

## THE MOTABILITY DEFINED BENEFIT PENSION SCHEME IMPLEMENTATION STATEMENT – SEPTEMBER 2021

This is the first Implementation Statement produced by the Trustees of the Motability Defined Benefit Pension Scheme (“the Scheme”). The statement is to provide information on activity through the last accounting period, 31 March 2020 to 31 March 2021, and how that fits with Trustee policies and beliefs, particularly regarding voting and ESG.

We expect this to evolve over time as more information becomes available and best practice develops.

For this statement, the Trustees have been receiving information from their advisers in respect of portfolio activity some of which may not yet be available for disclosure. However, the Trustees confirm that in their opinion both the stewardship and engagement policies as set out in the 2020 SIP were followed during the Scheme year ended 31 March 2021. Details of how and the extent to which this was achieved are included in the assessment below.

### Statement of Investment Principles (SIP)

Policy	Review	Actions
SIP reviewed on significant events and no less frequent than triennially.	Reviewed in 2019 to update to include a Beliefs and ESG policy. Updated in 2020 to include further ESG and Stewardship wording. The SIP will be updated in 2021 to reflect a change in strategy once consultation with the Sponsor is complete.	N/A

### Investment Strategy

Policy	Review	Actions
The investment strategy is detailed in the Scheme’s 2020 SIP.	During the year to 31 March 2021 the investment strategy was followed.	Finalise a new investment strategy which materially de-risks the assets in line with the new Actuarial Valuation.

## ESG Policy

Policy	Review	Actions
Policy reviewed at least annually.	A policy was agreed in 2019 and updated in 2020. There will be a review during 2021.	Review ESG Policy in 2021.
Engagement with Motability.	Discussion has been had with Motability but, at the time of writing, they were in the process of determining their own ESG policy.	Awaiting feedback.
Reporting on ESG implementation and developments.	The Trustees' advisers provided an update on manager ESG implementation in March 2020. Since then, the adviser has included quarterly ESG updates on each fund manager, including a ESG rating.	Continue to receive regular updates.

## Engagement with Fund Managers

It should be noted that all investments are via pooled funds.

Policy	Review	Actions
Managers are appointed for the long term.	Managers are reviewed monthly by the investment adviser and quarterly by the Trustees. During the period one fund manager was added to the portfolio – VT RM Alternative Income Fund.	N/A
Annual review of ESG and climate change.	All fund managers in the portfolio have been asked to respond on the impact of a 2 degree rise in global temperatures on their portfolio and their integration of ESG into their investment processes. Whilst all managers responded, not all were able to give a full response on the impact of a 2degree temperature rise, given the complex nature of this question.  We expect more correspondence on how fund managers are considering the Task Force on Climate-related Financial Disclosures' (TCFD) impact on portfolio companies. This should aid the analysis of the climate impact on portfolios.	Many managers are still considering how best to show the impact of climate change on portfolios at a granular level. Further work will be done on this, including with respect to TCFD, and reported back.  Within broader ESG, managers have provided good information, but we will continue to engage with Fund manager via our advisers to ensure ESG integration evolves as industry practices evolve.

	<p>All of the Scheme’s managers now consider ESG factors in the investment process, albeit with different approaches. Furthermore, many managers are looking to add to, or strengthen, existing ESG policies as appropriate. It was noted that some sub-investment strategies are not conducive to ESG integration or stewardship.</p> <p>Examples of the policies of some of the managers are detailed below.</p> <p><b>LDI</b></p> <p><u>BMO</u> The LDI provider, BMO, gave a thorough response on ESG. ESG is considered in all of their vehicles. In relation to the LDI funds, BMO monitor counterparties on ESG “as a relevant risk factor” and “engage with their counterparty banks on an ongoing basis on ESG specific topics”.</p> <p><b>Growth</b></p> <p><u>Ormonde Multi Asset Fund</u> The core growth holding, the Ormonde Multi Asset Fund (MAF) has continued to integrate ESG into the investment process. Ormonde as the fund manager believe ESG is an important risk factor and furthermore can create investment opportunities.</p> <p>The MAF is predominantly invested in other pooled funds. Therefore, the manager’s focus has been on understanding the approach to ESG for those underlying positions and engaging with them where there is scope for improvement.</p>	
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	<p>Across the underlying investment funds in the MAF most funds have some level of ESG policy, with a number of funds such as RM Alternative Income Fund fully integrating ESG into the research process. Furthermore, one strategy, Trium ESG Emissions Impact Fund, has a thematic ESG investment philosophy where ESG factors are seen as an opportunity to generate strong returns whilst making a positive impact. Other strategies such as Laurion and Selwood, for example, invest predominantly in derivatives and therefore ESG factors are less of a risk to the strategies and more difficult to integrate. Having said this the managers are looking at ways they can integrate ESG.</p> <p>Of the underlying managers where an ESG policy is appropriate for the strategy, all managers consider ESG in some way with c.70% having a formal policy. The remaining managers are looking at how to formalise their approach into a policy.</p> <p>Some underlying positions do not have an ESG policy given the type of strategy being run. Ormonde accept that some strategies are not conducive to ESG integration at this time but continue to engage with the managers on ESG issues. As at the end of the audit period 18% of external managers fit into this category accounting for 10% of MAF assets.</p> <p>In addition, where Ormonde are unable to engage or influence a strategy, such as passive investment strategies, but where there are “ESG” options available Ormonde may look to invest in these, provided this does not negatively impact from a risk reward perspective. The Fund maintained its allocation to ESG screened equity ETFs during the period.</p>	
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	<p>In 2021 Ormonde redeemed from one of the underlying managers in the portfolio. ESG was a factor in this redemption.</p> <p>The Scheme invested into the VT RM Alternative Income Fund during the audit period. The fund has a strong ESG focus, integrating ESG analysis into the process.</p> <p>The Scheme invests in the Muzinich Enhanced yield Fund. The manager does incorporate some ESG analysis into the investment process but does not have strict ESG restrictions.</p> <p>The Scheme has exposure to private equity and private real estate funds. Commitments to these funds were made some time ago. The managers do now implement ESG into their processes. Whilst we don't believe there are any underlying assets that are not compliant with the policy, at the time of investment, the investment managers did not explicitly integrate ESG.</p>	
Incentivisation of managers with respect to ESG	The investment in pooled funds is restricting this but the Trustees' advisers are looking at this as part of the industry wide work being done. Generally during the audit period, fund managers have improved transparency and further integrated ESG. More progress is still needed on these issues.	More work to be done on incentivisation
Fund costs to be reviewed	All fund managers have been asked to report on fund costs and the investment adviser is collating the information. Given some exposure to partnership structures the running costs are difficult to assess.	Continue to push managers on fund costs and transparency

## Stewardship Policy: Voting and Engagement

All investments are made using pooled funds with equities being held in the Ormonde Multi-Asset Fund (“the MAF”) via ETF’s or third -funds.

Policy	Review	Actions
Managers are expected to engage and influence the companies in which they invest.	<p>The Trustees recognise that fund managers’ engagement with their investee companies is critical and voting against a policy is a last resort. Therefore, engagement is monitored above voting however, all managers have been asked to report on their stewardship and voting activity. Many of the funds have been able to produce information on this, and we are working with those who are less able to provide relevant information, whether it be due to the underlying strategy, or because that information is yet to be made publicly available. Managers have responded on their engagement and voting activity, although given the nature of most of the portfolio there is limited voting data at this stage.</p> <p><b>LDI</b> <u>BMO</u> Whilst the scheme’s holding with BMO does not use equities and therefore typical voting and engagement is less relevant, BMO do engage with the counterparties used in their LDI funds.</p> <p><b>Growth</b> <u>Ormonde Multi Asset Fund</u> Most of the voting and engagement activity is carried out within the MAF’s sub funds. The MAF invests into a number of underlying funds including activist and ESG focused funds, where engagement is a key element of the investment thesis.</p> <p>Examples of such activity include:</p> <p>Trium ESG Emissions Impact Fund: In the first quarter of 2021, the Portfolio Manager (PM) met the CEO and operations team of Ferrexpo, a producer of iron ore pellets used to lower the downstream emissions of steelmaking. After two years of engagement with the management team, the business saw material improvement in 2020, reducing emissions by 16% through energy efficiency and increased utilisation of biofuels. The company is targeting additional emissions reductions in 2021 while increasing production by roughly 8%.</p>	Continue to monitor and assess the voting and engagement activities.

	<p>RM Alternative Income Fund: Throughout the second half of 2020, RM Funds pushed for a real estate manager, which they are invested in, to add wind power generation to the solar they already have in place. Elsewhere, they continue to engage on resident and staff safety on their healthcare related positions.</p> <p>Gatemore Special Opportunities Fund: As per the strategy, the team engaged with the management of their largest position on several occasions over the last 12 months. One of the main topics was what changes the business can make to ensure they are operating in an environmentally sustainable manner. To that end, they discussed electrifying their fleet of delivery vehicles. The business is actively working to replace their growing fleet with electric vehicles and have made good progress.</p> <p>All voting is carried out by the funds underlying investment managers, all of which vote in line with their fiduciary responsibilities to clients. Accordingly, there were no significant votes within the MAF itself. At present there is limited data provided by some of the underlying managers and Ormonde are engaging with managers to improve voting transparency. Of the responses received, almost all voting activity was in line with the company boards. Most managers prefer to engage with companies prior to voting on any resolutions which then makes voting in line with the board more likely.</p> <p>It is noted that for some underlying strategies it is not possible to perform typical stewardship, usually due to the instruments being held (derivatives or index exposure), or the frequency of trading in those instruments, or both. This applies to c.10% of the MAF portfolio via underlying active managers, plus a further 10% of passive exposure.</p> <p>Within the MAF, managers are reviewed on at least a monthly basis, with fuller reviews on a quarterly basis and a further diligence update each year.</p>	
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