

# Volvo Group UK Retirement Plan – Implementation Statement

## Executive summary

The Trustees have prepared their first Statement outlining how they implemented the policies and practices in the Plan's Statement of Investment Principles on behalf of Plan members during the year ending 5 April 2020. The Plan's accounts were signed in September 2020 (prior to the 1 October 2020 deadline) and have produced this Implementation Statement as part of best practice governance. The following areas are covered within the Statement:

- Changes that have been made over the Plan year to the Statement of Investment Principles – the Trustees have made some minor changes over the year to reflect the latest investment options, the current charges and their investment beliefs.
- 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 over the last Plan year and documented these in the Statement of Investment Principles, particularly with regards to Responsible Investment and Environmental, Social and Governance 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 – the Trustees have considered their approach to responsible investing during the last Plan year and have decided to allocate a proportion of the default strategy to an equity fund that focuses on responsible investment (alongside multi-factor equity investing).
- The Trustees' plans for the next year – the Trustees will implement the equity fund that focuses on responsible investment fund and update the Statement of Investments Principles to reflect this. 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 Statement of Investment Principles.

The rest of the Implementation Statement goes into more detail – please read on to find out more on how the Trustees have complied with the Statement of Investment Principles 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 Environmental, Social and Governance (ESG) considerations (including climate change considerations).

The last review of the SIP was completed on 26 August 2020 and the next review will take place no later than August 2023.

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 Diversified Growth Fund which were implemented during the Plan year to 5 April 2020;
- The SIP was updated to reflect the fund charges as at 5 April 2019; and
- The SIP was updated to reflect the Trustees' investment beliefs and policies on ESG and other financially material considerations.

**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 this Implementation 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 ESG matters from a selection of fund managers;
- 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 our quarterly investment reports:
  - The performance of DGFs across different manager styles
  - The types of ESG equity funds that are currently available in the DC marketplace
  - The case for including multi-asset credit within a DC arrangement

- Design considerations for the FCA's Investment Pathways, which are aimed at retirees going into non-advised drawdown
- A discussion on UK daily-dealt property funds
- The impact of COVID-19 on DC strategies (this was presented in our Q1 2020 report, with the Trustee meeting occurring after the Plan year).
- The Trustees received training on ESG, Responsible Investment and the latest regulations; 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 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 over the time period that these were in place (from December 2019).

## **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.

During the last Plan year, the Trustees carried out their annual high-level 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 whether the funds still meet the investment objectives the Trustees have set for the default arrangement and other investment options;
- 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 Diversified Growth Fund during the last year as they believed one of the underlying funds was no longer suitable. The allocation to the Newton Real Return Fund was replaced with the Baillie Gifford Multi Asset Growth Fund.

The Trustees are satisfied with the structure of the current default arrangements. During the year, following the training around Responsible Investment and Environmental, Social and Governance requirements, the Trustees have decided to allocate a proportion of the default strategy to an equity fund that focuses on responsible investment (alongside multi-factor equity investing). This change will be implemented during the next Plan year.

**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**

During the last year the BlackRock DC Property Fund was temporarily closed to the investment of new contributions and disinvestment by the fund manager because of difficulty in valuing properties during the coronavirus 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**

During the last Plan year, 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.

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

The investment risks relating to members' benefits are described in the SIP.

The expected returns from each type of investment used by the Plan are set out in the SIP.

**The Trustees believe that the main investment risks members face described in the SIP have not changed over the last year. The Trustees regularly review the Plan's risk register and added some additional mitigation actions to the investment risks in the last Plan year.**

**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.**

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.

**The Trustees' views on the strategic asset allocation of the Plan's lifestyle option or 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 during Q1 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 believe that this is a temporary issue which have not affected members' interests over the longer term.**

### **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, 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.

**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, the Trustees seek to ensure that the fund managers are suitable 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 have a plan in place to monitor manager incentives for the 2020/21 Plan year.**

#### **12. Investment stewardship**

As stated in 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:

- Delegate the research into managers' voting policies to ensure consistency with the Plan's objectives to their investment advisers who have a plan in place to monitor this during the 2020/21 Plan year;

- Expect fund managers to vote in a way which enhances the value of the funds in which the Plan invests;
- Delegate the monitoring of how the fund managers exercise their voting right to their investment advisers who have a plan in place to monitor this during the next Plan year.

### 13. Responsible Investment

The Trustees believe that investing responsibly is important to control the risks that environmental factors (including climate change), social factors and corporate governance behaviour 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 training around Responsible Investment and presentations from various fund managers, the Trustees have decided to allocate a proportion of the default strategy to an equity fund that focuses on responsible investment (alongside multi-factor equity investing). This change will be implemented during the next Plan year.**

The Trustees plan to 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.**

### 14. 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.**

### 15. 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.

## 16. Looking forwards

In the next Plan year (year ending 5 April 2021), which will be covered by next year's Implementation Statement, the Trustees intend to undertake the following actions in relation to the SIP:

- Update the SIP for regulations that come into force in October 2020 regarding responsible investing and ESG considerations; and
- Update the SIP following the implementation of the Environmental, Social and Governance (ESG) fund into the VGRP Equity Fund.

## 17. 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.