

BCA Automotive Group Pension Scheme
Boundary Way
Lufton, Yeovil
Somerset
BA22 8HZ

Telephone: +44 (0) 1935 847 013
Fax: +44 (0) 1935 701 201

Statement of Investment Principles - Implementation Statement

BCA Automotive Pension Scheme

The Trustees of the BCA Automotive Pension Scheme DC Section (the Scheme) present their annual Statement of Investment Principles implementation statement setting out how the Trustees have followed the policies outlined in the Statement of Investment Principles (the SIP) that came into force from 22nd September 2020. This report meets the requirements set out in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations. The Report covers the annual period up to 5 April 2021.

The Statement of Investment Principles

During the Scheme Year ending 5 April 2020, the Trustees undertook a review of the Statement of Investment Principles (SIP).

The review resulted in a further update to the existing SIP covering:

- **Scheme governance:** additional wording added to the Scheme governance section covering Investment management. This set out the responsibilities of the underlying Investment manager and identified the current Investment managers; Aviva Investors and BlackRock.
- **Responsible Investment, Stewardship and Corporate governance:** addition of wording on Stewardship covering engagement by the Investment manager with its underlying investments. The additional wording also covers assessment of capital structure, debt, security of assets and conflicts of interest.
- **Default investment strategy:** update of the SIP wording covering the default investment strategy following changes made by Aviva to the management of the Scheme default strategy; the My Future Focus Lifestage approach.
- **Monitoring:** additional detail added to comments on the quarterly monitoring reports. Investment manager monitoring section also added including detail on Passive manager remunerations, Active manager remuneration, Portfolio turnover and Stewardship.

The current SIP was formally adopted, with agreement from the Trustees and the Company, on 22nd September 2020.

Monitoring investments against the SIP

As part of the Trustees governance of the Scheme the Trustees have established a process to review the investments within the Scheme to ensure that they continue to perform in line with the SIP. In this section, we set out the actions taken during the Scheme Year:

- **Trustees' governance process:** The SIP sets out that the Trustees monitor the investment funds at least quarterly. The Trustees meet each quarter during the year to monitor and review the performance of the Scheme's investments against their objectives. The level of monitoring is in accordance with the policy established in the SIP. No issues have arisen during the year requiring Trustee action, although additional information was requested during the COVID-19 pandemic to ensure the investment strategy remained robust in uncertain markets.
- **Trustees' governance knowledge and understanding:** There has been a change to the Trustee Board during the Scheme Year with the Chairman of Trustees resigning and being replaced by a new Chairman of Trustees. The new Chairman of Trustees is deemed to have a good working knowledge of the Scheme and DC / DB pensions in general. As a result, the level of understanding of the Scheme's investments and the SIP has remained sufficiently high to enable the Trustee board to monitor the Scheme effectively. The Trustees completed 3 hours and 45 minutes of investment focused training in the Scheme Year. In addition, each meeting includes a 45 minute investment monitoring section totalling a further 3 hours. The Trustees therefore believe that they have sufficient skills and investment knowledge to give appropriate focus to investment issues.

The Trustees dedicated investment adviser, Punter Southall Aspire, support the Trustees with maintaining their knowledge and understanding whilst providing a wider insight.

BCA Automotive Group Pension Scheme

Boundary Way
Lufton, Yeovil
Somerset
BA22 8HZ

Telephone: +44 (0) 1935 847 013
Fax: +44 (0) 1935 701 201

- **Trustees' governance investment advice:** During the scheme year, the Trustees received investment advice from Punter Southall Aspire reviewing the suitability of the default investment strategy (along with the wider fund range). The result of this review showed that the default investment strategy is still consistent with the aims and objectives set out in the SIP. In addition, the Trustees receive investment advice as part of its annual Value For Members assessment, which assessed the value for members provided by the Scheme's investment funds. The advice provided by Punter Southall Aspire met and exceeded in part the monitoring processes set out within the SIP. The Trustees are satisfied that they had appropriate support to undertake the monitoring of the investments included in the Scheme.
- **Scheme Investment objective:** The Scheme's default investment strategy is the Aviva My Future Focus Investment strategy. The objectives of the default investment strategy are:
 - When further from retirement the fund aims to grow the value of members' pension savings ahead of inflation over the long-term.
 - During the 10 year period leading up to the members' Selected Retirement Date, the pension fund within the default investment strategy is moved from investments with a greater exposure to the stock market into more cautious investments. This aims to reduce the members' exposure to risk from stock market fluctuations. This programme is designed to reflect the new pension freedoms, by no longer targeting the purchase of an annuity, whilst also achieving long term growth for members at acceptable levels of risk and charges.

