

THE GUEST MOTORS LIMITED PENSION AND ASSURANCE SCHEME

Statement of Investment Principles (“SIP”)

Background

This Statement of Investment Principles has been prepared to meet the requirements of Section 35 of the Pensions Act 1995 and SI 2005/3378 The Occupational Pension Schemes (Investment) Regulations.

It has been prepared after obtaining and considering the written advice of a person who is reasonably believed by the Trustees to be qualified by his ability in and practical experience of financial matters and has the appropriate knowledge and experience of the management of investments of pension schemes.

The Statement has been prepared after consultation with the sponsoring employer.

The Statement will be reviewed at least every three years or, without delay, after any significant change in investment policy.

Purpose

This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Trustees have taken the Myners’ Principles into consideration when making decisions about the Scheme’s investment arrangements.

Objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members’ benefits can be paid.

The Trustees’ objectives are:

- to acquire assets of appropriate liquidity which, together with future contributions and future investment growth, are expected to meet the liabilities of the Scheme
- to minimise the risk of the assets failing to meet the liabilities of the Scheme over the long-term and, in relation to scheme specific funding requirements, over the shorter term by ensuring the appropriate diversification of the Scheme’s assets
- to minimise the long-term costs of the Scheme by maximising the returns on the assets held.

Implementation

The Trustees set the broad investment strategy having regard to the objectives and following careful consideration of:

- the historical rates of return on the various asset classes available for investment as well as the expected future returns on those asset classes and the expected short-term volatility of the asset classes,
- the nature and duration of the Scheme’s liabilities,
- the risks of investing in the various asset classes,
- the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme,
- the strength of the sponsoring company’s covenant.
- any restrictions on investment contained in the Scheme’s Trust Deed and Rules.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities.

The Trustees will monitor the liability profile of the Scheme and will regularly review the appropriateness of the investment strategy in conjunction with their advisors.

The Trustees have delegated day to day investment decisions by investing in pooled funds.

The Trustees will maintain a list of the pooled funds in which they invest in Schedule A and will amend this as necessary.

The proportion of the assets held within each fund is approximate and will vary from time to time as a result of changes in the value of each fund.

There will be no automatic rebalancing of the overall portfolio.

Disinvestment

Where cash is required to meet benefit payments or for general purposes of the Scheme, the Trustees will disinvest in accordance with the provision set out in Appendix B, unless the Trustees decide otherwise.

Policies

Use of Pooled Funds

The Trustees do not make decisions regarding the investments held within each pooled fund.

When choosing a pooled fund, the Trustees will have regard to the investments held, the risks associated with investing in that fund and any constraints on the type of assets that may be held within the fund.

The balance between investment classes will be determined by the manager of the pooled fund.

The Trustees review performance of the fund managers at regular intervals and also consider the performance of the overall strategy against their objectives.

Environment, Social and Governance Issues

The Trustees believe that good stewardship and environmental, social and governance (“ESG”) issues may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and potential opportunities that increasingly may require explicit consideration.

The Trustees have given the pooled fund managers full discretion when evaluating ESG issues, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme’s investments. The Trustees expect managers to have integrated ESG into their risk analysis and investment process. Similarly, the Scheme’s voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Scheme’s investment advisors will keep the Trustees informed on ESG issues. The Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new managers and the Trustees monitor their existing managers’ ESG approach on a periodic basis, and discuss ESG considerations as part of ongoing reviews.

Non-Financial Matters

Non-financial matters are not taken into account when determining the Scheme’s investment policy. Member views are not actively sought but the Trustees make a copy of the Statement of Investment Principles available to members on request and publish a copy of the Statement on a publicly accessible website.

Direct Investment

The Trustees will not hold investments directly and hence cannot exercise voting rights nor undertake investment engagement activities.

Incentivising investment Managers

As investments are made in pooled funds with defined charges and expenses, it is not possible directly to incentivise fund managers to align investments with the Trustees' policies, improve engagement or monitor transaction costs. Ultimately, the Trustees only remedy is likely to be to move to an alternative pooled fund.

