Implementation Statement, covering the Fund Year from 1 April 2020 to 31 March 2021

The Trustee of the Lloyd's Superannuation Fund (the "Fund") 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 Fund Year.

The Statement is also required to include a description of the voting behaviour during the Fund 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.

The required information is set out below.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Fund Year in September 2020 to reflect the Trustee's stance on monitoring and engaging with its investment managers on ESG considerations. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Fund's voting and engagement policies during the Fund 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 Fund's existing managers and funds over the period, 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 Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Over the Fund Year, the Trustee made no new manager or fund appointments.

In December 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Fund's existing managers, along with LCP's qualitative RI assessments for each portfolio 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, with the Fund's investment managers and underlying portfolios generally scoring positively. At a portfolio level:

- Ruffer scored very highly on its RI credentials within the diversified growth fund ("DGF");
- Veritas and Arcmont scored highly for the RI credentials of the global equity and private credit portfolios respectively; and
- Janus Henderson and Insight (contractual income and asset-backed securities) were slightly below average, however the Trustee was comfortable with the reasons why and no further action was taken.

It was noted that there was one 'red flag' raised within the review with respect to the Arcmont private credit mandate. This was because the investment manager had not signed up to the UK Stewardship Code 2020. As a result, the Trustee asked LCP to write to Arcmont on its behalf, encouraging Arcmont to sign up to the code. LCP is continuing to engage with Arcmont on this issue.

3. Description of voting behaviour during the Fund Year

All of the Trustee's holdings in listed equities are within segregated portfolios 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 Fund Year.

In this section we have included voting data on the Fund's portfolios that hold equities, which are:

- Ruffer diversified growth (segregated mandate)
- Veritas global equities (segregated mandate)

In addition to the above, the Trustee contacted the Fund's other asset managers that don't hold listed equities to ask if any of the assets held by the Fund had voting opportunities over the period. Where relevant, commentary provided from these managers is set out in Section 3.4. At the time of writing, Janus Henderson was unable to provide data for inclusion in the Statement.

3.1 Description of the voting processes

Ruffer and Veritas have provided the commentary below on their voting processes.

Ruffer

"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."

Veritas

"The investment analyst will receive all relevant proxies and determine if he or she believes that we should vote in favour or against management. After discussing with the Portfolio Manager and making a final decision, the analyst will instruct the custodian or prime broker via the Operations Team how to vote. This is done via ISS, the role of the Operations Team is to ensure that the voting of proxies is done in a timely manner. The Role of the Chief Operating Officer ("COO") is to monitor the effectiveness of these policies.

We use ISS to execute voting on behalf of clients. We have also mandated ISS to construct a customized screen for various ESG issues which incorporates the Association of Member Nominated Trustees ("AMNT") Red Lines, on a best endeavours basis. The AMNT Red Line Voting Policy contains 37 guidelines covering topics associated with ESG. Should any of the 37 red lines be breached, the instruction is to either vote against management or explain why not. Given this Red Line Voting Policy was developed principally for pooled fund investors (who have been unable to direct votes) and for UK stocks only, we have instructed ISS to apply the guidelines globally where applicable and apply the policy across all clients.

The investment analysts will consider the guidelines and any research when making their decision. In the case where a vote goes against a red line or where Veritas decides to vote against management, an explanation will be provided in the reporting. On occasion, we may decide to vote against management where the recommendation has been a vote in favour and again an explanation will be given."

3.2 Summary of voting behaviour over the Fund Year

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

	Ruffer DGF	Veritas global equity
Value of Fund assets at end of reporting period (£ / % of total assets)	£24.3m / 5%	£53.0m / 12%
Number of holdings at end of reporting period	38	29
Number of meetings eligible to vote	33	29
Number of resolutions eligible to vote	517	444
% of resolutions voted	86%	100%
Of the resolutions on which voted, % voted with management	87%	92%
Of the resolutions on which voted, % voted against management	11%	7%
Of the resolutions on which voted, % abstained from voting	2%	1%
Of the meetings in which the manager voted, % with at least one vote against management	45%	45%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	13%	16%

3.3 Most significant votes over the Fund Year

Commentary on the most significant votes over the period, from the Fund's asset managers who hold listed equities, is set out below. Where information for more than 3 votes was provided, we have included the 3 most significant votes from holdings which represent the largest percentage allocation within each fund. Ruffer and Veritas provided details of 11 and 9 votes respectively. Details of the other votes are available upon request.

Ruffer

Ruffer defines 'significant votes' as those that it thinks will be of particular interest to clients. In most cases, these are when Ruffer forms part of continuing engagement with the company and/or it has held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and internal voting guidelines**.**

1) Ocado, May 2020. Vote: against.

Summary of resolution: Re-election of the Chair of the Board

Rationale: "As in 2019, we voted against the re-election of the Chair of the Board, who also serves as the Chair of the Nomination Committee, because we were not comfortable with the board structure and believe the company is being slow to rectify the situation. In particular, we do not think there are a sufficient number of independent directors on the board."

2) Lloyds Bank, May 2020. Vote: against.

Summary of resolution: Vote on remuneration policy

Rationale: "We decided to vote against the proposed remuneration policy at the company as, although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, we did not think it sufficiently incentivises management to deliver shareholder value."

3) Countryside Properties, February 2021. Vote: abstain.

Summary of resolution: Governance – board composition and remuneration

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."

Veritas

Veritas defines 'significant votes' as those which may have a material impact on long-term sustainable value creation or influence corporate governance/business practices.

1) Charter Communications, Inc., April 2020. Vote: For.

Summary of resolution: Require Independent Board Chair

Rationale: "In general we prefer the Chairman and CEO role to be separate to help ensure good governance and give oversight to the work of the CEO. However, this practice is less prevalent in the US. In this instance, we believe that due to the close-knit nature of the directors and the strong association with Jon Malone and his influence, an independent chairman would be ideal."

2) Facebook, Inc., May 2020. Vote: For.

Summary of resolution: Require Independent Board Chair

Rationale: "A vote FOR this proposal was warranted given concerns with the board's governance and the appointment of a non-independent director to serve as lead director. Furthermore, the FTC entered into a settlement agreement with Facebook whereby the company has agreed to pay a $5 billion penalty and to significantly enhance its practices and processes for privacy compliance and oversight. The recent data privacy incidents and subsequent controversies tarnished Facebook's reputation and put shareholder value at risk. These considerations suggest that shareholders would benefit from the most robust form of independent board oversight, in the form of an independent board chair."

3) Alphabet Inc, June 2020. Vote: For.

Summary of resolution: Establish Human Rights Risk Oversight Committee

Rationale: "A vote FOR this proposal was warranted because continued controversies call into question the extent to which the existing board structure provides adequate oversight on risks the company's technologies present to human rights, which, in turn, creates risks for the company in terms of retaining high-level employees and retaining a good reputation in the eyes of users and advertisers. Also, given the pervasive role of Google in society this should be undertaken."

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Fund's asset managers who don't hold listed equities, but invest in assets that had voting opportunities during the period:

Arcmont

"While ESG factors form a noteworthy role in the investment process, as debt providers we generally do not have control or decision-making power over strategic or operative decisions of a business. However, given our close and regular interactions with the management of companies we invest in, we actively monitor ESG risk factors and address these with management/the owners of the businesses and seek appropriate action(s). This is similarly the case, where we hold minority equity/ownership co-investments as part of a wider debt investment. These minority equity positions typically do not entitle us to active voting rights.

In limited circumstances we provide the majority of the equity or acquire the equity as part of a financial restructuring as a result of business underperformance. In these instances, we either have unilateral control or joint control with another private investor. While the day-to-day operations are run by the management teams of the companies, management have to adhere to a catalogue of consent matters, such as awarding salaries over a minimum threshold, entering into large or long-term contracts, large investments, etc.. These consent matters also include important ESG matters. Arcmont has a fiduciary duty to act in the best interest of its clients and manages clients' assets with the objective of achieving the greatest possible return consistent with their investment objectives. When voting, we must therefore act prudently and in the best interests of the affected clients and will ensure that voting rights are exercised in accordance with the portfolio's objectives and investment policies. For instance, in 2020 we were approached by one company to approve capital expenditure for the modernisation and expansion of a recycling plant, which we assessed as being both consistent with our investment objectives and beneficial from an environmental perspective and hence approved. As another example, we were happy to support an extraordinary Christmas bonus for production staff in another portfolio company, where staff had to be temporarily furloughed earlier in the year due to Covid-19."

Janus Henderson

"Janus Henderson exercises the voting rights on behalf of clients at meetings of all companies in which we have a holding. The only exception to this is meetings where share blocking or other restrictions on voting are in place. Where applicable to specific mandates, clients may be consulted prior to voting. Some clients retain their own right to vote.

In formulating our approach to corporate governance, we are conscious that a 'one size fits all' policy is not appropriate. Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights, and level of dispersed ownership. We vary our voting and engagement activities according to the market and pay close attention to local market codes of best practice.

However, we consider certain core principles to be universal:

- Disclosure and transparency
- Board responsibilities
- Shareholder rights
- Audit and internal controls

A key element of our approach to proxy voting is to support these principles and to foster the long-term interests of our clients. We also recognise that in some instances, joint action by shareholders has the potential to be more effective than acting alone. This is especially true when shareholders have a clear common interest. Where appropriate, Janus Henderson pro-actively collaborates with other investors on governance and wider environmental and social engagement issues, directly and through industry bodies.

We have a fiduciary duty to ensure that proxies are voted in the best interest of all our clients for which we have voting responsibility. We have adopted proxy voting policies and procedures, along with internal procedures, to fulfil our proxy voting responsibilities.

To assist us in assessing the corporate governance of investee companies, we subscribe to ISS (an independent proxy voting adviser). ISS provides voting recommendations based upon our policies and procedures. Our in-house specialists scrutinise the ISS research and supplement this with in-house research and engagement."

Janus Henderson were eligible to vote at and subsequently voted on 3 resolutions across 3 meetings over the Fund Year. Janus Henderson defines its most significant votes as "Votes against management with the highest level of dissent, followed by votes that received significant levels of overall dissent". As Janus Henderson did not vote against management at any of these votes during the relevant period, it did not deem any of these votes to be significant.