

Appendix 2: Implementation Statement

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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 20 June 2022 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

Investment Objectives of the Scheme

The Trustees' primary objective is to offer a range of funds with different risk characteristics sufficient to satisfy the requirements of the majority of members without introducing complexity of investment. A further objective is to ensure that the funds are provided by a reputable investment manager and that those funds provide good value for money for the members, with charges kept to a minimum.

Having taken advice, the Trustees' policy is to invest in predominantly passive pooled funds, whose objectives are to track the returns on published indices. These funds are considered to be most suitable for meeting the Trustees' objectives as set out in the SIP..

Stewardship Policy

The Trustees' stewardship policy, as set out in the SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees cannot exercise their responsibilities directly as they do not hold investments in their name. The Trustees expect their Investment Managers, to exercise voting rights at annual and extraordinary general meetings of companies. The Trustees expect their Investment Managers to report to them on the implementation of, and any changes to, their policies on voting and engagement. The Trustees periodically review the investment manager's procedures in this regard.

Review of the SIP and of the Investment Strategy

The Trustees last revised the SIP in June 2022, aligning it with the new default investment strategy and the Scheme's structural transition from a hybrid to an exclusive Defined Contribution (DC) scheme.

The SIP was updated in September 2020 in line with regulations relating to Environmental, Social and Governance (ESG) considerations.

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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 in this Statement and are detailed in the Trustees' SIP.

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

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.

Over the year to 31 March 2023, the scheme has not made any changes to their investment strategy.

Investment Manager and Funds in Use

The investment funds used for DC benefits as at 31 March 2023 are set out below:

Asset Class	Manager	Fund
Global equities	LGIM	LGIM Ethical Global Equity Index Fund
Diversified growth funds	LGIM LGIM	LGIM Multi-Asset Fund LGIM Retirement Income Multi-Asset Fund
Sterling fixed income	LGIM	LGIM Future World Annuity Aware Fund (formerly 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	Investment Default Approach
Up to 5 years prior to normal retirement age	The approach invests wholly in the LGIM Multi-Asset Fund

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From 5 years before normal retirement age	Phased switches are made between the funds to achieve an allocation of 75% in the LGIM Future World Annuity Aware 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).
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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 Future World Annuity Aware Fund instead of the LGIM Retirement Income Multi-Asset Fund.

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

Investment 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.

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.

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>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</p> <p>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</p>	No deviation from this policy over the year to 31 March 2023.

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	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.	
Voting Rights and Engagement	The Trustees expect their Investment Managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their Investment Managers. 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.	No deviation from this policy over the year to 31 March 2023.

Financially and Non-Financially Material Considerations

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, 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 Manager 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 manager.

The Trustees invest across a range of asset classes and styles. The Trustees expect the Investment Manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

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
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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 Trustees also expect 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.

Voting Rights and Engagement Activities

The Trustees currently invest predominantly in pooled investment funds with the Investment Manager. They acknowledge that this limits their ability to directly influence each Investment Manager. In particular, all voting activities have been delegated to the Investment Manager, 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’ stewardship policy is detailed at the start of this document although this has not been shared with the Investment Manager to influence what they believe to be the most significant votes.

However, the Trustees periodically meet with their Investment Manager, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Manager on these matters where they think this is in the best interests of members.

Over the year to 31 March 2023, the LGIM Ethical Global Equity Index Fund, LGIM Multi-Asset Fund and LGIM Retirement Income Multi-Asset Fund contained equity holdings, and therefore have voting rights attached to the underlying equities.

The Trustees have delegated engagement activities to the Investment Manager, and the 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 from 1 April 2022 to 31 March 2023 on behalf of the Trustees (where the investment owns equities) is provided in the table below.

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Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
LGIM	Ethical Global Equity Index Fund	16,590	82%	18%	0%
LGIM	Multi Asset Fund	99,914	77%	22%	1%
LGIM	Retirement Income Multi-Asset Fund	104,588	78%	21%	1%

Information regarding proxy voting is detailed below:

- LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with their position on ESG, a custom voting policy with specific voting instructions has been implemented.

Significant Votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the Investment Manager. In determining significant votes, the Investment Manager will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable events, or where the Investment Manager notes a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement;

The Trustees believe the following represents one of the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE	
Company	Rio Tinto Plc
Date	8 April 2022
% of portfolio invested in firm	c. 0.14% of LGIM Retirement Income Multi-Asset Fund
Resolution	Approve Climate Action Plan
Why significant	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
How voted	VOTED AGAINST
Manager Comments	<i>"We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of</i>

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	<i>quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner."</i>
Vote outcome	84%

The Trustees believe that the most significant vote detailed above is aligned with the Scheme's stewardship priorities as detailed at the start of this document.

Engagement Activity

The notable engagement activity of the Investment Manager over the last 12 months is provided below:

- LGIM engaged with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic of water pollution in the UK. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.

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.

For the 2021 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Manager is outlined in the table below.

Manager	2021 UNPRI Rating
LGIM	★★★★★
Median	★★★

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

Monitoring of Investment Arrangements

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

Signed:

Date:

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