

## Defined Contribution (“DC”) Section

### 1 April 2023 to 31 March 2024 (the “Plan Year”)

#### **Introduction**

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees, has been followed during the year to 31 March 2024 (the “Plan Year”). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

The table later in the document sets out how, and the extent to which, the policies in the Toyota (GB) Retirement Benefits Plan (1979) – Money Purchase Section (the “Plan”) SIP have been followed.

The Statement flows directly from and should be read in conjunction with the Plan’s SIP (in place at the Plan Year and dated September 2020) which is available online. The Trustees received an advice letter in August 2023 confirming that the SIP dated September 2020 was reviewed and remained compliant with Section 35 of the Pensions Act 1995 as amended.

#### **Investment Objectives of the Plan**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are summarised as follows:

- The Trustees aim to provide suitable investment options that are aligned to the needs of their members. They also aim for these options to enable members to achieve good outcomes at retirement as well as ensuring that members receive value for money.
- The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy.
- The Trustees will review the investment approach from time to time and make changes as and when it is considered to be appropriate.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Plan. Detail on the Trustees’ objectives with respect to the default investment strategy and the self-select fund range are contained in the SIP.

#### **Review of the SIP**

The SIP was reviewed during the Plan Year in August 2023. A copy of the latest SIP signed on 16 September 2020 can be found at [https://www.toyota.co.uk/content/dam/toyota/nmtsc/united-kingdom/footer/legal-information/Toyota-SIP\\_DC\\_September-2020.pdf](https://www.toyota.co.uk/content/dam/toyota/nmtsc/united-kingdom/footer/legal-information/Toyota-SIP_DC_September-2020.pdf) and is also appended to this Statement. The Trustees received an advice letter in August 2023 confirming that the SIP dated September 2020 was reviewed and remained compliant with Section 35 of the Pensions Act 1995 as amended.

#### **Investment Strategy Review**

The last triennial investment strategy review was carried out in the previous Plan Year over two Trustees’ Meetings on 6 December 2022 and 24 January 2023. The review covered the suitability of the benefit targeted by the default investment strategy, along with the default’s growth phase and the de-risking phase allocations. The review also considered the addition of alternative lifestyle strategies and the self-select fund range.

#### **Assessment of how the policies in the SIP have been followed for the year to 31 March 2024**

The information provided in the following table highlights the work undertaken by the Trustees during the Plan Year, and longer term where relevant, and sets out how this work followed the Trustees’ policies in the SIP, relating to the Plan as a whole. The Trustees believe they have adhered to all of their policies as set out in the SIP over the course of the Plan Year.

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	Requirement	Summary of Trustees Policy	Summary of the Plan Year to 31 March 2024
1	Securing compliance with the legal requirements about choosing investments	<p><i>This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Toyota (GB) Retirement Benefits Plan (1979) – Money Purchase Section (“the Plan”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.</i></p> <p><i>In preparing the Statement, the Trustees have obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of the Plan’s investments.</i></p> <p><i>SIP Section 1</i></p>	<p>The last triennial investment strategy review for the Plan took place during two Trustee Meetings, held on 6 December 2022, and 24 January 2023. The review assessed the appropriateness of the default benefit target, as well as the allocation of the default fund during both the growth and de-risking phases. Additionally, the review explored the potential inclusion of alternative lifestyle strategies and the self-select fund range.</p> <p>If any changes are to be implemented, in principle, for implementation will be made in accordance with the formal written advice outlined in Section 36 of the Pensions Act.</p> <p>No new investments were made during the reporting period covered by this Statement.</p>
2	Types of investments to be held	<p><i>The Trustees are permitted to invest across a wide range of asset classes including developed market equities, index-linked gilts, gilts and money market instruments.</i></p> <p><i>All of the funds in which the Plan invests are pooled and unitised.</i></p> <p><i>SIP Section 3.3</i></p>	<p>As noted, the Trustees last reviewed the investment strategy in December 2022 and January 2023.</p> <p>The investment advice received from the Plan’s investment advisor in August 2023 aligns with the policies outlined in the Statement of Investment Principles (SIP).</p> <p>The implementation of the proposed changes is on hold pending discussions between the Trustee and Company on the future of the Scheme.</p>
3	The balance between different kinds of investments	<p><i>The Trustees have explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments.</i></p> <p><i>When self-selecting, the balance between funds and asset classes is the member’s decision. This balance will determine the expected return on a member’s</i></p>	<p>Over the Plan Year, Trustees received quarterly investment performance reports, ensuring returns were closely monitored.</p> <p>The asset allocation of the default strategy is reviewed at least once every three years, with the most recent review taking place in December 2022 and January 2023. During this review, changes to the asset allocation were</p>

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		<p><i>assets and should be related to the member's own risk appetite and tolerance.</i></p> <p><i>SIP Sections 3.2 and 4.1</i></p>	<p>discussed. The range of self-select options was also considered, and these were determined to be broadly appropriate for members.</p>
4	<p>Risks, including the ways in which risks are to be measured and managed</p>	<p><i>The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. The main types of investment risks are: Market Risk, Environmental, social and governance (ESG) Risks, Manager Risk, Liquidity Risk and Pension Conversion Risk.</i></p> <p><i>SIP Section 6</i></p>	<p>The Plan maintains a risk register that includes the identification and assessment of key risks, including investment risks. This register evaluates the potential impact and likelihood of these risks and provides a summary of existing measures in place to mitigate them, as well as any additional actions that may be necessary.</p> <p>The Risk Register was considered during the September 2023, December 2023 and March 2024 Trustee meeting. During the March 2024 meeting, an update on the General Code was provided, noting it integrated the Risk Register. It was also proposed that a sub-group was created to form the Risk Management Function who will look at one of the three key risk areas (operations, stewardship and funding, investment and covenant) each quarter and considering the Risk Register, supporting documentation and requirements of the ORA. This approach was agreed by the Trustees.</p>
5	<p>Expected return on investments</p>	<p><i>When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and were mindful to offer a range of funds with varying levels of expected returns for members to choose from.</i></p> <p><i>The Trustees have explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments</i></p> <p><i>SIP Sections 3.1 and 4.1</i></p>	<p>During the Plan Year, the investment performance report is reviewed by the Trustees on a quarterly basis. This includes performance figures for the default investment strategy and additional self-select fund choices. The investment performance report includes how each investment manager had delivered against their specific benchmark and target.</p> <p>As part of completing the Value for Members Assessment the three years fund performance as at 31 March 2024 was reviewed. The conclusion of this assessment was that most funds are performing in line with their benchmarks and within tracking error tolerances.</p>
6	<p>Realisation of investments</p>	<p><i>The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member</i></p>	<p>All the funds used by the DC Section of the Plan continue to be daily dealt pooled investment vehicles. The Trustees are therefore confident that these assets can be realised at short notice as required and do not have any major concerns surrounding the liquidity of the Plan's investments.</p>

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		<p><i>demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.</i></p> <p><i>When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.</i></p> <p><i>SIP Sections 3.1 and 6</i></p>	<p>There were no concerns about the liquidity of the Plan's investments during the year covered by this Statement.</p> <p>The Trustees received quarterly administration reports for the reporting year covered by this Statement, which includes a summary of overall service level performance, member movements, contributions, complaints and errors. There have been no issues with the realisation of investments related to payments into or out of the Plan and no late payments for contributions.</p>
7	<p>Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments</p>	<p><i>The Trustees believe that Environmental, Social and Corporate Governance ("ESG") issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Plan's investment process.</i></p> <p><i>The Trustees believe that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.</i></p> <p><i>SIP Section 5.1</i></p>	<p>The majority of funds within the Plan have been assigned an ESG rating by Mercer. These ratings are formally reviewed at least annually and were included in the annual value for members assessment for the Plan Year.</p>
8	<p>The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments</p>	<p><i>The Trustees have decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy.</i></p> <p><i>SIP Section 5.2</i></p>	<p>Non-financial considerations were not explicitly factored into the decision-making process.</p>
9	<p>The exercise of the rights (including voting rights) attaching to the investments</p>	<p><i>As the Plan invests in pooled funds via an investment platform, the Trustees' scope to vote on the Plan's shares directly is currently limited. The Trustees'</i></p>	<p>Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 updated guidance was</p>

