

# Volvo Group UK Retirement Plan (the Plan) – Implementation Statement for the year ending 5 April 2021

## Executive summary

The Trustees have prepared their Implementation Statement (the Statement) outlining how they implemented the policies and practices in the Plan's Statement of Investment Principles (SIP) on behalf of Plan members during the year ending 5 April 2021. The Statement will be included in the 2021 Plan accounts. The following areas are covered within the Statement:

- Changes that have been made over the Plan year to the SIP – the Trustees have made some minor changes over the year to reflect their latest policies on Responsible Investment. Further changes were made post year-end to reflect the latest investment options and current charges.
- How the Trustees have governed and managed the Plan's investments over the year – the Trustees delegate most day to day investment decisions to Aegon and underlying investment managers but have undertaken various training sessions throughout the year to ensure their knowledge remained up to date.
- The Trustees' investment beliefs – the Trustees developed their investment beliefs during 2019 and documented these in the SIP, particularly with regards to responsible investment and Environmental, Social and Governance (“ESG”) considerations.
- How the Trustees have ensured their Platform provider and managers are suitable – the Trustees have monitored this over the last Plan year and are satisfied that the Platform provider and fund managers remain suitable for the Plan's membership.
- How the Trustees have monitored the Plan in terms of Stewardship and Responsible Investment – following the establishment of their policies on responsible investment, during the Plan year the Trustees updated the underlying fund allocation of the VGRP Equity Fund to include an allocation to a more ESG-tilted fund.
- The Trustees' plans for the next year – the Trustees will continue to monitor fund managers and govern the Plan's investment options over the upcoming year to ensure they comply with the SIP. There are also plans to investigate whether a more actively managed approach to ESG is appropriate within the VGRP Equity Fund.

The rest of the Statement goes into more detail – please read on to find out more on how the Trustees have complied with the SIP for the Plan in the last year.

### 1. Why do the Plan's investments matter to members?

The Plan provides members with benefits on a defined contribution (“DC”) basis (sometimes called money purchase benefits). This means that the size of the benefits paid when members retire will depend on how the funds where their contributions are invested grow over the years.

### 2. What is the Statement of Investment Principles (SIP)?

The SIP sets out the investment principles and practices the Trustees follow when governing the Plan's investments. It describes the rationale for the investment options which members can choose (including the default arrangement if they don't make a choice), explains the risks and expected returns of the funds used and the Trustees' approach to financially material considerations including their approach to responsible investment and ESG considerations (including climate change considerations).

The last review of the SIP was completed on 14 June 2021 (after the current Plan year) and the next review will take place no later than June 2024.

The following changes were made to the SIP during the last Plan year:

- Updates to reflect the changes to the underlying funds used in the VGRP Equity Fund which were implemented during the Plan year to 5 April 2021;
- Updates to reflect the latest range of self-select funds on offer, including the addition of the Schroder Sustainable Multi-Factor Equity Fund and the BlackRock DC Global Property Securities Fund;
- Updates to reflect the fund charges as at 5 April 2021; and
- Updates to reflect the Trustees' latest policies on Responsible Investment.

**You can find a copy of the Plan's SIP (and the Plan's Chair's statement) at <https://www.volvogroup.com/en-en/about-us/organization/our-global-presence/volvo-group-uk-ireland.html>.**

### 3. What is this Implementation Statement for?

Each Plan year from 2020, the Trustees are required to prepare the Statement, which sets out how they have complied with the provisions in the Plan's SIP during the last year.

**Overall, the Trustees are satisfied that:**

- **The Plan's investments have been managed in accordance with the SIP; and**
- **The provisions of the SIP remain suitable for the needs of the Plan's members.**

### 4. How the Plan's investments are governed

The Trustees have overall responsibility for how the Plan's investments are governed and managed in accordance with the Plan's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There have been no changes to the Trustees' governance process during the last year.

The Trustees have delegated day to day investment decisions, such as which investments to buy and sell, to the platform provider (Aegon) and the individual fund managers.

