

THE MOTABILITY DEFINED BENEFIT IMPLEMENTATION STATEMENT

September 2022

This is the second Implementation Statement produced by the Trustees of the Motability Defined Benefit Scheme (“the Scheme”). The statement is to provide information on activity through the last accounting period, 31 March 2021 to 31 March 2022, and how that fits with Trustee policies and beliefs, particularly with regard to voting and ESG.

We expect this to continue 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. Not all of the Scheme’s investment managers have disclosed the requested information to our advisers, however, the Trustees confirm that in their opinion both the stewardship and engagement policies as set out in the 2020 and 2021 SIPs were followed during the Scheme year ended 31 March 2022. Details of how and the extent to which this was achieved are included in the assessment below.

Statement of Investment Principles

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 was updated in 2021 reflecting a small change to strategy that was agreed between the Trustees and sponsoring employer.	N/A

Investment Strategy

Policy	Review	Actions
The investment strategy is detailed in the Scheme’s 2021 SIP	During the year to 31 March 2022 the investment strategy was followed. The Scheme has begun the process of completing a full actuarial valuation; a new investment strategy will be agreed following completion.	Complete a strategy review as part of the 2022 actuarial review

ESG Policy

Policy	Review	Actions
Policy reviewed at least annually	A policy was agreed in 2019 and updated in 2020. The Trustees, their advisers and the sponsor discussed ESG in detail through the year, including potential changes in regulation which may affect the scheme. It was agreed that there was no need to change the ESG policy during the year.	Review ESG Policy in 2022
Engagement with Motability	Policy has been discussed with Motability as referenced above.	Continue dialogue with Motability
Reporting on ESG implementation and developments	The investment 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 quarterly by the investment adviser and the Trustees. During the period one fund manager was added to the portfolio – Columbia Threadneedle, with an investment into their Multi Asset Portfolio. In addition, the scheme invested into a new BMO fund – the Credit only Cashflow Matching LDI fund. Overall manager turnover remains low.	None
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 2 degree temperature rise, given the complex nature of this question.	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 reporting.

	<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>LDI</p> <p>BMO 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>In addition, BMO fully integrate ESG into their corporate bond research. This is implemented across two broad themes.</p> <ul style="list-style-type: none"> - Integration: incorporating ESG risk into the credit research process - Engagement: active dialogue with companies on behalf of bond holders. <p>Growth</p> <p><i>Threadneedle Multi Asset Fund</i> Threadneedle leverage their Responsible Investments Team when making ESG engagements with Fund assets. They aim to engage with 300 portfolio companies per year. The portfolio manager has full ‘look through’ to ESG scores of the Fund’s</p>	<p>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>
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	<p>underlying exposures and will engage the Responsible Investments team to investigate any exposures they have concerns over, as well as talking to the manager of the sub-fund where that exposure exists. The manager notes that given they are investing into other funds, they can't directly control underlying exposures, however they are very well equipped to monitor ESG risks in the portfolio.</p> <p><i>VT RM Alternative Income Fund</i> The fund has a strong ESG focus, integrating ESG analysis into the process.</p> <p><i>Muzinich Enhanced Yield Fund</i> The manager does incorporate some ESG analysis into the investment process but does not have strict ESG restrictions.</p> <p><i>Illiquid Positions</i> 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	<p>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 reporting period, fund managers have improved transparency and further integrated ESG. In addition, investing with Threadneedle has improved overall ESG transparency. More progress is still needed on these issues.</p>	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
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Stewardship Policy: Voting and Engagement

All investments are made using pooled funds which themselves hold sub-asset class positions which they can vote and engage on. Trustees therefore monitor how the fund managers do this.

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>LDI BMO 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>	Continue to monitor and assess the voting and engagement activities.

In addition, the scheme was invested in the BMO Sterling Corporate Bond Fund for most of the reporting period. Below we show data on the engagement within that fund for the full period as that is what is available.

Sterling Corporate Bond Fund

Engagement Stats	
Engagements	167
Companies Engaged	41
Milestones achieved	25
Countries covered	14
% of portfolio value engaged	24%

Companies Engaged by Issue	Number	%
Climate Change	111	40.96%
Environmental Standards	39	14.39%
Business Conduct	7	2.58%
Human Rights	12	4.43%
Labour Standards	46	16.97%
Public Health	11	4.06%
Corporate Governance	45	16.61%
Total	271	100.00%

Similar engagement activity is carried out in the new Credit Only Cashflow Matching fund and data will be reported in next year's statement.

Growth

Ormonde Multi Asset Fund

The majority of voting and engagement activity is carried out within the MAF's sub funds. The MAF invests into a number of

	<p>underlying funds including activist and ESG focused funds, where engagement is a key element of the investment thesis. The Ormonde Fund is in the process of being wound down, with the majority of positions now liquidated and capital returned to investors.</p> <p><i>Threadneedle Multi Asset Fund</i></p> <p>Threadneedle invest across asset classes and look to engage with companies where they can. Threadneedle are able to provide information on the voting activity for the fund’s equity exposure on a look through basis for the year, which we have included below.</p> <p>We note the Scheme was only invested for part of the year.</p> <table><tr><td>How many meetings were you eligible to vote at?</td><td>236</td></tr><tr><td>How many resolutions were you eligible to vote on?</td><td>2549</td></tr><tr><td>What % of resolutions did you vote on for which you were eligible?</td><td>100.00</td></tr><tr><td>Of the resolutions on which you voted, what % did you vote with management?</td><td>90.94</td></tr><tr><td>Of the resolutions on which you voted, what % did you vote against management?</td><td>7.61</td></tr><tr><td>Of the resolutions on which you voted, what % did you vote to abstain?</td><td>1.45</td></tr><tr><td>In what % of meetings, for which you did vote, did you vote at least once against management?</td><td>44.49</td></tr></table>	How many meetings were you eligible to vote at?	236	How many resolutions were you eligible to vote on?	2549	What % of resolutions did you vote on for which you were eligible?	100.00	Of the resolutions on which you voted, what % did you vote with management?	90.94	Of the resolutions on which you voted, what % did you vote against management?	7.61	Of the resolutions on which you voted, what % did you vote to abstain?	1.45	In what % of meetings, for which you did vote, did you vote at least once against management?	44.49	
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