Marshall Group Executive Pension Plan

Implementation Statement for the year ended 05 April 2024

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.

Trustee's 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 2024.

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.

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)

During the year, the Plan's Barings European Private Loan Fund II holdings were sold to Marshall of Cambridge (Holdings) Limited (the "Company"), and as a result the Plan now solely holds a Bulk Purchase Annuity policy with Aviva Life & Pensions UK Limited ("Aviva").

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

Following the sale of the Plan's Barings European Private Loan Fund II to the Company, the only remaining asset held by the Plan is the Bulk Purchase Annuity policy with Aviva. We expect Aviva to hold a diversified mix of investments that correspond to the liability profile of the Plan's benefit obligations.

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

The investment strategy now consists solely of the Bulk Purchase Annuity policy held with Standard Life which insures the Plan's liability for payments of its benefit payment obligations. There is no expected return on the Bulk Purchase Annuity beyond the expectation they will meet the Plan's liability obligations.

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)

In determining their investment strategy, the Trustees received advice from the investment consultant to proceed with a Bulk Purchase Annuity and on the disinvestment of the Plan's residual assets.

Although the Bulk Purchase Annuity removes many of the risks, the Trustees recognise some risks remain, namely the risk:

- Of the insurance provider failing to provide the desired benefit payments
- The potential for an additional premium to be paid to the Bulk Annuity Provider in the event material changes are required to the data or benefits insured within 12 months of the policy inception date.
- Of the residual cash held by the Plan being insufficient to meet residual obligations.
- 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.

The Trustees undertake monitoring of the investment manager's performance against their targets and objectives on a regular basis.

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 Scheme 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.

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

The Trustees receive quarterly governance reports from Standard Life on the DC section to monitor their investment managers.

During the year, the DB holding with Barings was sold to the Scheme sponsor and the Invesco Global Targeted Returns fund closed and this impacted the Standard Life Marshall Diversified Growth fund used by the DC section. The Trustees decided to switch the Invesco assets within the Standard Life Marshall Diversified Growth fund to the Standard Life Deposit and Treasury fund.

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.

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 Trustees have not set out their own voting policy but follow that of the investment managers. Each investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

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.

The Trustees seek to appoint managers that have strong stewardship policies and processes 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. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Standard Life Investments	Yes	Yes
BlackRock	Yes	Yes
Aviva	Yes	Yes

The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the manager's voting and engagement policies, their investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustees have not set out their own stewardship priorities but follow that of the investment managers.

The Trustees will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustees from time to time.

If the Trustees find any manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

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.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

Engagement	SL iShares UK Equity Index
Period	01/04/2023 – 31/03/2024
Engagement definition	Purposeful, targeted communication with an entity (e.g., company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.
Number of companies engaged with over the year	445
Number of engagements over the year	795

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 Trustees have been provided with details of what each investment manager considers to be the most significant votes. The Trustees have not influenced the manager's definitions of significant votes but have reviewed these and are satisfied that they are all reasonable and appropriate.

The Trustees did not communicate with the manager in advance about the votes they considered to be the most significant.

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 (for mandates that contain public equities) is as follows:

Voting behaviour	SL iShares UK Equity Index
Period	01/04/2023 – 31/03/2024
Number of meetings eligible to vote at	1,056
Number of resolutions eligible to vote on	14,873
Proportion of votes cast	96%
Proportion of votes for management	96%
Proportion of votes against management	3%
Proportion of resolutions abstained from voting on	1%

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)
Aberdeen Standard Investments	https://www.standardlife.ie/docs/integrating-a-responsible-approach-to-your-pension-and-investments.pdf
BlackRock Investment Management	https://www.blackrock.com/corporate/about-us/investment-stewardship
Aviva	https://www.avivainvestors.com/en-gb/about/responsible-investment/

Information provided by Standard Life on the most significant votes for each of the funds containing public equities is shown below.

For the UK Equity Index fund, BlackRock provided a list of their 19 most significant votes. As BlackRock have not indicated which of these 19 were the most significant, Buck have selected three of these votes to highlight in the table below. These were all votes against management and cover issues of Remuneration, Corporate Strategy and Board Composition & Effectiveness.

SL iShares UK Equity Index	Vote 1	Vote 2	Vote 3
Company name	The Goldman Sachs Group, Inc.	BE Semiconductor Industries NV	Woodside Energy Group Ltd.
Date of Vote	26/04/2023	26/04/2023	28/04/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	N/A	N/A	N/A
Summary of the resolution	Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development	Approve Remuneration Report	Approve the Amendments to the Company's Constitution
How the fund manager voted	Against	Against	Against

Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish their voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. They apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. Their voting decisions reflect their analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and their active investment colleagues. Their market-specific voting guidelines are available on their website at https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines		
Rationale for the voting decision	The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company	Poor use of remuneration committee discretion regarding the grant of a one-off award. Remuneration arrangements are poorly structured.	Shareholder proposals best facilitated through regulatory changes.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. Their Global Principles describe their philosophy on stewardship, including how they monitor and engage with companies. These high-level principles are the framework for their more detailed, market-specific voting guidelines. They do not see engagement as one conversation. They have ongoing direct dialogue with companies to explain their views and how they evaluate their actions on relevant ESG issues over time. Where they have concerns that are not addressed by these conversations, they may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, they monitor developments and assess whether the company has addressed their concerns.		
Criteria on which the vote is assessed to be "most significant"	Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions BlackRock expect will be of particular interest to clients. Their vote bulletins can be found here:		

	https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins