

Cosworth Racing Limited Pension Fund (“the Scheme”)

Statement of Investment Principles

This statement sets out the Principles governing decisions about the investment of the assets of the Defined Benefit ("DB") section of the Scheme. The DB section of the Scheme comprises two fully sectionalised Sections namely the:

- 1) Cosworth Section
- 2) Retail Section

This statement is structured as follows:

- Section A sets out the investment principles specific to the Cosworth Section.
- Section B sets out the investment principles specific to the Retail Section.
- Section C sets out the investment principles that are common to both Sections of the Scheme.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Section A – Cosworth Section (the "Section")

Investment Objective

The Trustee aims to invest the assets of the Cosworth Section prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Section's liabilities. The asset allocation strategy selected is designed to achieve a slightly higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Section's liabilities. The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which targets a surplus on the Technical Provisions basis with the aspiration of reaching full funding on a solvency basis.

In choosing this overall objective, the Trustee recognises the level of risk compared to the liabilities that accompanies the outperformance target.

STRATEGY

The asset allocation chosen to meet the objective above is set out in the tables below.

Asset Class	Fund	Target Weighting %
Liability Driven Investment ¹	A range of levered and unlevered fixed and index-linked gilt funds.	52
Credit	6A Over 15 Year Corporate Bond Fund	36
Equities	Future World Global Equity Index Fund ²	12
Total		100

The allocation to LDI assets is designed to reduce the Section's interest rate and inflation risk by providing a match for the liabilities.

¹ The allocation to LDI assets is designed to reduce the Section's interest rate and inflation risk by providing a match for the liabilities.

Manager Rebalancing

Agreed asset allocation ranges are detailed in the table below. The Trustee and its investment adviser will monitor the actual asset allocations versus the target weights and tolerance range regularly, and rebalance as appropriate. Rebalancing may be suspended over the short to medium term due to external projects such as liability management exercises.

Investment Manager	Asset Class	Target Weighting %	Tolerance Range %
LGIM	Credit	36	+/- 3
	LDI (including Sterling Liquidity Fund)	52	+/- 3
	Equity	12	+/-3
Total		100	

Section B – Retail Section (the "Section")

Investment Objective

The Trustee aims to invest the assets of the Retail Section prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Section's liabilities. The asset allocation strategy selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Section's liabilities. The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which targets a surplus on the Technical Provisions basis with the aspiration of reaching full funding on a solvency basis.

In choosing this overall objective, the Trustee recognises the level of risk compared to the liabilities that accompanies the outperformance target.

STRATEGY

The asset allocation chosen to meet the objective above is set out in the tables below.

Asset Class	Fund	Target Weighting %
Liability Driven Investment ¹	A range of levered and unlevered fixed and index-linked gilt funds.	52
Credit	6A Over 15 Year Corporate Bond Fund	36
Equities	Future World Global Equity Index Fund ²	12
Total		100

The allocation to LDI assets is designed to reduce the Section's interest rate and inflation risk by providing a match for the liabilities.

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Manager Rebalancing

Agreed asset allocation ranges are detailed in the table below. The Trustee and its investment adviser will monitor the actual asset allocations versus the target weights and tolerance range regularly, and rebalance as appropriate. Rebalancing may be suspended over the short to medium term due to external projects such as liability management exercises.

Investment Manager	Asset Class	Target Weighting %	Tolerance Range %
LGIM	Credit	36	+/-3
	LDI (including Sterling Liquidity Fund)	52	+/-3
	Equity	12	+/-3
Total		100	

Section C – Cosworth & Retail Sections of the Scheme

The Sections' asset allocations were determined with regard to the actuarial characteristics of each of the Sections, in particular the strength of the funding positions and the liability profiles. The Trustee's policy is to make the assumption that equities and credit will outperform gilts over the long term and assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in the equity and credit returns, particularly relative to the Sections' liabilities, and the risk that the fund manager does not achieve the targets set. When choosing the Sections' asset allocation the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

RISK

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of each Sections' liabilities as determined by an actuarial calculation.

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

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting each Section's investment strategy.
- The risk of a shortfall of liquid assets relative to the Sections' immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage each Section's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting each Section's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting the investment strategies and consulted with the sponsoring employer as to the suitability of the proposed strategies.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). 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.

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. As with other risks relating to the Scheme's investments, the Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation and considering appropriate benchmark indices. The manager's approach to ESG is also incorporated into the manager monitoring process.

At present the agreed strategy predominantly consists of passive bond holdings and so the Trustee recognises that there is limited scope for ESG factors to influence the manager's performance.

Due to the complex and interrelated 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. In particular, the mismatching risk was modelled explicitly as part of the most recent full investment strategy reviews.

Having set an investment objective which relates directly to each Section's liabilities and implemented it using a fund manager, the Trustee's policy is to monitor, where possible, these risks periodically. The Trustee receives periodic reports showing the funding level of each Section and also the performance of the underlying investments versus their respective benchmarks.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. It operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates.

The fund manager structure and investment objectives for each fund manager mandate are as follows:

Legal & General Assurance (Pensions Management) Limited

- LDI - To provide the Fund with protection from changes in the value of the Fund's liabilities due to changes in the level of interest rates and expected inflation through its underlying LDI funds.
- Future World Global Equity Index Fund – To produce a return consistent with the Solactive L&G ESG Global Markets Index (50% currency hedged to GBP.
- AAA-AA-A Corporate Bond Over 15 Year Index Fund - To track the performance of the iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index to within +/- 0.5% p.a. for two years out of three.
- Sterling Liquidity Fund - Provide capital stability and a return in line with money market rates.

The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment manager is aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which the asset manager:

- makes decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engages 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 its investment adviser.

The Trustee receives reports and verbal updates from the investment adviser 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 Sections' objectives and assess the fund manager over 3-year periods.

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.

If the governing documentation does not align with the Trustee's policies, then the Trustee will express their expectations to the investment manager 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 fund managers (and doing so by other means e.g. verbally or in writing at time of appointment), and regular monitoring of fund managers' performance and investment strategy, is in most cases sufficient to incentivise the fund managers to make decisions that align with the Trustee's policies.

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 asset manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for investment managers will be reviewed periodically, and at least every three years.

The Trustee does not currently require nor monitor the manager against any non-financial criteria of the investments made on their behalf.

Cost and Performance

The Trustee recognises the importance of monitoring the level of investment costs incurred in the management of its assets and the impact these can have on the value of the assets.

The Trustee collects annual cost transparency reports covering all of their investments and asks 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 the Scheme is paying the investment managers. The Trustee works with their investment adviser and fund managers to understand these costs in more detail where required.

The Trustee assesses the performance of the Scheme's investment managers on a quarterly basis and the remuneration of their fund managers on at least an annual basis.

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 manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying fund managers' fund holdings change over a year. The Scheme's investment adviser monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its 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 Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee invests in pooled funds and so has delegated voting and engagement activities to the Scheme's investment manager. However, as set out in this document, monitors the activity of the investment manager to confirm its actions are in line with the Trustee's policy.

As part of their delegated responsibilities, where appropriate the Trustee expects the Scheme's investment manager to:

- engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee reviews the stewardship activities of its fund manager on an annual basis, covering both engagement and voting actions. The Trustee may periodically review the alignment of its policies to those of the Scheme's fund manager and encourage their manager, or other third parties, to 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 regularly reviews the suitability of the Scheme's appointed asset manager and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed manager, where applicable, as well as any prospective managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will engage with the manager (via different medium such as emails, calls or face-to-face meetings) and seek a more sustainable position but may look to replace the manager.

The Trustee will also engage with its fund manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, a fund manager or another holder of debt or equity, and other stakeholders on relevant matters (including but not limited to performance, strategy, ESG issues and corporate governance).

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme 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"¹).

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take 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:

Trustee <ul style="list-style-type: none">• Monitor actual returns versus each Section's investment objective.• Set structures and processes for carrying out its role.• Select and monitor asset allocation.• Select direct investments (see below).	
Investment Adviser <ul style="list-style-type: none">• Advise on all aspects of the investment of the Scheme assets, including implementation.• Advise on this statement.• Provide required training.	Fund Managers <ul style="list-style-type: none">• Operate within the terms of this statement and their written contracts.• Select individual investments with regard to their suitability and diversification.• Advise Trustee on suitability of the indices in the benchmark.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, eg 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 the Scheme's direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. 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(s).

Prior to the closure of the Scheme, members of the Scheme were able to make AVCs which are invested separately from other investments of the Scheme. The Trustee has full discretion as to the appropriate vehicles made available for members' AVCs. When deciding whether or not to make any new investments the Trustee will obtain written advice. The written advice will consider suitability of the investments, the need for diversification and the principles contained in this statement. AVCs are reviewed annually by the Trustee.

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 fund 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 fund 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.

Fund managers are remunerated on an ad valorem basis.

In addition, fund managers may pay commissions to third parties on many 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 following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Date: January 2024