The Trustees undertook the following during the last year to ensure that their knowledge of investment matters remains current, that their investment beliefs remained relevant and that the aims and objectives for the default and self-select fund arrangements remained appropriate:

- The Trustees received training on Master Trusts and developments in the DC market;
- The Trustees received training on alternative ESG funds;
- The Trustees discussed DC Current Issues / Hot Topics every quarter and related this back to the Plan's default investment strategy and self-select fund range. During the year, the following topics were presented within the quarterly investment reports:
  - The impact of the COVID-19 pandemic on members' retirement outcomes
  - The impact of the COVID-19 pandemic on UK property funds
  - The impact of COVID-19 on DC pension plans in 2020 and how to navigate forwards, including responsible investment considerations
  - The impact of negative interest rates on DC schemes

- A 2021 Budget update for DC schemes (this was presented in the Q1 2021 report, with the Trustee meeting occurring after the Plan year end)
- The Trustees received training on the latest approach to DC Risk Management; and
- The Trustees had a dedicated Governance meeting, which included reviewing Trustee effectiveness, roles and responsibilities and training needs.

The Trustees monitor how well their investment advisers meet the objectives agreed with them. Following the requirements from the Competition & Markets Authority (CMA) to establish investment adviser objectives, the Plan's investment advisers have agreed the following objectives with the Trustees:

- Deliver an investment approach for the default option that maximises risk-adjusted real returns for members and reflects members' likely benefit choices at retirement. Note that the concept of risk can change throughout a member's career;
- Provide advice in relation to self-select range that incorporates sufficient choice for members to meet their own needs in terms of investment return, investment risk and retirement choices, reflecting member feedback where relevant.
- Deliver cost efficient implementation of new strategies as required;
- Provide relevant and timely advice that supports the Trustees' investment beliefs;
- Develop Trustee knowledge and understanding of investment matters;
- The adviser's services to support ongoing governance shall be proportionate and competitive in terms of costs relative to the adviser's peer group; and
- Ensure that all investment advice complies with relevant pensions regulations, legislation and supporting guidance.

The Trustees undertook a review of their investment advisers' performance against their set objectives during the dedicated Governance meeting.

The Trustees are satisfied that during the last year:

- The Plan's DC governance structure remains appropriate;
- The Trustees have maintained their understanding of investment matters; and
- Their investment advisers met the agreed objectives.

## **5. How the default investment arrangement and other investment options are managed**

The objectives and rationale for the default arrangement are set out in the SIP on pages 2-3 and on pages 4-5 for the other investment options.

During the last Plan year, the Trustees carried a review of the default arrangement and other investment options to ensure they remain suitable for most members. This involved:

- Ensuring that the default arrangement complies with the charge cap;
- Monitoring the investment performance of each fund (this is carried out on a quarterly basis);
- Monitoring the risk and return profile of each fund within the default investment strategy and the self-select fund range and ensuring that these remain suitable;
- Considering market conditions and developments in investment thinking;

- Considering whether the funds still meet the investment objectives the Trustees have set for the default arrangement and other investment options;
- Deciding whether any changes to the default arrangement's and other investment options' objectives are necessary;
- Obtaining investment advice on any changes to the default arrangement and other investment options; and
- Checking whether there have been any significant changes in the demographic profile of the Plan's membership, members' choices of investment options and members' choices of benefits when they retire. A check is also made as to how this affects the design of the Plan's default glidepath.

The Trustees made a change to the underlying funds of the Plan's VGRP Equity Fund during the last year, following a decision made in November 2019 to implement an ESG-tilted fund into the investment strategy. The underlying fund allocation of the VGRP Equity Fund was updated from being 100% invested in the BlackRock DC World Multifactor Equity Tracker Fund to 50% invested in the BlackRock DC World Multifactor Equity Tracker Fund and 50% invested in the Schroder Sustainable Multi-Factor Equity Fund. The VGRP Equity Fund is included in the Plan's default lifestyle strategy and is also a self-select fund.

