

# Implementation Statement, covering 1 January 2020 to 31 December 2020

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 year. This is provided in Section 1 below.

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

## 1. Introduction

The Scheme’s SIP was updated over the year, in March 2020, to reflect updates to the Scheme’s investment strategy and the latest SIP regulations. However, there were no changes made to the voting and engagement policies in the SIP during the year. The last time these policies were formally reviewed was in September 2019, to reflect the Trustee’s policies in these areas. As part of the SIP update in March 2020, the employer was consulted and confirmed it was comfortable with the changes.

The policies in the SIP state that the Trustee:

- delegates the consideration of financially material factors to its investment managers. This includes climate change and other Environmental, Social and Governance (ESG) considerations, and stewardship (ie voting and engagement);
- will consider these issues in the selection of investment managers and how its managers take these factors into account from time to time;
- will encourage their managers to improve their practices where appropriate; and
- does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries) in the selection, retention and realisation of investments.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments. The Trustee reviewed the Scheme’s existing managers, buy-in provider and funds over the period, as described in Section 2 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 2020, the Trustee reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, including its buy-in provider, 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 are based on LCP’s Responsible Investment Survey 2020.

The Trustee was satisfied with the results of the review and no further action was taken.

## 3. Description of voting behaviour during the 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 year.

In this section we have sought to include voting data 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

### 3.1 Description of each manager's voting processes

#### State Street

In order to facilitate State Street's proxy voting process, State Street retains Institutional Shareholder Services Inc. (ISS), a firm with expertise in proxy voting and corporate governance. State Street utilises ISS's services in three ways. First, as State Street's proxy voting agent, ISS provides State Street with vote execution and administration services. Second, ISS applies State Street's Proxy Voting Guidelines, where appropriate. Lastly, ISS provides the highest level of research and analysis related to general corporate governance issues and specific proxy items.

State Street's 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's 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 State Street's Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with State Street's Proxy Voting Guidelines, which seek to maximise the value of its client accounts.

As an extra precaution, State Street's Stewardship team will refer significant issues to the State Street Global Proxy Review Committee ("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 seriously considers whether a material conflict of interest exists between State Street's clients and those of State Street or its affiliates. If such a case occurs, there are detailed guidelines for how to address this concern (please refer to State Street's Mitigating Conflict of Interest Guidelines for additional details).

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

1. where power of attorney documentation is required;
2. where voting will have a material impact on its ability to trade the security;
3. where voting is not permissible due to sanctions affecting a company or individual;
4. where issuer-specific special documentation is required or various market/issuer certifications are required; or
5. where State Street is unable to vote proxies when certain custodians, used by its 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 votes at over 17,000 meetings on an annual basis and prioritises companies for review, based on factors including the size of their holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, State Street will not only allocate appropriate time and resources to shareholder meetings, but it will also assign specific ballot items of interest to ensure maximisation of value for its clients.

All voting decisions are exercised exclusively in accordance with State Street's in-house policies and/or specific client instructions. State Street has established robust controls and auditing procedures to ensure that votes cast are executed in accordance with State Street instructions. Transparency on these key issues is vital at State Street. In this regard, State Street publishes a record of its global voting activity on the Asset Stewardship section of its website.

## Ruffer

Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, Ruffer can accommodate client voting instructions for specific areas of concerns or companies, where feasible.

Ruffer's proxy voting advisor is Institutional Shareholder Services ("ISS"). Ruffer has developed its own internal voting guidelines; however, Ruffer takes into account issues raised by ISS in order to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is cognisant of proxy advisers' voting recommendations, Ruffer does not delegate or outsource its stewardship activities when deciding how to vote on its clients' shares.

Each research analyst, supported by its responsible investment team, reviews the relevant issues on a case-by-case basis and exercises 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.

### 3.2 Summary of voting behaviour over the year

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

Fund name	State Street						Ruffer
	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 as at 31 December 2020	£2,146m	£5,959m	£2,823m	£1,383m	£4,039m	£2,581m	£4,650m
Value of Scheme assets as at 31 December 2020	£1.3m	£4.9m	£2.8m	£1.3m	£2.0m	£1.6m	£4.8m
Number of equity holdings as at 31 December 2020	383	623	424	511	1,579	441	92
Number of meetings eligible to vote	445	678	738	518	3,156	511	84
Number of resolutions eligible to vote	3,130	8,441	10,813	6,294	29,228	8,669	1,074
% of resolutions voted	100%	100%	100%	100%	98.6%	98.9%	97%
% of the resolutions voted with management*	83.0%	90.6%	91.7%	91.3%	82.9%	87.6%	90%
% of resolutions voted against management*	17.0%	9.4%	8.3%	8.8%	15.6%	11.4%	9%
% of resolutions abstained from voting*	0.6%	0.7%	0.6%	0.0%	2.6%	0.5%	1%
% of meetings with at least one vote against management	17.0%	9.4%	8.3%	8.8%	15.6%	11.4%	39%
% of resolutions voted with a vote contrary to the recommendation of the proxy advisor	n/a	n/a	n/a	n/a	n/a	n/a	8%

**\*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.**

### **3.3 Most significant votes over the year**

#### **State Street**

##### **Rio Tinto Limited, May 2020: proposal to report on climate change**

State Street voted for the proposal as it believed the company's disclosure and/or practices related to climate change could be improved.

##### **Verizon Communications Inc., May 2020: proposal to link executive pay to social criteria.**

State Street voted against the proposal due to concerns with the terms of the proposal.

##### **Royal Dutch Shell Plc, May 2020: proposal on greenhouse gas emissions.**

State Street voted against the proposal as it believed the company's disclosure and/or practices related to greenhouse gas emissions were reasonable.

##### **Canon, Inc., March 2020: proposal to elect director.**

State Street voted against the nominee due to the lack of gender diversity on the board. State Street also had concerns about the board's independence and minimum governance standards.

##### **China Mobile Limited, May 2020: proposal to elect director.**

State Street voted against the nominee due to the lack of gender diversity on the board.

##### **Total SA, May 2020: proposal on climate change action.**

State Street abstained on the proposal as it believed the company's disclosure and/or practices related to climate change were broadly in-line with market standards but felt it could be improved.

##### **Netflix, Inc., June 2020: proposal to ratify named executive officers' compensation.**

State Street voted against the proposal due to concerns with the proposed remuneration structure for senior executives at the company.

#### **Ruffer**

##### **Cigna, April 2020: approve re-election of non-executive directors**

Ruffer voted against 6 non-executive directors. Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, Ruffer did not support the re-election of a number of directors during the period due to concerns that they were not independent.

##### **Exxon Mobil, May 2020: approve the re-election of non-executive directors**

Ruffer voted against this proposal. Ruffer stressed that they would like ExxonMobil to further align its strategy with the goals of the Paris Agreement and accept responsibility for its scope 3 emissions. Ruffer discussed the progress that European oil and gas companies have made in recent months and suggested that the company join the Energy Transition Commission. As one of the largest oil and gas companies in the world, Ruffer emphasised that they would like to see ExxonMobil help to address the issues facing the sector. Due to the limited progress since the 2019 Annual General Meeting, Ruffer decided again to vote against the re-election of all non-executive directors because Ruffer do not think they have been representing the best interests of shareholders, owing to the slow progress of engagement with the Climate Action 100+ initiative.

##### **National Oilwell Varco, May 2020: approve re-election of non-executive directors**

Ruffer voted against 4 non-executive directors. Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, Ruffer did not support the re-election of a number of directors during the period due to concerns that they were not independent.