

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

Details of the Plan’s appointed investment managers can be found in a separate document produced by the Trustee entitled “Summary of Investment Arrangements”.

2. STRATEGY

The long-term asset allocation strategy chosen to meet the objective described above is set out in the table below. The Trustee monitors the actual asset allocation versus the target weightings.

Asset Class	Target Weighting %	Range %
Growth Assets	55.0	35.0 – 75.0
Matching Assets	45.0	25.0 – 65.0

"Growth" assets target a higher expected return than that of risk reducing/matching assets and typically have a higher associated volatility, relative to liabilities. These assets would typically include equities and could possibly include alternative asset classes such as different types of absolute return and hedge funds, active currency, credit, infrastructure, private equity, commodities and property funds.

"Matching" assets have characteristics that are broadly similar in nature to the liabilities. These assets include bonds and could also possibly include other financial instruments such as interest rate and inflation swaps (e.g. so-called 'Liability Driven Investment' pooled funds.)

The allocation to Growth and Matching assets can move considerably from the target weightings shown above over time. In setting the ranges above, the Trustee gave consideration to the risk and return characteristics of different asset allocations.

The Trustee may make the active decision to alter the actual weightings, within the stated ranges, where it is felt that value can be added and in line with medium term asset allocation views.

The asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position, the liability profile and the covenant of the sponsoring employer. To assist in setting the strategy an asset-liability modelling exercise was carried out, and advice provided by the Trustee’s Investment Advisers.

The Trustee recognises the potential volatility in equity returns, particularly relative to the Plan’s liabilities, and the risk that the investment managers do not achieve the targets set. When choosing the Plan's asset allocation strategy, the Trustee considered advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes including alternative assets such as private investments, property and hedge funds.

- The risks and rewards of a range of alternative asset allocation strategies.

- The suitability of each asset class.

- The need for appropriate diversification.

3. RISK

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- Mismatching Risk: The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors. For example, changes in the values of both the assets and liabilities as a result of movements in inflation and interest rates. The Trustee and its advisers considered this mismatching risk when setting the investment strategy.

- Cash-flow Risk: The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities. The Trustee and its advisers will manage the Plan's cash-flows taking into account the timing of future payments in order to minimise the probability that this occurs.

- Manager Risk: The failure by the investment managers to achieve the rate of investment return assumed by the Trustee. This risk is considered by the Trustee and its advisers both upon the initial appointment of the investment managers and on an ongoing basis thereafter.

- Risk of Lack of Diversification: The failure to spread investment risk. The Trustee and its advisers considered this risk when setting the Plan's investment strategy.

- Covenant Risk: The possibility of failure of the Plan's sponsoring employers. The Trustee and its advisers considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to their agreement to the suitability of the proposed strategy.

- Operational Risk: The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and inter-related nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Plan's liabilities and implemented it using a range of investment managers, the Trustee's policy is to monitor, where possible, these risks periodically. The Trustee receives periodic information relating to:

- Actual funding level versus the Plan specific funding objective.

- Performance of individual investment managers versus their respective targets.

- Any significant issues with the investment managers that may impact their ability to meet the performance targets set by the Trustee.

4. IMPLEMENTATION

Aon Solutions UK Limited ("Aon") has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions and to monitor those which they delegate. Aon is paid primarily on a fixed fee basis with certain tasks carried out on a time cost basis. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored investment managers through written contracts. When choosing investments, the Trustee and the investment managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

5. GOVERNANCE

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

<table>
<tr><td colspan="2">Trustee
• Set structures and processes for carrying out their role.
• Monitor investment performance versus objective.
• Select and monitor planned asset allocation strategy.
• Select and review direct investments (see below).
• Monitor direct investments.
• Monitor investment advisers and investment managers.
• Make ongoing decisions relevant to the operational principles of the Plan's investment strategy.</td></tr>
<tr><td>Investment Advisers
• Advise on all aspects of the investment of the Plan assets, including implementation.
• Advise on this statement.
• Provide any required training.</td><td>Investment Managers
• Operate within the terms of this statement and their written contracts.
• Select individual investments with regard to their suitability and diversification.
• Advise the Trustee on the suitability of the indices in their benchmarks.</td></tr>
</table>

6. RESPONSIBLE INVESTMENT

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately this creates long-term financial value for the Plan and its beneficiaries.

The Trustee regularly reviews the continuing suitability of the Plan's appointed investment managers and takes advice from their investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will undertake to engage with the investment manager and seek a more sustainable position but may look to replace the investment manager.

The Trustee reviews the stewardship activities of their investment managers on a regular, usually annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Plan's investment managers and ensure their investment managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee's investment consultant will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned.

The transparency for voting should include voting actions and rationale with relevance to the Plan, in particular, where: votes were cast against management; votes against management generally were significant; votes were abstained; and voting differed from the voting policy of either the Trustee or the investment manager.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

7. COST MONITORING

Cost Monitoring

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers.

When appointing new investment managers, the Trustee will require full cost transparency to be offered via the CTI templates to manage assets of the Plan. This will be reviewed before the appointment of any new investment managers.

Portfolio Turnover Costs

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Plan's underlying investments through the information provided by its investment managers. The portfolio turnover is monitored annually with the assistance of the Plan's investment adviser.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by investment manager style within an asset class. In both cases, transaction costs are acceptable as long as they are consistent with the asset class characteristics, investment manager's style and historic trends. The Trustees do not define a targeted portfolio turnover range, but where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

Evaluation of Investment Managers' performance and remuneration

The Trustee assesses the performance of its investment managers on a quarterly basis and the remuneration of its investment managers on an annual basis via collecting cost data in line with the CTI templates.

The Trustee also review the remuneration of the Plan's investment managers on at least a triennial basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

8. ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustee regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their investment consultant.

The Trustee receives at least quarterly reports and verbal updates from their investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives, and assesses the asset managers over multiple periods, including longer-term 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their investment managers, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Plan's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with those of the Trustee. Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee will express their expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium-and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the investment manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

The Trustee believes it has a duty as an institutional investor to invest in a responsible manner and where appropriate will query its investment managers on the rationale for holding positions in companies who contribute significant negative externalities to society, regardless of whether the action may be financially material.

The Trustee does not regularly monitor investment managers against non-financial criteria of the investments made on their behalf.

The Pensions Act 1995 distinguishes between investments where the management is delegated to an investment manager under a written contract, and those where a product is purchased directly e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals. These include vehicles available for Additional Voluntary Contributions ("AVCs") for members who have elected to pay AVCs to secure additional benefits on a money purchase basis. These assets are invested separately from the main fund by way of an insurance policy with Prudential.

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 investment managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the investment managers) against the following criteria:

- The best interests of the members and beneficiaries.
- Security.
- Quality.
- Liquidity.
- Profitability.
- Nature and duration of liabilities.

- Tradability on regulated markets.

- Diversification.

- Use of derivatives.

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

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

Investment managers are remunerated on an ad-valorem basis, a performance-related basis or a mixture of the two. The level of remuneration paid to investment managers is reviewed regularly by the Trustee against market rates to ensure the investment managers' interests are aligned with those of the Plan. In addition, investment managers pay commissions to third parties on many of the trades they undertake in the management of the assets, and also incur other ad-hoc costs.

The Trustee will review this SIP at least every three years, and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the sponsoring employers over any changes to the SIP.

This SIP was approved by the Trustee on 25 September 2020.