

# Marshall Motor Holdings Defined Contribution Pension Scheme

## Statement of Investment Principles

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# Contents

1	Introduction .....	2
	Scheme background .....	2
	Regulatory requirements and considerations .....	2
2	Statement of Investment Principles .....	3
	Introduction .....	3
	Key investment principles.....	3
3	Appointments & Responsibilities .....	10
	Appendix 1– Fund Range .....	13
	Lifestyle strategies .....	13
	Default option.....	13
	Blended funds .....	13

# 1 Introduction

## Scheme background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for the Marshall Motor Holdings Defined Contribution Pension Scheme (the “Scheme”).
- The Scheme:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - provides benefits calculated on a defined contribution (DC) basis,
  - is open to new members.
- Buck is investment consultant to the Trustees.

## Regulatory requirements and considerations

- This statement covers the requirements of, and the Scheme’s compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as additional non-statutory information recommended to be included following the Myners review of “Institutional Investing in the UK”, the results of which were first published in 2001 (referred to as the “Myners Principles”).
- The Myners Principles require Trustee Boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustees are complying with this requirement.
- The Trustees have taken into account the requirements and recommendations within the Pension Regulator’s DC code and regulatory guidance. Information on the Trustees’ approach to investment matters within the Scheme, and in particular in setting the default arrangement, are included within this document.

# 2 Statement of Investment Principles

## Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.
- In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
- The Trustees will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Scheme's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

## Key investment principles

### Kind of investments to be held

- The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.
- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:
  - security (or quality) of the investment,
  - yield (expected long-term return),
  - spread (or volatility) of returns,
  - term (or duration) of the investment,
  - exchange rate risk,
  - marketability/liquidity (i.e., the tradability on regulated markets),
  - taxation.
- The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Scheme.

## Investment Decisions

- Investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.
- Investment decisions relating to the Scheme are under the Trustees' control without constraint by the Sponsoring Employer. The Trustees are obliged to consult with the Sponsoring Employer when changing this Statement.
- Day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. An insurance contract has been exchanged with Standard Life, as the Scheme's bundled provider. This is reviewed from time-to-time to ensure that the manner in which they make investments on the Trustees' behalf is suitable for the Scheme.

## Investment Objectives and Suitability of Investments

- The Trustees believe that fund selection is an important decision for all members since it is likely to have an important influence on the risk taken and return achieved on members' pension savings. The Trustees regularly communicate with members to enable them to understand the importance of this area and to provide them with education to help them to make informed choices about their selection of funds.
- However, the Trustees also recognise that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of designing an appropriate default option for the Scheme's membership.
- 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 default option has been designed having taken due regard to the membership profile of the Scheme, including consideration of:
  - the size of members' retirement savings within the Scheme,
  - members' current level of income and hence their likely expectations for income levels post retirement,
  - the fact that members may have other retirement savings invested outside of the Scheme, and
  - the ways members may choose to use their savings to fund their retirement.
- These factors have also been considered when setting the range of alternative investment options from which members can choose.
- 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 maximise the level of return (net of fees) that a member could expect to receive from the Scheme over the course of their working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected.

- The objective of the alternative investment options available is to allow members to tailor their investments based on their individual investment requirements, while avoiding complexity. The range should assist members in achieving the following:
  - maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement,
  - protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs, and
  - tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.
- The Trustees recognise that members using the default option are likely to be less financially aware than those using self-select options and have taken this into account in the strategy design.
- The Trustees' investment consultant provides advice regarding the suitability of both the default option and the self-select options available.
- Details of the default is shown in the appendices.
- Members are advised to take independent financial advice before choosing between the available options.
- The Trustees are satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

## Risk

- The Trustees have considered risk from a number of perspectives. These are the risk 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.

### **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 above. The Trustees have also considered the return expectations of each of the alternative fund options offered.

### **Balance between different types of investments**

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

### **Investment Manager Monitoring**

- The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.
- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.
- The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also report verbally on request to the Trustees.
- The investment managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.
- The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.
- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

### **The Trustees' policy in relation to their investment managers**

In detailing below the policies on the investment manager arrangements, the overriding approach of the Trustees is to select investment managers that meet the objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment managers to align its investment strategy and decisions with the trustees' policies**
  - The Trustees have delegated the day to day management of the Scheme's assets to investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.
- **How the arrangement incentivises the investment managers to engage and take into account financial and non-financial matters over the medium to long-term**
  - The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance over an appropriate time horizon.
- **How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' investment policies**
  - The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.
  - If the Trustees determine that an investment manager is no longer managing the assets in line with the Trustees' policies they will make their concerns known to the investment manager and may ultimately disinvest.
  - The investment managers receive a management fee which is a fixed percentage of assets under management.
  - Prior to investing in a fund, the Trustees, in conjunction with their investment consultant, consider the appropriateness of the management fee, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager. The overall fee payable to Standard Life (as the bundled provider) reflects both the fees of the underlying investment manager and Standard Life's fees as bundled provider.
- **How the Trustees monitor portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range**
  - The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Scheme.



