

**Friends of the Elderly Pension and Life Assurance Scheme (1978)
(Closed)
Implementation Statement
November 2020**

Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)
Scheme Year	1 October 2019 – 30 September 2020
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

An investment in equities (shares) brings with it an entitlement to vote at general meetings of the company whose shares are held. Some of the Scheme’s assets are invested in equities and the Trustee’s SIP includes wording relating to the Trustee’s voting and engagement policies.

This Implementation Statement provides an assessment of how, and the extent to which, the voting and engagement policies described in the SIP were followed over the Scheme Year.

In addition, it summarises the voting record of the Scheme’s investment manager and provides information on the significant votes made in respect of the Trustees equity holdings. Information is also provided on the how the Scheme’s investment manager makes use of the services of proxy voting advisers.

Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following fund which included an allocation to equities:

- LGIM Diversifies Fund

Voting and Engagement Policies in the SIP

The Trustees revised the SIP during the Scheme Year, with an addendum being added to the SIP. Period 1 was the part of the Scheme Year before the Addendum was added, Period 2 was the part of the Scheme Year after the Addendum was added where:

- Period 1 applied from 1 October 2019 to 3 August 2020; and
- Period 2 applied from 4 August 2020 to 30 September 2020.

Period 1: SIP Wording Relating to Voting and Engagement

The key points in this SIP relating to voting and engagement were:

- The Trustees believe that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of both investment opportunities and financially material risks. Consequently, financially material considerations can have a material impact on investment risk and return outcomes.
- The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.
- Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustees when selecting and monitoring investment managers.
- The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole.
- When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser), will take account of all matters which are deemed to be financially material. In particular, the Trustees will consider the investment manager's approach to ESG factors.
- The Trustees will normally select investment managers who are signatories to the UNPRI and who publish the results of their annual UNPRI assessment.

- The Trustees' policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.
- However, the Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by each investment manager's own policies on such matters. For that reason, the Trustees recognise that their ability to directly influence the action of companies is limited.
- Nevertheless, the Trustees expect that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- The Trustees also expect that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.
- When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager's stewardship policy that are deemed to be financially material.
- The Trustees recognise that members might wish the Trustees to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives. In making this assessment, the Trustees will receive advice from their investment adviser. The Trustees recognise that each investment manager's own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.
- Furthermore, the Trustees regularly monitor the position of the investment managers with regards to ESG matters
- The Trustees (in conjunction with their investment adviser) have considered the likely impact of the financially material ESG risks associated with all of the Scheme's investments and have assessed the mitigation of such risks implemented by each of the investment managers. In making this assessment, the Trustees recognise that, where pooled investment vehicles are held, the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.

Period 2: SIP Wording Relating to Voting and Engagement

The above wording for Period 1 and the additional SIP wording below from the SIP Addendum applied from 4 August 2020 when the SIP Addendum came into force.

The key points in this SIP Addendum relating to voting and engagement were:

- When selecting a pooled fund, the Trustees consider various factors, including how financially material considerations (including ESG factors) over the appropriate time horizon are taken into account by the investment manager.
- When selecting a pooled fund, the Trustees consider various factors, including the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When selecting a pooled fund, the Trustees consider various factors, including the investment manager's policy in relation to undertaking engagement activities in respect of the investments held within the pooled fund.
- The Trustees regularly assess the performance of each fund held and this monitoring includes an assessment of whether the investment manager continues to operate the fund in a manner that is consistent with the factors used by the Trustees to select the fund

Trustees' Assessment of Whether These Policies Were Followed

Over the course of Periods 1 and 2, the assets were invested in pooled investment vehicles and, consequently, it remained the case that responsibility for corporate governance and ongoing engagement with companies was delegated to the investment manager.

No new funds were selected over the course of Periods 1 and 2.

The investment manager used by the Scheme over the Scheme Year were signatories to the UNPRI.

The Trustees have not changed their stance regarding the importance of good stewardship or on the way members' views on engagement should be reflected in the Scheme's investment strategy.

The Trustees continue to regularly monitor the position of their investment manager with regards to ESG matters.

Over the course of Period 2, the assets were invested in pooled investment vehicles and, consequently, it remained the case that responsibility for exercising voting rights was the responsibility of the investment manager.

The Trustees did not directly monitor the governance policies of the Scheme's investment manager during Period 2. However, a review was undertaken, with assistance from the investment adviser, in the preparation of this statement (i.e. after the end of Period 2) and, looking forwards, the Trustees will complete similar reviews on an annual basis.

The Investment Manager’s Voting Record

A summary of the investment manager’s voting records is:

Investment Manager	LGIM
Period	Calendar Year 2019
Number of votes	50,900
Split of votes:	
For	83%
Against	17%
Did not vote/abstained	1%

Notes

Split of votes may not sum to 100% due to rounding

These voting statistics are based on each manager’s full voting record rather than votes related solely to the funds held by the Scheme.

Use of Proxy Investment Advisers

Investment Manager	LGIM
Who is their proxy voting adviser?	ISS and IVIS
How is the proxy voting adviser used?	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

Our fund manager’s voting behaviour

We have reviewed the voting behaviour of our fund manager by considering the following:

- broad statistics of their voting record such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. “with management” or “against management”)
- the votes they cast in the year to 31 March 2020 on the most contested proposals in eight categories across the UK, the US and Europe
- Statements made by our fund manager on the subjects of stewardship, corporate governance and voting

We have also compared the voting behaviour of our fund manager with their peers over the same period.

Our key observations are below along with actions we have taken as a result of our review of the fund manager's voting behaviour

Voting in Significant Votes

Based on information provided by the Trustees' investment adviser, the Trustees' have identified significant votes in eight separate categories. The Trustees consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment manager are listed in the Appendix. In addition, the Trustees considered the investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

LGIM

We observed that LGIM voted against management on a range of issues and supported contested shareholder resolution designed to tackle ESG issues.

Although we saw some areas where their peers had taken a stronger stance, such as executive pay and the appointment of independent auditors, we were satisfied with LGIMs voting behaviour over the period observed.

...*Signed by the Trustees on 15 February 2021*... Date:

Signed on behalf of the Trustees of the **Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)**

Significant Votes

The table below records how the Scheme's investment manager voted in the most significant votes identified by the Trustee.

	MeetingDate	Proposal	Votes For (%)	Votes Against (%)	LGIM
Audit & Reporting					
LOCKHEED MARTIN CORPORATION	25/04/2019	Appoint the Auditors	50	50	For
SOCIETE GENERALE SA	21/05/2019	Approve the Audit Report	71	29	Against
LAFARGEHOLCIM LTD	15/05/2019	Approve Consolidated Financial Statements	76	22	Against
SWISS RE	17/04/2019	Appoint the Auditors	77	21	For
ANGLO AMERICAN PLC	30/04/2019	Re-appoint Deloitte LLP as auditor of the Company	80	20	For
Shareholder Capital & Rights					
ORANGE S.A	21/05/2019	Allow Board to Use Delegations under Item 20 Above in the Event of a Public Tender Offer	47	53	Against
TELEPERFORMANCE SE	09/05/2019	Issue Shares for Cash	55	45	Against
SAFRAN SA	23/05/2019	Public Offer	60	40	Against
STMICROELECTRONICS NV	23/05/2019	Issue Shares for Cash	65	34	Against
THE UNITE GROUP PLC	09/05/2019	Issue Shares with Pre-emption Rights	66	34	For
Pay & Remuneration					
ATLANTIA SPA	20/04/2019	Approve Remuneration Policy	50	50	Against
NETFLIX INC	06/06/2019	Advisory Vote on Executive Compensation	50	50	Against
THE WALT DISNEY COMPANY	11/03/2020	Advisory Vote on Executive Compensation	53	46	Against
SEGRO PLC	18/04/2019	Approve the Remuneration Report	51	44	For
GENMAB AS	26/03/2020	Approve Remuneration Policy	52	44	Against
Constitution of Company, Board & Advisers					
ATLANTIA SPA	20/04/2019	Appoint Directors (Slate Election) - Slate 2 Submitted by Institutional Investors (Assogestioni)	50	50	For
LOCKHEED MARTIN CORPORATION	25/04/2019	Elect James D. Taiclet, Jr.	50	50	For
FRESENIUS MEDICAL CARE AG & CO KGAA	16/05/2019	Discharge the Board	52	48	Against
BAYER AG	26/04/2019	Approve Discharge of Management Board for Fiscal 2018	44	56	Against
ING GROEP NV	23/04/2019	Discharge the Supervisory Board	33	56	Against
Merger, Acquisition, Sales & Finance					
FERROVIAL S.A.	05/04/2019	Approve Total or Partial Sale of Assets of the Services Division of the Ferrovial Group	72	28	Against
AMADEUS IT GROUP	18/06/2019	Rights up to EUR 5 Billion	87	13	For
DEUTSCHE BOERSE AG	08/05/2019	Issue Bonds/Debt Securities	91	9	For
BANCO SANTANDER SA	12/04/2019	Rights up to EUR 10 Billion	90	7	For
INFINEON TECHNOLOGIES AG	20/02/2020	Issue Bonds/Debt Securities	95	5	For
Other Company Resolutions					
SHAFESBURY PLC	31/01/2020	Meeting Notification-related Proposal	68	32	For
UCB SA/NV	25/04/2019	Approve Change-of-Control Clause Re: LTI Plans of the UCB Group	70	30	Against
THE UNITE GROUP PLC	09/05/2019	Meeting Notification-related Proposal	84	16	For
SEGRO PLC	18/04/2019	Meeting Notification-related Proposal	84	15	For
BRITISH LAND COMPANY PLC	19/07/2019	Meeting Notification-related Proposal	86	14	For
Governance & Other Shareholder Resolutions					
DOMINION ENERGY INC	07/05/2019	Approve Shareholder Proposal: Policy to Require an Independent Board Chair	49	49	For
PEPSICO INC.	01/05/2019	Shareholder Resolution: Introduce an Independent Chairman Rule	49	49	For
ABBVIE INC	03/05/2019	Shareholder Resolution: Political Donations	49	49	For
CITIGROUP INC.	16/04/2019	Shareholder Resolution: Right to Call Special Meetings	51	49	For
NEXTERA ENERGY INC	23/05/2019	Shareholder Resolution: Political Contributions	48	51	For
Environmental & Socially Focussed Shareholder Resolutions					
DUKE ENERGY CORPORATION	02/05/2019	Shareholder Resolution: Report on Mitigating Health and Climate Impacts of Coal Use	41	57	For
APPLE INC	26/02/2020	Shareholder Resolution: Report on Freedom of Expression and Access to Information Policies	38	56	For
THE TJX COMPANIES INC.	04/06/2019	Shareholder Resolution: Identifying Human Rights Risks in Operations and Supply Chain	38	60	For
AMAZON.COM INC.	22/05/2019	Shareholder Resolution: Report on Sexual Harassment	33	65	For
CHEVRON CORPORATION	29/05/2019	Shareholder Resolution: Report on Human Right to Water	32	66	For

Note

Where the voting record has not been provided at the fund level, we have based our analysis on the shares held within the Scheme's pooled funds as at 31 March 2020. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote.