

# Pirelli General Pension and Life Assurance Fund

## Statement of Investment Principles

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July 2026

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### Introduction

This document is the Statement of Investment Principles (the 'Statement') for the Pirelli General Pension and Life Assurance Fund (the 'Fund'). It has been drawn up by the Trustee of the Fund (the 'Trustee'), taking into account the relevant legislation.

The Statement sets out the high-level objectives, principles and policies governing the investment decisions of the Trustee.

### Governance arrangements

The Trustee has ultimate responsibility for the management of the Fund and its investments, but it delegates various decisions and responsibilities to specialist advisers and service providers. The Trustee ensures that appropriate guidelines and restrictions are agreed with each party to clearly set out their responsibilities and the scope of their powers. The Trustee takes all such steps as are reasonable to satisfy itself that the parties to whom it delegates responsibilities have the appropriate knowledge and experience required to take on their role.

A key investment appointment is the Fiduciary Manager, a professional investment firm with expertise in investment and risk management for pension funds. The Fiduciary Manager provides investment advice and investment management services to the Trustee, including advice on setting the Investment Objective and preparing this Statement. Many of the details of this document are reflected in the Investment Management Agreement of the Fiduciary Manager.

### Investment Objective

The primary objective of the Trustee is to pay the benefits in full as they fall due. It has set a clear performance objective to help achieve this (the "Investment Objective"), taking into account the requirements of the Statement of Funding Principles and the trade-off between higher expected returns and higher investment risk:

*The Trustee aims to achieve a return on the Fund's assets of 1.0% p.a. (net of fees) above the return of the Liability Benchmark, over a rolling three-year period.*

The Liability Benchmark is a measure of the return of the Fund's liabilities on a gilts-flat basis. It is agreed between the Trustee and the Fiduciary Manager and is periodically updated, such as after triennial actuarial valuations.

The Investment Objective is specified in the guidelines to the Investment Management Agreement of the Fiduciary Manager. The Fiduciary Manager is tasked with investing the Fund's assets to target the Investment Objective over rolling three-year periods, while restricting short-term volatility in the funding position and the chance of large losses.

A risk guideline of 4.5% p.a. has been set for the volatility of the funding position and the Fiduciary Manager is required to monitor the realised (ex-post) and forecasted (ex-ante) risk levels to ensure they remain below this level. If the risk guideline is exceeded, the Fiduciary Manager will notify the Trustee in writing, explain why the risk guideline has been exceeded and confirm either that it is comfortable running the portfolio at a risk level above the guideline or the actions it proposes to reduce the risk level below the guideline.

## Risk

The key risk to the Fund is that the value of assets is insufficient relative to the value of the liabilities. This is called solvency risk and ultimately could lead to there being insufficient assets to secure all benefits.

There are many other individual risk factors which have the potential to contribute to solvency risk. Due to the complex and interrelated nature of these risks, the Trustee considers most these in a qualitative rather than quantitative manner.

The Trustee works with the Fiduciary Manager to regularly monitor the risks affecting the investments and to manage them where possible to avoid the accumulation of excessive risk exposures. The main risk factors affecting the Fund are described in the Appendix, along with a summary of how each is measured and managed.

## Investment policies

### Securing compliance with the duty to choose scheme investments under Section 36 of the Pensions Act

In advance of choosing investments, the Trustee obtains and considers advice from the Fiduciary Manager. This advice considers the overall suitability of the investments in relation to a number of key investment principles.

Note that this advice is not required or sought where the investments are selected on behalf of the Trustee by the Fiduciary Manager.

### The kinds of investments held by the Fund

The Fund's assets are split between two sub-portfolios, detailed below. Responsibility for the management of the sub-portfolios and the balance between them is delegated by the Trustee to the Fiduciary Manager.

The full range of assets, detailed targets and restrictions are agreed between the Trustee and the Fiduciary Manager and may change over time. These are recorded in the legal agreement between the Trustee and Fiduciary Manager.

### LDI Portfolio:

The purpose of these assets is to reduce the risk that the funding position deteriorates as a result of changes in the value of the liabilities due to movements in long-term interest rates and inflation expectations.

This requires an asset portfolio which seeks to match an agreed portion of the interest rate and inflation sensitivities of the Liability Benchmark. The assets are invested in a mixture of cash, swaps, physical gilts and leveraged gilts.

Investment Grade Credit assets (part of the Cashflow Portfolio described below) also contribute to the interest rate sensitivity.

### Cashflow Portfolio:

The purpose of these assets is to generate cashflows that are expected to meet members' benefits as they fall due.

The portfolio largely consists of high quality bonds, including those issued by governments, government related entities and corporates, whose return, when held-to-maturity, is known subject to default experience. Performance of these assets is driven primarily by the exposure to credit related securities and the skill of the third-party manager(s) to avoid defaults.

### Growth Portfolio:

The purpose of these assets is to generate consistent, absolute returns while managing downside risks and restricting the chance of large losses in stress situations.

When combined with the Liability Hedging Portfolio, Investment Portfolio returns above short-term cash rates result in the total Fund assets outperforming the Liability Benchmark, as targeted in the Investment Objective

The assets are invested in a wide range of instruments to create a highly-diversified portfolio, with positions including:

- 'Market Exposure' investments
  - These provide a diversified set of exposures where performance is mainly dependent on the economic outlook.
  - They include, but are not limited to, economic exposure to Equities, Government Bonds, Inflation swaps, Commodities, High Yield Bonds and Emerging Market Bonds.
  - The positions are typically accessed through derivative instruments to reduce costs, increase liquidity and support efficient portfolio management.
  - These positions are dynamically managed meaning they are frequently adjusted to reflect the prevailing market conditions. The aim is to take advantage of opportunities as they arise and to guard against risks that may materialise.
- 'Manager Skill' investments

- These consist of a diversified set of collective investment vehicles managed by third-party investment managers.
- Performance is primarily driven by manager skill, as the third-party managers implement specialist investment strategies.
- They are a mix of systematic or discretionary strategies across, for example, equity, credit, macro and multi-strategy funds.
- ‘Private Market’ investments
  - These consist of a diversified set of collective investment vehicles managed by third-party Investment Managers.
  - Performance is driven by a combination of market returns, the illiquidity premium (the excess return investors expect when committing capital for an extended period) and manager skill as the third-party managers implement specialist investment strategies.
  - The strategies include, but are not limited to, Property, Private Equity and Private Debt.

### The balance between different kinds of investments

The Trustee has provided the Fiduciary Manager with guidelines setting out permissible ranges for each kind of investment. The Fiduciary Manager adjusts the balance of investments in response to evolving market conditions and ensures that:

- It stays within the guidelines;
- It is appropriate to achieving the Investment Objective over the long term;
- There is sufficient liquidity to meet cashflow requirements; and
- There is sufficient collateral available to manage the collateral risk of the derivative positions.

### The expected return on investments

The Trustee delegates assessment of the expected return on investments to the Fiduciary Manager. This is one of the factors taken into account by the Fiduciary Manager when selecting the balance of assets to target the Investment Objective.

### The realisation of investments

The Trustee delegates decisions around the realisation of investments to the Fiduciary Manager. Assets are realised as part of the rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Trustee.

### Arrangements with the Fiduciary Manager

The Trustee delegates various activities in relation to the Scheme’s investments to the Fiduciary Manager as set out in this Statement. The Fiduciary Manager is responsible, in particular, for ensuring each underlying investment manager is aligned with the Trustee policies as set out below.

The Trustee keeps the Fiduciary Manager's performance under review, focusing on longer-term outcomes. The Trustee receives regular reports from the Fiduciary Manager, including on portfolio turnover costs incurred by the underlying investment managers. The Trustee's review process includes specific consideration of how the Fiduciary Manager has implemented the responsible investing policies and engagement activities included in this Statement.

Although the Trustee's arrangement with the Fiduciary Manager is expected by the Trustee to be a long-term partnership, the Fiduciary Manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team or where the Fiduciary Manager fails to ensure alignment between underlying investment managers and the Trustee's policies.

The Fiduciary Manager is paid an ad valorem fee in line with normal market practice, for a given scope of services which includes consideration of long-term factors, responsible investment and engagement. The Trustee reviews the costs incurred in managing the Scheme's assets annually.

### Arrangements with all Investment Managers

The Trustee believes that an understanding of, and engagement with, Investment Managers' arrangements (including the Fiduciary Manager) is required to ensure they are aligned with Trustee policy, including its Responsible Investment policy. In accordance with latest regulation, it is the Trustee's policy to ensure that the following are understood and monitored by the Fiduciary Manager:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

The responsibility for monitoring these aspects day to day has been delegated to the Fiduciary Manager. They are responsible for ensuring each underlying investment manager is aligned with the Trustee policies at the time of appointment or explaining why this is not the case. They are also required to report back to the Trustee on any areas of potential divergence between Trustee policy and investment manager practice on an ongoing basis, including their own.

Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information

required to allow the Trustee to review all of the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach.

Underlying managers appointed by the Fiduciary Manager can be terminated at the Fiduciary Manager's discretion. Reasons for termination include, but are not limited to: poor performance, poor client service, client strategy development, loss of key individuals within the investment manager's organisation, M&A activity and operational constraints.

## Responsible Investment

### Financially material considerations over the appropriate time horizon of the investments

The Trustee has a long-term time horizon for their portfolio and, as such, recognises that being a responsible investor should improve financial outcomes. The Trustee considers responsible investment to be the integration of environmental, social and governance (ESG) factors into investment decisions where financial risk and / or return could be materially affected. These considerations include the potential impact of climate change.

The Trustee delegates responsibility to take account of ESG factors in investment decision making to the Fiduciary Manager. This includes investments made directly by the Fiduciary Manager as well as those in pooled funds managed by third parties. In the latter case, the Fiduciary Manager is responsible for ensuring that the external investment managers appropriately incorporate ESG factors within their investment process. The Trustee monitors how the Fiduciary Manager incorporates ESG factors on a regular basis.

### The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments

The Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long term portfolio returns, which is in the best interests of the members and beneficiaries of the Fund. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non-financial matters in its investment decision making.

Nevertheless, the Trustee recognises that individual members and beneficiaries may have views on non-financial matters, such as ethical, social and environmental considerations, that may have implications for the Scheme's investments. The Trustee does not pro-actively take these views into account when making investment decisions, but they do review communications of member views. The Trustee believes that the above policy of responsible investing is an appropriate reflection of the views of the membership in aggregate, given that individual members may have differing and conflicting views that cannot all be incorporated directly.

### The exercise of the rights (including voting rights) attaching to the investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Fund's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

## Undertaking engagement activities in respect of the investments

The Trustee believes the integration of stewardship duties into the investment process helps them to fulfil their responsibilities. Implementing voting and engagement policies helps drive long term value for beneficiaries. This is achieved through targeted voting and engagement, which encourages better corporate management of environmental, social and governance issues and promotes more stable capital markets and economies.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact and the Trustee monitors the Fiduciary Manager's activity in this regard.

The Trustee has selected three key stewardship priorities for investment manager engagement, in order to improve alignment with its policies as well as enhance disclosure.

The priorities are linked to the UN Sustainable Development Goals with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members. The Trustee's stewardship priorities are:

- Climate Crisis
- Environmental Impact
- Human Rights

On behalf of the Trustee, the Fiduciary Manager has written to the Trustee's investment managers reaffirming and expanding on the Trustee's policy and expectations. The Trustee expects its investment managers to incorporate these priorities into their voting practices and the Fiduciary Manager will monitor manager disclosures to ensure alignment against them.

## Process for agreeing and reviewing this Statement

The Trustee has obtained written advice on the content of this statement from the Fiduciary Manager. The Trustee is satisfied that the Fiduciary Manager has the knowledge and experience required by the Pensions Acts to perform this role. The Trustee has also consulted the sponsoring employer, Pirelli UK Limited, on the content of this Statement.

The Trustee monitors compliance with this Statement regularly and reviews it at least every three years and immediately following any significant change in investment policy. At each review, further written advice from the Fiduciary Manager and consultation with the sponsoring employer is sought.

Signed..... *N. Sutcliffe* .....

Date..... *27 July 2026* .....

On behalf of the Trustee of the Pirelli General Pension and Life Assurance Fund



## APPENDIX

| Risk factor                      | What is the risk?                                                                                                                                                     | How is the risk measured?                                                                                                                                                                             | How is the risk managed?                                                                                                                                                                                                                                                                                                                    |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic (or market) risk        | Economic, financial or political conditions cause the return on investments to be worse than expected, reducing the chance of meeting the investment return objective | The Fiduciary Manager monitors the economic exposures and assesses the economic outlook and regularly reports the position to the Trustee                                                             | The assets are spread across a range of different investments in a highly diversified portfolio that manages downside risks and restricts the chance of large losses in stress situations                                                                                                                                                   |
| Investment manager risk          | The investment managers fail to meet their performance expectations                                                                                                   | The Fiduciary Manager monitors manager performance relative to suitable benchmarks and peers and regularly reports the position to the Trustee                                                        | Rigorous investment and operational due diligence is performed upon manager appointment and close monitoring is performed thereafter                                                                                                                                                                                                        |
| Interest rate and inflation risk | The value of the Fund's liabilities rises due to either or both of the interest rate falling or the inflation rate rising                                             | The Fiduciary Manager monitors any mismatch between the interest rate and inflation sensitivities of the assets relative to the Liability Benchmark and regularly reports the position to the Trustee | The Liability Benchmark is designed to reflect the sensitivity of the liabilities to interest rate and inflation risk. The Liability Hedging Portfolio is designed to match an agreed portion of these sensitivities                                                                                                                        |
| Currency risk                    | Loss arising from the falling value of overseas investments due to strengthening Sterling                                                                             | The Fiduciary Manager monitors the currency risk and regularly reports the position to the Trustee                                                                                                    | Where investments are not denominated in Sterling and currency exposure is not desired as part of the thesis, currency derivatives are used to remove currency risk                                                                                                                                                                         |
| Concentration risk               | Underperformance in a section of the investments has an overly large adverse impact on the total portfolio return                                                     | The Fiduciary Manager monitors the portfolio concentration and reports the position to the Trustee as needed                                                                                          | The Fiduciary Manager operates to guidelines that ensure assets are spread across a range of investments                                                                                                                                                                                                                                    |
| Liquidity risk                   | There is a shortfall in liquid assets relative to the Fund's immediate cashflow requirements                                                                          | The Fiduciary Manager monitors the cashflow needs and reports the position to the Trustee as needed                                                                                                   | The Fiduciary Manager operates to guidelines that ensure assets are spread across a range of investments                                                                                                                                                                                                                                    |
| Operational risk                 | Loss arising as a result of fraud, acts of negligence or lack of suitable processes                                                                                   | The Fiduciary Manager monitors the operational procedures of the collective investment schemes and bank counterparties and reports the position to the Trustee as needed                              | The Fiduciary Manager undertakes due diligence to identify the operational risks associated with each service provider. The Trustee ensures that all advisers and third-party service providers are suitably qualified and experienced. Suitable liability and compensation clauses are included in all contracts for professional services |
| Demographic risk                 | The mortality assumptions used to value the Fund's liabilities strengthen, resulting in an increase in the value of the liabilities                                   | Regular updates on changes in demographic assumptions are provided by the Fund Actuary                                                                                                                | The Trustee makes an allowance for this risk by setting prudent actuarial assumptions                                                                                                                                                                                                                                                       |
| Sponsor risk                     | The sponsoring employer makes insufficient contributions to support payment of the Fund benefits, leading to greater reliance on investment returns                   | Assessment of the ability and willingness of the sponsor to support the continuation of the Fund and make good any current / future deficit                                                           | Sponsor risk has been taken into account when agreeing a suitable Recovery Plan and investment objective                                                                                                                                                                                                                                    |