

Statement of Investment Principles - Implementation Statement

Scheme year ending 30th June 2022

Introduction

We the Trustees of the Crossroads Commercials Limited Retirement Benefit Scheme (the 'Scheme') have prepared this document which should be read in conjunction with our Statement of Investment Principles ('SIP').

Our SIP sets out our policies and what we want to achieve from the investment choices that we make. This document, which is our Implementation Statement, is designed to set out how, and the extent to which, we believe the SIP has been followed during the scheme's year from 1st July 2021 to 30th June 2022. We also explain our approach to Stewardship and the voting behaviour carried out by Investment Managers on the Trustees' behalf.

The Implementation Statement, together with all other scheme documents can be viewed as the following member web page:

<https://www.dealer.volvotrucks.co.uk/crossroads/misc/pay.html>

Background

The purpose of this Implementation Statement is to outline how key activities and decisions across the scheme year have helped the Trustees to achieve their investment objectives and, where not, what steps have been taken to remedy this.

This Implementation Statement focuses solely on investment related activities. If you wish to hear more generally about our activities during the year, please see our Chair's Statement.

The Implementation Statement is primarily backwards looking.

On the Trustee's behalf Royal London Asset Management (RLAM) invest the assets of the Scheme through an investment platform of pooled funds and so the Trustees are constrained in their ability to directly influence the underlying investee firms.

On a periodic basis the Trustees review and monitor RLAM's approach to due diligence, stewardship activity, engagement with investee firms and voting behaviour to ensure they align with the policies that the Trustees have adopted for members of the scheme.

The Scheme is a hybrid arrangement holding a mixture of Defined Benefit and Defined Contribution elements. The Defined Benefit element consists only of Guaranteed Minimum Pensions (GMP) accrued up to 5 April 1997. In preparing the Statement, therefore, the Trustees have taken account of both elements.

Summary of Changes

Defined Benefit Assets

There have been no changes to the Defined Benefit asset investment strategy in the scheme year under review. At the start of the 2019/2020 scheme year the Trustees, in line with advice from their Investment Adviser, adopted use of an actively managed asset allocation using RLAM's Governed Portfolio 5 for investment of the member GMP funds.

The Trustees were also advised that the same approach could be achieved for the Contingency Fund by investing in the RLAM Managed Pension Fund which mirrors the asset allocation and investment decisions of Governed Portfolio 5.

Defined Contribution Assets

In the scheme year under review the Trustees changed the default investment strategy for member Defined Contribution assets from the Royal London Balanced Lifestyle Strategy Target Cash to the Royal London Balanced Lifestyle Strategy Target Drawdown. This change was undertaken to provide members utilising the Default Investment Strategy with the opportunity for growth in line with inflation at the point of attaining their Normal Retirement Date as opposed to transferring assets to cash.

SIP Changes

The Statement of Investment Principles was updated in March 2022 to reflect changes to the Default Investment Strategy as described above.

Performance against the SIP over the scheme year

Investment Objectives

The Trustees' investment objectives are goals that will be measurable over the long term and cannot be reviewed in isolation over the period of one year.

Some decisions to note in terms of performance against these objectives are as follows:

To maximise the return on investments without incurring undue risk

- The Trustees continue to outsource the management of asset allocation and fund selection for Defined Benefit Assets to RLAM. This has improved ongoing returns and has provided an active review process throughout a challenging and unpredictable year for investment returns
- The Trustees invested 69% of the monthly funding payments from the employer as they were received to benefit from pound cost averaging throughout the year, whilst maintaining the Trustee cash fund for member disinvestments

To ensure that we can meet our obligations to all beneficiaries of the Scheme,

- Following a review of the 3 yearly funding valuation and the improved funding position of the scheme, the Trustees elected to lift the restriction on the payment of Defined Benefit Cash Equivalent Transfer Values (CETV's) from 65% to 93% of their calculated value. With advice from the scheme Actuary, it was agreed that the Trustees should continue to protect members of the scheme by applying a transfer value restriction
- In April 2022 the Trustees agreed to suspend regular investment of the employer monthly funding payments to allow a cash fund to build in readiness for payments relating to Guaranteed Minimum Pension (GMP) Equalisation. This decision was taken to ensure funds would not need to be disinvested at a volatile time to make these payments
-

With regard to the Defined Contribution section of the Scheme,

The Scheme's default option objectives are to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near the point at which they access their pot

- During the year under review the Trustees agreed to change the default investment option from the Royal London Balanced Lifestyle Strategy Target Cash to the Royal London Balanced Lifestyle Strategy Target Drawdown. This was to provide members utilising the default option with a greater potential for return above inflation towards the end of the Lifestyle cycle

Investment Beliefs

We set out within our SIP our core investment beliefs. Our investment decisions have been made in line with these principles:

Belief	Performance/Activity
Understanding the personal profiles and attitudes of the scheme membership is important to providing an appropriate investment strategy for both Defined Benefit and Defined Contribution Assets	The Trustees have a standing agenda item where member engagement is considered and planned. In November 2021 the Trustees sent their annual communication to members within 5 years of their Normal Retirement Date (NRD), inviting them to consider their retirement options and review their investment strategy in line with their plans.
Working collaboratively with the Scheme Employer and understanding their views on the long term aims of the scheme is crucial to managing the risk to and investment of the scheme assets	The Trustees have an open dialogue with the Employer of Crossroads Truck and Bus. An employer covenant update is provided to the Trustees at every Trustee meeting including a Key Performance Indicator (KPI) Report on company financials. In March 2022 the employer completed an Employer Covenant assessment questionnaire to provide the Trustee board with full disclosure about the financial position of the company.
Investment risk is generally rewarded over the long term	The Trustees have pursued an investment strategy that takes a Balanced Attitude to risk with assets invested in diverse assets
Asset Allocation is the key driver behind long term investment returns	Asset Allocation decisions are outsourced to RLAM via selection of the Governed Portfolio 5 for investment of GMP Funds, RLAM Managed Fund for Investment of Trustee Contingency Funds Members are provided with a choice of self select investment funds that offer single asset and multi asset choices
Active management must be undertaken by skilful managers in specific asset classes	Investments managed by RLAM

Investment charges should not be excessive and will impact upon long term returns for member investments	Investment fees review annually and compared with the wider market for Occupational Pension Investments The Trustees have secured discounted charges in relation to Royal London's published Annual Management Fees and benefit from the Royal London Profit Share arrangement on an annual basis
--	--

The Views of Members and Beneficiaries (Non-Financial Considerations)

The Trustees write to members with Defined Benefit entitlement on an annual basis to provide a Summary Funding Statement with an update on the funding level of the scheme.

In November 2021 the Trustees wrote to members who were within 5 years of their Scheme Retirement Age to indicate that this could be a good time to review retirement options and consider their current investment profile.

There has been very little member engagement with their investment profile.

The Trustees will continue to raise awareness of member investment options on an annual basis.

Risk Policies

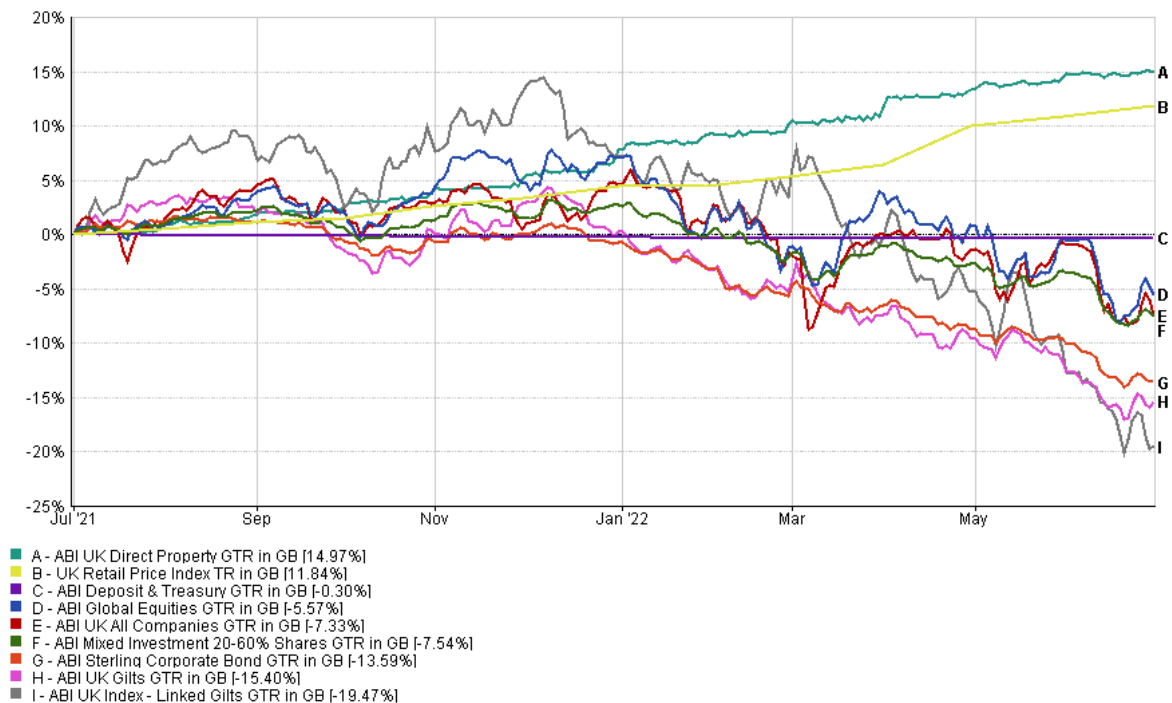
Type of Risk	Measured by	Review Notes
Liquidity	The level of cashflow required for the scheme over a specific period. Failure to meet benefits as they fall due, as a result of inability to realise assets.	All possible payments required from Trustees funds (CETV's and Retirements) were reviewed at each Trustee Meeting. Regular investment of employer funding payments was suspended to allow for increased liquidity
Diversification	Concentration of assets in any one investment fund or asset class leading to the risk of an adverse influence on investment values arising from poor performance of that fund or asset	Defined Benefit Assets are invested via RLP Governed Portfolio 5 and RLP Managed Fund to benefit from a more active approach to asset allocation management from RLAM. The Trustees have considered the option of switching members from select selected single asset class funds however if has been agreed that further legal

		advice on the implications of making a switch without member consent is welcome or allowed within the Trustee powers of the scheme.
Benefit Conversion	Adverse movements in investment values prior to realisation for specific members or at Trustee level	All members with 5 years of retirement receive an annual communication urging them to consider if their investment profile is still appropriate Liquidity increased in the Trustee Bank Account to allow for GMP Equalisation payments without the requirement to disinvest scheme assets.
Climate Change	Considered to be a systemic risk	Annual Review of RLAM 'Responsible Investment Strategy' undertaken in November 2022

Expected Return on Investments

Asset	Return Characteristics	2022/23 Performance
Equities	Strong positive return relative to inflation over the longer-term but tend to be the most volatile asset class over the shorter term	Equities significantly underperformed Inflation (measured by the Retail Prices Index RPI) over the year.
Property	Should achieve a positive return relative to inflation over the longer term which lower than that for equities but with a lower level of short-term volatility	The commercial property market was the only asset that outperformed inflation and yielded a high return in comparison to all other assets.
Corporate Bonds	Should achieve a positive return relative to inflation over the longer term which lower than that for equities and property but with a lower level of short-term volatility	Corporate Bonds made a negative return, underperforming equity markets and inflation
Gilts (Government Bonds)	Should achieve a positive return relative to inflation over the longer term which lower than that for equities, property and Corporate Bonds but with a lower level of short-term volatility	Gilts performed poorly in relation to equities, property, Corporate Bonds & significantly underperformed inflation

Index Linked Gilts	Should achieve a return in line with inflation over the longer-term but with a lower level of short-term volatility than equities, property and corporate bonds	Index Linked Gilts provided a negative return and were the poorest performing asset over the year. They underperformed inflation by a significant margin
Cash	Should achieve a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and a high degree of capital security	Cash provided a negative return and underperformed inflation although outperformed equities and fixed interest stock
Multi-Asset Funds	Invest in a mix of asset classes with the objective of delivering a positive return relative to inflation over the longer-term, with lower level of volatility than equities	Mixed Asset Funds provided a negative return. They underperformed pure equity stock however outperformed fixed interest stock. They underperformed inflation over the year.



