GROUPE RENAULT

RENAULT UK LIMITED PENSION FUND (THE "SCHEME")

ANNUAL GOVERNANCE STATEMENT FOR PERIOD 6 APRIL 2022 TO 5 APRIL 2023

PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996 (THE "REGULATIONS")

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Administration Regulations"), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees of the Renault UK Limited Pension Fund (the "Trustees") are required to prepare a statement (the "Statement"). The Statement sets out how certain governance requirements have been met in relation to the Scheme's defined contribution ("DC") benefits covering the period from 6 April 2022 to 5 April 2023 (the "Scheme year").

This statement of governance relates to the Scheme's DC benefits. These benefits fall into two categories, namely;

- The Scheme's DC Section.
- Additional Voluntary Contributions ("AVCs") in the Scheme's defined benefit ("DB") Section.

Reference to "the Scheme" and "the Scheme's" throughout this statement relate to the DC section unless otherwise specified.

This statement covers five principle areas:

1. The investment strategy relating to the Scheme's default option;
2. The processing of Scheme core financial transactions;
3. The charges and transaction costs for the investments used in the default and self-select arrangements and the extent to which the charges and costs represent good value for members;
4. Net return on investments, and;
5. The Trustees' compliance with the statutory knowledge and understanding (TKU) requirements.

As Chair of the Trustees, it is my pleasure to report to you on how the Trustees have embedded these standards over the Scheme year.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, MoneyHelper has information on how to find a financial adviser at https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser. If you choose to use a financial adviser, please be sure to check their area of expertise and their charges before making any commitments.

This Statement will be published online at https://www.merceroneview.co.uk/RenaultRCIDC, and this publically available website will be signposted in the annual benefit statements.

1. The investment strategy relating to the Scheme's default option

A copy of the Scheme's Statement of Investment Principles (SIP) dated 26 September 2022 is appended to this Statement. The SIP has been prepared in accordance with regulation 2A of the Occupational Pension Plans (Investment) Regulations 2005 and subsequent legislation. The SIP covers the Trustees' aims and objectives in relation to the default investment strategy as well as policies relating to matters such as risk and diversification. In addition to the default investment strategy, the SIP covers alternate investment choices under the Scheme, covering a range of funds that members can choose from, designed with their needs in mind.

The default investment option was subject to its formal triennial review in September 2022. The investment design of the default and wider strategy were reviewed as part of this exercise which found that the Target Drawdown strategy remains suitable as the default investment option. Scheme specific demographics and industry trends suggested that members are likely to access their pension savings via flexible drawdown in retirement. Members also have access to alternative lifestyle strategies which target different retirement outcomes and a range of self-select investment funds. Members are supported by clear communications.

The default investment option initially invests in the Mercer Growth Fund until members are eight years from their selected retirement year (or the Scheme's default normal retirement age of 65 where none is selected). The Mercer Growth Fund invests predominantly in equities and other growth seeking assets. Overall these investments are expected to provide long term growth (above inflation). Long-term returns in excess of earnings inflation are generally required for members to attain an adequate income in retirement. Younger members have greater capacity to withstand the higher volatility of equities as they have more time for financial markets to recover from any short-term falls.

As a member's savings grow, investment risk will have a greater impact on retirement outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce risk as the member approaches retirement is appropriate. Eight years before a member's selected retirement year (or the Scheme's default retirement age 65), investments are switched to the Target Drawdown Retirement Fund for their retirement year. The underlying investments of the target date fund comprise of the Mercer Growth Fund, Mercer Diversified Retirement Fund and Mercer Cash Fund diversified retirement fund which reduces investment risk as members get closer to retirement.

The performance of the Scheme's investments, including the default, is reviewed quarterly. The Trustees receive and review a quarterly investment report which is a standing item at Trustee meetings.

Additional Voluntary Contributions (AVCs)

The AVCs for the Scheme relate to the Defined Benefit (DB) members and during the Scheme year these were invested within the Scheme's DC Section with Aviva.

The Trustees take a proportional approach to the Scheme's AVCs given the size of the holdings relative to the overall DC assets held within the Scheme.

The Trustees do not operate a default investment arrangement within the meaning of Pensions Act 2008 in relation to AVC policies. For this reason, the Trustees believe that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to AVCs. For the same reason, the Trustees' Statement of Investment Principles does not contain wording relating to default investment arrangements for the AVCs.

2. The processing of Scheme core financial transactions

The requirements of regulation 24 of the Regulation have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a reputable professional pension administration provider, Mercer (the "administrator").
- Having in place service level agreements (SLAs) with the administrator which cover all core administration processes. The Trustees monitor these SLAs on a regular basis, with the provider being asked to account for shortfalls in performance.

- Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Maintaining and monitoring a Risk Register, which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed on a regular basis.
- Appointing a professional firm to undertake an annual audit to confirm that contributions and benefit payments have been made in a timely manner and in line with the required timescales.

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. This includes:

- Investments of contributions to the Scheme.
- Transfers of members' into and out of the Scheme.
- Transfers of members' assets between different investments within the Scheme, and;
- Payments from the Scheme to, or in respect of, members

The Trustees recognise that delay and errors can cause significant losses for members. Delay and errors can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future retirement outcomes.

The Trustees operate a system of internal controls aimed at monitoring the Scheme's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions, including core transactions such as the payment and investment of contributions, the transfer of member assets into and out of the Scheme and the payment of benefits.

The Trustees have in place a Schedule of Contributions, which sets out timescales for the Company to remit monthly contributions to the Scheme. The prompt investment of contributions is a priority to the Trustees, who wish to limit out of market exposure. During the year, the contributions were received and invested within the required timescales.

Core transactions require liaising with the providers and investment managers. The Trustees have delegated the day-to-day investment management of the DC Section to the underlying provider Scottish Widows. The investment of assets in respect of the AVCs were delegated to Aviva during the Scheme year.

The Trustees receive quarterly Administration Reports from the Administrator, which enable the Trustees to monitor that the requirements for the processing of core financial transactions are met. These detail the receipt and investment of monthly contributions. They also report on the performance against agreed service standards for the processing of all core transactions/processing of member benefits. These reports are considered at each Trustee Meeting.

The Trustees are aware that the Company's payroll departments also play a key role in the timely investment of contributions and have taken steps to ensure that payroll activity is also processed in a timely manner.

Over the period from 1 April 2022 to 31 March 2023, an overall service level of 96% was reported, this covers both cases relating to core financial transactions, and other cases, such as member enquiries.

