The Volvo Car UK Pension Scheme (the "Scheme")

Statement of Investment Principles – October 2025

1. Introduction

The Trustee of the Volvo Car UK Pension Scheme (the "Scheme") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustee's investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with Volvo Car UK Limited (the "Sponsor") to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustee's objectives.

2. Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk reduces as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme'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 sub-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 Scheme's assets on a day to day basis.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee understands that taking some investment risk, with the support of the Sponsor, is necessary to improve the Scheme's current and ongoing solvency funding positions. The Trustee recognises that equity (and other growth asset) investment will bring increased volatility to the funding level, but in the expectation of improvements in the Scheme's funding level through equity (and other growth asset) outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective the Trustee's further objectives are to:

- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Scheme to a position of being 105% funded on a de-risked funding basis (gilts +0.4% p.a.) by 2033.

- In doing so, to opportunistically reduce the degree of risk in the Scheme's investment arrangements, thereby helping to protect the Scheme's improving funding position.

The Trustee recognises this ultimately means investing the majority of the portfolio in 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 Trustee recognise that this introduces investment risk and these risks are discussed below.

The Trustee has agreed that the Scheme should move progressively towards a target of an entirely bond-based investment strategy ("Matching Portfolio") as its funding level increases. The Trustee will monitor progress against this target and the target portfolio itself over time.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focuses on is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more volatility in the Scheme's funding position.

- To control the risk outlined above, the Trustee, having taken advice, set the split between the Scheme's Growth and Matching Portfolio such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.

- Whilst moving towards the target funding level, the Trustee recognises that even if the Scheme's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.

- The Trustee invests in a Matching Portfolio that includes a leveraged Liability Driven Investment (LDI) portfolio to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the LDI portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee.
- To help diversify manager-specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Scheme's assets are managed by appropriate sub-investment managers.
- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee would ensure that the assets of the Scheme are predominantly invested on regulated markets.
- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.
- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.
- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return and have considered the possible short, medium, and long-term effects of climate change on the Scheme's objectives and its operations. Section 9 sets out how these risks and opportunities are managed.
- Responsibility for the safe custody of the Scheme's assets is delegated to MGIM who has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their vehicles. MGIM is responsible for keeping the suitability of the Custodian under ongoing review.
- Should there be a material change in the Scheme's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

5. Investment Strategy

The Trustee, with advice from the Scheme's investment consultant and Scheme Actuary, reviewed the Scheme's investment strategy in 2025. This review considered the Trustee's 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).

Following the review, the key decision was to seek a long-term solution to "de-risk" the Scheme's assets relative to its liabilities over time using a dynamic trigger-based de-risking framework. The Trustee decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of 0.4% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.4% basis"). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target 105% funding on a gilts +0.4% basis by 2033;
- 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 de-risking strategy takes account of the Scheme's initial funding level on a gilts +0.4% basis and is based on a model of the progression of the Scheme's funding level over the period to 2033, taking into account the expected contributions from the Sponsor as agreed at the latest triennial actuarial valuation.

The de-risking triggers which form the basis of the Scheme's dynamic investment strategy are set out in a separate document – the Statement of Investment Arrangements.Once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be formally reviewed apprxomaitely every 12 – 18 months to ensure that the triggers set remain appropriate and amended if required.

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

6. Realisation of Investments

The Trustee on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying sub-investment managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme's requirements.

8. Rebalancing

As noted, responsibility for monitoring the Scheme's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced Growth Portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

9. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee and Mercer believe in integrating financially material sustainability transition and socio-economic risks into investment decision-making, which can potentially enhance portfolio resilience.

The Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE.

Mercer's Investment Philosophy uses a holistic approach, considering market-wide and systemic risks and incorporating sustainability considerations objectives, governance, rewarded risk and value maximization considerations. Mercer's full investment philosophy is also available here: Investment philosophy.

The Trustee has reviewed Mercer's Sustainability Policy, which sets out the key principles and guidelines used by Mercer to consider and respond to sustainability risks and opportunities in investment process decision-making.

Sub-investment managers appointed to manage the Mercer Funds are expected to assess and reflect sustainability risks and opportunities in security or asset selection and portfolio construction including climate transition considerations, and this forms part of the selection process.

Mercer's approach to managing climate transition risks and opportunities is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Mercer's Climate-Related Financial Disclosures Report report highlights Mercer's approach in more detail. Disclosure consistent with the TCFD recommendations is also encouraged for appointed managers.

In order for the Trustee to oversee, assess and manage climate-related risks and opportunities for the Scheme, Mercer provides reporting to the Trustee at least annually, on integration of sustainability considerations, stewardship monitoring results, relevant and available climate-related metrics and climate transition analysis.

Mercer screens and monitors listed portfolios for high-severity incidents as flagged according to the UN Global Compact ("UNGC") Principles that relate to human rights, labour, environment, and corruption issues, as identified by our appointed external research provider and will prioritise engagement with the managers owning those companies based on an internally developed framework.

Mercer may also elect to participate, as appropriate, in collaborative industry engagement initiatives related to engagement priorities, or other topics that are considered aligned with the best interests of the Scheme.

The Trustee has reviewed its beliefs in 2021 and agreed to align itself with the sustainability policy of Volvo Car Group. This includes the integration of ESG considerations throughout the Trustees decision-making process.

The Trustee recognises the conflict of interest which may arise in the context of sustainable investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Member views

Whilst members' views in respect of non-financial matters are not explicitly taken into account in the selection, retention and realisation of investments, the Trustee welcomes views from members. This position is reviewed periodically.

Investment Restrictions

The Trustee has taken into account the expected time horizon of the Scheme when considering how to integrate the aforementioned ESG issues into the investment decision making process.

Financially material considerations are considered by the Trustee, including (but is not limited to) ESG considerations (including but not limited to climate change). ESG considerations are however taken into account in the selection, retention and realisation of investments in the following ways:

• The Trustee has reviewed its beliefs in 2021 and agreed to align itself with the sustainability policy of Volvo Car Group. This includes the integration of ESG considerations throughout the Trustees decision-making process as well as some exclusions as listed below:

  • Companies that contribute to a serious and systematic breach international law and human rights.

  • Companies that produce and sell controversial weapons, hereunder nuclear, land mines, cluster munitions and chemical weapons.

  • Companies involved in serious climate degradation.

  • Companies involved in systematic corruption and crime.

• The Trustee considers the ESG disclosures published by Mercer when monitoring the Scheme's investment manager's capabilities.

• In meetings with the Scheme's investment manager, ESG issues are discussed and the manager is expected to discuss voting and engagement activities carried out on behalf of the Trustee for mandates where this is relevant.

• The Trustee have exposure to specific sustainability themed investments within the Mercer Multi Asset Solution Fund.

10. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 5, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 4. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives**,** and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlyings sub-investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the sub-investment managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is*,* however, able to consider Mercer's and MGIE's assessment of how each underlying sub-investment manager embeds ESG into their

investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the sub-investment managers' policies on voting and engagement.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by sub-investment managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme

The sub-investment managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the sub-investment managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying sub-investment managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to sub-investment managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the sub-investment managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

11. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the investment of any Additional Voluntary Contributions paid by members. The Trustee periodicially reviews the investment performance of the chosen providers as appropriate and take advice as to the providers' continued suitability.

Assets in respect of members' AVCs are managed by the following providers:

i) Clerical Medical

ii) Utmost

iii) Aegon

12. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee

reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.