THE RENAULT UK LIMITED PENSION FUND
STATEMENT OF INVESTMENT PRINCIPLES
AUGUST 2024

1. Introduction

The purpose of this Statement of Investment Principles (the "Statement") is to record the investment arrangements adopted by the Trustees of The Renault UK Limited Pension Fund ("the Fund").

This Statement is designed to comply with the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004 (the "Act"), the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, and subsequent legislation. It is also intended to fulfil the spirit of the Code of Best Practice published in 2001 and revised in 2008. As required under the Act, the Trustees have obtained and considered appropriate written advice from the Fund's investment consultant, Mercer Limited, when preparing this Statement. The Trustees, when considering appropriate investments for the Fund, obtain advice from Mercer Limited, whom the Trustees believe is suitably qualified to provide advice that satisfies the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustees have also consulted with the employer (Renault UK Limited, "the Company") on the contents of this Statement and have taken account of the Company's objectives, to the extent the Trustees believe they are able to do so, when setting their objectives for the Fund. Where matters set out in this Statement may affect the Fund's funding policy, input has also been obtained from the Fund's actuary.

The Fund has two Sections, the Renault Defined Benefit Section ("the Renault DB Section") and the RCI Defined Benefit Section ("the RCI DB Section").

2. Overall Policy and Investment Objectives

The Trustees' primary objective is to invest the assets in the best interests of the members and beneficiaries, and in the event of a conflict with the objectives of the Company, in the sole interest of members and beneficiaries. In doing this they are seeking to achieve an appropriate balance between funding risk and investment return.

The Trustees recognise that the least risk investment strategy for the Fund is a portfolio of low-risk liability-matching bonds but believe that at the current time a measured investment in equities and other growth assets ("Growth portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

The Trustees have agreed that the Fund should move progressively towards a target of an entirely bond-based investment strategy ("Matching portfolio") for both Sections as their funding positions increase. The Trustees will monitor progress against this target and seek to reduce investment risk as several funding level-based de-risking "triggers" are attained.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determines to be financially material considerations. Non-financial considerations are discussed in section 14.

The Trustees' investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees (acting on advice as they deem appropriate) and is driven by their investment objectives. The remaining elements of policy are part of the day-to-day management of the assets that the Trustees delegate to professional investment managers.

The Trustees have appointed Mercer to act as discretionary investment manager, to implement the Trustees' strategy. In this capacity, and subject to agreed restrictions, the Fund's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. The Trustees consider that Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Fund's assets on a day-to-day basis.

The Trustees to review their investment strategy on a regular basis and at least every three years in conjunction with the Fund's actuarial valuation (or more frequently in the event of significant changes to the Fund). In doing this, the goal is to achieve full funding under its Technical Provisions ("TP") basis, which is used to calculate the Fund's funding requirements (the "Recovery Plan"). Beyond achieving full funding under the TP basis, the Trustees also have a secondary objective of achieving full funding under a more prudent basis that assumes the Fund's assets follow a low-risk investment strategy that generates a return of 0.5%p.a. in excess of the return on a portfolio of liability-matching gilts.

3. Risk

The Trustees pay close regard to the risks which may arise through a mismatch between each Section's assets and its liabilities and the risks which may arise from the lack of diversification of investments. Under the strategies in place, the Trustees are satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities provide adequate diversification of investments.

The Trustees recognise that investments denominated in foreign currency introduce the risk that changes in exchange rates will affect the value of the investments. The Trustees expect Mercer to use foreign exchange contracts to protect (or “hedge”) the Fund against this risk.

The Trustees realise that there is a risk that the performance of the Fund’s investment managers may fall below expectations and that this risk is greater where managers have been set an objective of outperforming a benchmark index (“active” manager risk). To reduce this risk, and where appropriate for the asset class, the Trustees expect Mercer to make use of “passive” investment managers who are expected to achieve returns closely in line with specified benchmark indices.

The Trustees’ discretionary agreement with Mercer, includes a number of guidelines and restrictions which, among other things, are intended to ensure that only suitable investments are held by the Fund and that regulations governing investment by pension funds are complied with.

Arrangements are in place with Mercer to enable the Trustees to monitor the Fund’s investments to ensure that nothing occurs that would bring into question the continuing suitability of the Fund’s investments.

In designing the investment strategy for the Fund, the Trustees take into account the Fund’s current and future cashflow requirements to ensure the Fund’s assets are sufficiently liquid to meet these requirements.

To help control liability mismatch risk the Trustees have given Mercer the authority to “leverage” gilt holdings within the Matching portfolio using “gilt repurchase” arrangements. This requires Mercer to hold sufficient, liquid collateral to support these leveraged positions and the Trustees expect to maintain collateral at levels in line with or more than regulatory guidelines.

As the Fund’s assets are invested in Mercer Funds, custody of the Fund’s assets is delegated to the administrator and custodian of the Mercer Funds.

To assist the Trustees in monitoring the risks discussed above, the Trustees receive regular reporting from Mercer.

Risks associated with changes in the Company’s ability to meet any Recovery Plan for the Sections are assessed by monitoring the Company’s credit ratings (as provided by, e.g., S&P and Moody), through periodic presentation of any relevant business information by the Company to the Trustees and by monitoring various external metrics. On occasion the Trustees will also receive advice from external parties on the strength of the Company covenant.

The Trustees also have an agreement with the Company to receive notification of any events which have the potential to alter its creditworthiness. In particular, the Trustees will be informed of significant “Type A” events, as defined in appropriate guidance issued by the Pensions Regulator and Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of each Section's existing investment strategy and contribution schedule.

4. Investment Strategy

The Trustees, with advice from the Mercer, review the Fund's investment strategy on a regular basis. This review considers the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented and how it might change over time.

Beyond achieving, and then maintaining full funding under the Fund's TP basis with no further funding required from the Company as a result, the Trustees' goal is to opportunistically "de-risk" the Fund's assets relative to its liabilities over time using a trigger-based de-risking framework. In designing this de-risking strategy, the Trustees set funding level triggers using a funding basis that assumes the Fund's assets achieve a return of 0.5%p.a. ahead of the return on a low-risk portfolio of liability-matching gilts.

The de-risking rule mandates the following practices:

- To hold sufficient assets in the Growth portfolio to target a 100% funding level under the gilts +0.5%p.a. basis within a reasonable timeframe;

- To reduce the volatility in the funding level by appropriately diversifying risk in the Growth portfolio and using the Matching portfolio to control liability mis-match risk;

- To monitor the progress in each Section's funding level and to efficiently capture improvements in the funding level as opportunities arise.

The Trustees have delegated the responsibility for monitoring the Sections' funding positions, maintaining the Sections' assets in line with each step of their de-risking strategies and implementing de-risking actions as de-risking triggers are attained to Mercer. Further information on the de-risking triggers for each Section is included in appendix.

5. Day-to-Day Management of the Assets

The Trustees have delegated the day-to-day management of the assets to Mercer, whom in turn delegates responsibility for the investment of the assets to a range of underlying specialist investment managers. Mercer are responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Sections subject to agreed constraints.

The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to choose and combine the underlying investment managers and ensure that they are fit to manage the Sections' investments and is carrying out their work competently.

The Trustees regularly review the continuing suitability of the Fund's investments, including Mercer's ability to select, appoint, remove and monitor the appointed managers. Mercer is regulated by the Financial Conduct Authority ("FCA"). The fee structure for the arrangements on place with Mercer are set out in the appendix.

6. Cashflow Policy and Rebalancing

The Trustees have put in place with Mercer a policy for how the Fund's cashflow requirements should be funded. Under the policy, cashflow deficits are met by disinvestment from the most overweight Mercer Funds relative to the benchmark asset allocations set for them by the Trustees. For any surplus, cash is invested in the most underweight Mercer Funds. Any disinvestment will be made from Mercer Funds that deal on a daily basis.

7. Realisation of Investments

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. To avoid this, the majority of the Fund's assets are invested in relatively liquid investments with Mercer having discretion in the timing of realisation of investments. The Trustees will consider investments in illiquid assets if it is felt that such investments offer an attractive risk-return trade-off,

8. Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

9. Additional Voluntary Contributions ("AVCs")

For the RCI DB Section there are AVC investments with Aviva. The liabilities in respect of the AVC's are equal to the value of the investment bought by the contributions. The Aviva policy is closed to new contributions; however, members may transfer any part of their existing holdings between available investment funds.

10. Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment 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 opportunities that increasingly may require explicit consideration.

The Trustees have delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying managers in the monitoring process. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration process, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities.

Member views

If expressed, the Trustees may consider considering member views on the selection, retention and realisation of investments.

Investment Restrictions

The Trustees have not set any investment restrictions on the appointed investment managers in relation to products or activities but may consider this in the future.

11. Implementation and Engagement Policy

The below table sets out the Trustees' approach to implementation and engagement. The list below is not exhaustive but covers the primary areas considered by the Trustees.

Policy statement	Trustees' Approach
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies	Mercer, on the Trustees' behalf, appoints underlying investment managers to the Mercer Funds and the Trustees appoint investment managers of any externally managed funds based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer provides the Trustees with an assessment of a manager's ability to meet or exceed their objectives. As the Trustees invest in Mercer Funds, they accept that they have no ability to influence investment managers to align their decisions with the Trustees' policies set out in

	this Statement. However, appropriate mandates can be selected to align with the overall investment strategy. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If Mercer believe that the manager has no more than an average probability of a manger achieving its objectives, then they will look to replace the manager.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term	The Trustees and Mercer expect investment managers to incorporate the consideration of longer-term factors, such as ESG factors, into their decision-making process where appropriate. The extent to which this is conducted will be considered during the selection, retention and realisation of manager appointments, undertaken by the Mercer. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. Mercer engages with investment managers on this activity and if dissatisfied will look to replace the manager.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies	The Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustees also review managers' overall and ESG ratings on a quarterly basis. The remuneration for investment managers used by the Fund is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustees will ask Mercer to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees. The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception, together with managers' overall and ESG ratings. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustees' focus is on long-term performance, they also take shorter-term performance into account.

	The underlying managers are appointed by Mercer, who review if the manager is meeting its performance objective and if any changes have been made.
How the Trustees define and monitor targeted portfolio turnover or turnover range.	The Trustees do not currently define target portfolio turnover ranges for funds.
How the Trustees define and monitor the duration of the arrangement with the asset manager.	The Trustees are a long-term investor, all funds are open-ended and therefore there is no set duration for manager appointments. Mercer is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustees are responsible for the selection, appointment and removal of the externally managed funds. The Trustees may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.

12. Compliance with this Statement

The Trustees monitor compliance with this Statement regularly and obtain written confirmation from Mercer that it has given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

APPENDIX

Funding level Triggers

For purposes of the funding level monitoring, the agreed target funding basis for the Fund is Gilts + 0.5% p.a. The target Growth portfolio allocation for the Renault DB Section is 35% and the target Growth portfolio allocation for the RCI DB Section is 38%.

The Trustees have instructed Mercer to monitor the progress of the Sections' funding levels under the target funding basis and notify the Trustees if the following funding-level based de-risking triggers are hit. Upon being notified the Trustees will consult with the Company regarding whether any de-risking actions should be undertaken. The de-risking triggers and intended revised target Growth allocations upon a de-risking being hit are as follows: -

Renault DB Section

Funding Level Band	Trigger to move into Band (Funding Level %)	Target Growth Allocation (% of total assets)
3	-	35
4	75.6%	32
5	78.6%	29
6	82.6%	25

RCI DB Section

Funding Level Band	Trigger to move into Band (Funding Level %)	Target Growth Allocation (% of total assets)
5	-	42
6	81.4%	34
7	84.4%	30

Mercer will regularly review and update the above with agreement of the Trustees.

Growth Portfolio Benchmark Allocation

The table below provides the growth portfolio benchmark asset allocation broken down by fund for the Renault and RCI Sections respectively.

Asset Class	Fund Name	Benchmark (%)
Equity	Mercer Passive Global Equity CCF (Hedged)	18
Equity	Mercer Low Volatility Equity (Hedged)	7
Equity	Mercer Global Small Cap Equity (Hedged)	5
Equity	Mercer Sustainable Global Equity (Hedged)	9
Equity	Mercer Infrastructure (Hedged) Global Listed Equity	3
Equity	MGI Eurozone Equity (Hedged)	3
Equity	Mercer Passive Emerging Markets Equity	7
Equity	Mercer Passive Global REITS UCITS CCF	5
Growth Fixed Income	MGI Emerging Markets Debt	4
Growth Fixed Income	Mercer Emerging Market Debt Hard Currency	4
Growth Fixed Income	Mercer Global High Yield Bond (Hedged)	7
Growth Fixed Income	Mercer Multi Asset Credit	5
Growth Fixed Income	Mercer Absolute Return Fixed Income (Hedged)	8
Liquid Alternative Strategies	Mercer Select Alternatives Strategies (Hedged)	15
		100

Fund Benchmarks and Outperformance Targets

The investment objective of the passive equity funds, low volatility equity fund, and gilt funds is to closely match the benchmark performance based on the benchmark allocations, as set out in the table below. The funds which have outperformance targets are actively managed, therefore, outperformance is expected.