The table shows the service levels for work related to core financial transactions during the period of this statement that the administration team work to:

Work Type	Service Standard (working days)
Death	2 days
Divorce	20 days
Leaver Refund	10 days
Retirement Settle	15 days
Transfer Out Settlement	11 days
Transfer in Settlement	10 days

Over the reporting period, the monthly member contributions were received, processed and invested in line with agreed SLAs and there were no disclosure breaches.

As a wider review of the Administrator in general, the Administrator employs an independent auditor to prepare an annual report on their internal controls (AAF01/06/ ISAE 3402) which is provided to the Trustees annually.

The Trustees have appointed an independent auditor, BDO LLP, to carry out an annual audit of the Scheme, including the material financial transactions that have taken place during the Scheme year. The auditors carry out spot checks to ensure that contributions to the Scheme or payments made by the Scheme are paid in accordance with the Scheme's rules.

Based on the above, the Trustees are satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the period to which the Statement relates.

3. Charges and transaction costs within the Scheme

As required by the Administration Regulations, the Trustees are required to report on the charges and transactions costs for the investments used in the default investment option as well as funds available as self-select options to members, and assess the extent to which the charges and costs represent good value for members.

In relation to transaction costs, the Trustees note that when buying and selling investments, transaction costs can be incurred. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance as a drag on returns. The Financial Conduct Authority (FCA) has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated by the FCA, they can be negative or positive; a negative figure is effectively a gain from trading activity, whilst a positive figure is a cost from trading activity.

The table below shows the total expense ratio (TER) and the total transaction costs for each of the funds in use within the DC Section as at 5 April 2023 those funds underlying the Scheme's default investment option are in bold text. The default arrangement has total expense ratios throughout the investment profile that are well below the charge cap of 0.75% per annum.

Fund	TER (%)	Transaction cost (%)
Mercer Defensive	0.38	0.14
Mercer Moderate Growth	0.37	0.11
Mercer Growth	**0.34**	**0.16**
Mercer High Growth	0.37	0.12
Mercer Drawdown Retirement Fund	**0.39**	**0.08**
Mercer Target Drawdown 2024 Retirement Fund	**0.40**	**0.09**
Mercer Target Drawdown 2025 Retirement Fund	**0.40**	**0.11**
Mercer Target Drawdown 2026 Retirement Fund	**0.41**	**0.12**
Mercer Target Drawdown 2027 Retirement Fund	**0.40**	**0.13**
Mercer Target Drawdown 2028 Retirement Fund	**0.39**	**0.14**
Mercer Target Drawdown 2029 Retirement Fund	**0.37**	**0.14**
Mercer Target Drawdown 2030 Retirement Fund	**0.36**	**0.15**
Mercer Target Drawdown 2031 Retirement Fund	**0.35**	**0.16**
Mercer Cash Retirement Fund	0.28	0.02
Mercer Target Cash 2024 Retirement	0.29	0.03
Mercer Target Cash 2025 Retirement	0.29	0.05
Mercer Active Global Equity	0.77	0.43
Mercer Sustainable Global Equity	0.70	0.16
Mercer Diversified Growth	0.39	0.23
Mercer Diversified Retirement	0.35	0.10
Mercer Passive UK Equity	0.17	0.07
Mercer Passive Overseas Equity	0.18	0.00
Mercer Passive Overseas (Hedged) Equity	0.20	-0.02
Mercer Passive Emerging Markets Equity	0.24	-0.09
Mercer Shariah	0.44	0.02
Mercer Passive Fixed Interest Gilts	0.17	-0.03
Mercer Passive UK Corporate Bond	0.18	0.03
Mercer Passive Index-Linked Gilts	0.17	0.02
Mercer Pre-Retirement	0.21	0.00
Mercer Inflation Linked Pre-Retirement	0.21	0.00
Mercer Cash	0.23	0.02

Source: Scottish Widows, charges are as at 5 April 2023.
*Funds highlighted in **bold** form part of the default investment strategy.*

The tables below show the TERs for the AVC funds invested in over the Scheme year.

Aviva

Fund	TER (%)	Transaction cost (%)
Aviva Pre-Retirement Fixed Interest	0.50	0.03
Aviva Cash	0.50	0.00

Impact of Costs and Charges

In accordance with regulation 23(1) (ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples. The below illustration has taken into account the following elements:

- Value of savings;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To make this representative of the membership, the Trustees have based this on an average active member age of 44, using starting pension savings of £25,600 and assumes an overall contribution level of 11%. An assumed starting salary of £36,800 has been used, with a 2.50% salary increase per year.

Projected Pot sizes in Today's Money

		Default lifestyle		Most expensive fund: Mercer Active Global Equity		Least expensive fund: Mercer Passive Fixed Interest Gilts	
Years to retirement	Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	45	£30,350	£30,204	£30,629	£30,318	£29,601	£29,551
6	50	£56,513	£55,186	£59,174	£56,267	£49,907	£49,501
11	55	£87,196	£83,785	£94,337	£86,640	£70,726	£69,784
16	60	£122,576	£115,974	£137,651	£122,191	£92,071	£90,403
21	65	£160,264	£149,456	£191,007	£163,802	£113,955	£111,365

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. When allowing for the transaction costs within the growth assumptions, when the transaction cost is less than 0% (i.e. a gain from trading activity) the Trustees have assumed a transaction cost of 0%. This is because the transaction cost is not likely to be negative over the longer-term and the Trustees have chosen to take a prudent approach to these illustrations. An average of transaction costs over the period of each funds use over the last three Scheme years (where available) have been used.
3. Starting pot size is assumed to be £25,600 and future contributions of 11% have been assumed
4. Starting salary is assumed to be £36,800 with an assumed increase of 2.5% per year. The assumed increase is equal to the assumed rate of inflation and is based on industry convention for illustrating member benefits.
5. Values are estimates and are not guaranteed
6. The projected growth rates for each fund are as follows:
    a. Default Target Lifestyle Approach (Default arrangement): between 2.74% and 1.88% p.a. net real return above inflation.
    b. Mercer Active Global Equity (Most Expensive Fund): 3.20% p.a. net expected real return above inflation.
    c. Mercer Passive Fixed Interest Gilts (Least Expensive Fund): 0.33% p.a. net expected real return above inflation

The Trustees have presented a further illustration below. This is based on a young active member of the Scheme, aged 22, using a starting pot size of £4,400 and a salary of £23,700. It also assumes an overall contribution level of 11% per annum.

Projected Pot sizes in Today's Money							
		Default lifestyle		Most expensive fund: Mercer Active Global Equity		Least expensive fund: Mercer Passive Fixed Interest Gilts	
Years to retirement	Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	23	£7,068	£7,034	£7,124	£7,052	£6,916	£6,905
2	24	£9,822	£9,739	£9,964	£9,788	£9,445	£9,417
3	25	£12,665	£12,519	£12,925	£12,612	£11,986	£11,938
8	30	£28,325	£27,605	£29,732	£28,146	£24,885	£24,669
13	35	£46,691	£44,875	£50,436	£46,327	£38,110	£37,611
18	40	£68,231	£64,644	£75,939	£67,608	£51,669	£50,769
23	45	£93,494	£87,276	£107,354	£92,517	£65,570	£64,145
28	50	£123,122	£113,184	£146,053	£121,672	£79,822	£77,743
33	55	£157,870	£142,843	£193,723	£155,797	£94,434	£91,567
38	60	£197,624	£175,939	£252,445	£195,739	£109,415	£105,621
43	65	£238,477	£209,028	£324,780	£242,490	£124,774	£119,909

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. When allowing for the transaction costs within the growth assumptions, when the transaction cost is less than 0% (i.e. a gain from trading activity) the Trustees have assumed a transaction cost of 0%. This is because the transaction cost is not likely to be negative over the longer-term and the Trustees have chosen to take a prudent approach to these illustrations. An average of transaction costs over the period of each funds use over the last three Scheme years (where available) have been used.
3. Starting pot size is assumed to be £4,400 and future contributions of 11% have been assumed
4. Starting salary is assumed to be £23,700 with an assumed increase of 2.5% per year.
5. Values are estimates and are not guaranteed
6. The projected growth rates for each fund are as follows:
    a. Default Target Lifestyle Approach (Default arrangement): between 2.74% and 1.88% p.a. net real return above inflation.
    b. Mercer Active Global Equity (Most Expensive Fund): 3.20% p.a. net expected real return above inflation.
    c. Mercer Passive Fixed Interest Gilts (Least Expensive Fund): 0.33% p.a. net expected real return above inflation

Value for Members assessment

In accordance with regulation 25(1)(b), the Trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members when this is compared to other options available in the market.

The Trustees conducted a Value for Money assessment in order to arrive at this conclusion, incorporating consideration of the following:

- Investment management charges
- Transaction costs where available
- Performance net of fees
- Member communications
- The Trustees' governance arrangements
- Administration
- Additional services available to members.

The Trustees concluded that the Scheme's DC benefits and options represent good value for money when looking at the costs incurred by members. The reasons underpinning this conclusion include:

- The Scheme's default investment option charge is well below the 0.75% p.a. charge cap.
- For the majority of funds, charges have been assessed by our advisers as comparing favourably with those of peer funds.
- The assessment of fund performance was undertaken since the Scheme first invested in each fund. The majority of funds have performed as expected. The Trustees will continue to monitor performance closely.
- The majority of the underlying funds used by the Scheme in the DC Section are highly rated by Mercer Ltd as having good prospects of achieving their risk and return objectives.
- Although an 'industry benchmark' for comparison purposes is not currently available, the transaction costs provided by the Scheme's fund managers are in line with the costs expected for the relevant asset classes and regions.

Additionally, the Company pays for the DC Section's administration, member communication and advisory costs associated with operating the Scheme, which further enhances the value that members receive.

4. Net returns on investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the lifestyle arrangements (for members aged 25, 45, and 55) and for the self-select fund range. As the DC Section's current funds have been available for less than five years, fund performance is stated over the 1 year period and since inception.

Default strategy (Targeting Drawdown)	Annualized returns to 31 March 2023 (%)		
Age of member at start of period	1 year	Since Inception	Inception Date
25	-3.6	3.6	17 April 2019
45	-3.6	3.6	17 April 2019
55	-3.6	3.6	17 April 2019

Default strategy (Targeting Cash)	Annualized returns to 31 March 2023 (%)		
Age of member at start of period	1 year	Since Inception	Inception Date
25	-3.6	3.6	17 April 2019
45	-3.6	3.6	17 April 2019
55	-3.6	3.6	17 April 2019

Source: *Scottish Widows.*
Performance shown net of all charges and transaction costs.

Source: Scottish Widows.
Performance shown net of all charges and transaction costs.

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Self-select fund	Annualized returns to 31 March 2023 (%)		
	1 year	Since Inception	Inception Date
Mercer Defensive	-5.5	-0.2	17 Jun 2019
Mercer Moderate Growth	-4.3	-1.9	15 Apr 2021
Mercer Growth	-3.6	3.6	17 Apr 2019
Mercer High Growth	-3.4	4.5	17 Jun 2019
Mercer Drawdown Retirement	-2.1	1.9	17 Apr 2019
Mercer Target Drawdown 2024 Retirement	-3.0	3.0	17 Apr 2019
Mercer Target Drawdown 2025 Retirement	-3.5	3.1	17 Apr 2019
Mercer Target Drawdown 2026 Retirement	-3.6	3.1	17 Apr 2019
Mercer Target Drawdown 2027 Retirement	-3.6	3.3	17 Apr 2019
Mercer Target Drawdown 2028 Retirement	-3.7	1.5	14 Feb 2020
Mercer Target Drawdown 2029 Retirement	-3.6	0.7	03 Feb 2021
Mercer Target Drawdown 2030 Retirement	-3.7	-3.3	02 Feb 2022
Mercer Target Drawdown 2031 Retirement	-	-3.1	02 Feb 2023
Mercer Cash Retirement	2.0	0.6	13 Feb 2020
Mercer Target Cash 2024 Retirement	-1.7	-0.3	03 Dec 2020

Self-select fund	Annualized returns to 31 March 2023 (%)		
	1 year	Since Inception	Inception Date
Mercer Target Cash 2025 Retirement	--	3.1	31 Oct 2022
Mercer Active Global Equity	-1.3	8.6	17 Jun 2019
Mercer Sustainable Global Equity	-2.8	7.7	17 Jun 2019
Mercer Diversified Growth	-2.3	2.6	17 Jun 2019
Mercer Diversified Retirement	-3.5	-1.0	23 Apr 2021
Mercer Passive UK Equity	1.1	10.4	02 Jul 2020
Mercer Passive Overseas Equity	-4.1	9.5	17 Jun 2019
Mercer Passive Overseas (Hedged) Equity	-9.3 *	8.3	17 Jun 2019
Mercer Passive Emerging Markets Equity	-4.8	2.2	17 Jun 2019
Mercer Shariah	-3.1	14.3	30 May 2019
Mercer Passive Fixed Interest Gilts	-30.2	-13.7	20 Mar 2020
Mercer Passive Index-Linked Gilts	-29.7	-8.3	24 Jul 2019
Mercer Pre-Retirement	--	-14.8 *	30 May 2022
Mercer Inflation Linked Pre-Retirement	--	-19.0 *	30 May 2022
Mercer Cash	2.1	0.6	20 Mar 2020

AVC fund	Annualized returns to 31 March 2023 (%)	
	1 year	5 years
Aviva Pension Pre-retirement Fixed Interest	-18.9	-3.3
Aviva Pension Cash	1.9	0.4

Source: Scottish Widows and Aviva.
Performance shown net of all charges and transaction costs.

5. The Trustees' compliance with the statutory knowledge and understanding (TKU) requirements.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

This requirement has been met during the course of the Scheme year, as outlined within the remainder of this section.

The Trustees undertook a number of activities over the past year which demonstrates how they have a working knowledge of pension & trust law, funding & investment principles, Trust Deed and Rules and the SIP. These activities include:

- The Trustees' conflicts of interest policy is reviewed annually and the Trustees consider whether they have any conflicts in relation to the agenda at each meeting. The policy was reviewed in February 2023 following the appointment of new Trustees.
- Throughout the year, the Trustees have been consolidating the Scheme's Trust Deed & Rules, demonstrating knowledge of the document.

The Trustees undertook the following training over the Scheme year:

- Quarterly topical updates regarding DC pensions from their advisers
- On 22 September 2022, the Trustees received training on ESG, delivered by their Investment adviser.

The Trustees are conversant with, and have a working knowledge of, the Trust Deed and Rules and the policies and documents setting out the Trustees' running of the Scheme. If there are any ambiguities over the interpretation of the Rules, legal advice is sought from the Scheme's legal advisers. The Trustees are conversant with, and have a working knowledge of, the current SIP. The Trustees undertake regular training on investment matters and review the investments held by the Scheme at each meeting. The Trustees have sufficient knowledge of investment matters to be able to challenge their advisers.

The Trustees receive professional advice from Mercer and other advisers to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules. The advice received by the Trustees along with their own experience allows them to properly exercise their function as Trustees.

All Trustees undertake completion of the Pensions Regulator's Trustee Toolkit online assessments and have regular refresher courses to update their knowledge. In addition to this Mercer provide quarterly updates pertaining to current pension issues. The Trustees are also provided with information on the additional training available outside of Mercer from other advisors. Throughout the Scheme year the Trustees have spent time reflecting on skills and training areas of focus.

The Trustees have a robust training programme in place for newly appointed Trustees. Upon appointment, a new Trustee is required to undertake completion of the Pensions Regulator's online training programme mentioned above. The Trustee toolkit is expected to be completed within six months of appointment. The Trustees have also assessed Trustee knowledge requirements to identify future training needs.

There was a new appointed Trustee during the Scheme Year and they received induction training with the Chair of Trustees, with another long standing Trustee, and then with Mercer professionals who work on the Scheme. This is supported by the provision of relevant information and documents to aid scheme specific and general knowledge building. The toolkit was completed within six months of appointment. There is a new Trustee 'in waiting' who is attending trustee meetings and undertaking the required training as outlined above.

The Trustees believe that the best run pension schemes utilise the combined skill and knowledge of both the Trustees and their professional advisers. The relevant skills and experience of those advisers are key criteria when evaluating adviser performance and selecting new advisers. Additionally, the following measures have applied during the period:

- The Trustees' professional advisers attend their formal meetings, and DC matters are considered at each meeting;
- The Trustee Board contains Trustees with wide ranging skills and experience, including pension experience;
- The Trustees receives briefings from their advisers on all legislative and regulatory developments at each meeting;

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations').

I confirm that the above statement has been produced by the Trustees and is correct to the best of my knowledge.

Signed for and on behalf of the Renault UK Limited Pension Fund

Andy Heiron

Chair of the Renault UK Limited Pension Fund
Date: 3rd November 2023

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Appendix

STATEMENT OF INVESTMENT PRINCIPLES SEPTEMBER 2022

THE RENAULT UK LIMITED PENSION FUND

1. Introduction

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

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") for the Renault DB Section, the RCI DB Section and the Renault DC Section and the rationale behind those arrangements.

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 (the "Myners Code") published in 2001 and revised in 2008 (DB) and 2010 (DC). As required under the Act, the Trustees have obtained and considered appropriate written advice from the Fund's investment consultant, Mercer Limited. The Trustees when considering appropriate investments for the Fund obtained advice from their Investment Consultant whom the Trustees believe is suitably qualified to provide such advice, and that advice given 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") prior to writing this Statement and have considered their recommendations, and will take the Company's comments into account when they believe it is appropriate to do so. Where matters described in this Statement may affect the Fund's funding policy, input has also been obtained from the Scheme Actuary.

RENAULT DB & RCI DB SECTIONS ("the Sections")

2. Overall Policy and Investment Objectives

The Trustees are responsible for the investment strategies of all three Sections. They have obtained written advice from their investment consultant, Mercer Limited, on the long-term investment strategy appropriate for the Sections and on the preparation of this Statement.

The Trustees' main aim is to invest the assets in the best interests of the members and beneficiaries, and in the event of a conflict, in the sole interest of members and beneficiaries. In doing this they are seeking to balance the desire to generate investment outperformance over the liabilities with controlling the risk of poor performance and the associated cost to the Company and worsened security for members' benefits.

The Trustees recognise this ultimately means investing in a portfolio of bonds but believe that at the current time some 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") as its funding level increases. The Trustees will monitor progress against this target.

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 overall investment policy of both the Renault DB and RCI DB Sections 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 its investment objectives. The remaining elements of policy are part of the day to day management of the assets which is delegated to Mercer UK Limited (Mercer).

The Trustees have appointed Mercer to act as discretionary investment manager, to implement the Trustees' strategy, whereby the level of investment risk reduces as the Fund funding level improves. 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. In practice, 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. 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.

It is the intention of the Trustees to review the investment strategy of the Renault DB and RCI DB Sections on a regular basis and at least every three years in conjunction with the actuarial valuation of either of the Sections (or more frequently in the event of significant market deviation or change in the Section's structure). Ultimately, in doing this, the goal is to achieve full funding of both Sections using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place. The Trustees also have a long-term objective to achieve full funding on the more prudent Gilts + 0.5% basis.

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. 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 the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of each Section's assets and recognising the need to diversify, the Section's investment exposure is obtained via pooled vehicles.

The Trustees recognise that investments denominated in foreign currency introduce the risk that changes in exchange rates will affect the value of the investments. Both the Renault DB and RCI DB sections hedge the majority of non-Sterling exposure.

The Trustees realise that there is a risk that the performance of the manager may deviate from their specified performance objective, and that this risk is greater when there is active management of the assets. To reduce this risk each Section's assets have a large allocation to passively managed funds. Where managers are actively managing assets, the Trustees have considered the additional risks that such an approach brings.

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

Arrangements are in place to monitor the Sections' investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees receive regular reports from Mercer.

The Trustees are aware that if the realisation of investments in order to meet the pension payroll (and other cashflow requirements) were to be made at a time when prices are depressed due to illiquidity this could reduce the likelihood of meeting the primary objectives. To avoid this, the assets are invested in relatively liquid investments.

Risks associated with changes in the employer covenant are assessed by monitoring external credit rating agencies (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 covenant.

The Trustees also have an agreement with the Company to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related 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.

The safe custody of the Sections' assets is delegated to professional custodians via the use of pooled vehicles.

The Trustees are required to provide narrative disclosures on the credit and market risks arising from its investment arrangements in the Annual Report and Accounts. These risks are defined as follows:

- **Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:
    - **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
    - **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
    - **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

4. Investment Strategy

Investment policy can be considered in two parts: (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Trustees and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

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 (including de-risking strategies).

The Trustees' key strategic goal is to "de-risk" the Fund's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The approach undertaken primarily relates to the long-term funding objective, which is to be fully funded on an appropriate actuarial basis while only taking the level of risk required to achieve this objective with a reasonable degree of certainty (using a single discount rate of 0.5% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.5% basis"). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target 100% funding on a gilts +0.5% basis within a reasonable timeframe (this has been defined as by 2040, although this could change over time and will be considered at future strategy reviews);

- To reduce the volatility in the funding level by reducing un-hedged liability exposures;

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The Trustees have also agreed that the Fund's investment portfolio should be constructed so that it provides a broad liability hedge through a range of diversified investments managed by Mercer. The Trustees have delegated the responsibility for constructing, managing and monitoring the Fund's liability hedging arrangements to Mercer. This includes an implementation of gilt yield triggers which allows the Fund to capitalise on relatively attractive gilt prices. Further information on target hedge ratios for interest rate and inflation hedging, the implementation of de-risking and yield triggers, is included in the appendix.

Responsibility for monitoring the Plan's asset allocation, and undertaking any rebalancing activity, is delegated to Mercer. Mercer reports quarterly to the Trustees on its rebalancing activities.

5. Day to Day Management of the Assets

The types of investment held and the balance between them is deemed appropriate given the liability profiles of each Section, their respective cash flow requirements, the maturity of the Sections, the funding level of each Section and the Trustees' objectives.

The Trustees have delegated the 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 specialist investment managers. Mercer Delegated Solution is 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").

6. Cashflow Policy and Rebalancing

Due to the nature of the contractual agreement with Mercer, Mercer does not have authority to automatically rebalance the Sections' assets regularly.

The Trustees have put in place a cashflow policy, with Mercer reviewing the Sections' asset allocation against the benchmark allocation at the time of any disinvestment requests. Under the policy, cashflow deficits should be met by disinvestment from the most overweight funds, and surplus cash should be invested in the most underweight funds, in order to bring the actual asset allocation closer to the benchmark. Any disinvestment will be made from daily traded funds only.

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. As the delegated investment manager, Mercer have discretion in the timing of realisation of investments. The Trustees may consider investments in illiquid assets in future, 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") – DB Sections

With regard to the Renault DB Section, AVC investments are offered through the DC Section. There is also a legacy AVC arrangement with Phoenix Life which is closed to new members and new money.

With regard to the RCI DB Section, prior to 6 April 2006, some members obtained further benefits by paying AVC's to the RCI DB Section and AVC investments are offered through the DC Section. The liabilities in respect of these AVC's are equal to the value of the investment bought by the contributions. Members also hold investments in a range of AVC funds with Aviva. These funds are closed to new investment; however, members may transfer any part of their existing holdings between funds.

RENAULT DC SECTION

10. **Investment Objectives**

The Trustees recognise that members have differing investment needs and that these may change during the course of the members' working lives. They also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. They regard their duty as making available a range of investment options sufficient to enable members to tailor, to their own needs, their investment strategy.

11. **Risk**

The Trustees have considered risk from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustees consider and how they are managed and measured:

- The risk that investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure adequate benefits at retirement.
  The Trustees manage this risk by providing members with a range of active and passive funds, across a range of asset classes, the majority of which are expected to keep pace with inflation. Members are able to set their own investment allocations in line with their risk tolerances. The Trustees monitor this risk my measuring and considering the real returns (returns above inflation) of the funds, with positive values indicating that returns have kept up with inflation.

- The risk that assets may not be readily marketable when required.
  The Trustees manage this risk by ensuring that the insurance contract with Scottish Widows Corporate Savings Platform ensures access to daily dealt and daily priced pooled funds.

- The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits.

  The Trustees manage this risk by offering three lifestyle strategies for members that are not comfortable making their own investment choices targeting drawdown, cash and annuity. These lifestyle strategies automatically switch assets as members approach retirement into assets that are less susceptible to market volatility, as well as matching their retirement choices. Members that are comfortable making their own investment choices are provided with a range of active and passive funds, across a range of asset classes. These members are able to set their own investment allocations in line with their risk tolerances.

  The funds on offer and lifestyle strategies are monitored by the Trustees with guidance from their Investment Consultant.

- The risk that the investment vehicles, in which monies are invested underperform the expectation of the Trustees. In particular, the Trustees have considered the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark, with marginal underperformance arising from fees. The Trustees manage this risk by ensuring that the funds on offer to members are highly rated by their Investment Consultant, based on forward-looking objectives. The Trustees continue to, and have a duty to monitor the performance of these funds regularly.

Similar to the DB Sections, the Trustees are required to provide narrative disclosures on the credit and market risks arising from its investment arrangements in the Trustee Annual Report and Accounts. These are defined in the same way as under Section 3.

The Trustees consider the above items relating to investment and risk "financially material considerations". For the DC section the Trustees believe that the timescale for which to assess these considerations should be viewed at a member level, based on the member's age and selected retirement age.

12. Investment Funds – DC Section

The Trustees believe that the risks identified in Section 11 and the objectives in Section 10 are best met by offering members a range of investment vehicles, which are managed actively or passively, depending on asset class, from which to choose. This will allow members to combine investment funds in any proportion to determine the balance between different kinds of investments. This will also determine the expected return on members' assets and should be related to the member's own risk appetite and tolerances.

The Trustees consider the range of funds to be diversified across a reasonable number of underlying holders / issuers. These investment options are offered via the Scottish Widows Corporate Savings Platform. The investment options are wrapped within a long-term insurance contract with Scottish Widows ("Scottish Widows").

Members have the option of investing their pension savings in either the Freestyle Approach or one of the Lifestyle Approaches. Only one of these options can be selected (i.e. either the Freestyle Approach or any individual Lifestyle Approach) and any Additional Voluntary Contributions or amounts transferred in from other pension arrangements will be invested in the same way. The funds used within the approaches can be found in Appendix C and D.

Freestyle Approach

Under the Freestyle Approach the member may select the percentage of their Personal Account that is invested in each of the following funds:

Mercer High Growth Fund

Mercer Growth Fund

Mercer Moderate Growth Fund

Mercer Defensive Fund

Mercer Passive UK Equity

Mercer Passive Overseas Equity

Mercer Passive Overseas Hedged Equity

Mercer Passive Emerging Markets Equity

Mercer Passive Over 15-Year Gilt

Mercer Passive Over 5-Year Index Linked Gilt

Mercer Passive Corporate Bond Fund

Mercer Diversified Growth Fund

Mercer Diversified Retirement Fund

Mercer Pre-Retirement Fund

Mercer Inflation Linked Pre-Retirement Fund

Mercer Shariah Fund

Mercer Active Sustainable Global Equity Fund

Mercer Active Global Equity

Mercer Money Market

Lifestyle Approach

A Lifestyle Approach is a pre-determined investment strategy. A Lifestyle Approach invests the member's pension savings in growth funds that aim to increase the value of their Personal Account while they are some time away from retirement (during the "Growth phase"). As members approach retirement, their Personal Account is automatically switched to funds that aim to protect the value of the benefits they can take at retirement (the "Protection phase").

The Renault DC Section offers three Lifestyle Approaches – The Default Lifestyle Approach, which targets drawdown, a lifestyle that targets cash, and a lifestyle that targets the purchase of an annuity. The Default Lifestyle Approach is the default investment option for members who do not make an active decision in choosing investment options. All the Lifestyle Approaches have a switching period of eight years. Details of the Lifestyle Approaches are set out in Appendix D.

The Default Investment Option

The Trustees recognise that not all members wish to make an active choice that is tailored to their individual circumstances. However, it is expected that a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. The vast majority of DC Fund members do not make an active investment decision and are, therefore, invested in the default investment option.

The aims and objectives of the Default Lifestyle Approach, and the ways in which the Trustees seek to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the Growth phase whilst managing downside risk.

  The Default Lifestyle Approach's growth phase invests in equities and other growth-seeking assets through a diversified growth fund. These investments are expected to provide growth with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's pot grows, investment risk will have a greater impact on retirement outcomes. Therefore, the Trustees believe that the Default Lifestyle Approach should seek to reduce investment risk as the member approaches retirement. This is achieved via automated lifestyle switches over a period starting eight years from a member's target retirement date.

- To offer members a mix of assets at retirement that are broadly appropriate for an individual planning to access their benefits flexibly at retirement.

  At the member's selected retirement date, 75% of the member's assets will be invested in assets which are expected to grow in retirement, whilst protecting against market volatility, and 25% in a pooled cash fund.

Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In designing the default option, the Trustees considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustees consider and how they are managed.

The risk that investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure adequate benefits at retirement.
The Trustees manage this risk by ensuring that the default fund invests in a diversified range of assets which are likely to grow in real terms.

The Trustees monitor this risk my measuring and considering the real returns (returns above inflation) of the funds, with positive values indicating that returns have kept up with inflation.

The risk that assets may not be readily marketable when required.
The Trustees manage this risk by ensuring that insurance contract with Scottish Widows Corporate Savings Platform ensures access to daily dealt and daily priced pooled funds.

The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits.

The default lifestyle strategy automatically switches assets as members approach retirements into assets that are less susceptible to market volatility.

The funds used by the default strategy are monitored by the Trustees with guidance from their Investment Consultant.

The risk that the investment vehicles, in which monies are invested underperform the expectation of the Trustees. In line with the main DC section, the default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustees.

The Trustees have a duty to monitor the performance of these funds regularly and ensure that their members receive good value for money.

Assets in the Default Lifestyle Approach are invested in the best interests of members and beneficiaries, taking into account the profile of members and are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. The Trustees have considered the realisation of investments when formulating the default investment option. The Trustees have therefore selected unitised pooled funds which are daily dealt. Environmental, Social and Governance (ESG) considerations are taken into account as noted in Section 14 of this document. Furthermore, the Trustees' implementation and engagement policy is included in Section 15 of this document. In particular, the Trustees considered their understanding of the DC Section's membership in order to inform decisions regarding the Default Lifestyle Approach. Based on this understanding and the options available, a default investment option that targets flexible drawdown is considered appropriate.

The default investment option utilises a diversified strategic asset allocation consisting of traditional and alternative assets. The asset allocation is consistent with the expected amount of risk that is appropriate given the age of a member and their Selected Retirement Age, a graph showing the asset allocation of the default fund and how this changes during the protection phase can be found in Appendix D.

Members will be supported by clear communications regarding the aims of the default and the alternative investment options. The default investment option does not mean that members have to take their benefits in this format at retirement – it merely determines the investment strategy that will be in place pre-retirement.

Taking into account their views of how the membership will behave at retirement, the Trustees believe that the Target Drawdown Path is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic, if sooner.

The Trustees consider the above items relating to investment and risk "financially material considerations". For the default, the Trustees believe that the timescale for which to assess these considerations should be viewed at a member level, based on the member's age and selected retirement age.

13. Additional Voluntary Contributions – DC Section

Members have the choice of investing their additional voluntary contributions within the Renault DC Section. These arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

ALL SECTIONS

14. 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 footprint for equities

Member views

Member views are taken into account in the selection, retention and realisation of investments if expressed.

Investment Restrictions

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

15. 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 main areas considered by the Trustees.

Policy statement	Trustees' Approach
How the arrangement with the asset manager incentivises the asset manager to align its investment	Mercer, on the Trustees' behalf appoints underlying investment managers to the Mercer funds and the Trustees appoint investment managers of any externally

strategy and decisions with the trustees' policies	managed funds based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustees invest in pooled investment vehicles 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 are dissatisfied, then they will look to replace the manager. If the investment objective for a particular manager's fund changes, Mercer will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.
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 carried out 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 monitor portfolio turnover costs incurred by the asset manager.	Portfolio turnover costs for each of the DC Section funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.
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. The DC Section funds in use are also looked at on an annual basis through the Mercer SmartPath review.

16. **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.

Trustee Signature

Trustee Signature

Date

For and on behalf of the Trustees of The Renault UK Limited Pension Fund

APPENDIX A

DB Asset Allocation

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 Trustees' instructed Mercer to implement the following de-risking framework for the Renault and RCI Section respectively:

Renault Section

Funding Level Band	Trigger to move into Band (Funding Level %)	Target Growth Allocation (% of total assets)
3	-	45.5
4	76.5%	43.5
5	80.5%	41.5

RCI Section

Funding Level Band	Trigger to move into Band (Funding Level %)	Target Growth Allocation (% of total assets)
3	-	58.0
4	72.4%	56.0
5	77.4%	54.0

Mercer will review and update the tables above with agreement of the Trustees on a regular basis.

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)	18.0
Equity	Mercer Low Volatility Equity (Hedged)	7.0
Equity	Mercer Global Small Cap Equity (Hedged)	5.0
Equity	Mercer Sustainable Global Equity (Hedged)	9.0
Equity	Mercer Infrastructure (Hedged) Global Listed Equity	3.0

Asset Class	Fund Name	Benchmark (%)
Equity	MGI Eurozone Equity (Hedged)	3.0
Equity	Mercer Passive Emerging Markets Equity	7.0
Equity	Mercer Passive Global REITS UCITS CCF	5.0
Growth Fixed Income	MGI Emerging Markets Debt	4.0
Growth Fixed Income	Mercer Emerging Market Debt Hard Currency	4.0
Growth Fixed Income	Mercer Global High Yield Bond (Hedged)	7.0
Growth Fixed Income	Mercer Multi Asset Credit	5.0
Growth Fixed Income	Mercer Absolute Return Fixed Income (Hedged)	8.0
Liquid Alternative Strategies	Mercer Select Alternatives Strategies (Hedged)	15.0
		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
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)

Asset Class	Fund Name	Benchmark	Outperformance Target (% p.a.)[1]
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
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.periods.*

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.*

APPENDIX B

Fee Structure for advisers and managers

Advisers
The Trustees' investment advisers are paid for advice received on the basis of 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% per annum 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.

Summary of DC investment management fee arrangements

The following charges apply to the funds offered via the Scottish Widows Corporate Savings Platform. These include the investment management, platform and custody fees.

Lifestyle Choices	Total Expense Ratio
Drawdown Target Retirement Fund	0.393%
Cash Target Retirement Fund	0.280%
Annuity Target Retirement Fund*	0.262%

Freestyle Choices	Total Expense Ratio
Mercer High Growth Fund	0.370%
Mercer Growth Fund	0.351%
Mercer Moderate Growth Fund	0.370%
Mercer Defensive Fund	0.380%
Mercer Passive UK Equity	0.165%
Mercer Passive Overseas Equity	0.175%
Mercer Passive Overseas Hedged Equity	0.200%
Mercer Passive Emerging Markets Equity	0.236%
Mercer Passive Over 15-Year Gilt	0.175%
Mercer Passive Over 5-Year Index Linked Gilt	0.175%
Mercer Passive UK Corporate Bond Fund	0.185%
Mercer Diversified Growth Fund	0.388%
Mercer Diversified Retirement Fund	0.359%
Mercer Pre-Retirement Fund	0.205%

Mercer Inflation Linked Pre-Retirement Fund	0.205%
Mercer Shariah Fund	0.440%
Mercer Active Sustainable Global Equity Fund	0.724%
Mercer Active Global Equity	0.800%
Mercer Active Money Market	0.230%

Source: Scottish Widows. Figures shown as at 5 April 2022.

APPENDIX C

DC Platform Funds

Index Tracking Funds

Fund	Benchmark Index
Mercer Passive UK Corporate Bond	Markit IBoxx UK Sterling Non-Gilts
Mercer Passive Overseas Equity	FTSE Custom Developed ex UK ESG Screened
Mercer Passive Overseas Equity Hedged	FTSE Custom All World Developed ex UK 95% GBP Hedged
Mercer Passive Over 5-Year Index Linked Gilt	FTSE Actuaries UK Index-Linked Over 5 Year
Mercer Passive Over 15-Year Gilt	FTSE Actuaries UK Conventional Gilts Over 15 Years
Mercer Shariah Fund	Dow Jones Islamic Market Titans 100
Mercer Pre-Retirement Fund	LGIM Composite
Mercer Passive UK Equity	FTSE Custom All Share ESG Screened
Mercer Inflation Linked Pre-Retirement	LGIM Composite
Mercer Passive Emerging Markets Equity	MSCI Emerging Markets

Actively Managed Funds

Fund	Benchmark Index
Mercer Cash Retirement Fund	Bank of England Sterling Overnight Index Average
Mercer Diversified Growth	FTSE 1-Month UK Sterling Eurodeposit
Mercer Diversified Retirement Fund	FTSE 1-Month UK Sterling Eurodeposit
Mercer Sustainable Global Equity Fund	MSCI World
Mercer Active Money Market	Bank of England Sterling Overnight Index Average
Mercer Active Global Equity	MSCI World

*This fund is white-labelled which means that the Trustees will monitor the underlying managers and may change them if they believe it is appropriate to do so to reflect changes in managers, markets and member needs.

