

Implementation Statement, covering the Scheme Year from 31 December 2020 to 31 December 2021

The Trustee of the Family Assurance Staff Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took steps to review the Scheme’s existing managers and funds over the Scheme Year, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In October 2021, the Trustee reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags were based on LCP’s Responsible Investment Survey 2020 and whether managers were signatories to the UK Stewardship Code 2020. The Trustee was broadly satisfied with the results of the review. LCP was asked to confirm in due course whether Insight and SSGA were successful in their second application to become signatories to the code.

In October 2021, the Trustee also received training on both stewardship and managing climate risk for pension schemes. The Trustee agreed to ask SSGA to present on their approach to stewardship at a future meeting.

Additionally, the Trustee receives regular updates on ESG and Stewardship related issues from our investment advisers.

3. Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- State Street Asia Pacific ex Japan (100% hedged) ESG Screened Index Equity Sub-Fund;
- State Street Emerging Markets ESG Screened Index Equity Sub-Fund;
- State Street Europe ex UK (100% hedged) ESG Screened Index Equity Sub-Fund;
- State Street Japan (100% hedged) ESG Screened Index Equity Sub-Fund;
- State Street North America (100% hedged) ESG Screened Index Equity Sub-Fund;
- State Street UK ESG Screened Index Equity Sub-Fund; and

- Ruffer Absolute Return Fund.

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

12.1 Description of the voting processes

State Street Global Advisors:

The following overview was provided by State Street Global Advisors on its process for deciding how to vote:

"In order to facilitate State Street Global Advisors proxy voting process, State Street Global Advisors retains Institutional Shareholder Services Inc. ("ISS"), a firm with expertise in proxy voting and corporate governance. We use ISS to:

- *act as our proxy voting agent providing State Street Global Advisors with vote execution and administration services;*
- *assist in applying our voting guidelines;*
- *provide research and analysis relating to general corporate governance issues and specific proxy items*
- *provide proxy voting guidelines in limited circumstances*

The Stewardship Team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case- by-case basis as needed. ISS affects the proxy votes in accordance with State Street Global Advisors Proxy Voting Guidelines. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of the Stewardship Team. Members of the Stewardship Team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with State Street Global Advisors Proxy Voting Guidelines, which seek to maximize the value of our client accounts.

As an extra precaution, the Stewardship Team will refer significant issues to the PRC for a determination of the proxy vote. In addition, other measures are put in place in terms of when and whether or not to refer a proxy vote to the PRC. For instance, the Stewardship Team takes into account whether a material conflict of interest exists between our client and those of State Street Global Advisors or its affiliates. If such a case occurs, there are detailed guidelines for how to address this concern (i.e., please refer to our Mitigating Conflict of Interest Guidelines for additional details).

State Street Global Advisors votes in all markets where it is feasible. However, when State Street Global Advisors deems appropriate, it could refrain from voting meetings in cases as listed below:

- 1) *Where power of attorney documentation is required,*
- 2) *Voting will have a material impact on our ability to trade the security,*
- 3) *Voting is not permissible due to sanctions affecting a company or individual, or*
- 4) *Issuer-specific special documentation is required or various market or issuer certifications are required.*
- 5) *When certain custodians, used by our clients, do not offer proxy voting in a jurisdiction or when they charge a meeting specific fee in excess of the typical custody service agreement*

State Street Global Advisors Vote Prioritization Process:

State Street Global Advisors votes at over 19,000 meetings on an annual basis and prioritizes companies for review based on factors including the size of our holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, State Street Global Advisors will not only allocate appropriate time and resources to shareholder meetings, but will also assign specific ballot items of interest to ensure maximization of value for our clients.

All voting decisions are exercised exclusively in accordance with State Street Global Advisors in-house policies and/or specific client instructions. State Street Global Advisors has established robust controls and auditing

procedures to ensure that votes cast are executed in accordance with State Street Global Advisors instructions. Transparency on these key issues is vital at State Street Global Advisors. In this regard, State Street Global Advisors publishes a record of its global voting activity on the Asset Stewardship section of the website.”

Ruffer:

Ruffer has provided the following overview of its voting process in its publicly available voting policy:

“Ruffer has internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers’ voting recommendations, in general, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients’ shares.

Research analysts are responsible, supported by our responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer. We look to discuss with companies any relevant or material issue that could impact our investment. We will ask for additional information or an explanation, if necessary, to inform our voting discussions. If we decide to vote against the recommendations of management, we will endeavour to communicate this decision to the company before the vote along with our explanation for doing so.

Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams. Ruffer engages regularly with the Investment Association and the Institutional Investor Group on Climate Change (IIGCC). Through our commitment to Climate Action 100+ we have collaborated extensively with other investors or asset owners engaging with a number of European and American companies, including making statements at AGMs and co-filing shareholder resolutions.”

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the table below.

