

Investment Principles Implementation Statement

Scheme year ending 30th June 2020

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 Statement of Investment Principles 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 2019 to 30th June 2020. We also explain our review of the SIP carried out during the year including our approach to Stewardship and the voting behaviour carried out by Investment Managers on the Trustees' behalf.

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

At the start of the scheme year the Trustees, in line with advice from their Investment Adviser, elected to adopt a new strategy for management of Guaranteed Minimum Pension (GMP) and Contingency Investment Funds. In previous years the Trustees managed asset allocation and selected individual funds to represent the required asset allocation. This year we felt our investment governance process could be improved by adopting 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 Contributions Assets

In January 2020 the Trustees broadened the Self Select options available to members for the investment of their Defined Contribution Funds to include all of the Royal London Governed Portfolio Range (Risk levels 1 – 9) and the Balanced Lifestyle Strategies Target Drawdown and Target Annuity.

This change was implemented with the intention of providing a wider range of actively managed portfolios to members with different investment risk requirements and different plans for drawing retirement benefits.

SIP Changes

The Statement of Investment Principles was updated in October 2019 following the completion of the Triennial Scheme Valuation and the Trustee Investment review. It was also updated to reflect changes in the law which applied from October 2019. The updated version of the SIP included Stewardship and Responsible Investment policies, the extent to which financial and non-financial Environmental, Social and Governance ('ESG') factors are considered by the Trustees

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 took the decision to outsource the management of asset allocation and fund selection for Defined Benefit Assets to RLAM. We felt that this would improve ongoing returns and the risk management process
- The Trustees invested 85% 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,

- In line with advice from the scheme actuary the Trustees took the decision to restrict the payment of Defined Benefit Cash Equivalent Transfer Values (CETV's) to 65% of their calculated value to protect scheme assets for remaining members of the scheme

With regard to the Defined Contribution section of the Scheme,

To provide members with a range of investment options to enable them to tailor an investment strategy to their needs and risk tolerances,

- In January 2020 the Trustees increased the investment options available to members to provide a higher degree of managed, risk rated options

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 invited member engagement in a member investment communication of October 2019.
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 engaged with the employer Crossroads Truck and Bus to agree the investment strategy for Defined Benefit Assets.
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 outsourced to Royal London via selection of the Governed Portfolio 5 for investment of GMP Funds, RL Managed Fund for Investment of Trustee Contingency Funds
Active management must be undertaken by skilful managers in specific asset classes	Investments managed by Royal London Asset Management
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 Views of Members and Beneficiaries (Non-Financial Considerations)

The Trustees wrote to members in an Investment Communication of October 2019 entitled 'Reviewing your Pension Investment Choices'.

This communication was intended to raise member awareness of the Default Investment option for Defined Contribution Funds, to announce the availability of a wider selection of 'Self Select' investments and to invite members to 'share their views in relation to the investment of their pension funds'.

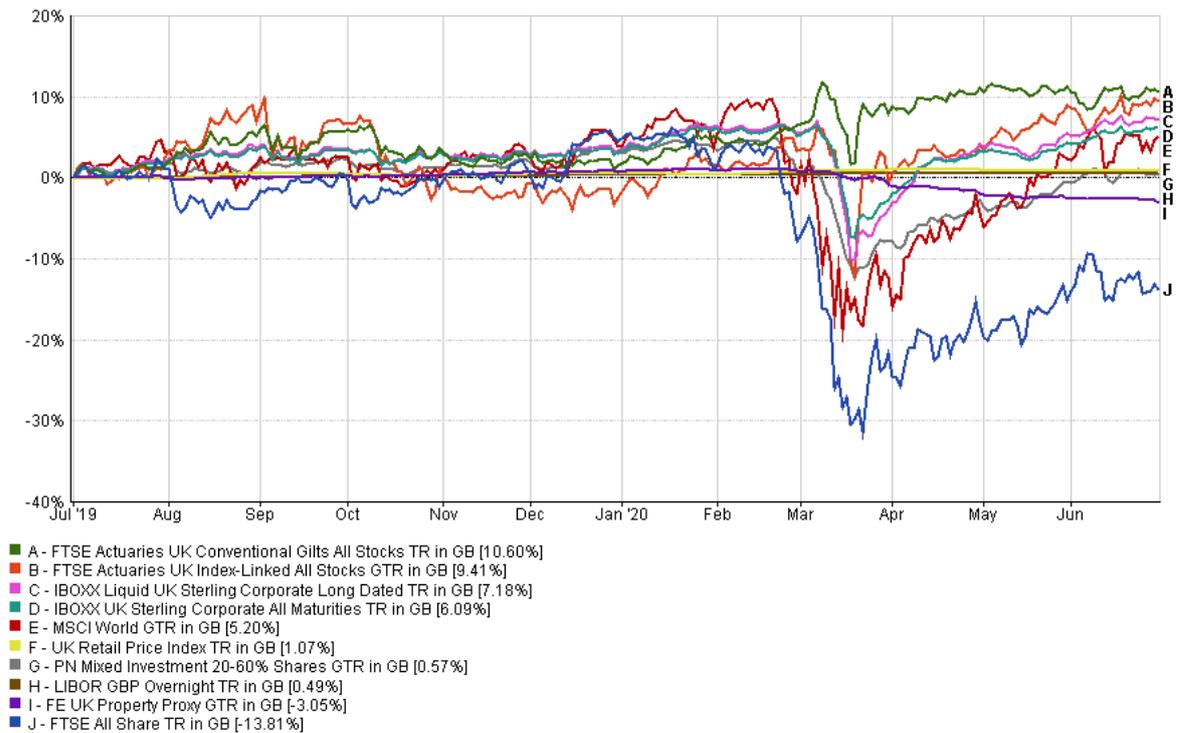
There was no known response from members to this letter and the Trustees will continue to raise awareness of member investment options on an annual basis.

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 Recovery payments was suspended for the period from November 2019 to March 2020 to provide liquidity for Trustee Payments without the requirement for disinvestment
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	Assets were transferred to Governed Portfolio 5 and Managed Funds to benefit from a more active approach to asset allocation management from RLAM. Communication sent to all members urging a review of single asset investment selections
Benefit Conversion	Adverse movements in investment values prior to realisation for specific members or at Trustee level	Communication sent to all members who have not invested in the Default Investment Strategy to consider whether their investment selection is still appropriate
Climate Change	Considered to be a systemic risk	Annual Review of RLAM 'Responsible Investment Strategy' Undertaken October 2019

Expected Return on Investments

Asset	Return Characteristics	2019/20 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 underperformed Inflation (measured by the Retails Prices Index RPI) over the year. Global markets fell dramatically in February through to March but then staged an impressive recovery.
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 suffered throughout the year with a negative return in relation to inflation.
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 performed positively in relation to equities, property 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 positively in relation to equities, property, inflation & outperformed Corporate Bonds
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 outperformed inflation with less volatility than equities property and Corporate Bonds
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 underperformed inflation and returns reduced in March with a reduction in the Bank of England Base rate from 0.75% to 0.25% and then 0.10%.
Long Dated Bonds	Values should move broadly in line with financial factors influencing annuity rates	Long dated Bonds slightly outperformed shorter dated bonds and outperformed inflation over the year
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 underperformed inflation over the year but experienced less volatility than equity markets



01/07/2019 - 30/06/2020 Data from FE fundinfo2020

Realisation of Investments

On 30th March 2020 Royal London were forced to put their Property Fund into deferral, restricting immediate access for some people invested within the fund. The Trustees made enquiries into how this would impact members of the scheme and confirmed that this would only impact 'Self Select' Members choosing to switch funds or planning to access their Pension prior to the scheme Normal Retirement Date. On this basis it was decided to provide guidance to members on a case by case basis if this arose as a problem as opposed to providing a full membership communication.

Defined Benefit Considerations

A small number of Pension Scheme members elected to accept a Cash Equivalent Transfer Value of their Defined Benefit assets and the Trustees were required to make top up or 'Contingency' Payments to the support the calculated valuations. These payments were secured by managing cash liquidity throughout the year according to prior knowledge of possible calls on Trustee Funds.

All GMP's commencing throughout the year were provided via scheme pensioner payroll function as opposed to the purchase of annuities. The Trustees believe that prevailing annuity rates represent poor value at this current time.

Monitoring

Asset performance against Benchmark returned were reviewed at formal Trustee Meetings in October 2019, February 2020 and June 2020. The Trustee Meeting of June 2020 took place via a virtual medium to take account of government guidance in relation to Social Distancing. The Trustees believe this had no impact upon their ability to monitor the investment assets of the scheme.

In February 2020 Royal London Asset Management attended the Trustee meeting to provide a performance and governance update to the Trustees.

During the extreme market volatility of February to April the Trustees requested additional guidance from the Investment Adviser to the scheme to understand if a change of strategy would be recommended. The Trustees were advised to maintain their current long term strategy as opposed to reducing risk or changing stance in a falling market.

Environmental, Social & Corporate Governance Factors (ESG)

The Trustees undertook a review of the Royal London 'Stewardship and Responsible Investment Activity Report 2019' in October 2019.

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 have 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 Principles for Responsible Investment and UK Stewardship Code. In 2019 RLAM voted in 15,665 resolutions and sent 141 letters to companies to explain why they were voting against or abstaining on proposals at annual general meetings (AGMs). The main topics of concern were around executive pay, energy use and climate change, and corporate governance.

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://employer.royallondon.com/globalassets/docs/shared/investment/rlam-stewardship-activity-report-2019.pdf>

In 2019 Royal London carried out 260 engagements with 175 companies. They aim to positively influence companies to improve both long term returns and their impact on society. Their key themes are:

In 2019, RLAM engaged with 175 companies, on 260 occasions, addressing 440 ESG topics. We use 6 themes:

- Climate Risk
- Financial and Social Inclusion
- Innovation, technology & society,
- Circular economy (that is reduce, reuse and recycle),
- Governance
- And finally Diversity

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 October of every scheme year.

Known Departures from SIP

The Trustees implemented the Defined Benefit Asset investment Strategy in June 2019. At the time of implementation we intended to use Royal London's Governed Portfolio 5 (GP5) for investment of both the member GMP Funds and the Trustee Contingency Fund.

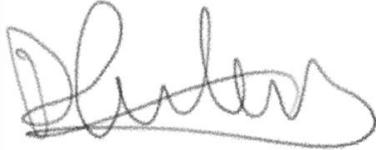
The Contingency Fund did not have the option to utilise Governed Portfolio Management. At outset the Trustees planned to manage the asset allocation according to changes made in GP5. We received further guidance from Royal London that this additional burden of administration could be circumvented by investing in the Royal London Managed Fund that followed the same investment strategy as GP5. This change was implemented in February 2020. We do not feel that the change represents a departure from the SIP, it is more an administrative function. The SIP has subsequently been updated to reflect this and to include the broader range of self select funds made available to members in January 2020.

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 Trustee to the best of our knowledge.

Signed for and on behalf of the Trustee of Crossroads Commercials Limited Retirement Benefit Schemes:

A handwritten signature in black ink, appearing to read 'David Crowley', written over a light grey rectangular background.

David Crowley
Chair of Trustee Board

Date: 23/11/2020