

# **Marshall Motor Holdings Defined Contribution Pension Scheme**

## **Implementation Statement for the year ended 05 April 2021**

### **Introduction**

This implementation statement has been prepared by the Trustees of the Marshall Motor Holdings Defined Contribution Pension Scheme (the “Scheme”). The Scheme provides benefits on a defined contribution (DC) basis only.

The statement:

- sets out how, and the extent to which, the policies set out in the Statement of Investment Principles (the SIP) have been followed during the year;
- describes any review of the SIP, including an explanation of any changes made; and
- describes the voting behaviour by, or on behalf of, the Trustees over the same period.

The Trustees policies contained in the SIP have been developed in consultation with their investment consultant.

### **Trustee’s overall assessment**

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ended 5 April 2021.

### **Review of the SIP**

The Trustees policies have been developed over time by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

The SIP was reviewed during the Scheme year ahead of changes in legislation effective from 1 October 2020. This review resulted in the Trustees updating their policies in relation to the arrangements with their investment managers.

### **Policy in relation to the kinds of investments to be held**

The Trustees have given full regard to their investment powers as set out in the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding the kinds of investments to be held. The Scheme invests in pooled funds to manage costs, diversify investments and improve liquidity.

The Trustees consider all of the types of assets used to be suitable to the circumstances of the Scheme.

## **Investment strategy and objectives**

### **Investment strategy**

The Scheme provides members with a range of options:

- there are four lifestyle strategies
- there is a range of 'self select' fund options, including some Scheme-specific blended funds

The Trustees have selected one of the lifestyle options to be the default. Whilst the Trustees believe the chosen default option is a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal circumstances when determining whether the default option or an alternative strategy would best meet their needs.

The objective of the default option is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims to deliver a good level of return (net of fees) over the course of a member's working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected. It gradually reduces risk in the final years before retirement, switching into a range of funds that is aimed to be broadly appropriate for a member who plans to take advantage of the pensions freedoms or has not decided what to do with their pension at retirement.

The objective of the alternative investment options available is to allow members to reflect their specific intentions at retirement. In the early years, the investment approach is the same as that for the default. In the run up to retirement, the investments are switched into appropriate combinations depending on the alternative lifestyle selected. There are three alternatives – one aimed at members who wish to take their pot entirely as a cash lump sum; one for those who wish to take a tax-free cash lump sum and buy an annuity; and one for those who wish to take a drawdown approach.

The range should assist members in achieving the following:

- a good level of growth over their period in the Scheme, to ensure a reasonable standard of living in retirement;
- protecting the value of benefits in the years approaching retirement against market falls and (should they decide to purchase an annuity) fluctuations in annuity costs; and
- tailoring their investments to meet their needs.

In considering these factors, the Trustees believe they have complied with the SIP regarding investment strategy considerations.

### **Policy in relation to the balance between various kinds of investments and the realisation of investments**

The investment managers maintain a diversified portfolio of securities within each of the funds offered to members under the Scheme (both within the lifestyles and self-select options). In addition, the design of the default strategy provides further diversification through the use of multiple funds throughout a member's working lifetime.

### **Policy in relation to the expected return on investments**

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Scheme's membership and having taken into account the risk considerations set out in the SIP. The Trustees have also considered the return expectations of each of the alternative fund options offered.

## **Risk capacity and risk appetite**

## **Policy in relation to risks**

The Trustees have considered risk from a number of perspectives. These are the risks that:

- the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
- investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
- investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated tax free cash, or other cash lump sum benefit,
- the default option is not suitable for members who invest in it, and
- fees and transaction costs reduce the return achieved by members by an inappropriate extent.

The investment strategy for the default option has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.

To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

## **Stewardship in relation to the Scheme assets**

### **Policies in relation to investment manager arrangements**

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

There have been no changes to the benchmark/objectives of the funds in which the Scheme invests over the year.

The Trustees, in conjunction with their investment consultant, are introducing a process to obtain and review the investment holding turnover costs incurred on the pooled funds used by the Scheme on an annual basis.

In addition, the Trustees receive information on any trading costs incurred as part of asset transfer work as and when these occur. Such an exercise would only be undertaken if the expected benefits outweigh the expected costs.

The investment managers have invested the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

The investment consultant has reviewed and evaluated the investment managers on behalf of the Trustees, including performance reviews and manager oversight meetings.

### **Investment manager monitoring and changes**

During the year the Trustees received four reports from the investment consultant examining the performance of the pooled funds used.

There have been no changes to the Scheme's existing investment manager arrangements. However, during the year the Trustees agreed to changes which are currently being implemented.

### **Stewardship of investments**

The Trustees have a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through the investment managers.

The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

Non-financial matters may be taken into account if the Trustees have good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

### **Stewardship - monitoring and engagement**

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

Since all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

### **Investment manager engagement policies**

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

### **Exercising rights and responsibilities**

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The Trustees do not carry out a detailed review of the votes cast by or on

behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers that invest in public equity is as follows:

<b>Voting behaviour</b>			
<b>Investment Manager</b>	<b>Period</b>	<b>Proportion of votes cast</b>	<b>Proportion of votes against company resolutions</b>
Aberdeen Standard Investments	01/04/2020 – 31/03/2021	100%	14%
BlackRock Investment Management	01/01/2020 – 31/12/2020	97.6%	9.0%
Friends Life (now Aviva)	01/04/2020 – 31/03/2021	98%	24%
HSBC	01/04/2020 – 31/03/2021	91.6%	12.2%
Newton Investment Management	01/04/2020 – 31/03/2021	100%	14.9%
Stewart Investors	01/04/2020 – 31/03/2021	100%	2.2%
Vanguard	01/01/2020 – 31/12/2020	n/a	7%

During the period under review the Trustees have exercised their rights in relation to its holdings.

### **Trustee engagement**

The Trustees have considered their investment manager’s engagement policies including their policies in relation to financially material considerations.

The Trustees’ advisers will report from time to time on the extent to which the Scheme’s investment managers take account of financially material considerations and meet best practice in relation to ESG issues.

## Appendix

Links to the Engagement Policies for each of the investment managers can be found here:

<b>Investment manager</b>	<b>Engagement Policy (or suitable alternative)</b>
Aberdeen Standard Investments	<a href="https://www.aberdeenstandard.com/docs?editionid=33888ea5-5f5e-4873-8a69-efc6753e5401">https://www.aberdeenstandard.com/docs?editionid=33888ea5-5f5e-4873-8a69-efc6753e5401</a>
BlackRock Investment Management	<a href="https://www.blackrock.com/corporate/about-us/investment-stewardship">https://www.blackrock.com/corporate/about-us/investment-stewardship</a>
Friends Life	<a href="https://www.avivainvestors.com/en-gb/about/responsible-investment/">https://www.avivainvestors.com/en-gb/about/responsible-investment/</a>
HSBC	<a href="https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/policies">https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/policies</a>
Newton Investment Management	<a href="https://www.newtonim.com/uk-institutional/responsible-investment/">https://www.newtonim.com/uk-institutional/responsible-investment/</a>
Stewart Investors	<a href="https://www.stewartinvestors.com/content/dam/stewartinvestors/global-assets/company-policies/si-corporate-engagement-policy-sep-2020-final.pdf">https://www.stewartinvestors.com/content/dam/stewartinvestors/global-assets/company-policies/si-corporate-engagement-policy-sep-2020-final.pdf</a>
Vanguard	<a href="https://global.vanguard.com/documents/Vanguard-Engagement-Statement.pdf">https://global.vanguard.com/documents/Vanguard-Engagement-Statement.pdf</a>