

# Cendant Relocation Services Equitable Life Pension Scheme

## Statement of Investment Principles - Implementation Statement - 2023

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) have been implemented. The SIP provides further background details on investment arrangements.

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 January 2023 to 31 December 2023.

### **Investment objectives of the Scheme**

The Trustees' investment objectives with regard to investing the Scheme's assets as set out on page 4 of the December 2023 SIP are:

- To provide a range of funds which broadly satisfies the differing risk profiles of all members;
- To provide a suitable default investment option for members who do not select their own funds, designed to be appropriate for what the Trustees believe to be a typical scheme member;

### **Investment managers and funds in use**

The Scheme is a wholly insured arrangement via a policy held with Utmost Life & Pensions Limited ('the Insurer'). In turn, Utmost Life & Pensions have appointed J P Morgan Asset Management, abrdrn and Schroders (Schroders manage the investments of the Clerical Medical with-profits fund) as the underlying investment managers of the funds available to members.

The Insurer has made the following pooled funds available for members to invest in:

Asset Class	Fund
<b>Equity</b>	
UK equity	Utmost FTSE All Share Tracker Fund
UK equity	Utmost UK Equity Fund
Asia Pacific equity	Utmost Asia Pacific Equity Fund
Europe equity	Utmost European Equity Fund
US equity	Utmost US Equity Fund
Global equity	Utmost Global Equity Fund
<b>Multi-asset</b>	
Multi-asset	Utmost Managed Fund
Multi-asset	Utmost Multi-Asset Cautious Fund
Multi-asset	Utmost Multi-Asset Moderate Fund
Multi-asset	Utmost Multi-Asset Growth Fund
<b>Bonds</b>	
Corporate bonds	Utmost Sterling Corporate Bond Fund
Fixed interest government bonds	Utmost UK Government Bond Fund
<b>Cash</b>	
Cash	Utmost Money Market Fund

The Clerical Medical With-profits fund is also available.

### Default Lifestyle Strategy

Where members do not make an active choice regarding how their holdings should be invested, a default investment option has been put in place with the Insurer. The broad aim of the default investment approach is to provide a higher level of expected investment growth earlier in a member's working life, before gradually reducing the uncertainty in the level of benefits emerging as a member approaches retirement, switching their allocations to expectedly lower-risk investments

The default investment approach selected is Utmost's lifestyling 'Investing by Age' approach.

The Investing by Age approach is set out below:

Age	Investment Fund Allocation
<b>Up to 55</b>	100% Utmost Multi-Asset Moderate Fund
<b>55 – 65</b>	Gradual switch from 100% Utmost Multi-Asset Moderate Fund to 100% Utmost Multi-Asset Cautious Fund
<b>65 – 75</b>	100% Utmost Multi-Asset Cautious Fund
<b>75 – 85</b>	Gradual switch from 100% Utmost Multi-Asset Cautious Fund to 100% Utmost Money Market Fund
<b>85 or Over</b>	100% Utmost Money Market Fund

There have been no changes to the default investment option or the funds available for members to use over the year.

## **Review of the Investment Strategy**

The Trustees periodically review the investment arrangements of the Scheme. The latest review was conducted in 2020 when the management of the Scheme switched from Equitable Life to Utmost. The review included the introduction of a revised default option and a number of self-select funds.

## **Investment Governance**

The Trustees are responsible for making investment decisions and seeks advice as appropriate from Broadstone Financial Solutions ('Broadstone'), as their 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 as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

There were no changes to the objectives put in place for Broadstone when they were appointed in April 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.

## **Review of the SIP**

A new Statement of Investment Principles (SIP) was put in place in December 2023. This was updated to include the Trustees' policies in relation to their arrangements with asset managers:

- How managers are incentivised and remunerated
- How performance is monitored
- Cost monitoring
- Frequency of manager reviews

The Trustees have a policy on financially material considerations relating to 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, in addition to non-financially material considerations. These policies are set out later in this Statement 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.

## Trustees' Policies

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

Requirement	Policy
<b>Selection of investments</b>	The Trustees offer a number of funds selected by the Insurer, covering a wide range of assets classes. The precise investments used are selected by the underlying Investment Managers in line with each fund's specific mandate and objectives.
<b>Delegation to Insurer</b>	The Trustees will delegate the day-to-day management of the Scheme's assets and the fund options available to members to the Insurer, and will not be involved in the buying or selling of investments, or involved in the fund options made available to members. The Trustees will periodically review the suitability of the fund options provided to members by the Insurer within a wider review of the wholly insured arrangements.
<b>Realising investments</b>	The Trustees invest in daily dealt funds and these are realised as required on members' instructions.
<b>Performance benchmarks and objectives</b>	The Insurer has set each fund's benchmark and objectives with the underlying Investment Managers and the Trustees have delegated the monitoring of these to the Insurer. However, the Trustees do review the performance of the funds, in conjunction with Broadstone, based on regular information provided by the Insurer.
<b>Investment management charges</b>	The investment management charges of the funds used or available to be used by members are all at, or below, the statutory charge cap of 0.75%. The charges are set out in the SIP and also disclosed to members through communication channels.
<b>Financial and non-financial considerations</b>	The Trustees have continued to delegate responsibility to reflect financially material considerations to the Insurer and the underlying fund managers. The Trustees do not have a policy on non-financial considerations.
<b>Engagement and voting rights</b>	The Trustees have continued to delegate all engagement and voting rights to the Insurer and underlying fund managers. The Trustees have reviewed JP Morgan's 2023 report of their activities in these areas.

The Trustees will assess how these policies have been implemented in its next Implementation Statement.

## Financially and non-financially material considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests.

In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Insurer and underlying Investment Managers. The Trustees have an expectation that the Insurer will consider ESG issues in selecting the investment fund options available for investment by members. In addition, the Trustees also expect the underlying investment managers of the investment fund options available for investment by members to engage with the issuers of the underlying holding on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustees do not currently impose any specific restrictions on either the Insurer or underlying investment managers with regard to ESG issues. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within its general approach to ESG issues. The Trustees will continue to monitor market developments in this area.

The Trustees do not take into account non-financial considerations when choosing investments.

## Voting rights and engagement activities

Members are currently permitted to invest in pooled investment funds held with the Insurer and managed by the underlying investment managers, and the Trustees acknowledge that this limits its ability to directly influence either the Insurer or the underlying investment managers on behalf of members. In particular, all voting activities have been delegated to the underlying 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 will consider whether to challenge the Insurer on how ESG issues and voting rights have been taken into account for the investment approaches available to members, if the Trustees think this is in the best interests of members.

The majority of members were invested in Utmost's Investing by Age approach at the year-end, where the underlying assets were solely managed by JP Morgan Asset Management ('JP Morgan'), and where some of the underlying assets have voting rights attached. JP Morgan has put in place its own voting policy, and a summary of the votes made by JP Morgan across all assets that it owns and manages are summarised in the table below. Utmost has not provided data for each individual fund as requested, and so the data in the table below is therefore provided at the overall investment manager level for JP Morgan. At the date of this statement information for 2023 was not available, so the data from 2022 is shown as an indication of JP Morgan's approach and policies.

Manager	Period Covered	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
JP Morgan	2022	90,748	89%	10%	1%

JP Morgan voted on 95% of the proposals it was eligible to do so.

JP Morgan has also confirmed the split of shareholder proposals between Environmental, Social and Governance categories it was asked to vote on over 2022, as shown in the table below.

Manager	Period Covered	Proposals Voted On	Proposals Voted On:		
			Environmental	Social	Governance
JP Morgan	2022	1,349*	172	237	940

\*Not including shareholder proposals labelled "Other proposals".

JP Morgan do not use a proxy-voting service and voting is performed in-house.

### Significant votes

JP Morgan has determined significant votes as those where the investment manager is a major shareholder of the investee company in its portfolios, where the vote is likely to be close or contentious, or where there may be potential material consequences for their clients.

JP Morgan has provided the following significant vote it has undertaken on behalf of investors:

SIGNIFICANT VOTE	
Investment Manager	JP Morgan
Company	Dominion Energy
Resolution	Resolution to set reduction targets for Scope 3 carbon emissions
Why significant	Scope 3 carbon emissions make up 40% of the company's total emissions, and will have a material impact on shareholder value
Voting decision	Voted For
Manager comments	<i>"Intermediate targets will allow investors to assess progress as well as reliance on offsets, which is coming under scrutiny. We noted that for Scope 1 and 2, Dominion had outlined their proposed path through intermediate targets. For Scope 3, they have announced this 2050 aspiration without explaining how they would implement. Meeting their commitment could have material impacts on the company's strategy and failure to meet their commitments could present reputational risks to the company. Therefore, we believed investors should be able to understand what those impacts on strategy might be."</i>
Vote outcome	Resolution Rejected – JP Morgan will continue to work with the company to ensure Scope 3 carbon emission reduction targets are set

## Engagement activities

The Trustee has also delegated engagement activities to JP Morgan.


In 2022 JP Morgan engaged with 1,371 companies. Engagement activities centred on six themes: climate change, natural capital and ecosystems, social stakeholder engagement, human capital, governance, long-term strategic alignment with sustainability.

A notable engagement activity of JP Morgan is provided below:

JP Morgan engaged with Rio Tinto, following its iron ore mine expansion at Juukan Gorge in Australia in 2020, which resulted in the destruction of a 46,000 year-old Aboriginal sacred site, and the manager's concerns that there is low representation of indigenous professionals within the wider company. JP Morgan have worked with company management to introduce and report on internal company programs to improve relations with indigenous communities, including working with any impacted communities from any previous business activities. Furthermore, JP Morgan has encouraged the company to start providing internal training on cultural awareness. The manager will continue to engage with Rio Tinto to monitor progress on the company's cultural impact.

## Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, the Trustees and members have access to performance updates on the funds available to members via the Insurer's website.

Signed: 

Date: 17th April 2024

**On behalf of the Trustees of the Cendant Relocation Services Equitable Life Pension Scheme**