Through the governance and monitoring process the Trustees conclude that these funds continue to meet these objectives in line with the SIP.

It should be noted that over the scheme year Aviva changed the benchmark of both constituent funds of the My Future Focus Lifestage approach (the My Future Focus Growth & My Future Focus Consolidation) from a Fixed weight comparator to a Bank of England base rate comparator.

- The My Future Focus Growth benchmark changed from a fixed weight comparator of 75% FTSE Developed and 25% ICE BofAML Sterling Broad Market to a Bank of England base rate +4%.
- The My Future Focus Consolidation benchmark changed from a fixed weight comparator of 75% ICE BofAML Sterling Broad Market and 25% FTSE Developed to a Bank of England base rate +2%.
- **Strategic asset allocation:** The Default investment strategy saw no changes to the Strategic asset allocation over the scheme year. There were some minor changes to the asset allocation over the scheme year but this was limited to dynamic tactical asset allocation changes made quarterly in response to market movements. This is especially evident in the move from an underweight position in equities at the start of Q2 2020 to an overweight position as at the end of Q1 2021.
- **Manager monitoring: Default investment strategy:** The monitoring that took place during the Scheme year via a triennial review of the Default investment strategy and the ongoing quarterly investment reporting concluded that the default investment strategy was performing well against its benchmarks. This contrasts with last year's implementation report and in some part due to the changes to the primary benchmark for the My Future Focus Growth and My Future Focus Consolidation.
- **Manager monitoring: wider fund range:** The Trustees reviewed the funds members invest in on a self-select basis. The Trustees do not assess the appropriateness of the funds selected by members on a self-select basis. However, during the year the Trustees consider whether the funds have performed in line with their stated objective. During the year, the Trustees consider each fund to have performed in line with the policies set out within the SIP.
- **Non-financial matters:** The Trustees' policy as detailed in the SIP is to delegate consideration for non-financial matters to the underlying investment managers. During the Scheme year, the default investment strategy's stewardship activity was undertaken by Aviva Investors. The Trustees have received regular updates from Aviva on their approach to Stewardship and ESG considerations the last being on the 24th February 2021. The Trustees are also monitoring voting behaviour of the underlying Investment Managers. Therefore, the default investment strategy has performed in line with the policies set out in the SIP.

BCA Automotive Group Pension Scheme

Boundary Way
Lufton, Yeovil
Somerset
BA22 8HZ

Telephone: +44 (0) 1935 847 013
Fax: +44 (0) 1935 701 201

Later in this report we consider further some of the ESG activity undertaken within the Default investment strategy. The Trustees note that Aviva has a strong ESG team with clear policies on major matters. Key features of this include being a signatory to the UN Principles of Responsible Investing and having in place a climate change policy committed to tackling climate change.

- **Engagement with underlying Companies invested in:** The Trustees are aware that Aviva undertake a high level of engagement with companies and organisation that they are invested in through the policyholder assets.
- **Divergences from the SIP:** The Trustees have not identified any areas where the Scheme's investments have diverged from the policies set out within the SIP.

**Trustee Conclusion**

- The Trustees acknowledge that it is their responsibility, with guidance from their Investment Adviser, to ensure the assets of the DC sections under the Scheme are invested in accordance with the policies and objectives set out in the Statement of Investment Principles.
- The Trustees confirm that a further review of the SIP has occurred during this scheme year and have included an explanation of the changes to the SIP.
- The Trustees confirm that they have considered this implementation statement and agree that, in their opinion, the policies and objectives set out in the Scheme's Statement of Investment Principles have been followed without material deviation during this scheme year

Assessing voting rights of the Scheme

During the Scheme year the Trustee's DC investments were managed by Aviva Investors and BlackRock via the Aviva NGP platform.