- The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.
- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique in nature and there is the potential for markets to change significantly over a short period of time.
- **The duration of arrangements with investment managers**
  - The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

### Performance Monitoring

- Each of the funds in which the Scheme invests has a stated performance objective against which the performance is measured.
- The Trustees will review the performance of the investment managers from time to time, based on the results of their performance and investment process.
- The investment platform provider is expected to provide written reports on a quarterly basis.
- The Trustees receive an independent investment performance monitoring report from their investment consultant on a quarterly basis.

### Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the platform provider, and the underlying investment manager(s) to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate. This applies both to the default option and to the alternative fund options offered.

### Financially material considerations

- 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.
- The Trustees' advisers 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.
- The fund range includes a socially responsible equity fund, the SL Vanguard SRI Global Stock Pension Fund.

### Non-financial matters

- The financial interests of the Scheme members is the Trustees' first priority when choosing investments.
- 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.
- The fund range includes a Shariah compliant fund, the SL HSBC Islamic Global Equity Index Pension Fund.

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

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

# 3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

## Trustees

The Trustees' primary responsibilities include:

- preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers,
- appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme's assets,
- reviewing the investment strategy on a regular basis, taking advice from the investment consultant,
- assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance),
- monitoring compliance of the investment arrangements with this Statement on a regular basis, and
- monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.

## Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer,
- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees,
- advising the Trustees on the selection and review of the investment manager(s) and on the investment aspects of any review of the platform provider,
- providing training or education on any investment related matter as and when the Trustees see fit.

## Investment Managers

The investment managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set,
- ensuring that investment of the Scheme's assets is compliant with prevailing legislation and the constraints detailed in this Statement,
- providing the Trustees and/or platform provider with quarterly reports including any changes to their investment process and a review of the investment performance,
- attending meetings with the Trustees as and when required,
- informing the Trustees (through the platform provider) of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur, and
- exercising voting rights on shareholdings in accordance with their general policy.

## Custodian

The custodians used are responsible for the safe-keeping of the Scheme's assets.

- The custodianship arrangements are those operated by the investment manager(s) and platform provider for all clients investing in their pooled funds.

## Administrators

The administrator's primary responsibilities are the day to day administration of the Scheme and the submission of specified statutory documentation, as delegated by the Trustees.

- Standard Life Assurance Limited provide administration services to the Scheme.

**Signed on behalf of the Trustees of the Scheme:**

.....

Name

Signature

.....

Date

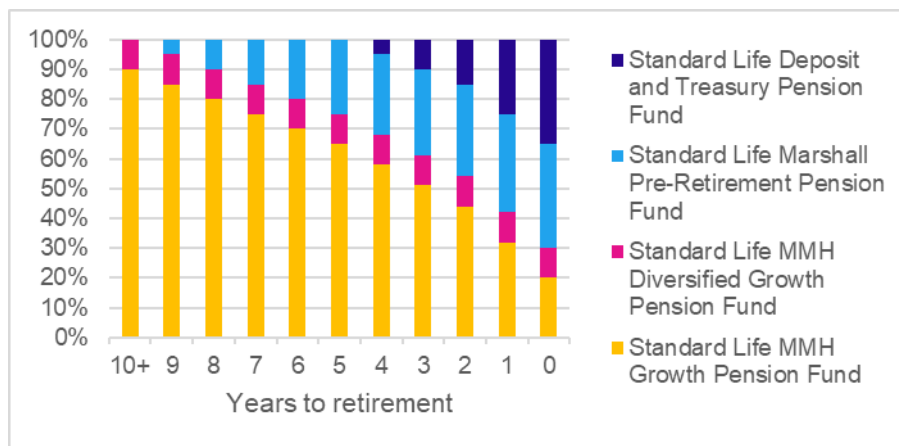
# Appendix 1– Fund Range

## Lifestyle strategy

The lifestyle strategy entail members’ assets being switched between funds as they approach their target retirement date.

The lifestyle switching profile used is shown below:

### Marshall Options Open Lifestyle



## Default option

The default option for members who do not make an investment choice is for their funds to be invested in the Marshall Options Open Lifestyle strategy.

## Blended funds

Within the funds available to members are three ‘blended’ funds, the composition of which is under the control of the Trustees. The target compositions for these funds are set out below.

Fund	Composition
Standard Life MMH Growth Pension Fund	42.2% SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund 17.8% SL Vanguard FTSE UK All Share Index Pension Fund 5.6% Standard Life Corporate Bond Pension Fund 11.1% SL M&G Global High Yield Bond Pension Fund 11.1% Standard Life Property Pension Fund 5.6% SL iShares Emerging Markets Equity Index Pension Fund 5.5% SL LF Macquarie Global Infrastructure Securities Pension Fund

Standard Life MMH Diversified Growth Pension Fund	50% SL Invesco Global Targeted Return Fund 50% SL BNY Mellon Real Return Pension fund
Standard Life Marshall Pre-Retirement Pension Fund	30% SL BlackRock UK Gilts All Stocks Tracker Pension Fund 30% Standard Life Corporate Bond Pension Fund 20% SL Vanguard UK Inflation Linked Gilt Index Pension Fund 20% Standard Life Long Corporate Bond Pension Fund

Blended funds are rebalanced quarterly, subject to a 1% rebalancing tolerance.