

ROYAL INSURANCE GROUP PENSION SCHEME

IMPLEMENTATION STATEMENT FOR YEAR ENDING 31 MARCH 2021

1. INTRODUCTION

This statement has been prepared by the Trustee of the Royal Insurance Group Pension Scheme (“the Scheme”) to demonstrate how, and the extent to which, the policies relating to stewardship and engagement in the Scheme’s Statement of Investment Principles (“SIP”) have been implemented during the year to 31 March 2021.

The statement has been produced in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, and is in respect of the investments held by the Scheme.

2. STEWARDSHIP AND ENGAGEMENT POLICIES

The Scheme has a Statement of Investment Principles (“SIP”) in which the Trustee’s policies relating to stewardship and engagement policy are outlined.

The Trustee believes that good stewardship can enhance long term portfolio performance and is therefore in the best interests of the Scheme’s beneficiaries and aligned with its fiduciary duty. The Trustee delegates responsibility for the implementation of the Scheme’s policy on stewardship including the exercise of voting rights and engagement activities to the Investment Sub Committee (“ISC”).

Investment managers are given full discretion in exercising rights and stewardship obligations relating to the Scheme’s investments, with investment managers expected to directly engage with the debt or equity issuers to improve the issuer’s performance on a medium to long-term basis.

All investment managers are expected to monitor investee companies and engage with management on all relevant stewardship matters including but not limited to performance, strategy, capital structure, risks, management of actual or potential conflicts of interest, social and environmental impact and corporate governance. Furthermore, the Trustee encourages its investment managers to work collectively with other managers when practical.

The Scheme’s stewardship and engagement policies are reviewed as part of the review of the Scheme’s SIP. The latest review of the SIP for the Scheme took place in September 2020. A copy of the Scheme’s SIP can be found at <https://epa.towerswatson.com/doc/RSU/pdf/rigps-sip--.pdf>

3. IMPLEMENTATION OF STEWARDSHIP AND ENGAGEMENT POLICY

Policy	Comments for the year to 31 March 2021
<p>Investment managers are given full discretion in exercising rights and stewardship obligations relating to the Scheme's investments. The ISC expects all of their investment managers to monitor investee companies and engage with management on all relevant stewardship matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. Furthermore the ISC encourages its investment managers to work collectively with other managers when practical.</p>	<p><i>The ISC has delegated its voting rights to the investment managers. The ISC does not use the direct services of a proxy voter.</i></p> <p><i>The majority of the Scheme's investments are in fixed income instruments and the Scheme has only a modest exposure to passive equity investments through pooled vehicles. As such, the ISC's focus is on the engagement activity of the Scheme's investment managers and examples of some of the activity undertaken have been included in this statement. Where the Scheme holds investments via pooled vehicles (relevant to all equity holdings and some credit holdings), the ISC recognises that it has less scope to influence manager policies.</i></p> <p><i>Where voting activity is undertaken (principally by the Scheme's passive equity manager), data has been collated and a summary of this voting activity is included at the end of this statement.</i></p> <p><i>The ISC is satisfied that voting and engagement by all managers has taken place. Specific examples of engagement are given below.</i></p>
<p>The ISC requires all appointed investment managers to report regularly to the ISC and disclose all voting and engagement activity undertaken on its behalf. The ISC monitors the approach of each investment manager.</p>	<p><i>All investment managers have provided sufficient detail on engagement activity (and voting where relevant) through the year and specifically in the course of the production of this statement.</i></p> <p><i>A key focus over the year has been on how the Scheme's investment managers incorporate Environmental, Social & Governance ("ESG") factors into their investment processes. As part of this, the ISC has considered the managers' approach to stewardship and engagement activities.</i></p>
<p>The ISC may engage with its investment managers as part of its stewardship monitoring process or, potentially, as a particular stewardship matter is brought to its attention. The ISC has not had, and does not expect, direct engagement with the issuers or other holders of debt or equity.</p>	<p><i>There have been no specific themes or particular stewardship matters brought to the attention of the ISC over the year to 31 March 2021 which have required engagement with its investment managers.</i></p>
<p>The ISC is supportive of the UK Stewardship code ("the Code") published by the Financial Reporting Council and expects the Scheme's managers who are registered with the FCA to comply with the Code. Such managers are required to report on the extent of their adherence to the UK Stewardship</p>	<p><i>The majority of the Scheme's investment managers have applied to be signatories to the 2020 UK Stewardship Code. Of these managers, the Trustee is not aware of any that have reported instances of lack of adherence.</i></p>

Code on an annual basis.	
The ISC expects its investment managers to have effective policies addressing potential conflicts of interest in matters of stewardship. These will be reviewed periodically.	<i>The majority of managers do have policies in place. Where policies do not exist, this typically coincides with not being a signatory to the UK Stewardship Code. The ISC will continue to engage managers on their reasons for not applying to be a signatory where relevant.</i>

4. ENGAGEMENT ACTIVITY

As part of the Trustee’s policy regarding Responsible Investment and Stewardship, the Trustee expects its investment managers to identify and manage material ESG risks as part of the investment process and encourages the investment managers to directly engage with the companies they invest in.

Some examples of how the Scheme’s investment managers have incorporated ESG factors into the investment process and engaged with the companies they invest in are set out in the table below.

Investment Manager	Investment/Issuer	Outcome
Man Group	Issuer name undisclosed	The issuer in question is in the Industrials sector; a sector with a high level of energy consumption. Man engaged with the issuer to encourage enhanced greenhouse gas reporting and reduction targets, with this including a specific meeting with the Head of Sustainability at the issuing firm. Since the engagement, the issuer has announced it aims to become carbon neutral in its European operations by 2050, alongside other ESG related targets. Man continue to monitor the issuer’s implementation of the commitments made.
Insight	Pfizer	Insight have held a number of meetings with Pfizer to discuss their approach to product recalls. As a result of these meetings, Insight have proposed that Pfizer disclose more clearly any internal processes for reviews or product recalls. Insight plan to continue monitoring the issue and engage with Pfizer further.
PIMCO	Dell	<p>PIMCO engaged with Dell on responsible sourcing practices. PIMCO encouraged Dell to disclose supplier audit coverage and assurance processes for conflict mineral¹ sourcing, as well as making public commitments to 100% Responsible Minerals Assurance Process (RMAP) for conflict mineral sourcing. Following the engagement, Dell has updated disclosures on RMAP-conformant supplier lists to maintain transparency and is working to achieve 100% RMAP conformance for conflict minerals in 2021.</p> <p><i>The above case study is presented for illustrative purposes only, as a general example of PIMCO’s ESG research and engagement capability and is not intended to represent any specific portfolio’s performance or how a portfolio will be invested or allocated at any particular time. PIMCO’s ESG processes may yield different results than other investment managers and a company’s ESG rankings and factors may change overtime. All data is as of 31 December 2020, unless otherwise stated.</i></p>

Wellington FedEx

Fedex had a relatively low vote on pay in 2019, with a 25% vote against the compensation plan. In 2020, the compensation committee initially determined that the short-term bonus program, which is available to staff and executives, would not be funded given lower financial results in 2019. Wellington expressed to Fedex their concerns that this could negatively impact staff morale, given that executives were still well-paid through other components of the pay plan available only to the c-suite, and noted that front-line Fedex workers were particularly exposed during Covid. On a subsequent call, Wellington learned that Fedex made the decision to pay short-term bonuses to staff but not executives, a move that eased Wellington’s concerns around morale.

Source: Man Group, Insight, PIMCO and Wellington

¹conflict minerals are minerals mined and sold under the control of armed groups, to finance conflict characterized by extreme levels of violence.

5. VOTING ACTIVITY

Over the year to 31 March 2021, the Scheme has invested in the following funds which include allocations to single-name listed equity:

- BlackRock passive equity fund range
- Man Group Diversified Risk Premia Fund
- Bridgewater All Weather Sterling Fund

The Bridgewater All Weather Sterling Fund was redeemed in full part way through the year. The target allocation to Man Group and physically held passive equity holdings equates to c.10% of total assets.

A summary of the voting activity undertaken in respect of the Scheme’s equity holdings by BlackRock, Man Group and Bridgewater (up to the date of redemption) is summarised in the tables below and overleaf:

Voting Activity	BlackRock Canadian Equity Index Fund	BlackRock European Equity Index Fund	BlackRock Israel Equity Index Fund	BlackRock Japanese Equity Index Fund	BlackRock Pacific Rim Equity Index Fund
<i>No. of meetings eligible to vote during the period</i>	54	546	55	517	448
<i>No of resolutions eligible to vote during the period</i>	740	9,326	485	6,221	3,150
<i>% of resolutions voted</i>	100.00%	81.42%	100.00%	100.00%	99.62%
<i>% of resolutions voted with management</i>	98.65%	87.71%	91.75%	97.97%	90.12%

<i>% of resolutions voted against management</i>	1.35%	12.29%	8.25%	2.03%	9.88%
<i>% of resolutions abstained</i>	0.00%	1.15%	1.44%	0.00%	0.13%

Voting Activity	BlackRock US Equity Index Fund	BlackRock UK Equity Index Fund	BlackRock Emerging Markets Equity index Fund	Man Group Diversified Risk Premia Fund	Bridgewater All Weather Sterling Fund
No. of meetings eligible to vote during the period	611	1,211	3,632	813	1,246
No of resolutions eligible to vote during the period	7,542	15,742	32,114	9,171	14,546
% of resolutions voted	100.00%	97.17%	98.23%	98.57%	99.65%
% of resolutions voted with management	97.20%	94.26%	90.16%	89.23%	87.74%
% of resolutions voted against management	2.80%	5.84%	9.84%	10.53%	12.20%
% of resolutions abstained	0.09%	1.85%	2.07%	0.25%	1.10%

Source: BlackRock, Bridgewater and Coronation

¹BlackRock and Bridgewater have advised that they classify an abstention as a vote against management, hence the rows above relating to % of resolutions for, against or abstained totalling more than 100%.

In addition, the Scheme has allocations to pooled credit funds which may hold convertible bonds. On conversion, such bonds would have voting rights. The pooled credit fund managers of relevance and the reasons why information on voting rights is not provided for the year to 31 March 2021 are set out below:

- CQS – Convertible bonds held did not convert over the year;
- PIMCO – no securities with voting rights were held;
- Towers Watson Investment Management (“TWIM”) – the information is not available to 31 March 2021;
- Wellington - no securities with voting rights were held.

BlackRock has voted by proxy through the Institutional Shareholder Service’s (‘ISS’) electronic voting platform as, given the scale of its holdings, the manager cannot be present at shareholder meetings to cast votes.

BlackRock also subscribes to research from the proxy advisory firms ISS and Glass Lewis. This research is primarily used to synthesise corporate governance information and analysis into an easily reviewable

format. BlackRock do not follow all recommendations from ISS and Glass Lewis but use information provided to inform decision making.

Man Group utilises Glass Lewis as its proxy voting provider. Glass Lewis also provide recommendations on voting, which Man Group considers alongside the advice of their in-house stewardship team.

Bridgewater use Glass Lewis to vote proxies on behalf of its clients. In general, Bridgewater will subscribe to the proxy voting policy adopted by Glass Lewis but reserves the right to direct that Glass Lewis vote in a manner that is contrary to such policy where appropriate.

Each of the three managers have been asked for a description of the process followed for determining most significant votes. These descriptions differ by manager and are set out overleaf:

Manager	Process for determining significant votes
BlackRock	<p>BlackRock Investment Stewardship (BIS) prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which they invest on behalf of clients. BIS' year-round engagements with clients to understand their focus areas and expectations, as well as active participation in market-wide policy debates, help inform these priorities. The themes identified are reflected in BlackRock's global principles, market-specific voting guidelines and engagement priorities, which underpin their stewardship activities and form the benchmark against which they look at the sustainable long-term financial performance of investee companies.</p>
Man Group	<p>The Man Group proxy voting framework comprises a bespoke screening system that identifies 'high-value meetings'. This screening combines the ESG rating from a third-party provider with an internal metric on deemed importance of the meeting. If a company falls below a certain threshold score in any area (ESG rating) and / or is considered materially important based on the % of shares outstanding held by Man or by the relevant fund's assets under management, the meeting will be flagged to the stewardship team and be considered 'high-value'. In addition to this, all meetings with shareholder proposals are flagged to the stewardship team and reviewed.</p>
Bridgewater	<p>Positions in one of Bridgewater's strategies are based on fundamental linkages between asset classes and macro-economic conditions, and not the evaluation of specific companies. As such, Bridgewater has not adopted a policy for identifying significant votes as any particular voting matter's outcome is inconsequential in the context of the overall portfolios.</p>

September 2021