01/07/2021 - 30/06/2022 Data from FE fundinfo 2022

Realisation of Investments

Defined Benefit Considerations

No Pension Scheme member elected to accept a Cash Equivalent Transfer Value (CETV) of their Defined Benefit assets in the scheme year under review. The Trustees were not required to make a top up or 'Contingency' Payment.

All GMP's commencing throughout the year were provided via scheme pensioner payroll function as opposed to the purchase of annuities. In the scheme year 1st July 2021 to 30th June 2022 annuity rates tended to represent poor value however this position is being reconsidered in light of the current market environment. The Trustees have been advised that the purchase of annuities may be prohibited until GMP Equalisation for the scheme is completed.

Monitoring

Asset performance against Benchmark returns were reviewed at formal Trustee Meetings in November 2021, February 2022 and July 2022.

A fixed agenda point at all meeting is the prudence of Trustee investment in light of possible calls on Trustee capital, in the form of member transfers or retirements.

The Scheme Funding Report, providing the 3 yearly valuation of Defined Benefit Assets of the scheme at 1st July 2021, highlighted that the Trustees may wish to consider a more conservative investment approach given the age profile of scheme members. The investment risk profile of the scheme has been of benefit in recent market conditions however the Trustee Board are duly considering possible changes to investment risk profile.

Environmental, Social & Corporate Governance Factors (ESG)

The Trustees undertake an annual review of the Royal London 'Stewardship and Responsible Investment Activity Report 2022'.

The Guiding Principle behind the Royal London Investment Philosophy is to 'seek to maximise long term risk adjusted investment returns for their customers in a responsible way, recognising that their customers will live in the society we mutually help to create'.

This Principle is partly achieved through ESG Integration. This is the systemic and explicit inclusion of ESG factors into investment analysis and investment decisions.

This means understanding which of these factors may impact future performance of investments, and in turn taking the appropriate steps to minimise any negative impact they may have. Royal London has a robust and repeatable process for integrating ESG factors.

To assess companies, they use quantitative data from a range of sources. This is followed by qualitative analysis by the fund management team. Research is then implemented in stock selection.

The result is an investment decision being made informed by ESG analysis, and this analysis can be used as a tool to inform ongoing stewardship duties through targeted engagements and voting activities.

Exercise of Investment Rights

As assets of the scheme across both Defined Benefit and Defined Contribution sections are invested completely in pooled arrangements the Trustees are not able to directly exercise their voting rights.

While we are not in a position to exercise our voting rights this does not mean that the way these voting rights are used is not important. The Trustees have reviewed the voting

practises of Royal London Asset Management (RLAM) to confirm that the company is acting in a Responsible and Sustainable manner.

Royal London will only work with asset managers who are signatories to the United Nations (UN) Principles for Responsible Investment (PRI) and UK Stewardship Code. In 2020 RLAM were awarded A+ by PRI in Strategy and Governance. In 2021 RLAM voted in 44,452 shareholder resolutions at 3765 meetings. This was a record high and an increase of 53% in voting activity on the previous year.

All RLAMs votes are published online as well as their voting policies and are included in the Stewardship & RI activity report reviewed by the Trustees. This report can be reviewed at the following link:

<https://www.rlam.com/globalassets/media/literature/reports/rlam-stewardship--responsible-investment-report-2022.pdf>

The Trustees are comfortable that RLAM has a strong history of engagement and a firm belief in ESG issues.

The Trustees will continue to monitor Royal London's approach to responsible investment and stewardship. It is a standing agenda item in the Trustee Business Plan for Autumn of every scheme year.

Known Departures from SIP

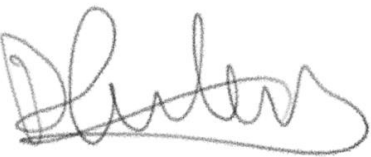
There were no known departures from the SIP in the scheme year under review.

Conclusion

Following our review and analysis, the Trustees believe that the SIP has been followed during the year.

I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

Signed for and on behalf of the Trustees of Crossroads Commercials Limited Retirement Benefits Scheme:



David Crowley
Chair of Trustee Board

Date: 30/11/2022