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		<p><i>policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.</i></p> <p><i>SIP Section 5.3</i></p>	<p>produced which is effective for all scheme year ends on or after 1 October 2022, since the last Plan Year. The Trustees agreed the below areas of focus for the Plan:</p> <ul style="list-style-type: none"> <li>• <b>Environmental:</b> Climate change - low-carbon transition &amp; physical damages resilience</li> <li>• <b>Social:</b> Human rights - modern slavery, pay (minimum/living wage etc.) &amp; safety in workforce and supply chains, abuses in conflict zones</li> <li>• <b>Governance:</b> Diversity, Equity and Inclusion (DEI) - inclusive &amp; diverse decision making</li> </ul> <p>Voting activity in relation to these areas above, carried out over the last 12 months on behalf of the Trustees is shown in the Appendix of this Statement.</p> <p>Over the reporting period, the Trustees had equity exposure through the following funds:</p> <ul style="list-style-type: none"> <li>▪ LGIM World Emerging Markets Equity Index Fund</li> <li>▪ LGIM Global Equity Fixed Weights (60:40) Index Fund</li> <li>▪ LGIM UK Equity Index Fund</li> <li>▪ Nordea Diversified Return</li> <li>▪ LGIM Asia Pacific (ex Japan) Developed Equity Index Fund - GBP Currency Hedged</li> <li>▪ LGIM North America Equity Index Fund - GBP Currency Hedged</li> <li>▪ LGIM Europe (ex UK) Equity Index Fund - GBP Currency Hedged</li> <li>▪ LGIM Japan Equity Index Fund - GBP Currency Hedged</li> </ul> <p>Over the period covered by this Statement, the Trustees have not directly challenged managers on voting activity.</p>
10	<p>Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustees would monitor and engage</p>	<p><i>The Trustees believe that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios will lead to better financial results for members. The Trustees review the investment managers' policies and engagement activities (where applicable) on an annual basis.</i></p>	<p>As the Plan invests solely in pooled funds, the Trustees require their investment managers to engage with the investee companies on their behalf. Over the Plan Year, the Trustees did not directly carry out any engagement activities with investment managers or underlying investee companies.</p>

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	with relevant persons about relevant matters)	<i>SIP Sections 5.3</i>	Apart from those exercised by the Plan's investment managers, no additional engagement activities were undertaken in the year to 31 March 2024.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005	<i>Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.</i>  <i>SIP Section 2.3</i>	The Trustees are confident that the appointments made with their investment managers align with their long-term objectives. This conclusion is based on the quarterly reports received and the Value for Members in relation to the Plan Year. Throughout the year, the Trustees remained satisfied overall with the existing arrangement with their appointed investment managers, which are accessed through a Life Insurance investment platform.
12	How the arrangement incentivises the asset manager 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.	<i>The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.</i>  <i>A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.</i>  <i>SIP Section 2.3</i>	Over the Plan Year, the Trustees received quarterly monitoring reports on the performance of the underlying investment managers from its platform provider, which presents performance information over 3 months, 1 year, 3 years and 5 years on a net of fees basis including benchmark returns and the manager's stated performance target.  Based on the Trustees' assessment of performance over the Plan Year, no manager appointments were terminated.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters	<i>The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.</i>  <i>Investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan.</i>  <i>The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mobius Life Limited, which presents</i>	The Trustees have considered the long-term investment performance of the investment managers on a quarterly basis, as well as their Investment Consultant's views of the investment manager, and is comfortable that the longer term performance and forward-looking capabilities remain suitable.  The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual Value for Members assessment, the last one undertaken in July 2024, to ensure they continue to represent value for members. The latest Value for Members Assessment for the Plan Year

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	described in rows 2-8 of this Statement].	<p><i>performance information over 3 months, 1 year and 3 years. The reports show the absolute performance (discrete and calendar year, over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.</i></p> <p><i>SIP Sections 2.3 and 7.2</i></p>	<p>concluded that most funds have met long term objectives, with the majority of funds also remaining highly rated.</p> <p>The Trustees are satisfied that the investment fund managers' short-term performance will not impact long-term goals. In particular, none of the funds have performance fees in place, which could encourage managers to make short term investment decisions to hit their short-term profit targets at the expense of longer-term performance.</p>
14	How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	<p><i>The Trustees consider portfolio turnover costs as part of the annual value for members assessment and asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees.</i></p> <p><i>The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.</i></p> <p><i>Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.</i></p> <p><i>SIP Section 7.3</i></p>	<p>Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan. However, the Trustees will engage with managers if turnover is higher than expected, which did not happen during the Plan Year.</p> <p>In the context of the asset classes invested in, the funds' objectives and net investment performance, the Trustees are comfortable with the level of transaction costs incurred by the Plan's funds over the Plan Year.</p>
15	The duration of the arrangement with the asset manager.	<p><i>The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.</i></p> <p><i>All the funds are open-ended with no set end date for the arrangement.</i></p> <p><i>SIP Section 2.3</i></p>	<p>The Trustees monitored the performance of the managers against their appointed mandates as part of the quarterly performance report and Value for Members Assessment to ensure that they remained appropriate.</p> <p>During the period covered by this statement, no manager appointments were terminated.</p>