Statement of Investment Principles for the DC section of the Volkswagen Group Pension Scheme

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of Volkswagen Group Pension Scheme Trustee Limited ("the Trustee") on various matters governing decisions about the investments of the Defined Contribution ("DC") section of the Volkswagen Group Pension Scheme ("the Scheme"). This SIP replaces the previous SIP dated May 2023.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP. The Trustee has consulted with the relevant Employers in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy or in the demographic profile of the relevant members and at least once every three years.

- **Appendix 1** sets out details of the Scheme's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out the DC Section's investment manager arrangements.
- **Appendix 4** sets out the investment risk limits for the investment managers.

2. Investment objectives

The DC Section provides benefits on a money purchase basis. The Employers and members pay contributions at an agreed rate into an account for that member. This account is invested by the Trustee to provide benefits for the member at retirement.

The Trustee's primary objective for the DC Section is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Scheme and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

The members' benefits at retirement depend upon the returns achieved on the contributions over the period of membership. To the extent that the benefits are taken in pension form, the amount of the pension will also depend on annuity rates (the terms on which a lump sum can be converted into pension) at the date of retirement, or within a known period thereafter.

3. What risks does the Trustee consider and how are these measured and managed?

When deciding how to invest the Scheme's assets, the Trustee considers a wide range of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

4. Investment strategy

The Trustee reviews the investment strategy every three years. In 2021, the Trustee carried out a full review of the investment strategy and the self-select options available to members. The investment strategy was deemed to be broadly suitable, and some enhancements were recommended and considered by the Trustee. Any changes agreed by the Trustee were paused for implementation whilst the Trustee conducted a wider review of the pension arrangements and investment options available to members.

Most recently in 2023, the Trustee revisited the previous recommendations from 2021 and concluded that it would be appropriate to replace the 20% allocation to diversified growth funds (DGFs) within the VWG Long Term Growth Fund with a greater allocation to equities. The Trustee felt that this provided members with a better long term expected risk and return profile which also resulted in lower member-borne fees. The VWG Long Term Growth Fund is held with the default and alternative lifestyles as well as being offered to members on a self select basis.

The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The default option was designed to be in the best interests of most members based on the demographics of the Scheme's membership. The default option targets income drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 8 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

To help manage the volatility that members' assets experience in the growth phase of the default strategy, the Trustee has included an allocation to the "VWG Multi-Asset Fund", which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities. As members approach retirement, the VWG Diversified Growth Fund and VWG Cash Fund are also introduced to further reduce expected volatility. The lifestyle option is designed to protect against some of the risks described in Appendix 2. The range of available funds is set out in Appendix 3.

The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

5. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers several risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

In determining the investment arrangements for the DC Section, the Trustee considered:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustee’s key investment beliefs and understanding of the Scheme’s membership are reflected in the design of the default and other lifestyle options, and in the range of other funds made available to members.

Our policy regarding investments in illiquid assets in the default is set out below. Illiquid assets means assets that can’t easily or quickly be sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

The default includes a direct allocation to illiquids via the VWG Multi-Asset Fund. The VWG Mulit-Asset Fund also forms part of the VWG Long Term Growth Fund and hence the VWG Long Term Growth Fund also has investment in illiquids assets.

The VWG Multi-Asset Fund invests in pooled funds (a type of collective investment scheme), some of which include an allocation to illiquid assets. As at 31 December 2023 the exposure to illiquid assets, via direct property, constituted around 5% of the Multi-Asset Fund allocation. Members invested in the default have exposure to illiquid assets at all ages until retirement via the VWG Multi-Asset Fund allocation.

The default also includes an allocation to diversified growth funds (“DGFs”) via two pooled funds that may include an allocation to illiquid assets if the DGF manager chooses to do so. As at 31 December 2023, neither pooled fund had an exposure to illiquid assets.

