

The Benfield Motor Group Pension Plan Implementation Statement

For Year Ending 31 December 2022

Introduction

This statement has been prepared by the Trustee (the "Trustee") of The Benfield Motors Group Pension Plan (the "Plan") with input from its Investment Consultants. The statement demonstrates how the Trustee has acted on certain policies within their Statement of Investment Principles ('SIP').

Each year the Trustee must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Plan year. This Implementation Statement covers the year from 1 January 2022 to 31 December 2022.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ('DB') investments held by the Plan. Note that this excludes any Additional Voluntary Contribution investments held by the Plan if applicable.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Plan's SIP covering the year under review which gives details of the Plan's investment policies along with details of the Plan's governance structure and objectives.

This Implementation Statement reviews the voting and engagement activities as well as the extent to which the Trustee believes the policies have been followed over the 12-month period to the year end 31 December 2022. The Plan invests in a range of open ended pooled funds (with no fixed end date) all of which are managed by Legal and General Investment Management ("LGIM" or the "Investment Manager").

In the SIP, the Trustee stated the following policies on the exercise of voting rights and engagement activities related to its investments:

- *The Trustee recognises the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Plan's assets are being managed appropriately*
- *As part of the selection, retention and realisation of the Plan's investments, the Trustee, in consultation with their Investment Advisor, have reviewed the ESG and stewardship policies of the Investment Manager and are comfortable that these policies are consistent with their views.*
- *The Trustee has requested that the Investment Manager has the financial interests of the Plan members as their first priority when choosing investments and the Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager.*
- *Where the Plan's investments are passively managed, the Investment Manager is restricted in the choice of underlying assets to invest in. As such, stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration.*
- *If the Trustee believes that the Plan's investment manager is no longer acting in accordance with the Trustee's policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustee will take the following steps:*

- *engage with the investment manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and*
 - *if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustee’s policies and views.*
- *These statements are made noting that the Plan’s assets are invested in pooled funds and as such, the Trustee is restricted in their ability to directly influence its Investment Manager on the ESG policies and practices of the companies in which the pooled funds invest.*

Description of voting behaviour

The Plan is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Plan sits with the Investment Manager. The Trustee has enforced the policies in place by monitoring the engagement and voting activities of the Plan’s Investment Manager to attempt to ensure they are aligned with the Trustee’s policies.

The Plan’s investment strategy was updated over the 12-month period to 31 December 2022 however, over the year the Plan was invested in two mandates where underlying assets included publicly listed equities. These were the UK Equity Index Fund and the Fund World Global Equity Index Fund GBP Hedged both managed by LGIM. As at 31 December 2022, the Plan has disinvested entirely from the LGIM UK Equity Index Fund. LGIM is not currently able to provide part period data but is looking to develop its capabilities going forward.

The Trustee reviews and monitors the voting and engagement activity taken by LGIM on their behalf. Information published by LGIM provides the Trustee with comfort that their voting and engagement policies have been followed over the year. The following table shows LGIM’s voting summary covering the Plan’s investment in the UK Equity Index Fund:

LGIM UK Equity Index Fund	1 January 2022 – 31 December 2022
No. of meetings eligible to vote at	759
No. of resolutions eligible to vote on	10,854
Eligible resolutions voted on	99.93%
Of resolutions voted on, resolutions voted with management	94.52%
Of resolutions voted on, resolutions voted against management	5.48%
Of resolutions voted on, resolutions abstained from voting	0.00%

The following table shows LGIM’s voting summary covering the Plan’s investment in the Future World Global Equity Index Fund GBP Hedged:

LGIM Future World Global Equity Fund GBP Hedged	1 January 2022 – 31 December 2022
No. of meetings eligible to vote at	4,942
No. of resolutions eligible to vote on	53,097
Eligible resolutions voted on	99.85%
Of resolutions voted on, resolutions voted with management	80.42%
Of resolutions voted on, resolutions voted against management	18.57%
Of resolutions voted on, resolutions abstained from voting	1.01%

Proxy voting

LGIM votes by proxy as, given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Service’s (‘ISS’) electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM’s own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service (‘IVIS’). To ensure the proxy provider votes in accordance with LGIM’s position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM retain the ability in all markets to override any vote decisions.

Significant votes

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Votes linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's five-year ESG priority engagement themes.

LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period for both the UK Equity Index Fund and the Future World Global Equity Index Fund GBP Hedged.

With respect to both funds, a number of the significant votes were related to the issue of gender diversity at the board level. LGIM views gender diversity as a financially material issue with implications for the return on assets. LGIM seeks to engage with companies on this issue. As an example, LGIM applies voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board.

Other frequent voting themes pertained to pushing back on or voting against executive compensation and long-term incentive plans, and approving climate change resolutions.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Plan's corporate bond holding can also include engagement activities, but these investments do not carry voting rights.

The Trustee expects the investment manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities.

How engagement policies have been followed

The Trustee reviews and monitors the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Manager on their voting policies has provided the Trustee with comfort that their voting and engagement policies have been followed during the Plan year.

The voting activity undertaken by LGIM over the Plan year can broadly be categorised as follows:

Fund	Environmental	Social	Governance	Other
Total LDI	16	2	15	1
Total Credit	190	101	152	24
Maturing Buy And Maintain Credit 2020-2024	51	29	43	5
Maturing Buy And Maintain Credit 2025-2029	65	35	46	8
Maturing Buy And Maintain Credit 2040-2054	48	30	42	6
AAA-AA-A Fixed Interest Over 15 Year Fund	26	7	21	5
Total Equity	415	164	382	96
UK Equity Index Fund	68	36	150	12
Future World Global Equity Index GBP Hedged	347	128	232	84

The Trustee also reviews investment manager costs and charges including portfolio turnover costs on a regular basis throughout the year as part of its performance monitoring. The Trustee is satisfied that these costs remain reasonable and adequate given the Plan's size and nature of the holdings.

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by LGIM, the Trustee believes that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Manager's policies over the year. The Trustee will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from LGIM, particularly with respect to ESG factors.

Voting and Engagement topic	Policy followed in the opinion of the Trustee?	Comments
Performance of debt or equity issuer	√	The voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	√	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration.</p> <p>LGIM have clear voting policies covering each of these topics and have acted on them throughout the Plan year on behalf of the Trustee.</p>

Risks	√	<p>LGIM have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors.</p>
Social and Environmental impact	√	<p>LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change.</p> <p>LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p>
Corporate Governance	√	<p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. LGIM has reinforced their position on leadership structures across our stewardship activities such as via individual corporate engagements and director conferences.</p>

If the Investment Manager deviates substantially from the Trustee's stated policies, the Trustee will initially engage with LGIM in an attempt to influence its policies on ESG and stewardship. If it is concluded that the difference between the policies and LGIM's actions are material, the Trustee will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustee's policies and views. The Trustee believes that this approach will incentivise the investment manager to align its actions with the Trustee's policies in the medium to long term.

In addition, the Trustee did not itself undertake or conduct any public policy work over the year.

Approved by ZEDRA Governance Limited as Trustee of the Benfield Motor Group Pension Plan on 6 July 2023



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