	State Street Global Advisors						Ruffer
Fund name	Asia Pacific ex Japan (100% hedged) ESG Screened Index Equity Sub-Fund	North America (100% hedged) ESG Screened Index Equity Sub-Fund	UK ESG Screened Index Equity Sub-Fund	Japan (100% hedged) ESG Screened Index Equity Sub-Fund	Emerging Markets ESG Screened Index Equity Sub-Fund	Europe ex UK (100% hedged) ESG Screened Index Equity Sub-Fund	Absolute Return Fund
Total size of fund at end of the Scheme Year	£68.7m	£790.2m	£3,003.3m	£159.1m	£3,944.5m	£310.3m	£5,268m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£1.4m / 2.8%	£5.8m / 11.3%	£3.5m / 6.8%	£1.4m / 2.7%	£2.3m / 4.6%	£2.0m / 3.9%	£5.3m / 10.4%
Number of equity holdings at end of the Scheme Year	403	651	580	507	1,681	461	104
Number of meetings eligible to vote	441	642	739	501	3,607	498	95
Number of resolutions eligible to vote	3,136	7,881	10,240	5,874	30,775	8,804	1,265
% of resolutions voted	100%	99.5%	100%	100%	98.3%	99.6%	100%
Of the resolutions on which voted, % voted with management	83.2%	90.3%	92.4%	91.9%	85.6%	89.8%	91.8%
Of the resolutions on which voted, % voted against management	16.8%	9.8%	7.6%	8.1%	14.4%	10.2%	6.5%
Of the resolutions on which voted, % abstained from voting*	1.05%	0.3%	0.2%	0.0%	2.8%	0.4%	1.7%
Of the meetings in which the manager voted, % with at least one vote against management	60.5%	58.4%	65.9%	49.1%	43.9%	61.2%	41.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	9.8%	10.0%	7.3%	6.3%	6.4%	5.8%	7.4%

***Please note that the voting statistics (for/against management and votes abstained) may not sum to 100% because votes abstained may also be counted as a vote for or against management, depending on the proposal.**

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustee has interpreted "most significant votes" to mean votes which the manager deems to be significant based on their internal criteria, and which affect a holding which is significant within the fund.

State Street Global Advisors ("State Street"):

Amazon.com, Inc., May 2021: proposal on community and environmental impact

State Street voted for the proposal, providing the following rationale:

“This proposal merits support as the company’s environmental disclosure and/or practices can be improved.”

Tesla, Inc., October 2021: proposal to establish environmental/social issue board committee

State Street abstained from voting on the proposal, providing the following rationale:

“This item does not merit support due to concerns with the terms of the proposal.”

BP Plc., May 2021: proposal on GHG emissions

State Street voted against the proposal, providing the following rationale:

“This proposal does not merit support as the company’s disclosure and/or practices related to GHG emissions are reasonable.”

Barclays Plc, May 2021: proposal on climate change action

State Street voted against the proposal, providing the following rationale:

“This proposal does not merit support as the company’s disclosure and/or practices related to climate change are reasonable.”

Meituan, June 2021: proposal to elect director.

State Street voted against the proposal, providing the following rationale:

“We are voting against the nominee due to the lack of gender diversity on the board.”

LVMH Moët Hennessy Louis Vuitton SE., April 2021: advisory vote to ratify named executive officers’ compensation.

State Street voted against the proposal, providing the following rationale:

“This item does not merit support as SSGA (State Street) has concerns with the proposed remuneration structure for senior executives at the company.”

Shin-Etsu Chemical Co., Ltd., June 2021: proposal to elect director.

State Street voted against the proposal, providing the following rationale:

“We are voting against the nominee due to the lack of gender diversity on the board and the company has not engaged in successful dialogue on SSGA’s (State Street’s) board gender diversity program for three consecutive years.”

Commonwealth Bank of Australia, October 2021: proposal on report on climate change

State Street voted against the proposal, providing the following rationale:

“This item does not merit support due to concerns with the terms of the proposal.”

Ruffer:

Countryside Properties, February 2021: vote on board composition and remuneration

Ruffer abstained from voting, providing the following rationale:

“We met with David Howell (Chair of the Board) and Amanda Burton (Chair of the Remuneration Committee) to discuss the company’s capital allocation strategy. Decisions in this area are critical and will ultimately determine its long-term financial performance. We shared our view that the company would benefit from a non-executive director with a proven track record in capital allocation. Given the changing strategy of the business, significant changes

need to be made to the remuneration policy to ensure management is incentivised to deliver on the revised strategy and, importantly, to align their interests with shareholders. We shared our thoughts around this, including a total shareholder return measure, a meaningful shareholding requirement and ensuring post-cessation and vesting requirements are in line with the guidance from the Investment Association. We attach significant importance to the company's strategy, board composition and executive remuneration as we deem addressing these to be essential for the long-term success of Countryside and all stakeholders."

Centene, April 2021: vote on re-election of independent director

Ruffer voted against the re-election, providing the following rationale:

"We voted against the re-election of non-executive directors - Frederick Eppinger and David Steward - whom, due to their tenure on the board, we no longer considered to be independent. We believe board refreshment is essential to a well-functioning group."

Royal Dutch Shell, May 2021: vote on management resolution relating to the company's climate transition plan

Ruffer voted for the management resolution, providing the following rationale:

"We supported Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made as a result of engagement and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100+. The management resolution gained support of 88.7% of its shareholder base. We are committing to continued engagement with the company to work on details of the company's transition plans to ensure absolute emission equivalent targets sit alongside short- and medium-term intensity targets, and the need for further alignment on capital expenditure. In light of the opportunity to vote on the company's transition strategy and the progress made, we did not see a need to vote in favour of the shareholder proposal filed by the NGO Follow This. As a founding member of Climate Action 100+ initiative we engaged with Shell collaboratively and individually over several years and we are looking forward to continuing our engagements, focusing on the company's progress on its transition plan."