

The Assay Office Retirement Benefits Scheme – Implementation Statement for the year ended 31 March 2023

1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in The Assay Office Retirement Benefits Scheme’s (the “Scheme”) Statement of Investment Principles (“SIP”) have been complied with during the year ending 31 March 2023 (the year-end date). This has been reviewed with respect to the whole SIP and the relevant procedures. These include the exercise of rights (including voting) and undertaking of engagement activities in respect of the Scheme’s investments. In addition, this statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

2. Background

Under the regulations in force, Atkin Trustees Limited (the “Trustee” of the Scheme) is required to prepare an Implementation Statement that reports on compliance with the Scheme’s SIP, including the exercise of the rights attaching to the investments, and on undertaking engagement activities in respect of the investments.

This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

This Statement has been prepared by the Trustee, with the assistance of its Investment Adviser (Quantum Advisory).

References herein to the actions, review work or determinations of the Trustee refer to activity that has been carried out by either the Trustee, or the Investment Adviser on the Trustee’s behalf.

3. Executive summary

Over the Scheme year, the Trustee:

- Through its Investment Adviser, reviewed the voting and engagement activity of the funds that invest in equities. The Trustee is generally content that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- Is of the opinion that it has complied with the relevant policies and procedures as identified in the SIP.
- Has remained aware of the relevant policies and procedures as identified in the SIP and received input from its Investment Adviser to aid ongoing compliance.

Further details on each of these matters is presented in the pages that follow.

4. Reviews of the SIP over the Scheme year

The SIP was last reviewed in January 2022.

The Trustee confirms that:

- There have been no amendments to the SIP over the year.
- The investment strategy is being reviewed; the SIP will be updated following this review to ensure any amendments to the Scheme's investment policy are reflected. The Trustee will seek advice from the Investment Adviser on the SIP and the suitability of the investments.

5. Investment Manager's voting and stewardship policies and activity

Trustee's voting and stewardship policies

The Trustee acknowledges the constraints it faces in terms of influencing change due to the size and nature of the Scheme's investments. It does, however, acknowledge the need to be responsible stewards and exercise the rights associated with its investments in a responsible manner and will inform their investment managers of its opinions, when deemed appropriate.

The Trustee also notes that the investment strategy and decisions of the fund managers cannot be tailored to the Trustee's policies and the managers are not remunerated directly on this basis.

The Trustee considers how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring their existing investment managers. The Trustee has provided the appointed investment managers with full discretion concerning the stewardship of their investments. The Trustee will continue to ensure that the stewardship policies of the Scheme's investment managers are embedded in their investment processes.

The Trustee, with the help of its Investment Adviser, reviews investment managers' policies on the exercise of voting rights and monitors their engagement practice and proxy voting activity periodically as it believes this can improve long term performance. As part of this exercise, the Trustee has sought to review the voting activity of the investment managers where they can improve underlying companies' practices (namely in on equity funds).

Over the Scheme year, the voting activity of the LGIM Dynamic Diversified Fund has been reviewed.

Manager's voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed. The Trustee is satisfied with the voting and policies/procedures of the investment managers. The Trustee plans to undertake a review of the Scheme's stewardship priorities over the coming Scheme year and will aim to review how the investment managers' stewardship activities are aligned with these.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year.

Statistic	LGIM Dynamic Diversified Fund
Number of equity holdings	6,854
Meetings eligible to vote at	9,541
Resolutions eligible to vote on	99,647
Proportion of eligible resolutions voted on (%)	>99
Votes with management (%)	78
Votes against management (%)	22
Votes abstained from (%)	<1
Meetings where at least one vote was against management (%)	73
Votes contrary to the recommendation of the proxy adviser (%)	13

Source: LGIM.

The Trustee is generally satisfied with the level of voting activity that has been undertaken.

Significant votes over the reporting year

The Trustee has reviewed the significant votes cast by the investment managers and are generally satisfied with their voting behaviour.

A cross section of the most significant votes cast is contained in Appendix 2. The Trustee has interpreted “most significant votes” to mean their choices of two significant votes from an extended list of “most significant votes” provided by each of the investment managers. The most significant votes have been selected to show a cross section of ESG issues and represent some of the selected fund’s largest holdings (where disclosed by the fund manager).

6. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having 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 holding 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 having 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. 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; and
5. Differences between the stewardship policies of managers and their clients.

LGIM

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. This refusal for a direct comment on the selected funds was raised by trustees. In place of providing a direct response, LGIM referred Trustees to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

The Trustee has received a copy of the conflicts of interest policy.

Appendix 1 – Investment manager voting policies and procedures

LGIM voting policies and process

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment managers has been reviewed by the Trustee through its investment adviser.

LGIM Dynamic Diversified Fund

Company Name	Royal Dutch Shell Plc	Prologis, Inc.
Date of vote	24/05/2022	04/05/2022
Summary of the resolution	Approve the Shell Energy Transition Progress Update	Elect Director Hamid R. Moghadam
Stewardship theme	Environmental	Governance
Size of the holding (% of portfolio)	0.33	0.26
How the firm voted	Against	Against
Was the vote against management and was this communicated beforehand?	Voted in line with management.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
On which criteria has the vote been deemed as ‘significant’?	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair.
Outcome of the vote	Passed	Passed
Does the trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM