



**British Racing Drivers' Club Limited
Pension & Life Assurance Scheme**

DC Section

Statement of Investment Principles

August 2020

British Racing Drivers' Club Limited Pension & Life Assurance Scheme

1. Introduction

This Statement of Investment Principles has been drawn up by the Trustees of the British Racing Drivers' Club Limited Pension and Life Assurance Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

The Scheme is a Defined Benefit scheme which has a Defined Contribution (or Money Purchase) section. This Statement of Investment Principles refers to this DC section.

This Statement will be reviewed by the Trustees at least every three years and immediately following any significant change in investment policy.

The Statement is published and is freely available to members of the Scheme.

2. Decision Making Process

The Trustees

The investment of the Scheme's assets is the responsibility of the Trustees and the Scheme Rules give the Trustees broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustees' policy is to seek professional advice on investment strategy. They decide on the investment strategy after considering investment advice from the Investment Consultant. The Trustees recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues.

In determining the investment strategy, the Trustees address the following:

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

The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. In addition, the Investment Consultant also monitors and reports on the performance of the Investment Managers.

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The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustees.

Broadstone Corporate Benefits Limited has been appointed as Investment Consultant to the Trustee on the basis that the Trustee believes them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such schemes.

Broadstone Corporate Benefits Limited is authorised and regulated by the Financial Conduct Authority.

The Employer

The Trustees will consult with the Employer as part of the process for deciding on its investment strategy. However, there are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

Delegation

The Trustees have a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated by the Financial Services Authority.

3. Investment Objectives

Funding Objective

The primary purpose of the DC Section of the Scheme is to provide pension and lump sum benefits to members on their retirement on a defined contribution basis, as set out in the Trust Deed and Rules.

Investment Objectives

The Trustees' objectives with regard to investing the DC Section's assets are to adopt a relatively risk-averse approach but recognise the need to balance aversion to risk with the achievement of a satisfactory investment return.

The Trustees have taken into consideration that:

- the liabilities of the DC Section are equal to the assets since these define the benefit promise.
- members' pension benefits are maximised by achieving maximum investment returns.
- individual member's financial profiles and attitudes to risk may vary.

Shareholder Activism

The Trustees recognise their responsibilities as shareholders. The Trustees' objective as shareholders is to achieve a long term return on their investments through participating in the growth of the businesses in which they invest. The Trustees believe that good corporate governance (exercised principally by voting) is conducive to the achievement of a better long term return.

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The Trustees cannot exercise their responsibilities directly as they do not hold investments in their name. Therefore the Trustees encourage the Investment Managers, but do not direct them, to vote on all resolutions at annual and extraordinary general meetings of companies. The Trustees have seen the policy objectives of each of the Investment Managers regarding voting and believe that they are compatible with their own policy. The Trustees expect the Investment Managers to report to them on the implementation of, and any changes to, the managers' policies on voting.

4. Investment Strategy

The DC Section's Investment Strategy is kept under regular review.

The Trustees, with advice from the Investment Consultant, selected Standard Life Investments Limited as "Investment Manager" who offer a wide range of funds. The Trustees have made available a variety of actively managed and index tracking funds. Standard Life's index tracking funds are managed externally by Vanguard Asset Management Limited, a large respectable index tracking fund manager.

Default Lifestyle Option

The default investment selection is used for members who do not make any investment choice, as well as for those who actively choose this option to benefit from the automatic lifestyle switching it provides.

The funds that make up the Default Lifestyle Option are:

- SL Vanguard FTSE UK All Share Index Pension Fund
- Standard Life Enhanced Diversification Growth Fund (EDGF)
- Standard Life Global Absolute Return Strategies (GARS) Fund
- SL Vanguard UK Government Bond Index Pension Fund
- Standard Life Deposit and Treasury Fund

The Default Lifestyle Option seeks to secure higher long-term returns expected from growth investments in the early years, but, acknowledging the volatility of equities, moves into protection-type assets as Normal Retirement Date approaches.

Included within the default lifestyle strategy are two actively managed funds. Standard Life's Global Absolute Return Strategies (GARS) Fund is a target return fund aiming to achieve a return of 5% per annum over cash returns on a three year basis. The Enhanced Diversification Growth Fund ("EDGF") is a low volatility equity target replacement fund, sharing some of the same approaches as the GARS Fund but in a less sophisticated, and low cost, way; aiming to generate equity-type returns over the economic cycle with less than two thirds of equity market volatility. Both funds have been included in the default lifestyle option available to members.