Asset Class	Fund Name	Benchmark	Outperformance Target (% p.a.)[1]
Equity	Mercer Passive Global Equity CCF (Hedged)	MSCI World (NDR) Index Hedged [2]	Perform in line with the benchmark
Equity	Mercer Low Volatility Equity (Hedged)	MSCI World (NDR) Index Hedged [2]	Perform in line with the benchmark

Asset Class	Fund Name	Benchmark	Outperformance Target (% p.a.)[1]
Equity	Mercer Global Small Cap Equity (Hedged)	MSCI World Small Cap (NDR) Hedged [2] Index	1.0 – 1.75 (gross of fees)
Equity	Mercer Sustainable Global Equity (Hedged)	MSCI World (NDR) Hedged [2] Index	0.75 - 1.5 (gross of fees)
Equity	Mercer Infrastructure (Hedged) Global Listed Equity	FTSE Global Core Infrastructure 50/50 (NDR) Hedged [2] Index	0.5 – 1.25 (gross of fees)
Equity	MGI Eurozone Equity (Hedged)	MSCI EMU (NDR) Hedged [2] Index	1.0 - 2.0 (gross of fees)
Equity	Mercer Passive Emerging Markets Equity	MSCI Emerging Markets (NDR) Index	Perform in line with the benchmark
Equity	Mercer Passive Global REITS (Hedged) UCITS CCF	FTSE EPRA/NAREIT Developed REITs (NDR) Hedged Index	Perform in line with the benchmark
Growth Fixed Income	MGI Emerging Markets Debt	JP Morgan GBI-EM Global Diversified Index	0.5 – 1.0 (gross of fees)
Growth Fixed Income	Mercer Emerging Market Debt Hard Currency	JP Morgan EMBI Global Diversified ex CCC	0.5 – 1.0 (gross of fees)
Growth Fixed Income	Mercer Global High Yield Bond (Hedged)	ICE BofAML BB-B Rated Developed Markets High Yield Constrained Hedged Index	0.2 - 0.5 (gross of fees)
Growth Fixed Income	Mercer Multi Asset Credit	**Reference Index:** 50% ICE BofAML Global High Yield Constrained Hedged Index + 50% S&P/LSTA US Leveraged Loans Hedged Index	Cash +3-5% p.a. (net of fees)
Growth Fixed Income	Mercer Absolute Return Fixed Income (Hedged)	FTSE GBP 1 Month Euro Deposit Index +1.5% p.a.	Cash +1.5 – 2.5 (gross of fees)
Liquid Alternative Strategies	Mercer Select Alternatives Strategies (Hedged)	HFRI FoF: Market Defensive Hedged Index	Cash +3% (net of fees)
LDI	MGI UK Long Gilts	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Perform in line with the benchmark
LDI	MGI UK Inflation Linked Bonds	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	Perform in line with the benchmark
LDI	Mercer Flexible LDI Fixed Enhanced Matching Fund 3	BlackRock Flexi Fixed Long Index	Perform in line with the benchmark
LDI	Mercer Flex LDI Real Enhanced Matching Fund 1	BlackRock Flexi Real Short Index	Perform in line with the benchmark

Asset Class	Fund Name	Benchmark	Outperformance Target (% p.a.)[1]
LDI	Mercer Flexible LDI £ Real Enhanced Matching Fund 2	BlackRock Flexi Real Medium Index	Perform in line with the benchmark
LDI	Mercer Flexible LDI £ Real Enhanced Matching Fund 3	BlackRock Flexi Real Long Index	Perform in line with the benchmark
LDI	Mercer Tailored Credit Fund 1	No Benchmark Assigned [3]	n/a

1 Measured over rolling 5-year periods unless otherwise stated.
2 Hedged indices are proxied by Mercer using local index returns..
3 This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.

Fee Structure for advisers and managers

Advisers

The Trustees' investment advisers are paid for advice received based on the time spent by the adviser. An annual fixed fee is currently in place which covers the regular items. For anything outside of this budget, the Trustees will endeavour to agree a project budget.

Investment managers – Renault DB and RCI DB Sections

The fee payable for fund investment management, account management and advisory services provided by Mercer is 0.14% p.a. of the assets invested in the Mercer Funds.

The Trustees will also pay the fees charged by each of the sub-investment managers appointed to provide investment management services to the Mercer Funds within which the Sections' assets are invested and such fees are variable.