

Reliance Precision Limited Retirement and Death Benefit Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies set out in the Trustees' Statement of Investment Principles (SIP) dated September 2020 and June 2022 have been implemented. The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustees' Chair's Statement dated 31 March 2022.

This Statement covers the period 1 April 2021 to 31 March 2022.

Investment managers and funds in use

The Scheme was a hybrid Scheme. During the first quarter of 2021 all DB members had either retired or transferred their defined benefit (DB) liability out of the Scheme and there are no longer any DB liabilities in the Scheme. All benefits in the Scheme after 31 March 2021 are provided on a Defined Contribution (DC) basis.

The investment funds used for DC benefits are set out in the tables below:

Asset Class	Manager	Fund
Global equities	LGIM	LGIM Ethical Global Equity Index Fund
Diversified growth funds	LGIM	LGIM Multi-Asset Fund
	LGIM	LGIM Retirement Income Multi-Asset Fund
Sterling fixed income	LGIM	LGIM Pre-Retirement Fund
Cash	LGIM	LGIM Cash Fund

DC – Default Investment Strategy

During 2021 a review of the default arrangements was undertaken and following the review it was decided to update the default arrangements to target the drawdown of retirement income versus targeting the purchase of an annuity at retirement. The updated default investment strategy is designed to target the drawdown of retirement income at retirement. At the time of retirement, it targets 75% of the assets being used to drawdown retirement income and 25% being taken as a lump sum cash payment. The strategy is set out below:

Period prior to member's normal retirement age	Investment Default Approach
Up to 5 years prior to normal retirement age	The approach invests wholly in the LGIM Multi-Asset Fund
From 5 years before normal retirement age	Phased switches are made between the funds to achieve an allocation of 75% in the LGIM Retirement Income Multi-Asset Fund and 25% in the LGIM Cash Fund by normal retirement age. The process is completed on a monthly basis.

The previous default investment strategy targeted the purchase of an annuity at retirement. At the time of retirement, it targeted 75% of the assets being used to purchase an annuity and 25% being taken as a lump sum cash payment. The strategy is set out below:

Period prior to member's normal retirement age	Previous Investment Default Approach
Up to 5 years prior to normal retirement age	The approach invests wholly in the LGIM Multi-Asset Fund
From 5 years before normal retirement age	Phased switches are made between the funds to achieve an allocation of 75% in the LGIM Pre Retirement Fund and 25% in the LGIM Cash Fund by normal retirement age. The process is completed on a monthly basis (previously it was completed every 6 months when this was the default approach).

The new default investment strategy was fully implemented during the second quarter of 2022.

Strategy Review

The Trustees periodically review the investment arrangements of the DC Section, taking into account whether the arrangements provide value for members.

Over the year to 31 March 2022, the Trustees agreed to change the default investment strategy following the review of the investment arrangements in January 2021. The previous default strategy remains in place for those members who wish to select to target an annuity at retirement. This strategy invests in the LGIM Pre-Retirement Fund instead of the LGIM Retirement Income Multi-Asset Fund.

Scheme Governance

Governance arrangements, in terms of the constitution of the trustee board, service level agreements with providers, processing of core financial transactions, costs and charges and investment arrangements, are detailed in the Trustees' Chair's Statement.

The Trustee board is responsible for making investment decisions, and seeks advice from Broadstone Corporate Benefits Limited, as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

During the year under review there were no changes to the objectives put in place for Broadstone Corporate Benefits Limited, which were last reviewed in November 2020. The Trustees are due to formally review these objectives no later than November 2023.

During the year the Scheme added the Retirement Income Multi-Asset Fund to its roster of investments with LGIM.

Trustee Knowledge and Understanding

The Trustee board has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for the Scheme. The Trustees have developed their knowledge and understanding over the year, and further details are set out in the Chair's Statement.

Statement of Investment Principles

The Trustees last updated the Statement of Investment Principles (SIP) in June 2022, to reflect the new default investment strategy. The SIP was also updated in September 2020 in line with regulations relating to Environmental, Social and Governance (ESG) considerations.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the Trustees' SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities were not updated in the SIP in force during the year.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year. Nor were any changes made to the ESG policies in the SIP which was updated in June 2022 to reflect the new default arrangements.