The remaining funds in the default lifestyle strategy are index tracking funds. Index tracking funds invest monies on a passive rather than active basis, in such a way that they should always return the same performance, before annual management charges (AMCs), as the appropriate index for the asset class (e.g. the FTSE All Share Index for the SL Vanguard FTSE All Share Index Fund). This approach should

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result in a broadly average performance when compared to other investors in the same type of assets (before AMC's). The investment AMC's for index tracking funds are generally much lower than actively managed fund charges. The Default Lifestyle Option, effective from 1 June 2017, switches a member's fund between asset classes automatically according to the following table:

Term to Normal Retirement Age	SL Vanguard FTSE UK All Share Index Pension Fund	Enhanced Diversification Growth Fund	Global Absolute Return Strategies (GARS) Fund	SL Vanguard UK Government Bond Index Pension Fund	Standard Life Deposit and Treasury Fund
(years)	(equities)	(target return)	(target return)	(gilts)	(cash)
10+	30%	30%	40%	0%	0%
9	24%	32%	44%	0%	0%
8	18%	34%	48%	0%	0%
7	12%	36%	52%	0%	0%
6	6%	38%	56%	0%	0%
5	0%	40%	60%	0%	0%
4	0%	36.5%	56.5%	7%	0%
3	0%	33%	53%	14%	0%
2	0%	27%	47%	21%	5%
1	0%	21%	41%	28%	10%
0	0%	15%	35%	35%	15%

In order to reduce the timing impact of large market movements, the Scheme adopts a monthly switching process.

The Default Option for the DC Section will be kept under review.

Default Lifestyle Option Fees (including additional fees)

Years to retirement	>10	9	8	7	6	5	4	3	2	1	0
Average fee p.a. (%)	0.47	0.51	0.54	0.57	0.60	0.64	0.60	0.57	0.51	0.45	0.39

All funds used in the default options are below the charging cap of 0.75% per annum.

Other Fund Choices

In addition to the lifestyle option detailed above, the Trustees offer a range of alternative funds for members to choose from.

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Fund	Annual Management Charge
Bond Type Funds	
SL Vanguard UK Long Duration Gilt Index Fund	0.11%
Equity Type Funds	
Overseas Equity Tracker Pension Fund	0.11%
SL Vanguard FTSE All Share Index Pension Fund	0.11%
Cash Type Funds	
Deposit and Treasury Pension Fund	0.16%

The Trustees strongly recommend members to take advice from an Independent Financial Advisor when selecting their funds.

The assets are held in a combination of pooled funds and are fully and readily realisable.

5. Investment Managers

The Trustees appointed Standard Life Investments Limited to offer the range of funds required. The Trustees entered into a contract with Standard Life Investments in April 2017.

The only charge applied by Standard Life Investments Limited is the Annual Management Charges, set out on page 7. There are no entry or exit charges. The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

It is the Trustees' practice to meet at regular intervals to discuss Investment Strategy and consider the views of the Investment Manager. The range of core funds is monitored regularly by the Trustees and their Investment Consultant. They look at the performance to ensure that it remains consistent with the benchmark and also at the charges to ensure they remain competitive.

The Investment Manager has in place appropriate custodian arrangements which ensure that the assets of the Scheme are held separately from the Employer, the Scheme and the Investment Manager.

The Investment Managers will supply the Investment Consultant with sufficient information when requested in order to enable them to monitor financial and non-financial performance.

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6. Environmental, Social and Governance (ESG)

The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of its Investment Managers.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect its Investment Managers, when exercising discretion in investment decision making, to consider

non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees expect their Investment Managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of its Investment Managers.

The Trustee expects its Investment Managers, to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager's voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the Investment Managers, and asking questions directly to the Investment Managers.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

7. Portfolio Turnover Costs

The Trustees expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

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The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

8. Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

9. Incentivisation of Investment Managers

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

10. Risks

The Trustees recognise that a number of risks are involved in the investment of the assets of the Scheme. They have identified the following risks which have the potential to reduce the return achieved on the assets below their benchmarks. These are as follows:

- **Manager Risk:** The failure by the Investment Managers to achieve the rates of investment return achieved by the benchmarks.
- **Custodian Risk:** The risk of a failed or inadequate performance by the custodian.
- **Political Risk:** The financial risk that a country's government will suddenly change its policies.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

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- Investment Manager Performance against their respective benchmarks and targets.
- Level of Annual Management Charges for the selected funds.
- The range and number of funds available to the Members, including the choice of default investment option.

Any significant issues with the Investment Managers that may impact their ability to achieve returns at the same level as their respective benchmarks.

11. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.



For and on behalf of the Trustees of the British Racing Drivers' Club Limited Pension & Life Assurance Scheme

02/09/2020

Date



For and on behalf of the Employer

02/09/2020

Date