The Trustees are satisfied with the structure of the current default arrangements, and are satisfied that it remains suitable for most members because:

- Its investment performance has been consistent with its investment objectives;
- Its design continues to meet its principal investment objectives;
- The demographic profile of the membership has not changed materially; and
- Members' needs and likely benefit choices at retirement have not changed materially.

Following the review of the other investment options, the Trustees decided to make the following changes:

- Trading in the BlackRock DC Property Fund was suspended from March 2020, due to uncertainty arising from the COVID-19 pandemic. Due to continued market uncertainty the Trustees have agreed to remove the DC Property Fund from the self-select range, once the Fund unsuspends, to limit potential disruption experienced by members. Impacted members have been communicated with.
- The BlackRock DC Global Property Securities Index Fund (which is also used in the default arrangement) was made available as a self-select fund for members to invest in from 12 January 2021.
- Following the Trustees' decision made in November 2019 to implement an ESG based fund into the investment strategy, the Schroder Sustainable Multi-Factor Equity Fund was added to the Plan's range of self-select funds from 23 November 2020.

**The Trustees are satisfied that the investment platform provider remains suitable for the Plan and the needs of its members.**

## 6. Other inadvertent default arrangements

From 18 March 2020 the BlackRock DC Property Fund has been temporarily closed to the investment of new contributions and disinvestment by the fund manager because of difficulty in valuing properties during the COVID-19 pandemic. The Trustees agreed that it was in the best interests of members to temporarily redirect contributions from this Fund to the BlackRock DC Cash Fund. The Trustees contacted the members affected to explain the action being taken.

Details of other inadvertent default arrangements are outlined in the SIP. These are monitored and assessed as a default arrangement for the purposes of meeting DC pensions regulations.

## 7. The Trustees' investment beliefs

The Trustees have developed a set of investment beliefs which are set out in the SIP and used as a guide when making investment decisions.

There have been no changes to these beliefs over the last Plan year.

## 8. The expected risks and returns on your savings in the Plan

The investment risks relating to members' benefits are described in the SIP on pages 6-8.

The expected returns from each type of investment used by the Plan are set out in the SIP on pages 8-9.

**The Trustees believe that the main investment risks members face described in the SIP have not changed materially over the last year. The Trustees regularly review the Plan's risk register to ensure that all material risks that the Plan faces are identified and appropriate actions to mitigate these risks are taken.**

**The Trustees are satisfied that the current expected rates of investment return for the main types of fund described in the SIP are still reasonable relative to the risks that members face.**

The Trustees' views on expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world funds invest) for the Plan's default lifestyle strategy, which gradually changes the funds in which member's funds are invested as they approach retirement.

**The Trustees' views on the strategic asset allocation of the Plan's lifestyle option and self-select funds did not change during the last year.**

## 9. Platform providers and fund managers

### Choice of platform providers and funds

The Trustees monitor the service of the platform provider used by the Plan by:

- Receiving quarterly updates from Aegon regarding service levels and standards; and
- Inviting Aegon to present at three Trustee meetings a year.

The Trustees monitor the performance of the funds used by the Plan by:

- Receiving quarterly updates from Aegon regarding fund performance against their respective benchmarks; and
- Receiving quarterly updates from their investment adviser's regarding fund suitability and any significant changes to the fund managers.

There have been no changes to the platform provider over the last Plan year.

**The Trustees are satisfied that the platform provider and funds used by the Plan remain appropriate.**

### Ability to invest/disinvest promptly

It's important that members' contributions can be invested promptly in the default arrangement or the investment options that have been chosen and that members' investments can be sold promptly when there is a change in investment choices, a transfer to another pension scheme is required or benefits are due to be paid out on retirement.

The Trustees ensure this happens by monitoring the service levels and standards of the investment and disinvestment processes completed by Aegon.