The Scheme's investment holdings are structured as unit holdings within pooled investment funds. Therefore, the Trustee does not have direct influence on the voting rights but delegates this to the Investment Manager. The below list confirms those funds that hold equity:

- Aviva My Future Focus Growth
- Aviva My Future Focus Consolidation
- Aviva My Future Focus Drawdown
- Aviva My Future Growth
- Aviva My Future Consolidation
- Aviva BlackRock (40:60) Global Equity Index Tracker
- Aviva BlackRock (60:40) Global Equity Index Tracker
- Aviva BlackRock UK Equity Index
- Aviva BlackRock World (Ex-UK) Equity Index
- Aviva Cautious Managed
- Aviva Managed
- Aviva UK Equity
- Aviva Global Equity
- Aviva Secure Growth

BCA Automotive Group Pension Scheme

Boundary Way
Lufton, Yeovil
Somerset
BA22 8HZ

Telephone: +44 (0) 1935 847 013
Fax: +44 (0) 1935 701 201

During the Scheme year the Trustees investments were managed by Aviva and BlackRock. In the below table we summarise their engagement:

Fund	Meetings eligible to vote at over the year to 05/04/2021	Resolutions eligible to vote on over the year to 05/04/2021	% of eligible resolutions voted	Of the resolutions voted on, % voted with management?	Of the resolutions voted on, % voted against management?	Of the resolutions voted, % abstained
Aviva My Future Focus Growth	5,315	58,742	98.8%	67.73%	30.7%	1.57%
Aviva My Future Focus Consolidation						
Aviva My Future Focus Drawdown						
Aviva My Future Growth	2,984	39,077	96.44%	71.78%	26.32%	1.76%
Aviva My Future Consolidation						
Aviva BlackRock (40:60) Global Equity Index Tracker	2,984	38,007	95.36%	73.90%	24.20%	1.90%
Aviva BlackRock (60:40) Global Equity Index Tracker FP	2,765	35,730	95.30%	74.20%	23.90%	2.00%
Aviva BlackRock UK Equity Index	808	11,058	99.62%	93.20%	5.40%	1.40%
Aviva BlackRock World (Ex-UK) Equity Index	2,180	27,012	93.74%	65.70%	32.10%	2.20%
Aviva Cautious Managed	29	477	100%	95.00%	5.00%	0.40%
Aviva Managed	7	1001	100%	98.60%	1.40%	0.00%
Aviva UK Equity	53	962	100%	98.60%	1.40%	0.00%
Aviva Global Equity	509	6574	100%	90.20%	9.40%	0.40%
Aviva Secure Growth	N/A	N/A	N/A	N/A	N/A	N/A

The Trustees delegate voting to the fund manager. Therefore, no one vote is more significant in the context of the Trustees policies or the policies set out within the SIP. However, Aviva investors undertake the stewardship activity for the Scheme's default which the Trustees believe has the most material impact on the Scheme's membership. The key directives within the voting behaviour of Aviva during the Scheme year focused on the following commitments:

- Material ESG factors are integrated into the investment approach for all asset classes and regions Aviva Investors operate in.
- Shareholder rights and obligations are exercised and voting power is utilised, so companies are being run for those that own them.
- Aviva Investors are responsible stewards of assets and engage with multiple parties to encourage the adoption of progressive ESG practices over time.

BCA Automotive Group Pension Scheme

Boundary Way
Lufton, Yeovil
Somerset
BA22 8HZ

Telephone: +44 (0) 1935 847 013
Fax: +44 (0) 1935 701 201

- Client ESG preferences are identified and suitable investment solutions are provided to meet their ethical and sustainability needs.
- Seek to positively influence market reforms to help shape a more sustainable capital market that can deliver better long-term financial and social outcomes for clients.
- Aviva Investors endeavour to hold themselves to the same governance and ethical standards expected of others.