Policy for taking into account financially material ESG considerations

Trustees' Policy: The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. Environmental concerns include climate change, energy efficiency, waste and pollution and scarcity of water and other resources. Social concerns include human rights, health & safety at work, welfare and other working conditions, and responsibility for the wider community in which a business operates. Corporate Governance concerns include audit quality, board structure, remuneration policy, shareholder and other stakeholder rights.

The Trustees expect its investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of its investment managers.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the investment managers and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in pooled funds.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Global equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the investment manager to engage with its investee companies that form the index on ESG issues in order to promote sustainable long term investment returns. This is done by exercising any voting rights attached to the equity investments and engaging directly with investee companies.
Diversified growth funds	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
Sterling fixed income	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect its investment manager, to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Cash	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Policy for taking into account non-financial ESG considerations

Trustees' Policy: *Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustees expect its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments. However, members views are sought on the choice of funds available, and the Trustees currently make an ethical equity fund available to members.*

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

Policy on the exercise of voting rights and engagement activities

Trustees' Policy: *The Trustees expect their Investment Managers, to exercise ownership rights attached to investments as they see fit, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. The Trustees do not impose any additional constraints on the managers. On an ongoing basis the Trustees will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager's voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the Investment Managers, and asking questions directly to the Investment Managers.*

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager.

The Trustees have employed Broadstone to assist them in monitoring the voting and engagement activity of their investment managers. The Trustees, with the assistance of Broadstone, have concluded that the voting and engagement activity of their investment managers is in line with their policy on voting and engagement.

Within the current investment arrangements, the equity and multi-asset funds with LGIM contain equity holdings, and therefore have voting rights attached to these underlying equities.

LGIM employs the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third party proxy voter used is confirmed in the table below.

The Trustees have delegated engagement activities to their investment managers, and each investment manager reports to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by LGIM on behalf of the Trustees from 1 April 2021 to 31 March 2022 is provided in the table below, based on the latest information available.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Manager uses own voting policy?	Resolutions Voted On	Resolutions Voted:		
					For	Against	Abstained
LGIM	Pooled	ISS	Yes	67,271	80%	19%	1%

The votes above are at the company level, rather than being scheme or fund specific.

LGIM provided examples of significant votes cast:

- LGIM voted in favour of a shareholder resolution for Procter & Gamble (P&G) to provide a report on its effort to eliminate deforestation. P&G uses both forest pulp and palm oil as raw materials in its products, and two of its Tier 1 suppliers of palm oil were linked to illegal deforestation. Forest pulp and palm oil are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G have introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt that it was not doing as much as it could. The company had also not responded to the CDP Forests Disclosure, and this was deemed a red flag to LGIM in terms of P&G's level of commitment.
- LGIM voted against a resolution to ratify a named executive officer's compensation at Walgreens Boots Alliance, Inc., after the company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. Investors would expect pay and performance to be aligned and when LGIM engaged with the company in November 2020, the company failed to mention the application of discretion, despite the significant impact this would have on compensation. LGIM generally does not support the application of retrospective changes to performance conditions and the company did not provide sufficient justification for the level of discretion applied which resulted in the payment of approximately \$3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares being vested.

A notable engagement activity of LGIM is provided below:

- **LGIM** put forward a shareholder proposal to Moderna requesting that the company publicly disclose how its receipt of government financial support for the development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to such products, such as setting prices. The company is contesting the inclusion of the proposal on its agenda at the 2022 Annual General Meeting and have indicated that they will publish such a report prior to the Annual General Meeting. LGIM are currently engaging with the company. The Trustees are comfortable with the investment managers' approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustees also consider the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from 'A+' to 'E'. LGIM achieved the highest score of A+.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports to ensure the investment objectives set out in their SIP are being met.

Signed: _____

Date: _____

On behalf of the Trustees of the Reliance Precision Limited Retirement and Death Benefits Scheme