Marshall Group Executive Pension Plan

Implementation Statement for the year ended 5 April 2021

Introduction

This implementation statement has been prepared by the Trustees of the Marshall Group Executive Pension Plan (the "Plan"). The Plan provides benefits on both a defined benefit (DB) and defined contribution (DC) basis.

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 are underpinned by their investor beliefs, which have been developed in consultation with their investment consultant.

Trustees' 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 Plan year as a result of changes in legislation effective from 1 October 2020. This review resulted in the Trustees' policies in relation to the arrangements with their investment managers being updated.

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 Plan invests in pooled funds, other collective investment vehicles and cash, to manage costs, diversify investments and improve liquidity.

The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Plan.

Investment strategy and objectives

Investment strategy (DB Section)

The investment strategy for the Plan is based on an analysis of its liability profile, the required investment return and the returns expected from the various asset classes over the long-term. The Trustees review this investment strategy and the asset allocation as part of each triennial actuarial valuation. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

Policy in relation to the balance between various kinds of investments and the realisation of investments (DB Section)

The appointed investment managers hold a diversified mix of investments that correspond to the strategic benchmark. Within each major market each manager maintains a diversified portfolio of stocks or funds through pooled vehicles.

Policy in relation to the expected return on investments (DB Section)

The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Plan Actuary's published actuarial valuation report in order to reach a fully funded status under the agreed assumptions.

Investment strategy (DC Section)

The Plan provides members in the DC Section with a range of funds in which to invest together with a default strategy from which to make their investment choices. 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 maximise the level of return (net of fees) that a member could expect to receive from the Plan 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.

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 (DC Section)

The investment managers maintain a diversified portfolio of securities within each of the funds offered to members under the Plan (both within the default 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.

Under normal market conditions the Trustees expect to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress.

Policy in relation to the expected return on investments (DC Section)

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Plan'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 (DB Section)

Although the Trustees acknowledge that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:

- associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors,
- of the Plan having insufficient liquid assets to meet its immediate liabilities,
- of the investment managers failing to achieve the required rate of return.
- due to the lack of diversification of investments, and
- of failure of the Plan's Sponsoring Employer to meet its obligations.

The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

Policy in relation to risks (DC Section)

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.

Stewardship in relation to the Plan assets

Policies in relation to investment manager arrangements

The Plan'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 Plan invests over the year.

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

In addition, the Trustees receive information on any trading costs incurred as part of asset transfer work within either the DB or the DC Section, as and when these occur. The exercise is only 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. One manager also charges a performance fee.

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

Investment manager monitoring and changes

During the year the Trustees received three reports from the investment consultant examining the performance of the pooled funds used for the DC section, and one annual report from examining the performance of the pooled funds used for the DB section.

There have been no changes to the Plan's existing investment manager arrangements.

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 financial material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees consider from time to time whether to take account of non-financial matters. The Trustees also received the following additional training over the period:

Date	Provider	Subject
July 2020	Buck	Cashflow centred investing training
November 2020	Buck	Investment objectives and strategy
March 2021	Buck	Investment risk modelling

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' 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 investment managers for the DB Section are expected to provide regular reports for the Trustees detailing their voting activity. This is not done for the DC Section assets due to the investment platform structure used.

The Trustees also 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 Plan'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 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 with public equity voting rights is as follows:

Voting behaviour			
Investment Manager	**Period**	**Proportion of votes cast**	**Proportion of votes against company resolutions**
LGIM	31/03/2020 - 31/03/2021	99%	18%
Insight	31/12/2019 - 31/12/2020	92%	0%
Vontobel	31/03/2020	99%	9%

Trustee engagement

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

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

Investment manager	Engagement Policy (or suitable alternative)
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf
Insight Investment Management	https://www.insightinvestment.com/globalassets/documents/responsible-investment/stewardship-code/stewardship-code.pdf
Vontobel	https://am.vontobel.com/en/insights/esg-investment-policy-and-integration
Barings	https://bwebprod.azureedge.net/assets/user/media/Barings-Public-Equities-ESG-Integration-Active-Engagement-Policy.pdf
Aberdeen Standard Life	https://www.aberdeenstandard.com/en/uk/institutional/home/funds-centre/engagement-policy
BlackRock Investment Management	https://www.blackrock.com/corporate/about-us/investment-stewardship
Friends Life	https://www.avivainvestors.com/en-gb/about/responsible-investment/
HSBC	https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/policies
Newton Investment Management	https://www.newtonim.com/uk-institutional/responsible-investment/
Stewart Investors	https://www.stewartinvestors.com/content/dam/stewartinvestors/global-assets/company-policies/si-corporate-engagement-policy-sep-2020-final.pdf
Vanguard	https://global.vanguard.com/documents/Vanguard-Engagement-Statement.pdf