Aviva Investors' approach is made up of:

- Integration across all asset classes and fund strategies;
- Stewardship through voting and engagement;
- Avoidance of companies and sectors (both complying with regulation and in house risk tolerance); and
- Market reform utilising Aviva Investor's influence as a large institutional investor.

Aviva Investors subscribe to proxy advisory services to prepare research and recommendations in line with the custom policy and refer certain issues for further consideration. In making voting decisions, Aviva Investors use governance and other research from a number of sources. These include IVIS services and ISS-Ethix, Vigeo EIRIS and MSCI. Research is used for data analysis only as Aviva Investors have their own robust voting policy, which is applied to all holdings. Voting recommendations are not automatically followed, Aviva Investors vote based on their in-house policy, taking into consideration the views of the fund manager and the conversations with the company through voting specific engagement.

Below, we set out voting and engagement activity that may be of interest to our membership.

Company	Details
<p>Rio Tinto Limited</p>	<p>Resolution 24. Shareholder resolution to approve Emissions Targets.</p> <p>Aviva supported this shareholder resolution as although Rio Tinto has recently announced net-zero commitments (by 2050) thus bringing in line its scopes 1 and 2 emissions with the Paris Agreement (and to reduce "scope 1 and 2" greenhouse gas emission by 15 percent by 2030 from a 2018 baseline), Scope 3 emissions are not yet included. Such disclosures will help Aviva understand to the extent the company is assessing and acting on risks and opportunities associated with climate change. In particular, Rio Tinto could provide some additional information on its strategies and plans to work with its customers to achieve reductions in its Scope 3 emissions.</p> <p>The resolution was not approved (37% of the votes were in support)</p>
<p>Mizuho Financial Group, Inc.</p>	<p>Shareholder resolution 5 To Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement.</p> <p>Aviva supported this proposal as they and other shareholders would benefit from additional information on the company's plans regarding aligning its behaviour with the Paris Agreement climate goals and reducing climate-related risks. It would also improve management discipline for continued improvement of climate-related disclosure practices.</p> <p>The resolution was not approved (35% of the votes were in support)</p>

BCA Automotive Group Pension Scheme

Boundary Way
Lufton, Yeovil
Somerset
BA22 8HZ

Telephone: +44 (0) 1935 847 013
Fax: +44 (0) 1935 701 201

<p>Equifax Inc.</p>	<p>Resolution 1b. Elect Director Mark L. Feidler</p> <p>Under normal circumstances Aviva would have voted against the re-election of the non-independent Chairman (having served on the board for a significant amount of time) and independent directors represent less than two-thirds of the Board (Aviva's guideline for US companies). This Director also sits on key board committees which should comprise independent directors only. However, Aviva have exceptionally supported his re-election as at the roles of CEO and Chair are not combined, and they are mindful that there has been significant board change (and improvement) over the last couple of years, so it is helpful to have some longer serving directors. Although as there are three long-serving directors Aviva would like to see further board refreshment and changes to key committees ahead of the 2021 AGM.</p> <p>The resolution was approved</p>
<p>Kansai Electric Power Company, Incorporated</p>	<p>Shareholder Resolution 12. Remove Incumbent Director Morimoto, Takashi</p> <p>Aviva supported the dissident shareholders attempt to oust the new President Takashi Morimoto from the Board (who has been there for four years), as it would help show that the company is serious about addressing shareholder concerns over the bribery scandal whereby a large number of the utility's senior management accepted money and gifts over a 30-year period from a local official.</p> <p>The resolution was not approved</p>

The above is based on the information provided by the Scheme's administrator, Aviva, as at 12th August 2021.



Trustee Conclusion

- The Trustees have reviewed the voting behaviour of all underlying investment managers and confirm that the managers views on Stewardship continue to align with that of the Trustees.
- Further detail can be provided on stewardship upon member or stakeholder request to the Trustees.

Declaration

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

Signed:

Steve Gutteridge - Chair of Trustees, BCA Automotive Pension Scheme

Date: