

Implementation Statement for the Year to 31 March 2023
The Motability Defined Benefit Pension Scheme ('the Scheme')

Introduction

In June 2022, the Department for Work and Pensions (DWP) issued guidance for trustees of pension schemes to produce an Implementation Statement to meet pension disclosure requirements.

This Implementation Statement describes the voting and engagement policies of the Trustees of the Motability Defined Benefit Pension Scheme ('the Trustees') along with a summary of voting and engagement behaviour related to the Scheme's investments over the 12-month period to 31 March 2023.

The purpose of this Implementation Statement is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles ('the SIP'). During the Scheme year, the Seventh Edition of the SIP (dated October 2021) was in place.

This report details:

- Actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP;
- The current policy and approach with regards to Environmental, Social and Governance (ESG) factors and the actions taken with managers on managing ESG risks; and
- The extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in which they invest.
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Summary of key actions undertaken over the Scheme reporting year

During the first half of 2022 Gilt yields rose resulting in the value of assets and liabilities falling, with those linked to yields (the Liability Driven Investment (LDI) portfolio) falling by more and requiring capital calls to support hedging levels, which distorted the asset allocation.

Over September and October, following the Truss government's "mini budget", Gilt yields rose quickly and the LDI manager made multiple capital calls which resulted in parts of the growth portfolio as well as the Cashflow Matching fund being used for liquidity purposes. The portfolio had sufficient liquidity and hedges remained broadly intact, with funding improved substantially.

The portfolio was further derisked to take advantage of the improvements, whilst the Actuarial Valuation and Sponsor discussions progressed. As part of this process an unlevered Gilt and Index-Linked Gilt funds added in early 2023.

Managing Risks

This report demonstrates that the Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Risk / Policy	Definition	Policy	Actions
Interest rates and Inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To invest in matching assets that move in line with the present value of the Scheme's liabilities.	The Scheme invested in LDI and Gilts-based funds over the period which aim to hedge part of the Scheme's inflation and interest rate risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The liquidity of the Scheme was severely tested during the Gilt crisis, but all capital calls were dealt with in good time. The Trustees continue to stress test liquidity as part of the quarterly reporting. Liquidity is maintained in credit, cash, and daily traded funds in the main.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away from any unrewarded risks, where practicable.	The Scheme invests in diversified growth funds which aim to reduce market volatility by diversifying across different drivers of return.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors where possible.	The Scheme invested in a credit fund which invests across a variety of sectors, diversifying the underlying credit risk.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who integrate ESG into their investment process, utilise their right to vote and have good reporting on ESG matters.	As part of the investment management of the Scheme's assets, the Trustee expects the investment managers to make decisions on: <ul style="list-style-type: none"> The selection, retention and realisation of

			<p>investments taking into account all financially material considerations.</p> <ul style="list-style-type: none"> • The exercise of rights (including voting rights) attached to these investments. • Undertaking engagement activities with investee companies and other stakeholders where appropriate. <p>The Trustees have undertaken training on ESG and Stewardship and is considering priorities, however none have been set to date.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes where possible.	The Scheme invests in GBP denominated share classes where possible.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Changes to the SIP

Policies added to the SIP	
	The SIP will be reviewed following completion of the investment strategy review. (Latest SIP is the Seventh version – October 2021)

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP references the Scheme's policy with regards to ESG as a long-term risk. The section below details how the Scheme's ESG policy is implemented. The ESG policy is detailed below:

- The Trustees will engage with its sponsoring employer on its ESG policy and consider any views they may have.
- The Trustees believe that climate change is a financially material consideration when investing. The Trustees will engage with its managers on the issue and encourage them to consider the impact climate change may have on their portfolios.
- The Trustees may consider non-financially material ESG factors where it believes there is a majority membership preference or where the financial impact is unlikely to be detrimental to returns.
- Where there is choice, the Trustees will invest in fund managers with a superior ESG approach, as rated by its investment adviser, provided it is not detrimental to returns.
- The Trustees expect its fund managers to report on ESG issues and developments.

Engagement with the Sponsor

The ESG policy above has been discussed and agreed with the Sponsor. The Sponsor also attends Trustee meetings and is kept updated on all material developments in relation to ESG.

The rest of this statement details the Trustees' view of the managers, the actions for engagement and an evaluation of the stewardship activity.

The following table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies. The Trustees will review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factor and the exercising of rights.	The Trustee receives information from its investment advisers on the investment managers' approaches to engagement.	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>

Engagement and Voting

Fund Manager	Policies	Engagement and Voting
VT RM Alternative Income Fund	<p>Responsible Investment Policy – active stewardship integral part of approach, companies that deliver wider societal benefits will be successful.</p> <p>A list of activities they will not invest in, even if the activity is along the supply chain, nor will they invest in companies with a significant negative impact such as gambling.</p> <p>Voting, Engagement & Escalation Policy – engagement is key to making a difference.</p>	<p>Engagement starts at diligence stage. Look to engage on issues, monitor, vote against, collaborate with other investors and ultimately divest.</p> <p>Engagement examples include with GRIID on backup generators being used and a full ESG DDQ being completed by all investee companies. The Trustee's advisers continue to work with VT RM on their reporting, especially on significant votes, given the level of work that they undertake within ESG.</p>
Ormonde Multi-Asset Fund	The fund has been in wind-down for 12 months with only two illiquid holdings on risk.	Given the wind-down, engagement has only been on the sale of the remaining assets.

Broadfin Healthcare, Chenavari Regulatory Capital Funds	The funds make up 0.6% of the portfolio and are in the process of paying back the remaining assets	Given the wind-down, engagement has only been on the sale of the remaining assets.
Harbert III, Harbert IV, Lunar Capital IV, Phoenix V	These are illiquid property and private equity funds that are all in harvest mode.	Given the stage of the funds, engagement has only been on the sale of the remaining assets.
Columbia Threadneedle Multi-Asset Fund	Documents are available on their website covering RI policies. Responsible Investor Columbia Threadneedle Investments	See below for engagement information
Columbia Threadneedle LDI	Documents are available on their website covering RI policies. Responsible Investor Columbia Threadneedle Investments	See below for engagement information

Columbia Threadneedle MAF

Request	Response
How many meetings were you eligible to vote at?	430
How many resolutions were you eligible to vote on?	5830
What % of resolutions did you vote on for which you were eligible?	97.6%
Of the resolutions on which you voted, what % did you vote with management?	90.0%
Of the resolutions on which you voted, what % did you vote against management?	7.9%
Of the resolutions on which you voted, what % did you vote to abstain?	2.1%
In what % of meetings, for which you did vote, did you vote at least once against management?	56.5%

Company Name	Meeting Date	Approx size of holding (31 March 2023)	Summary of resolution	How voted	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Rationale for the voting decision	Outcome of the vote	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	On which criteria have you assessed this vote to be "most significant"?
Cintas Corporation	2022-10-25	0.20%	Report on Political Contributions	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
General Motors Company	2022-06-13	0.01%	Report on the Use of Child Labor in Connection with Electric Vehicles	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
The TJX Companies, Inc.	2022-06-07	0.00%*	Report on Risks from Company Vendors that Misclassify Employees as Independent Contractors	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
The TJX Companies, Inc.	2022-06-07	0.00%*	Report on Assessing Due Diligence on Human Rights in Supply Chain	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Report on Metrics and Efforts to Reduce Water Related Risk	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Commission Third Party Assessment of Company's Management of	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our	Vote against management on certain environmental or

			Misinformation and Disinformation Across Platforms					research and investment process.	social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Report on Climate Lobbying	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Report on Lobbying Payments and Policy	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Report on Protecting the Rights of Freedom of Association and Collective Bargaining	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent

Columbia Threadneedle LDI

Engagement & Our LDI Investments



Our Approach To Responsible Investing	<p>We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.</p> <p>Our approach draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory.</p>	
	International Standards & Guidelines	<p>We are signatories of the UK Stewardship Code 2020, and we apply the twelve principles not only to our UK holdings but to all global holdings. We have supported, and in many cases led, the development of high standards of stewardship and recognise the UK Stewardship Code 2020 as a significant step in the further raising of those standards.</p>
		<p>Columbia Threadneedle Investments has long been an active and leading voice in support of robust corporate governance standards and environmental, social and business ethics practices for companies in all jurisdictions where we invest.</p> <p>We are a founding signatory to the United Nations Principles for Responsible Investment (UNPRI) and have achieved the maximum rating of A+ for key areas of our responsible investment approach. See the literature list below for the full report.</p>
Engagement Milestones	<p>LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.</p>	
	<p>Columbia Threadneedle Investments identifies specific objectives for our engagement with investee companies. We record specific outcomes where objectives are achieved as "milestones". We report these to clients. Each milestone is rated on a three-star scale related to the extent to which Columbia Threadneedle Investments assesses it to protect and enhance investor value, which can be viewed in more detail in the report download links towards the bottom of this tab. We include the milestones listed below.</p> <p>The tables below summarise the engagement work and milestones achieved with counterparty banks during H1 2022 and H2 2022, related to the scheme's LDI holdings. These reports, as well as for prior periods, are available in full on our website or at the links included below.</p>	

Engagement milestones for the period 6 months to 30 Jun 2022		
	Counterparty	Engagement Themes
Engagements: H1 2022	HSBC Holdings PLC	Climate Change
		Milestones
		Publication of new Energy Policy.
Engagement milestones for the period 6 months to 30 Dec 2022		
	Counterparty	Engagement Themes
Engagements: H2 2022	Barclays PLC	Climate Change
	HSBC Holdings PLC	Climate Change
		Milestones
		Announced that timeline to phase out the financing of thermal coal power has been accelerated
		HSBC has updated its energy policy to include the ending of funding for new oil and gas projects