Monitoring Turnover

The nature of the Scheme's investments makes it impractical for the Trustees to monitor turnover or turnover costs directly. The performance figures that the Trustees and their investment consultant analyse are net of transactions costs, so this is taken into account indirectly.

Term of Manager Appointments

The investment in any particular pooled fund managers does not have a fixed term but can be terminated in the event of consistent underperformance or misalignment with the Trustees' objectives.

Employer-Related Investments

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustees will monitor this on an ongoing basis to ensure compliance.

APPENDIX A

Allocation of Assets between Funds

The Trustees have chosen to invest the Scheme assets (not invested in bulk purchase annuity policies) in a range of actively managed and passively managed pooled funds managed by Legal & General Investment Management ('L&G') under a policy of assurance with Legal & General Assurance (Pensions Management) Limited.

The L&G policy is designed for corporate and public sector pension schemes and takes full advantage of the tax exemptions available to Registered Pension Schemes.

The Trustees are satisfied that L&G's Corporate Governance policies help to maximise and protect shareholder value and reflect the key principles of SRI.

The Trustees will ensure that the actively managed and passively managed pooled funds selected will provide exposure to a well-diversified mix of investments.

The Trustees have chosen to invest 50% of the pooled fund assets in return seeking assets and 50% of the pooled fund assets in matching assets in accordance with the liability profile of the Scheme.

As at the date of this statement the Scheme had exposure to the following L&G pooled funds;

Return Seeking Funds	Market Index	Out Performance Target
UK Equity Index	FTSE All-Share	n/a
North America Equity Index	FTSE World North American Net Tax (UKPN)	n/a
Europe (ex UK) Equity Index	FTSE Developed Europe ex UK Net Tax (UKPN)	n/a
Japan Equity Index	FTSE Japan Net Tax (UKPN)	n/a
Asia Pacific (ex Japan) Equity Index	FTSE Asia Pacific ex Japan Net Tax (UKPN)	n/a
Diversified Fund*	-	n/a
Matching Funds	Market Index	Out Performance Target
Active Corporate Bond – Over 10 Year Fund	Markit iBoxx GBP Non-Gilts 10 year + Index	+ 0.75% per annum over rolling 3 years (before fees)
AAA-AA Fixed Interest – Over 15 Year Fund	-	n/a
Over 15 Year Index Linked Gilt Fund	FTSE A Index Linked > 15 years	n/a
Cash		
Cash	7 day LIBID	n/a

*The L&G Diversified Fund is primarily a passively managed fund that does not have a fixed market-based benchmark. Instead, through exposure to an extremely diversified range of assets, it targets a similar rate of return to global developed market equities over the long term, but with 2/3rds of the volatility of global developed market equities.

It is expected that the percentage invested in return seeking assets will reduce over time and the percentage invested in matching assets will increase over time in accordance with the liability profile of the Scheme.

This SIP will not be revised unless either a new fund manager is introduced and or if the Trustees move the overall target asset allocation by more than 10% (which is separate from any return-based change in asset allocation).

Allocation of Additional Voluntary Contributions (AVCs)

The Scheme provided a facility with Prudential for those members who wished to pay AVCs in order to enhance their retirement benefits whilst in active membership. Under the AVC facility;

- Benefits are accrued on a Money Purchase basis with the value of each member's fund being determined by the value of their accumulated contributions adjusted for investment returns net of charges.
- All funds are invested in Prudential's With Profits Fund and there are no other investment options available.

As at the date of this statement there are only two Scheme members remaining with AVC funds.

The Trustees believe that Prudential's With Profits fund remains an appropriate fund for this purpose.

APPENDIX B

Disinvestment of Assets

Where assets need to be disinvested, the Trustees will decide where moneys will be drawn from.

The administrators, Atkin Pensions, will arrange for the disinvestments to be made at the earliest practical dealing date following the Trustees' approval.