**The Trustees are satisfied that money can be invested in and taken out of the Plan's funds without delay as set out in the SIP.**

However, there has been an issue during the last year affecting the BlackRock DC Property Fund. In common with many funds which invest directly in commercial property (offices, shops, factories and warehouses) the Fund suspended trading from 18 March 2020 and remains suspended at the time of writing. The decision to divert contributions into the BlackRock DC Cash Fund was made during March 2020 and remains in place at the time of writing. The Trustees have made a further decision to remove this fund from the range of self-select options in light of the continued uncertainty, once it is possible to do so.

### **Changes in where funds are invested**

The Trustees monitor the volume of buying and selling of the assets and the nature of those assets in which each fund is invested that is carried out by the funds' managers.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover or the time the fund invests in an asset might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustees.

**The Trustees are satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives.**

### **Security of your savings in the Plan**

In addition to the normal investment risks faced investing in the funds used by the Plan, the security of your savings in the Plan depend upon:

- The financial strength of the investment platform provider used by the Plan;
- The financial strength of the fund managers used by the investment platform; and
- The legal structure of the funds the Plan invests in.

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

During the last year the Trustees have received a schedule from Aegon confirming the security of assets for the individual funds.

**There have been no changes to the structure of the funds used by the Plan during the last year. The Trustees are not aware of any material changes in the financial strength of the investment platform provider or the fund managers used by the platform in the last year.**

### **10. Conflicts of interest**

As described in the SIP on page 12, the Trustees are mindful of potential conflicts of interest:

- When choosing fund managers;
- When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
- When the fund manager is making decisions on where each fund is invested.

The Trustees expect the fund managers to invest the Plan's assets in the members' best interests. As the funds used by the Plan are held at arms-length from the Trustees via an investment platform, the Trustees have asked the platform provider to report on its own investment governance of the funds including potential conflicts of interest.

**The Trustees are satisfied that there have been no material conflicts of interest during the year which might affect members' benefit expectations.**

### 11. Manager incentives

As described in the SIP on page 10, the Trustees seek to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The funds used by the Plan are held at arms-length from the Trustees via an investment platform. Nevertheless, the Trustees believe it is in the platform provider's best commercial interests to ensure that the fund managers are suitably incentivised to meet their funds' investment objectives.

**The Trustees delegate the monitoring of manager incentives to their investment advisers. The investment advisers are satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Plan's members.**

### 12. Responsible Investment

The Trustees believe that responsible investing covers both sustainable investment and effective stewardship of the assets the Plan invests in.

**The Trustees made the following changes to their approach to responsible investing during the last year:**

- **Established a policy on evaluating and monitoring manager incentives, portfolio turnover and duration, voting decisions and conflicts of interest.**

### 13. Investment stewardship

As described on page 14 of the SIP, the Trustees believe it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Plan's investments).

As the Plan's investments are held at arms-length from the Trustees and members through an investment platform operated by Aegon, the Trustees are not able to instruct the fund managers how they should vote on shareholder issues. The Trustees nevertheless:

- Choose fund managers whose voting policy are consistent with the Plan's objectives;
- Expect fund managers to vote in a way which enhances the value of the funds in which the Plan invests;
- Monitor how the fund managers exercise their voting rights.

#### **How do the Trustees monitor this?**

The Trustees periodically review the platform provider's and fund managers approaches to stewardship including voting and engagement policies.

The Trustees are making arrangements to receive quarterly reports from the platform provider on how the fund managers have voted at shareholder meetings and what topics fund managers have discussed with the companies in which they invest.

The funds with voting rights attached that are available to members as part of the default fund range or the self-select fund range are listed below along with summary voting statistics for each fund, where the information has been received.

- BlackRock DC Aquila 50:50 Global Equity Index Fund;
- Blackrock Emerging Markets Fund;
- LGIM Ethical Global Equity Index Fund;
- BlackRock DC Global Property Securities Index Tracker;
- Insight Broad Opportunities;
- BlackRock World Multifactor Equity Tracker;
- Schroder Sustainable Multi-Factor Equity;
- Russell World Equity Fund; and
- Baillie Gifford Multi Asset Growth.

