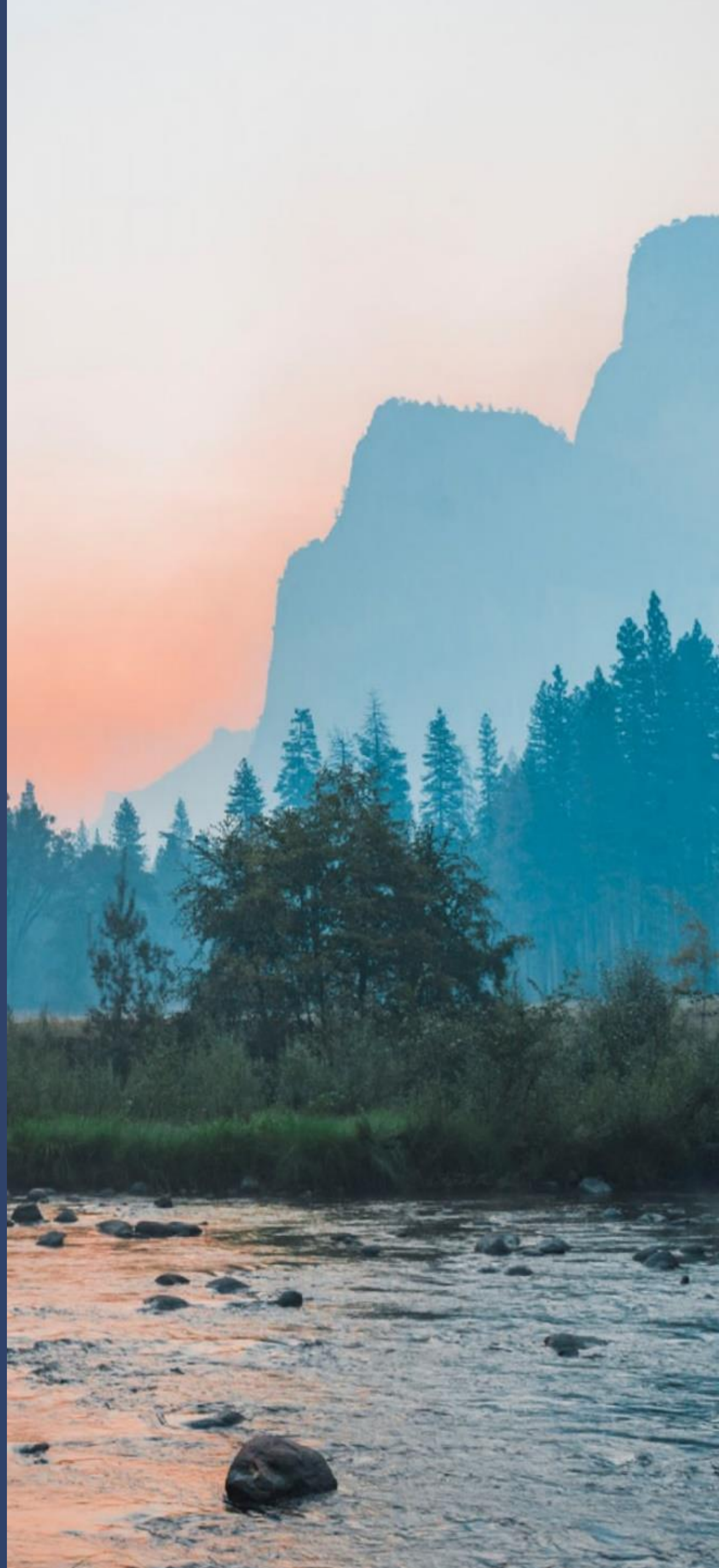
# *Addendum to the Statement of Investment Principles*

## For the Volkswagen Group Pension Scheme

## Effective from : 4 September 2025

**This addendum to the Statement of Investment Principles ("SIP") for the Volkswagen Group Pension Scheme has been produced by the Trustee of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme's investment arrangements.**



# Part 1:
# *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 Pensions Act 1995 (as amended);
- 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.

## 2. 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 Trustee 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.

## 3. Investment adviser

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

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- 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.

## 4. 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 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 manager'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.

## 5. 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.

## 6. 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.

# Part 2:
# *Policy towards risk*

## 1. Risk capacity and appetite

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, including:

- the strength of the Employers' covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Scheme's current investment strategy, as at 30 June 2025 the Scheme's 1 year 90% Value at Risk was estimated to be c.£8m. This means that there is estimated to be a 1 in 10 chance that the Scheme's funding position will worsen by c.£8m or more, compared to the expected position, over a one year period. The Trustee believes that level of risk of the Scheme's current investment strategy is appropriate given the Trustee's and Employers' risk appetite and capacity.

## 2. Approach to managing and monitoring 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:

### Risk of inadequate returns

A key objective of the Trustee is that, over the long-term, the Scheme should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by the Trustee on a regular basis.

### 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 assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

### 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.

### Credit risk

The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

### 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 is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge currency exposure where available.

### Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds / interest rate swaps, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities.

The Trustee considers interest rate, inflation and overseas currency risks to be generally unrewarded investment risks.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

### 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.

### Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice.

### Other environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of 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 reviews how these risks are being managed in practice.

### Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Scheme's cash flow requirements and believe that this risk is managed appropriately by maintaining an appropriate degree of liquidity across the Scheme's investments.

### Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, CT makes use within its Dynamic LDI fund range of derivative and gilt repos contracts and this fund is used by the Trustee to match efficiently a portion of the Scheme's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

### Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result.

In order to manage this risk, the Trustee has a leverage management plan in place, which is reviewed and updated periodically. This sets out clearly the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. As part of this leverage management plan, the Trustee periodically monitors the impact of movement in interest rates and inflation expectations and how that compares to the change that can be supported by the assets invested in the LDI arrangement and those directly supporting the arrangements.

### 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 as part of its assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples for the Scheme include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustee regularly reviews progress towards the Scheme's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

# Part 3:
# Investment manager arrangements

Details of the investment managers, their objectives, and investment guidelines are set out below. The Scheme does not have a direct relationship with the fund custodians.

## 1. Columbia Threadneedle ("CT")

The CT Funds are sub-funds within Columbia Threadneedle (Lux) LDI, a Luxembourg domiciled open-ended collective investment scheme with variable capital. The funds are structured as a "Fonds Commun de Placement". CT has appointed State Street as the custodian for the funds.

### CT - Dynamic LDI portfolio

The Scheme first invested in the CT LDI portfolio (which includes the CT Dynamic LDI funds and the CT Money market fund), in August 2013.

The Scheme invests in Dynamic LDI via pooled funds, specifically the Nominal Dynamic LDI Fund and the Short-Profile Real Dynamic LDI Fund.

- The objective of the Nominal Dynamic LDI Fund is to provide a hedge against nominal rate liabilities using a range of hedging assets. Its benchmark is a typical pension fund's liability profile as determined by CT.

- The objective of the Short-Profile Real Dynamic LDI Fund is to provide a hedge against real rate liabilities using a range of hedging assets. Its benchmark is a typical short duration pension fund's liability profile as determined by CT.

In addition, since the LDI funds are levered (with the target leverage typically in the range of 2-3 times leveraged), the Scheme has a holding in a CT money markets fund to reduce this leverage significantly

- The function of the CT money markets fund is to meet Scheme benefit payments in the short-term and for collateral purposes for the Scheme's LDI portfolio.

- The objective of the CT money market fund is to maintain high levels of liquidity and generate a return in line with money market rates. The benchmark index for the fund is 7 Day GBP SONIA.

- The Dynamic LDI Funds and money market funds are daily dealing.

### CT - Short duration credit

The Trustee has selected CT as the investment manager for the Scheme's short duration credit portfolio. The Scheme first invested in the CT Net Zero Transition Low Duration Credit fund in April 2025.

- The fund aims to deliver a total return commensurate with investment in low duration non-government bonds and similar assets.

- The fund does not have a specific benchmark.

- The fund is daily dealing.

## 2. L&G Asset Management ("L&G AM")

The L&G AM funds are structured as unit-linked life insurance policies.
L&G AM has appointed Citibank as the custodian of the funds.

### L&G AM - Buy and Maintain ("B&M") credit portfolio

The Trustee has selected L&G AM as the investment manager for the Scheme's buy and maintain credit portfolio. The Scheme invests in the maturing B&M credit 2025-2029 fund and the maturing B&M credit 2030-2034 fund. The Scheme first invested in these funds in July 2020.

- The objective of the maturing B&M credit funds is to achieve growth of capital within a globally diversified portfolio of predominantly investment grade credit (ie corporate bonds).

- The 2025-2029 maturing B&M credit fund will purchase bonds with all expected cashflows to be paid during the target maturity 2025-2029. The 2030-

2034 maturing B&M credit fund will purchase bonds with all expected cashflows to be paid during the target maturity 2030-2034.

- Due to the nature of the buy and maintain credit portfolios, the L&G AM B&M credit funds do not have a specific benchmark.

- The funds are weekly dealing.

### L&G AM - Multi-factor equities

The Trustee has selected Legal and General Asset Management ("L&G AM") as the investment manager for the Scheme's multi-factor equities portfolio. The Scheme first invested in the multi-factor equities portfolio in June 2020.

- The fund's objective is to provide long-term investment growth by investing in a diversified mix of global equites and providing exposures to multiple equity risk factors.

- The benchmark index is a blend of regional market-cap weighted equity indices that broadly reflects the regional allocation of the Fund and the currency hedging undertaken (33% FTSE North America Index, 50% GBP hedged, 52% FTSE Developed ex North America Index, 50% GBP hedged, and 15% FTSE Emerging Index).

- The fund is weekly dealing.

### L&G AM - Money market fund

The Scheme invested in the L&G AM money market fund in October 2020.

- The function of the L&G AM money market fund holding is to hold income generated from the buy and maintain credit portfolio for the purpose of meeting Scheme benefit payments.

- The fund's objective is to provide diversified exposure and a return in relation to the fund's benchmark index, which is 7 Day GBP SONIA.

- The fund is weekly dealing.

## 3. TwentyFour Asset Management ("TwentyFour")

### TwentyFour - Asset-backed securities

The Trustee has selected TwentyFour as the investment manager for the Scheme's asset-backed securities portfolio. The Scheme first invested in the TwentyFour Monument Bond Fund in June 2025.

- The fund aims to provide an attractive level of income relative to prevailing interest rates whilst maintaining a strong focus on capital preservation.

- The does not have a specific benchmark.

- The fund is daily dealing.

The fund is structured as an open-ended umbrella investment company, of which the Fund is one of the sub-funds of this company. TwentyFour has appointed Northern Trust as the custodian of the fund.

## 4. Additional Voluntary Contributions

As part of the transition of the DC section of the Scheme to the Aviva Master Trust, AVC assets invested with Fidelity were also transferred. AVC assets remain invested with Clerical Medical Investment Group as prior to 2004 members were able to contribute to policies with Clerical Medical.

## 5. Rebalancing between managers

The split is monitored each quarter and cashflows may be used to realign the portfolio with the benchmark. If the portfolio is more than 2% from the central benchmark the Trustee will consider whether to switch between asset classes to rebalance back to the central benchmark.