<u>Blended Funds</u>

Mercer Drawdown Retirement Fund – 75% Mercer Diversified Retirement, 25% BlackRock Sterling Liquidity

Risk Profiled Funds

Risk Profiled Fund	Mercer High Growth	Mercer Growth	Mercer Moderate	Mercer Defensive
UBS Multi Factor Global Equity	14.0%	9.5%	8.0%	-
LGIM Sustainable Global Equity	14.0%	9.5%	8.0%	-
ILIM Emerging Markets Equity	13.0%	11.0%	8.0%	-
UBS Low Volatility Equity	15.0%	11.0%	13.0%	16.5%
UBS Global Small Cap Equity	11.0%	10.0%	4.0%	-
LGIM Global Listed Infrastructure	4.0%	7.5%	2.0%	-
LGIM Global REITS	4.0%	7.5%	2.0%	-
Acadian Systematic Macro	5.0%	4.0%	5.0%	5.0%
ILIM Emerging Markets Debt	8.0%	10.0%	8.0%	5.0%
Mercer Passive Global High Yield Bonds	12.0%	5.0%	7.5%	5.0%
BlackRock UK Credit	-	3.5%	3.5%	7.5%
BlackRock US Credit	-	5.0%	4.5%	5.0%
BlackRock Eurozone Credit	-	3.5%	3.5%	2.5%
Mercer Absolute Return Fixed Income	-	3.0%	5.0%	6.0%
BlackRock UK Gilts	-	-	5.0%	14.0%
BlackRock UK Inflation Linked Gilts	-	-	5.0%	15.0%
UBS Cash	-	-	8.0%	18.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Target p.a. (FTSE GBP 1 month Euro)	**+4.5%**	**+4.0%**	**+3.0%**	**+1.0%**

The above asset allocations show the each risk profiled fund's Strategic Asset Allocation as at 30 June 2022.

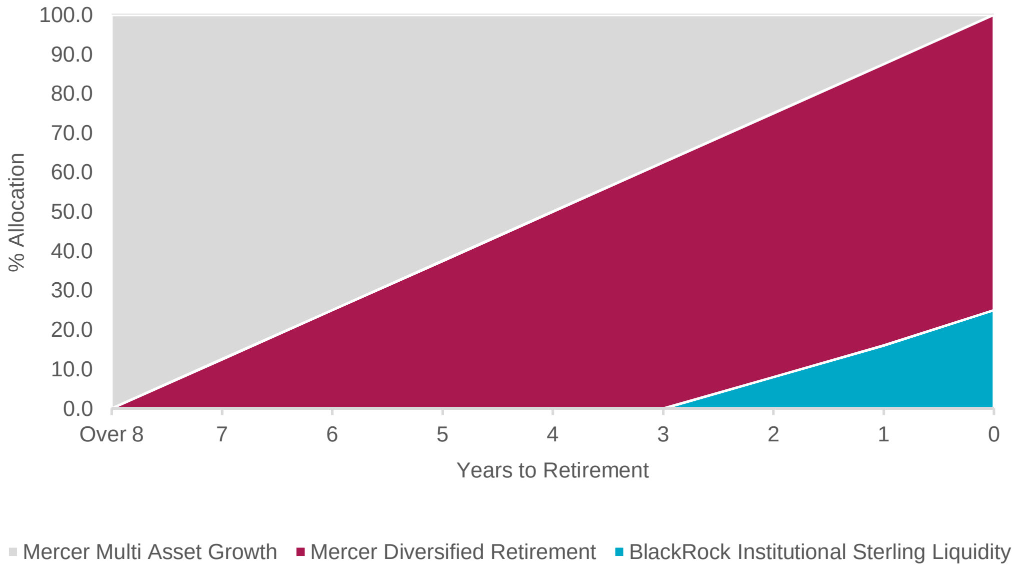
These funds are blended which means that the Trustees will monitor the underlying composition of the managers and asset classes and may change it if they believe it is appropriate to do so to reflect changes in managers, markets or member needs.

APPENDIX D

Lifestyle Approach Asset Switching Details

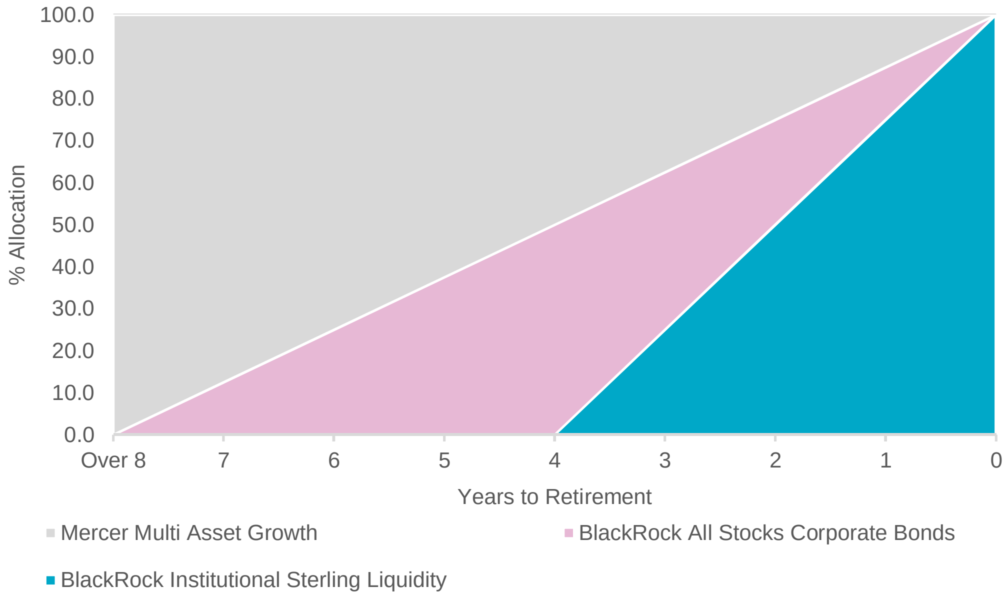
Default Lifestyle Approach (Drawdown Target Retirement Fund)

This Lifestyle Approach uses multi-asset growth, diversified retirement and cash. This approach is aimed to support members who wish to access drawdown or flexible income at retirement. The table below sets out the switching process of this Lifestyle Approach for members.



Cash Target Retirement Fund

This Lifestyle Approach uses multi-asset growth, passive corporate bonds and cash. This approach is aimed to support members who wish to withdraw 100% of their Personal Account as cash. The table below sets out the switching process of this Lifestyle Approach for members.



Annuity Target Retirement Fund

- This Lifestyle Approach uses equities, multi-asset growth, annuity matching assets and cash. This approach is aimed to support members who wish to withdraw 25% of their Personal Account as cash and use the rest to purchase an annuity. The table below sets out the switching process of this Lifestyle Approach for members.