	No. of resolutions eligible to vote	% resolutions voted	Of the resolutions voted, the % voted for management	Of the resolutions voted, the % against management	Of the resolutions voted, the % abstained
BlackRock DC Aquila 50:50 Global Equity Index Fund	35,781	94%	94%	6%	0%
Blackrock Emerging Markets Fund	23,180	97%	91%	9%	3%
LGIM Ethical Global Equity Index Fund	18,215	100%	84%	16%	0%
BlackRock DC Global Property Securities Index Tracker	3,826	91%	95%	5%	0%
Insight Broad Opportunities Fund^	17	100%	100%	0%	0%
BlackRock World Multifactor Equity Tracker	2,489	93%	92%	8%	1%
Schroder Sustainable Multi-Factor Equity	5,195	100%	91%	9%	0%

^This information is currently being confirmed with the provider.



The Trustees also consider how the fund managers voted on specific issues. The Trustees consider 'significant votes' to be either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest.

The funds/managers in question fit into the strategy in the following ways:

- The VGRP Equity Fund has the following underlying blend of funds:
  - 50% Aegon Schroder Sustainable Multi-Factor Equity (BLK); and
  - 50% Aegon BlackRock World Multifactor Equity Tracker (BLK).
- The VGRP Diversified Growth Fund had the following underlying blend of funds:
  - 50% Aegon Baillie Gifford Multi Asset Growth (BLK); and
  - 50% Aegon Insight Broad Opportunities (BLK).
- The following individual funds are part of the self-select fund range and have voting rights attached:
  - Blackrock Emerging Markets Fund;
  - LGIM Ethical Global Equity Index;
  - Russell World Equity Fund;
  - BlackRock DC Aquila 50:50 Global Equity Index Fund;
- The following funds are available to members either through the default fund range or the self-select fund range, but either have no voting rights attached, or voting data has not been received:
  - Blackrock Corporate Bond All Stocks Index Fund;
  - Blackrock Over 15 years Gilts Index Fund;
  - Blackrock Over 5 years Index Linked Gilts Fund;
  - Standard Life Corporate Bond Fund; and
  - BlackRock Cash Fund.

The most significant shareholder votes and how the fund managers voted during the last year were:

	Apple Inc	Alphabet Inc	Microsoft Corporation	Samsung Electronics Co. Ltd.	Taiwan Semiconductor Manufacturing Co., Ltd
<b>Resolution</b>	23 February 2021 Amend Proxy Access	30 June 2020 Report on Gender/Racial Pay Gap: Create Pay Disparity Report	2 December 2020 Report on Employee Representation on the Board of Directors	17 March 2021 Approve Total Remuneration of Inside Directors and Outside Directors	9 June 2020 Amend Procedures for Lending Funds to Other Parties
<b>Baillie Gifford</b>	Against	<i>Not held</i>	Against	For	For
<b>BlackRock</b>	Against	Against	Against	For	For
<b>LGIM</b>	For	For	Against	For	For
<b>Russell</b>	<i>Not known</i>	Against	Against	For	For
<b>Schroders</b>	For	For	Against	For	For
	Baillie Gifford and BlackRock both voted <i>Against</i> this resolution as there were already existing policies in place.  Schroders voted <i>For</i> this resolution as the proposed amendment would enhance the company's existing rights for shareholders.	BlackRock voted <i>Against</i> this resolution, whereas LGIM and Schroders voted <i>For</i> . BlackRock's view was that the company already has policies in place, whereas LGIM and Schroders viewed that companies are expected to disclose meaningful information on their gender pay gap and the initiatives to close any stated gap.	All fund managers voted <i>Against</i> this resolution. Managers were either satisfied with the current procedures in place or did not see any demonstrable economic benefit to shareholders.	All fund managers voted <i>For</i> this resolution.	All fund managers voted <i>For</i> this resolution.

Source: Proxy Insight.

### How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
<b>Baillie Gifford</b>	Do not delegate or outsource any of their stewardship activities or rely upon recommendations of proxy advisers' when deciding how to vote on their clients' shares.
<b>BlackRock</b>	BlackRock uses ISS for vote instruction and they also use proxy research firms for custom recommendations.
<b>LGIM</b>	LGIM uses ISS to place its electronic votes through ISS ProxyExchange. LGIM have a custom voting policy in place to ensure their provider votes in accordance with their position on ESG.
<b>Russell</b>	Details on use of proxy voting not provided.
<b>Schroders</b>	Schroders utilise company engagement, internal research, investor views, governance expertise and external research (from ISS and IVIS) when considering voting decisions. Schroders make use of a third party proxy voting service.

The Trustees are currently setting up their processes to obtain information for non-equity funds, further information will be available next year.

**The Trustees are satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP.**

### 14. Sustainable Investment

The Trustees believe that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Plan's investments and in turn the size of your retirement benefits.

The Trustees have considered the length of time members' contributions are invested in the Plan when choosing and reviewing the funds used in the investment options. The Plan potentially has members joining from age 18 who could therefore have savings invested over a multi-decade time horizon.

**The Trustees have considered their approach to Responsible Investing during the last Plan year. Following the decision made in November 2019, the Trustees updated the underlying allocation of the VGRP Equity Fund to introduce an allocation to the Schroder Sustainable Multi-Factor Equity Fund, an equity fund that focuses on Responsible Investment (alongside multi factor equity investing). The Schroder Sustainable Multi-Factor Equity Fund was also introduced as a self-select option during the last Plan year.**

The Trustees periodically review the platform provider's and fund managers approaches to responsible investing during the next Plan year.

**The Trustees are satisfied that during the last year the Plan's investments were invested in accordance with the policies on Responsible Investing set out in the SIP.**

### 15. Ethical Investing

The Trustees recognise that most members will not have strong views on where their pension savings should be invested and recognise that it is not possible to cater for everyone's views on non-financial/ethical matters. However, the Plan offers members an Ethical Fund to invest in should they choose.

The Trustees monitor the investments held by the Plan's ethical investment options.

**The Trustees approach to ethical investing has not changed during the last year.**

**The Trustees are satisfied that the Plan offers an ethical investment options for members in accordance with the SIP.**

### 16. Communication and member engagement

The Trustees' approach to communicating the Plan's investment options and investment governance have not changed during the last year.

The Trustees' current policy on member engagement described in the SIP is as follows:

- Effective member engagement will help develop suitable investment options;
- Member engagement is actively encouraged through a variety of means.

During the last year the Trustees have undertaken the following to support member engagement and obtain member feedback:

- Feedback from members is encouraged via the Plan's newsletter.

### 17. Looking forwards

In the next Plan year (year ending 5 April 2022), which will be covered by next year's Implementation Statement, the Trustees intend to undertake the following actions in relation to the SIP:

- Consider the objectives of the default strategy in light of recent market volatility.
- Consider the appropriateness of actively managed equities within the VGRP Equity Fund

### 18. Limitations and missing information

**During the last year the Trustees followed all the policies and practices described in the SIP.**

- The Trustee has been unable to obtain data on voting resolutions for the following funds:
  - Russell World Equity Fund; and
  - Baillie Gifford Multi Asset Growth.

The Trustees believe these are temporary issues while platform providers and fund managers put these new reporting requirements in place. The Trustees and their investment advisers will work with the platform provider to compile this information in readiness for next year's Statement.

### **19. More information**

We hope this Statement helps you understand how the Plan's investment of your savings for retirement has been managed in the last year.

If you have any questions or feedback, please contact Camilla Romans at Hymans Robertson, 45 Church Street, Birmingham, B3 2RT, T:0121 210 4333. Alternatively, you can contact David Onion, Compensation & Benefits Manager, Volvo Group UK Ltd, Wedgnock Lane, Warwick, CV34 5YA.