Reliance Pension Scheme

Annual Implementation Statement – Scheme year ending 31 March 2023

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Section 1: Introduction

Introduction to and purpose of this statement

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Reliance Pension Scheme (the "Scheme") covering the scheme year to 31 March 2023.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the engagement policy under the Scheme's Statement of Investment Principles ("SIP") has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement will be made available on the following website https://www.utmost.co.uk/about-us/reliance-pension-scheme/ and included in the Trustee's annual report and scheme accounts for the year to 31 March 2023. This is the third year of the Scheme providing an Implementation Statement and the format of the statement is expected to evolve over time as practices are established.

Review of the SIP and changes made during the Scheme year

The SIP was last reviewed and updated during the Scheme year ending in March 2021 to reflect updated requirements regarding the Trustee's arrangements with investment managers, including alignment of interests with the Trustee's policies, investment manager remuneration, portfolio turnover and associated costs, and the duration of the arrangements with investment managers. The SIP was last reviewed in September 2022, and the Trustee concluded that no changes were required.

The revised SIP was formally adopted by the Trustee in September 2020.

Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP, are as follows:

- The Trustee believes that Environmental, Social and Governance (ESG) related risks, including climate change risks, are an important component of investment risk. The Trustee believes that organisations that soundly manage ESG related risks are more likely to be financially sustainable over time, and therefore deliver better long-term risk adjusted returns. The Trustee believes that consideration of ESG risks is a financially material component of our investment framework.
    - Environmental factors include climate change, resource, especially water, scarcity, and waste treatment practices. We recognise that climate change is a key environmental challenge that poses both risks and opportunities. These may take the form of rising physical losses from extreme weather in the short term, the medium term impacts from the implementation of climate change policy, and the longer-term impacts if global temperature rises are not limited.
    - Social factors include diversity, human capital management, health and safety, customer and supplier relationships, and interactions with local communities, regulators and governments. Organisations today must recognise that they operate under a social licence, and that relationships with stakeholders should reflect these obligations.
    - Governance factors include business ethics, transparency of company management and reporting, executive remuneration and board structure. Well-governed organisations typically face lower levels of ESG risk as a result of a strong governance culture and appropriate policies and procedures, enabling them to deliver sustainable long-term returns.
- The Trustee requires the Scheme's investment managers to integrate analysis of relevant ESG issues into their investment processes. How the investment managers take ESG issues into account in practice is monitored on a regular basis via the quarterly investment reporting that is received.
- The Trustee has instructed its investment managers to exercise their voting and other rights as shareholders in a manner they believe to be consistent with best practice in relation to Corporate Governance and in accordance with the Institutional Shareholders' Committee's ("ISC") Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.
- The Trustee recognises the Scheme's responsibility as a long term institutional investor to support and encourage good corporate governance practices in the companies in which it invests.
- The Trustee therefore requires its investment managers in their stewardship of the Scheme's assets to pay appropriate regard to relevant corporate governance, social, ethical and environmental considerations when considering the purchase, retention or sale of investments.

The return-seeking assets of the Scheme are all held in a Diversified Growth Fund (DGF), namely the Schroder Life Diversified Growth Fund. Therefore, the Trustee's focus in this implementation statement is on this DGF. Voting information on the Scheme's matching assets is not provided since the vast majority of debt securities do not come with voting rights. The Scheme's investment managers are signed up to the UK FRC Stewardship Code and the latest statements of compliance for LGIM can be found via the links below:

Schroders: https://www.schroders.com/en/sustainability/active-ownership/

Schroders' manager voting policy is reproduced in Appendix 1.

Section 3: Voting information

Summary of voting over the year to 31 March 2023

The Trustee invests in pooled funds via their investment manager. By the nature of these vehicles, the Trustee oversees the manager's voting and engagement activities and policies, rather than directing how individual votes are exercised. The Trustee deems holdings in equities to be relevant in terms of voting behaviours and holdings in equities and corporate debt to be relevant in terms of engagement activities with investee companies.
The Trustee has considered the voting and engagement activity that took place on its behalf during the Scheme year, as described in this section. The Trustee is satisfied that their investment manager has demonstrated high levels of voting and engagement in line with its stewardship policy. In particular, the Trustee noted the following.

- The investment manager demonstrated very high levels of voting rights being exercised on the Trustee's behalf.
- Challenge to investee company management was demonstrated through the proportion of votes against management led resolutions.
- The investment manager carried out a high level of engagement activities with the management of investee companies across the Trustee's main ESG risks, including progress on some issues.

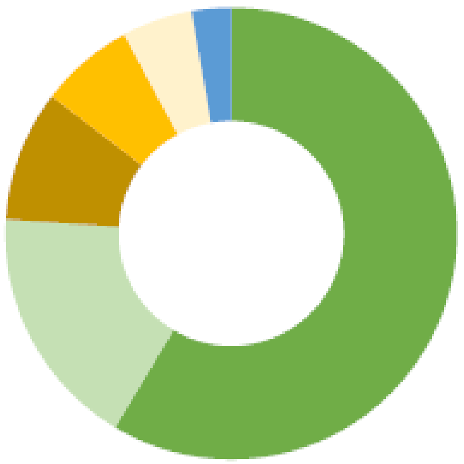
A summary of the votes made by Schroder on behalf of the Trustee over the year to 31 March 2023 (the closest period for which the relevant data is available) is provided in the table below:

Voting activity – Schroder life Diversified Growth Fund
• Number of meetings at which the manager was eligible to vote: 1,270 • Number of resolutions on which manager was eligible to vote: 15,662 • Percentage of eligible votes cast: 95.3% • Percentage of votes with management: 89.9% • Percentage of votes against management: 9.5% • Percentage of votes abstained from: 0.6% • Of the meetings, in which the manager voted, the percentage where the manager voted at least once against management: 52.6%

The manager's engagement activities with investee companies include correspondence in writing and by email, phone calls, meetings with company management, collaboration with other investors, participation at events and discussions with other advisers and stakeholders. The table and chart below summarise the number of engagements that have been undertaken in relation to the Scheme's investments over the period, with a case study described on the following page.

Engagement summary	
Engagements	**893**
Topics	**1,534**
Environmental	64%
Social	19%
Governance	17%

Discussion topics split by theme*



Source: Source: Schroders as at 31 March 2023 for the Diversified Growth Fund.
**Discussion topics are split by theme as set out in the [Schroder Engagement Blueprint](); over this period topics include 195 environmental, 55 social and 40 governance.*

Most significant votes

The fiduciary manager's policy (see Appendix 1, below) is to define any vote against management as a "most significant vote". Over the period in question, this amounted to 1,488 votes. The full list of votes by Schroders (including the rationale for votes both with and against management's recommendation) is available at https://www.schroders.com/en/sustainability/active-ownership/voting/. The Trustee considers the following sample as representative.

Significant vote 1	
Company (country):	Sasol Ltd (South Africa)
Meeting date:	25 November 2022
Proposal:	Approve Climate Change Report
Stewardship Priority:	Environmental (Climate Change)
How the investment manager voted:	**Against** (Company management recommendation: For)
Rationale for voting against management's recommendation:	"We are not supportive of this report because the targets are not verified or aligned with a 1.5 degree pathway which require emissions to be cut by almost half by 2030. Given the impact the company is having on both national and global emissions, we believe it essential that the company align their short and medium term targets with a 1.5 degree pathway."

Significant vote 2	
Company (country):	Bouygues SA (France)
Meeting date:	28 April 2022
Proposal:	Approve Auditors' Special Report on Related-Party Transactions
Stewardship priority:	Governance (Corporate governance)
How the investment manager voted:	**Against** (Company management recommendation: For)
Rationale for voting against management's recommendation:	"Outsourcing of remuneration arrangements for the Chair is against best practice."

Significant vote 3	
Company (country):	Amazon.com, Inc. (USA)
Meeting date:	25 May 2022
Proposal:	Report on Protecting the Rights of Freedom of Association and Collective Bargaining
Stewardship priority:	Social (Human rights)
How the investment manager voted:	**For** (Company management recommendation: Against)
Rationale for voting against management's recommendation:	"Shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives and its management of related risks."

The Trustee has obtained significantly more details of significant votes which were cast by Schroders over the 12 months ended 31 March 2023 than were available last year. We note that the data does not include details such as the outcome of the vote or whether the investment manager intends to escalate the issue. The Trustee continues to engage with the manager to improve the quality of data available, and to ensure that all required statistics are available for next year's Implementation Statement.

Case Study – Addressing The Cost Of Living Crisis

The manager engages with portfolio companies to encourage fair wages, with two of the recent engagements outlined below.

Pushing supermarkets to take action
Companies targeted: From September 2022, the manager has been engaging with our key UK and European supermarkets holdings around the cost of living crisis. **Expectations set:** Core expectations were set around using a fair, socially responsible approach to balancing their employees, customers, and suppliers. The focus differed depending upon current company practices. **Insights so far:** − Most companies are acutely aware of the cost of living crisis and trying to do well by stakeholders (including shareholders) − There are considerable complexities and gaps that remain around contractors, however there is a general openness to improving disclosure
Taking action on sick pay and paid leave in the US
Companies targeted: In October 2022, the manager reached out to a number of US companies in the retail and services sectors, selected for the engagement based on Shift's wage tracker of the largest service sector employers and the top US companies hiring for retail and food services jobs on Glassdoor. **Expectations set:** The manager set two expectations for the companies: 1. Minimum days of paid sick leave per year: Establish a minimum number of paid sick leave policy available to all employees; 2. Paid parental, long-term illness and care leave policy; Go beyond the minimum requirements set out under the Family and Medical Leave Act (FMLA), and offer full or partial pay for this period. **Insights so far:** − Most companies have to adjust their policies based on local and state regulations, which adds administrative complexity and divergent policies.

Significant engagements

We have been provided with examples of progress on engagements from Q1 2021 where Schroders encouraged changes within the companies held in the fund. The following table captures detail on the progress of the most significant engagements in respect of requests for change which were made by the manager. The Trustee understands that Schroders will continue to review these engagements periodically and escalate where necessary. Based on the details provided in respect of these engagements, the Trustee believes that further details of more recent votes would not affect the conclusion of this statement, so does not intend to reissue this statement when details of significant votes are available.

Significant engagements between Schroders and Investee companies
<u>Company: Unite (Financials)</u> **<u>Stewardship Priority: Governance</u>** **Suggestion for change (1)**: Asked that the non-financial element of the short term award to be limited to 30% rather than 40%.

Result: Achieved In the final remuneration proposal, non-financial elements were limited to 30% rather than 40% as the investment manager had asked.

Suggestion for change (2): Asked for the sustainability element to the long-term incentive plan (LTIP) to be taken as a small section from each of the current financial metrics, rather than as a large portion of the weighting of Total Shareholder Return (TSR).

Result: Achieved In the final remuneration proposal, all financial elements had been reduced equally so that it was not such a large portion of TSR. This meant that the TSR component remained as 28% of the LTIP, rather than the proposed 15%.

Company: Alcon (Healthcare)

Stewardship Priority: Environmental

Suggestions for change: Urged Alcon not to de-prioritise environmental performance, and the manager expects to see scope 1 and 2 targets in the next Corporate Social Responsibility (CSR) report.

Result: Almost The company has made a commitment to be carbon neutral by 2030 and have made scope 1 and 2 commitments but are not yet in a position to include scope 3 and don't have a time frame for this.

Meetings with managers

The Trustee last met with the investment manager in February 2023. The Trustee has since conducted a review of the scheme's investment strategy, resulting in the Trustee engaging with the investment manager to switch the investment strategy to a 40% return-seeking/60% matching asset allocation, as well as making changes to the objectives of the matching asset portfolio. The Trustee has been in regular contact with the investment manager since May 2023 to implement these investment changes.

Trustee's opinion

Based on the voting summaries set out above and their meetings with the managers, the Trustee's opinion is that the Statement of Investment Principles has been followed during the year to 31 March 2023 in relation to voting and engagement.

The Trustee of the Reliance Pension Scheme

Appendix 1: Manager voting policies

The voting policy of the Schroder Life Diversified Growth Fund is provided below:

Voting policy questions	Investment manager's response
What is your policy on consulting with clients before voting?	In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether or not this is available for the type of investment(s) they hold with Schroders.
Please provide an overview of your process for deciding how to vote.	We evaluate voting issues arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. We utilise company engagement, internal research, investor views and governance expertise to confirm our intention. Further information can be found in our Environmental, Social and Governance Policy for Listed Assets policy.
How, if at all, have you made use of proxy voting services?	We receive research from both Institutional Shareholder Services and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into our voting decisions. In addition to relying on our policies we will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. It is important to stress that our own research is also integral to our final voting decision; this will be conducted by both our financial and ESG analysts. For contentious issues, our Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. We continue to review our voting practices and policies during our ongoing dialogue with our portfolio managers. This has led us to raise the bar on what we consider 'good governance practice.'
What process did you follow for determining the "most significant" votes?	We consider "most significant" votes as those against company management. We are not afraid to oppose management if we believe that doing so is in the best interests of shareholders and our clients. For example, if we believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long term performance and creation of shareholder value. Such votes against will typically follow an engagement and we will inform the company of our intention to vote against before the meeting, along with our rationale. Where there have been ongoing and significant areas of concerns with a company's performance we may choose to vote against individuals on the board. However, as active fund managers we usually look to support the management of the companies that we invest in. Where we do not do this we classify the vote as significant and will disclose the reason behind this to the company and the public.

Did any of your “most significant” votes breach the client’s voting policy (where relevant)?	It is our policy to disclose our voting activity publicly. On a monthly basis, we produce our voting report which details how votes were cast, including votes against management and abstentions. While we implement an ESG policy, voting is comply or explain and we do not have a tick box approach, we rely on analysis and engagement to determine our vote intention. The reports are publicly available on our website: https://www.schroders.com/en/sustainability/active-ownership/voting/
If ‘Y’ to the above. Please explain where this happened and the rationale for the action taken.	Not Applicable
Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings? 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding; 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings; 3) The asset management firm’s stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding; 4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; 5) There are differences between the stewardship policies of managers and their clients.	Schroders accepts that conflicts of interest arise in the normal course of business. We have a documented Group wide policy, covering such occasions, to which all employees are expected to adhere, on which they receive training and which is reviewed annually. There are also supplementary local policies that apply the Group policy in a local context. More specifically, conflicts or perceived conflicts of interest can arise when voting on motions at company meetings which require further guidance on how they are handled. Outlined below are the specific policies that cover engagement and voting. Schroders’ Corporate Governance specialists are responsible for monitoring and identifying situations that could give rise to a conflict of interest when voting in company meetings. Where Schroders itself has a conflict of interest with the fund, the client, or the company being voted on, we will follow the voting recommendations of a third party (which will be the supplier of our proxy voting processing and research service). Examples of conflicts of interest include (but are not limited to): ▪ where the company being voted on is a significant client of Schroders, ▪ where the Schroders employee making the voting decision is a director of, significant shareholder of or has a position of influence at the company being voted on; ▪ where Schroders or an affiliate is a shareholder of the company being voted on; ▪ where there is a conflict of interest between one client and another; ▪ where the director of a company being voted on is also a director of Schroders plc; ▪ where Schroders plc is the company being voted on. Separation of processes and management between Schroder Investment Management and our Wealth Management division helps to ensure that individuals who are clients or have a business relationship with the latter are not able to influence corporate governance decisions made by the former. If Schroders believes it should override the recommendations of the third party in the interests of the fund/client and vote in a way that may also benefit, or be perceived to benefit, its own interests, then Schroders will obtain the approval of the decision from the Schroders’ Global Head of Equities with the rationale of such vote being recorded in writing. If the third-party recommendation is unavailable, we will vote as we see is in the interests of the fund. If however this vote is in a way that might benefit, or be perceived to benefit, Schroders’ interests, we will obtain approval and record the rationale in the same way as described above. In the situation where a fund holds investments on more than one side of the transaction being voted on, Schroders will always act in the interests of the specific fund. There may also be instances where different funds, managed by the same or different fund managers, hold stocks on either side of a transaction.

	In these cases the fund managers will vote in the best interest of their specific funds. Where Schroders has a conflict of interest that is identified, it is recorded in writing, whether or not it results in an override by the Global Head of Equities.
Please include here any additional comments which you believe are relevant to your voting activities or processes	Schroders fully supports the UK Stewardship Code and complies with all its principles. Although the Code is focused on the UK, it sets a standard for stewardship and engagement for non-UK equity investments and we seek to apply the same principles globally, taking into account local practice and law. Further information on our Environmental, Social and Governance Policy can be found at the below address: https://www.schroders.com/en/sustainability/active-ownership/

Source: Schroders