

# The Assay Office Retirement Benefits Scheme – Implementation Statement for the year ended 31 March 2024

## 1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in the Scheme’s Statement of Investment Principles (“SIP”) have been complied with during the year ended 31 March 2024. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. 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

This Statement has been prepared by the Trustee with the assistance of their Investment Advisers (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

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 their investment advisers, 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 they have complied with the relevant policies and procedures as identified in the SIP.
- Have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustee believes there is less scope to influence the practices within such arrangements. However, the general stewardship practices of non-equity managers have been reviewed to ensure that that they engage with companies, especially with those which it lends. This ensures that the voice of the bond holder is reflected in conversations.

## 4. Investment Manager’s voting and stewardship policies and activity

### **Trustee’s voting and stewardship policies**

The Trustee, through their investment advisers, consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustee is unable to direct how votes are exercised and have not used a proxy voting services provider over the Year. The Trustee has given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustee, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

The Trustee does not currently have any stewardship priorities in place. However, the Trustee aims to undertake a review of the Scheme's stewardship priorities over the coming Scheme year and will aim to review whether or not the investment managers' stewardship priorities are aligned with these.

Over the Scheme year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustee:

- Legal & General Investment Management ("LGIM") Dynamic Diversified Fund ("DDF")

Furthermore, the general stewardship policies of the above fund and the funds listed below have also been reviewed by Quantum Advisory on behalf of the Trustee:

- BlackRock Multi Strategy Credit
- LGIM Matching Core Fixed Long
- LGIM Matching Core Fixed Short
- LGIM Matching Core Real Long
- LGIM Matching Core Real Short
- LGIM Maturing Buy & Maintain Credit 2035-2039
- LGIM Maturing Buy & Maintain Credit 2040-2054
- LGIM Sterling Liquidity

### **Managers' voting and stewardship policies and procedures**

Details of the managers' voting and stewardship policies can be found in Appendix 1. In this Statement, Quantum Advisory has noted the investment managers' stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. Quantum Advisory are satisfied that the voting and policies/procedures of the investment managers are reasonable and consistent with industry practice. Quantum Advisory are also satisfied that the general stewardship policies of all the investment managers are reasonable and consistent with industry practice. This includes investments in bonds and other instruments. The Trustee has approved of these conclusions.

## 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	7,258
Meetings eligible to vote at	9,651
Resolutions eligible to vote on	98,900
Proportion of eligible resolutions voted on (%)	99.8
Votes with management (%)	76.7
Votes against management (%)	23.1
Votes abstained from (%)	0.2
Meetings where at least one vote was against management (%)	73.2
Votes contrary to the recommendation of the proxy adviser (%)	14.1

Source: LGIM.

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

### Significant votes over the reporting year

Quantum Advisory has reviewed the most significant votes cast by the investment manager on behalf of the Trustee and, as a whole, are satisfied that these meet expectations.

The Trustee has interpreted the most significant votes to mean their choice of votes from an extended list of significant votes provided by the investment manager in accordance with the PLSA guidance.

The significant votes provided by the investment manager are determined by the stewardship policies they have in place. As the Scheme has not set any stewardship priorities at the end of the Scheme year, significant votes will be classified according to the manager's policies. However, the Trustees have reviewed and are satisfied with the manager's classifications of significant votes during the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 5. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed. These conflicts are not specific to the scheme and relate to the general conflicts of interest within the investment managers.

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. In place of providing a direct response, LGIM referred the Trustee 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/landg-assets/lgim/document-library/capabilities/lgim-conflicts-of-interest.pdf>

### BlackRock

BlackRock have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected fund. In place of providing a direct response, they highlighted their Global Conflicts of Interest policy which governs the responsibility of BlackRock and its employees to place their clients' interests first and to identify and manage any conflicts of interest that may arise in the course of their business. In order to mitigate potential and actual conflicts of interest, each BlackRock employee must, among other things:

- Identify potential or actual conflicts of interest both in relation to existing arrangements and when considering changes to, or making new, business arrangements;
- Report any conflicts of interest promptly to his/her supervisor and Legal & Compliance;
- Avoid (where possible) or otherwise take appropriate steps to mitigate a conflict to protect their clients' interests; and
- Where appropriate, disclose conflicts of interest to clients prior to proceeding with a proposed arrangement

BlackRock Legal & Compliance conducts mandatory annual compliance training, which includes a discussion of the Global Conflicts of Interest Policy.

BlackRock has also provided additional details on how it manages conflicts of interest in their Global Corporate Governance and Engagement Principles found here:

<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

and in their standalone statement found here:

<https://www.blackrock.com/corporate/literature/publication/blk-statement-conflicts-of-interest.pdf>

## Appendix 1 – Investment manager voting policies and procedures

### **LGIM’s voting policies and processes**

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. Please note, however, this approach does not extend to the Scheme’s UK Government Bond holdings as these are invested passively. Quantum believes this is reasonable given their underlying investments. For Equity holdings, 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.

### **BlackRock’s voting policies and processes**

BlackRock are guided by their global policies when evaluating their responsibilities in investment stewardship. As part of this BlackRock believes that companies should have appropriate governance structures in place to protect the interests of shareholders and other stakeholders, while also creating sustainable value. Although BlackRock tend to focus on equity stewardship, as these securities have more scope to influence positive change, BlackRock also assess downside ESG risks when evaluating fixed income securities. This comes in terms of evaluating these risks when determining the portfolio allocation and engaging with bond issuers to gain insights on their ESG risks and practices. ESG risk analysis also extends to private market investments, where BlackRock may also hold board or advisory seats with the company and advise on ESG initiatives.

BlackRock have developed high-level principles (“BlackRock’s Global Corporate Governance and Engagement Principles”) which set the framework for their voting on equity securities. These are publicly accessible on the following website (<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>).

Their voting guidelines are market specific, and consider a company's unique circumstances, where relevant. BlackRock inform their voting decision through research and engage as necessary.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and market-specific guidelines.

While BlackRock subscribe to research from the proxy advisory firms ISS and Glass Lewis (also a voting proxy advisory firm), they do not follow any single proxy research firm's voting recommendations. BlackRock use several other inputs, including a company's own disclosures, and their record of past engagements, in their voting and engagement analysis.

Blackrock use ISS's electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform their voting decision.

## Appendix 2 – Most significant votes

The table below sets 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.

### LGIM’s Significant vote definitions

In determining significant votes, LGIM’s Investment Stewardship team considers the criteria provided by the PLSA guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

### LGIM Dynamic Diversified Fund

Company Name	Microsoft Corporation	Shell Plc
Date of vote	December 2023	May 2023
Summary of the resolution	Resolution 1.06 - Elect Director Satya Nadella	Resolution 25 - Approve the Shell Energy Transition Progress
Size of the holding (% of portfolio)	0.57	0.28
How the firm voted	Against	Against
Was the vote against management and was this communicated beforehand?	The vote was against management, but the vote intention was not communicated beforehand.	The vote was against management, but the vote intention was not communicated beforehand.
On which criteria has the vote been deemed as ‘significant’?	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 is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
Outcome of the vote	Not disclosed	The vote passed
Does the trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with the investee company, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM continues to undertake extensive engagement with Shell on its climate transition plans

Source: LGIM