

Implementation Statement, covering the Fund Year from 1 April 2021 to 31 March 2022

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

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. These policies were last reviewed and updated in September 2020 to reflect the Trustee's stance on monitoring and engaging with its investment managers on ESG considerations.

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, Lane Clark & Peacock ("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, however it continues to receive regular updates on ESG and stewardship related issues from its investment advisers.

At the Investment and Funding Working Group ("IFWG") meeting on 7 September 2021, the Trustee met with Veritas to discuss several areas, including the manager's approach to ESG issues. As part of that discussion, Veritas provided recent examples of voting and engagement with portfolio companies, including where the manager disinvested from holdings on the grounds of ESG concerns. Veritas also presented coverage of carbon emissions data from the underlying holdings of the portfolio.

After Fund year end, in May 2022, 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 portfolio 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 2022.

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, Veritas and Insight scored highly on its RI credentials within their respective portfolios;
- Janus Henderson and Arcmont were slightly below average, and the Trustee agreed to engage further with these managers on their RI practices; and
- La Salle scored below average, however given this portfolio is currently in the process of being sold and its allocation in the Fund is very small, the Trustee agreed no further action was necessary.

It was noted that there were two 'red flags' raised within the review with respect to the Arcmont private credit mandate and La Salle property portfolio, for the following reasons:

- Arcmont had not signed up to the UK Stewardship Code 2020; and

- La Salle stated that its professionals did not receive more than 2 hours training on ESG-related topics over the year to 30 June 2021.

Arcmont has stated that they are supportive of the principles of the Code, they do not believe they are currently within scope given the principal focus of their business is private loans. The Trustee has already requested that Arcmont to sign up to the Code, and LCP is also continuing to engage with Arcmont on this issue. For the reasons outlined above, the Trustee has not taken any further action regarding the La Salle portfolio.

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.

3.1 Description of the voting processes

Ruffer and Veritas have provided the commentary below on their voting processes, which are broadly unchanged from last year.

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 29 guidelines covering topics associated with ESG. Should any of the 29 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. In addition, ISS provide vote recommendations based on their benchmark policy. This ensures that guidance is provided for ballots related to topics that are not captured by the ESG voting policy.

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)	£14.5m / 3%	£48.7m / 11%
Number of holdings at end of reporting period	42	25
Number of meetings eligible to vote	41	3
Number of resolutions eligible to vote	675	43
% of resolutions voted	100%	100%
Of the resolutions on which voted, % voted with management	95%	98%
Of the resolutions on which voted, % voted against management	4%	2%
Of the resolutions on which voted, % abstained from voting	1%	0%
Of the meetings in which the manager voted, % with at least one vote against management	44%	33%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	5%	6%

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 cover 1 of each Environmental, Social and Governance concern within each portfolio (where possible). Ruffer and Veritas provided details of 7 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) Royal Dutch Shell, May 2021. Vote: For

Summary of resolution: Vote on management resolution relating to the company's climate transition plan

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."

2) American Express, May 2021. Vote: For

Summary of resolution: Social - diversity and inclusion. Vote on shareholder resolution requesting annual D&I report

Rationale: "We supported a shareholder resolution that requires the company to annually publish a report assessing Diversity, Equity, and Inclusion Efforts. Whilst American Express is taking meaningful steps to increase its workforce diversity and promote inclusion, reporting of its diversity statistics has room for improvement. Diversity feeds into social considerations when investing, under the guise of human capital and social opportunities and consequently, improvement in disclosure would benefit shareholders in assessing the company's long-term value and reputational and legal risks."

3) Centene, April 2021. Vote: Against.

Summary of resolution: Governance – vote on election of independent director

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."

Veritas

Veritas defines "significant votes" as votes cast that result in a vote against management.

1) Microsoft Corporation, November 2021. Vote: For

Summary of resolution: Report on Effectiveness of Workplace Sexual Harassment Policies

Rationale: "A vote FOR this proposal is warranted as the company faces potential controversies related to workplace sexual harassment and gender discrimination. Additional information on the company's sexual harassment policies and the implementation of these policies would help shareholders better assess how the company is addressing such risks."

2) Microsoft Corporation, November 2021. Vote: For

Summary of resolution: Report on Lobbying Activities Alignment with Company Policies

Rationale: "A vote FOR this proposal is warranted, as a report on the congruency of the company's public position with its political partners lobbying positions would provide shareholders needed information about reputational risks that may arise from publicity around perceived inconsistencies."

3) UnitedHealth Group Incorporated, June 2021, Vote: Against

Summary of resolution: Elect Director Gail R. Wilensky

Rationale: "We voted against the election of the director Gail Wilensky, the vote cast was driven by the guidance provided by Red Line E4 of our ESG Voting Policy; the company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 2-degree scenario. We engaged with the company's IR team who confirmed the business cannot commit to developing science-based emissions targets in the next two years. It is noted the company has identified emissions reduction targets that are market based (3% reduction across scope 1&2 by 2023). However, we believe the company should be encouraged to implement a science-based framework, and as a result we cast our vote against this item."

We note that it is Veritas' policy to generally vote against the re-election of relevant individuals on the Board when its ESG Red Line Voting Policy is triggered.

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

"Given Arcmont is a Private Debt asset manager, there is limited scope to participate in voting activities where we have a blocking / majority vote. Due to this, Arcmont does not have a formal voting policy or track voting activities.

Note that Arcmont may be able to vote in limited instances where (i) investments take on an equity element and we are assigned voting board seats, or (ii) in the rare circumstances that Arcmont becomes a majority shareholder of the business. However, at the levels of co-investment that we participate in, and in the current market conditions, we are typically only granted votes on economic protections and structural changes to the equity, e.g. if a new class of shares is to be issued and we are diluted.

Arcmont is committed to maintaining an open and active dialogue with management, helping to identify any changes in an investment's ESG risk profile, but more importantly, enabling discussions to influence business practices to mitigate ESG risks. Arcmont tracks and monitors the ESG risk profiles of our investments to assess the severity of the risks, whilst moving to take appropriate action should a risk become too great."