Our policy is to have exposure to funds with discretion to invest in illiquid assets within the default because our assessment is that, when compared to many other asset classes, illiquid assets offer members a potentially greater level of diversification and hence better risk management in the overall asset allocation. We also believe that long-term net risk-adjusted investment returns of the default may be improved by investing in illiquid assets.

We are satisfied that our current level of investment in illiquid assets is appropriate and not excessive.

6. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

The Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

The Trustee has signed agreements with the platform provider setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

7. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

The Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

8. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. The time horizon is consistent with the Scheme's membership profile and therefore is long-term.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice. The Trustee takes advice from its investment advisor, in regard to the selection and monitoring of its investment managers on ESG related matters.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. The Trustee holds regular audit meetings with the Scheme's investment managers to review their current practices and identify any areas for potential improvement.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

9. Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries.

The Trustee monitors the investment managers' activities in relation to ESG factors, voting and engagement. The Trustee seeks to understand how the managers are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with the Trustee's expectations.

The Trustee has selected some priority themes to provide a focus for the monitoring of investment managers' voting and engagement activities. The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers and also confirms more general expectations in relation to ESG factors, voting and engagement as appropriate.

If the Trustee's monitoring identifies areas of concern, the Trustee will engage with the relevant manager to encourage improvements.

SIP signed for and on behalf of Volkswagen Group Pension Scheme Trustees Limited:

Signed:

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Scheme overall. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the Employers;
- setting the investment strategy, in consultation with the Employers;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing, monitoring, reviewing investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the investment policy as part of any review of the investment strategy;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the Employers when reviewing the SIP.

The Trustee has delegated consideration of certain investment matters to an investment sub-committee, known as the Investment Stream ("IS"), although any decisions remain the responsibility of the Trustee.

2. Platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the investment platform provider with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

5. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The platform provider and investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' and provider's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the Scheme's Employers

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the Employers' perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the Employers, the Trustee believes that better outcomes will generally be achieved if the Trustee and Employers work together collaboratively.

Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee's aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors.

2. Approach to managing and monitoring investment risks

The Trustee considers that there are several different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1. Risk of inadequate returns

As members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's default strategy is adequately diversified between different asset classes and within each asset class and the Scheme provides a suitably diversified fund range for members to choose from. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustee monitors the investment manager on a regular basis to ensure it remain appropriate for its selected mandate. Details of the formal risk limits of the managers are shown in Appendix 4.

2.4. Illiquidity/marketability risk

This is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

2.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on its behalf and from time to time review how these risks are being managed in practice.

2.6. Risk from excessive charges

If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Scheme are in line with market practice and assesses regularly whether these represent good value for members.

2.7. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value. The Trustee believes that equity risk is a rewarded investment risk, over the long term. The Trustee considers exposure to equity risk in the context of the Scheme's overall investment strategy and believes that the level of exposure to this risk is appropriate.

2.8. Credit risk

This is the risk that a borrower will cause a financial loss for the other party by failing to meet required payments for a contractual obligation. The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Scheme manages its exposure to credit risk by only investing in pooled funds by having a diversified exposure to different credit issuers.

2.9. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate.

2.10. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme’s investment arrangements.

Investment manager arrangements

Appendix 3

Details of the investment managers, their objectives, and investment guidelines are set out below.

The Trustee makes available a range of passively and actively managed self-select funds and a lifestyle strategies. The default option is a lifestyle strategy. Details of the options are set out below. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The fund options are provided to members via an investment only platform arrangement with Fidelity. The funds are priced daily.

The Trustee makes available the following funds managed by BlackRock, L&G, Nordea, Insight and HSBC. All funds have been white-labelled to include Volkswagen Group ("VWG") in the fund name. Some of the funds are blended funds, which are composed of a number of underlying components.

Fund	Underlying Funds	Index
VWG Global Equity Index Fund	50% BlackRock Long Term Fund 50% BlackRock Aquila MSCI World Fund Currency Hedged	30% FTSE All Share Index 6.67% FTSE All World USA Index 6.665% FTSE All World Developed Europe ex-UK Index 3.3325% FTSE All World Developed Asia Pacific ex-Japan Index 3.3325% FTSE All World Japan Index 50% MSCI World in GBP Index (95% hedged to GBP)
VWG Diversified Growth Fund	50% Nordea Diversified Return Fund 50% Insight Broad Opportunities Fund	100% UK 3 month SONIA
VWG Corporate Bond Over 15 Years Index Fund	100% BlackRock Corporate Bond Index Over 15 Years Index Fund	100% iBoxx £ Non-Gilts Over 15 Years Index
VWG Index-Linked Bond Fund	100% BlackRock Over 5 Years Index-Linked Gilt Index Fund	100% FTSE UK Gilts Index-Linked Over 5 Years Index

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A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office. The firm is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities. Locations in London, Winchester, Ireland and - operating under licence - the Netherlands.

Appendix 3 (cont)

Fund	Underlying Funds	Index
VWG Over 15 Years UK Gilt Index Fund	100% BlackRock Over 15 Years UK Gilt Index Fund	100% FTSE UK Gilts Over 15 Year Index
VWG Cash Fund	100% BlackRock Cash Fund	100% 7 Day Sterling SONIA
VWG Property Fund	100% L&G 70:30 Hybrid Property Fund	70% AREF / IPD UK Quarterly Property All Balanced Fund Index 30% FTSE EPRA/NAREIT Global Developed Real Estate Total Return Index
VWG Infrastructure Fund	100% L&G Infrastructure Equity MFG Fund	100% MFG Core Infrastructure Index
VWG Emerging Market Multi-Asset Fund	100% L&G Passive Emerging Market Multi-Asset Fund	50% FTSE Emerging Index 25% JPMorgan Government Bond Index Emerging Markets – Global Diversified 25% JPMorgan Emerging Markets Bond Index – Global Diversified
VWG Multi-Asset Fund	30% VWG Global Equity Index Fund 12.5% VWG Index-Linked Bond Fund 12.5% VWG Over 15 Years UK Gilt Index Fund 10% VWG Corporate Bond Over 15 Years Index Fund 10% L&G Overseas Bond Index Fund 10% VWG Property Fund 7.5% VWG Infrastructure Fund 7.5% VWG Emerging Market Multi-Asset Fund	30% VWG Global Equity Index Fund Index 12.5% VWG Index-Linked Bond Fund Index 12.5% VWG Over 15 Years UK Gilt Index Fund Index 10% VWG Corporate Bond Over 15 Years Index Fund Index 10% JP Morgan Global Government (ex-UK) Bond Index 10% VWG Property Fund Index 7.5% VWG Infrastructure Fund Index 7.5% VWG Emerging Market Multi-Asset Fund Index
VWG Long Term Growth Fund	30% VWG Multi-Asset Fund 50% VWG Global Equity Index Fund 10% BlackRock Aquila MSCI World Fund Currency Hedged 10% L&G All World Equity Index Fund	30% VWG Multi-Asset Fund Index 50% VWG Global Equity Index Fund Index 10% MSCI World in GBP Index (95% hedged to GBP) 10% FTSE All World Index
Volkswagen Group Shariah-	100% HSBC Islamic Global Equity Index Fund	100% Dow Jones Islamic Market Titans 100 Net Total Return Index

Fund	Underlying Funds	Index
Compliant Equity Fund		

3. Lifestyle strategies

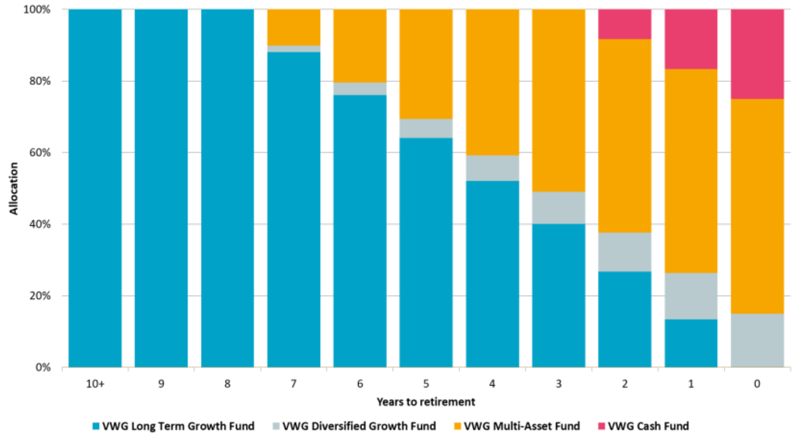
The Scheme has a lifestyle investment strategy (the "Flexible Lifestyle Option") as the default investment option for new joiners. The Flexible Lifestyle Option may be appropriate for members who transfer their pension pot to an alternative provider at retirement and gradually take income ie "drawdown".

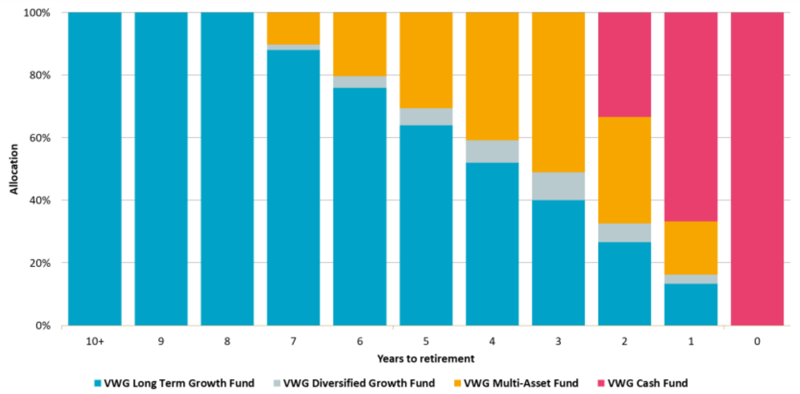
Additionally, the Scheme offers two further lifestyles. The Cash Lifestyle Option may be appropriate for those members who take all their pension pot as cash at retirement and the Pension Lifestyle Option may be appropriate for those members who decide to purchase an annuity at retirement.

As part of the Flexible Lifestyle Option, around 3.5 years prior to retirement, a test is conducted on the size of each member's pension pot. If the pot is less than £30,000 the member's assets are switched into the Cash Lifestyle Option for the final 3 years until retirement (unless the member elects to follow a different course of action). The £30,000 threshold will be reviewed on a three year basis to consider whether it should be changed as a result of inflation or other factors.

We have summarised the strategies in the following tables:

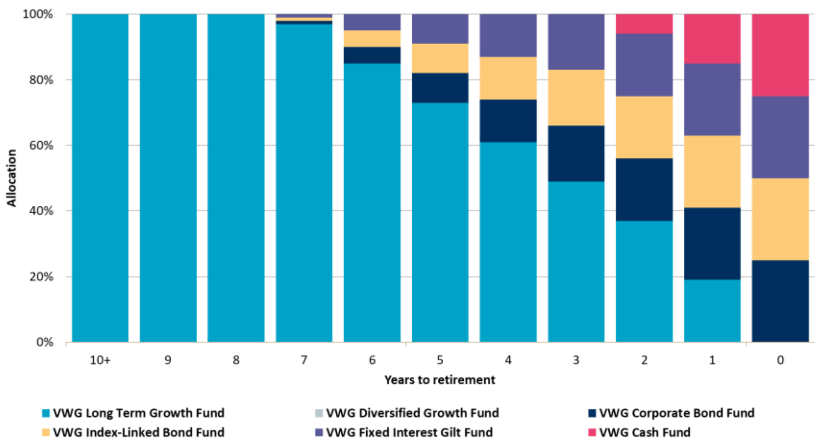
Years before retirement	Flexible Lifestyle Option
More than 8 years	100% VWG Long Term Growth Fund
8 – 3 years	Gradual switch from VWG Long Term Growth Fund to VWG Multi-Asset Fund and VWG Diversified Growth Fund
Less than 3 years	Continued switch from VWG Long Term Growth Fund to VWG Multi-Asset Fund and VWG Diversified Growth Fund and also to the VWG Cash Fund.
At target retirement date	Assets invested in the VWG Multi-Asset Fund, VWG Diversified Growth Fund and VWG Cash Fund

Years before retirement	Flexible Lifestyle Option
Illustrative glidepath	

Years before retirement	Cash Lifestyle Option
More than 8 years	100% VWG Long Term Growth Fund
8 – 3 years	Gradual switch from VWG Long Term Growth Fund to VWG Multi-Asset and VWG Diversified Growth funds
Less than 3 years	Continued switch from VWG Long Term Growth Fund, VWG Multi-Asset Fund and VWG Diversified Growth Fund to VWG Cash Fund
At target retirement date	100% VWG Cash Fund
Illustrative glidepath	

Years before retirement	Pension Lifestyle Option
More than 8 years	100% VWG Long Term Growth Fund
8 – 3 years	Gradual switch from VWG Long Term Growth Fund to the VWG Corporate Bond Fund, VWG Index-Linked Bond Fund and VWG Fixed Interest Gilt Fund.
Less than 3 years	Continued switch from VWG Long Term Growth Fund to the VWG Corporate Bond Fund, VWG Index-Linked Bond Fund and VWG Fixed Interest Gilt Fund and also to VWG Cash Fund.
At target retirement date	Assets invested in the VWG Corporate Bond Fund, VWG Index-Linked Bond Fund, VWG Fixed Interest Gilt Fund and VWG Cash Fund.

Illustrative glidepath



Investment manager risk limits

Each manager has in place specific risk limits on its mandate. The limits for each manager are listed below:

3.1. Nordea

- There should be net exposure equal to or above 0% in all asset classes
- Equity exposure is limited to a maximum of 75%
- Minimum of 25% of total assets are invested in equities listed on a stock exchange or traded on a regulated market
- Derivative leverage is limited to a maximum of 450% (% of NAV) as sum-of-notional under normal market conditions.
- The fund does not aim to invest in illiquid assets (such as private equity, property and infrastructure).

3.2. Insight

- The fund can invest no more than 10% of net asset value in other UCITS or collective investment undertakings.
- The Fund is permitted to invest up to 70% in equities, 70% in fixed income, 10% in real assets, 50% in total return strategies, 10% in infrastructure and up to 50% in cash.
- A maximum of 10% of the Fund’s net assets can be invested in unlisted securities
- Borrowing is limited to 10% of the Fund’s net assets.
- The fund has a 99%, one day, ex ante Value at Risk limit of 2.1%.
- On individual trades, stop-loss limits are set at 75% of the profit target.

3.3. BlackRock passive funds

- The BlackRock Long Term Fund fund has a permitted tracking error up to 1% from the relevant index.
- The BlackRock Aquila MSCI World Fund has a tracking error of 0.3% from the relevant index.
- Overseas investments will be affected by movements in currency exchange rates where no currency hedging is applied.

3.4. LGIM Passive funds

- The funds employ a passive management strategy and aim to produce a return which is broadly comparable to the index. The constituents of the index are reviewed and may be rebalanced on a monthly basis.
- The dealing costs associated with the turnover of securities within the fund may impact the performance of the fund against the index.
- The fund may either invest directly in the securities of the index or indirectly through other LGIM funds where they provide the appropriate investment exposure.
- The fund may also hold futures for efficient portfolio management.

3.5. HSBC

- The Fund will only invest in shares of companies that meet Shariah compliance principles as interpreted or approved by the Shariah Committee.
- The Shariah Committee monitors the Fund throughout the year and issues an annual Shariah certificate on the Fund’s compliance with Shariah principles.
- The Fund will not invest in derivatives.