

LSEGPS - IMPLEMENTATION STATEMENT

1st January 2020 – 31st December 2020

London Stock Exchange Group Pension Scheme

Private and Confidential

Introduction

Under new regulatory requirements now in force, the Trustee is required to produce an annual Implementation Statement setting out how voting and engagement policies in the Statement of Investment Principles (the "SIP") have been implemented. This is the first such statement produced and includes details of the recent updates to the SIP.

This document has been prepared by the Trustee of the London Stock Exchange Group Pension Scheme, covering the period 1 January 2020 to 31 December 2020.

The document looks to set out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the document describes the areas of the portfolio where the stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee's opinion on the outcomes of voting and engagement activity for managers that hold listed equities.

Changes to the SIP over the period

The SIP was updated in September 2020 to comply with upcoming regulatory changes. This regulatory change incorporated the Shareholder Rights II Directive ('SRD II') into UK law and required defined benefit pension scheme SIPs to be updated to include further details on:

- The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustee's policies and how the Trustee will monitor managers' performance, fees and portfolio costs
- Engagement policy, including the exercise of the rights (including voting rights) attaching to the investments

SRD II aims to further encourage appropriate long-term investment decision-making and engagement.

Under SRD II, the Trustee is now also required to publish an annual implementation statement which explains the extent to which the voting and engagement policies have been implemented over the relevant Scheme year.

The Trustee's policies on voting and engagement (stewardship)

The Trustee recognises that good stewardship practices, including engagement and voting activities are important as they help preserve and enhance asset owner value over the long term.

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expect their investment managers to practice good stewardship. This includes monitoring and engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

The Trustee's Investment Consultant assesses the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments, and reports to the Trustee periodically covering how the investment managers have acted in line with this policy.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the asset managers of the Scheme. The Trustee monitors and discloses the voting records of its managers on an annual basis.

How have the Trustee's voting and engagement (stewardship) policies been followed?

The Trustee have received regular updates from the investment consultant on the investment managers' performance including receiving ESG ratings for each manager which factor in voting and engagement. The Trustee has also been notified whether there have been any changes to the investment consultant's overall ratings of the managers or not. This manager rating factors in an ESG assessment incorporating voting and engagement. This reporting is discussed at investment committee meetings together with whether the managers are performing in line with the Scheme's objectives. The Trustee meets with the investment managers when required to discuss relevant matters, including sustainable investment. The Trustee periodically meets with the managers to discuss the Scheme's investments including the voting and engagement aspects. Over the year the Trustee met with Payden & Rygel Global Ltd, Royal London Asset Management Ltd & Ruffer LLP.

The following investment managers for the Scheme are signatories to the UK Stewardship Code: Royal London Asset Management Ltd, Ruffer LLP and Schroders. None of the Scheme's managers have raised non-compliances with the principles of the code. There are no immediate concerns that some of the other investment managers used by the Scheme are not signatories to the UK Stewardship Code given the context of the strategies they manage.

Over the coming year following the outcome of the latest actuarial valuation the Trustee expects to review its approach to ESG in more depth (along with the voting and engagement policies).

Summary of voting over the year

The use of voting rights is most likely to be financially material in the sections of the portfolios where physical equities are held. Financially material considerations include (but are not limited to) those arising from Environmental, Social and Governance considerations, including climate change. Given that the vast majority of the Scheme's assets are invested with investment managers that hold gilts, derivative instruments, corporate bonds and other credit assets in their portfolios, voting is only relevant to the AQR Diversified Risk Premia Fund, Man Diversified Risk Premia Fund and Ruffer Absolute Return Fund. As these investments are made via pooled funds, where the investment manager is responsible for voting and engagement on the underlying assets rather than the Trustee, the Trustee's ability to influence voting activities undertaken is limited.

Over the scheme year, voting activities by AQR, Man and Ruffer were undertaken with due consideration to investors' best interests considered on a fund wide basis and in accordance with the voting procedures set out in each manager's voting policy. The Trustee is not aware of any material departures from the managers' stated voting policies.

Given the nature of these mandates and the fact that voting activities were undertaken in line with the managers' policies, the Trustee is satisfied that the voting policies have all been adequately followed over the Scheme year.

A summary of voting by Ruffer Absolute Return Fund, AQR Diversified Risk Premia Fund and Man Diversified risk Premia on behalf of the Scheme over the year to 31st December 2020 is provided in the tables below:

Voting criteria	Ruffer	AQR	Man
Value of trustees' assets (as at 31 st December 2020)	£43.5m	£17.2m	£18.1m
Number of holdings at period end	92	862	1,816
No of meetings eligible to vote during the period	84	538	777
No of resolutions eligible to vote during the period	1,074	6,349	8,696
% of resolutions voted	97%	94%	98%
% of resolutions voted with management	88%	93%	89%
% of resolutions voted against management	9%	7%	11%
% of resolutions abstained	3%	<0%	<1%
% of meetings with at least one vote against management	95%	28%	54%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	9%	<0%	4%
Any use of proxy voting services during the period	Yes (ISS)	Yes (ISS)	Yes (Glass Lewis)

Further to the above summary, the Trustee is required to disclose further information on the 'most significant' votes. The significance of a vote is determined by the individual investment manager's criteria including (but not limited to) the size of the holding and the resolution being a shareholder proposal. In the tables below we show the 'most significant' votes for Ruffer and Man:

Ruffer Absolute Return Fund 'Significant Vote' disclosure table (1 of 3)

Company name	Exxon Mobil	Exxon Mobil	ExxonMobil	Cigna	National Oilwell Varco
Summary of resolution	Votes for re-election of non-executive directors	Shareholder resolution for further disclosure of the company's lobbying activities	Shareholder resolution for an independent board Chair	Votes for re-election of non-executive directors	Votes for re-election of non-executive directors
How Ruffer voted	Against all non-executive re-elections	For	For	Against 6 non-executive directors	Against 4 non-executive directors
Outcome of vote	Re-election proposals passed with a range of 83-98% shareholder approval for votes	Proposal failed with 62.5% votes against	Proposal failed with 67.3% votes against	Re-election proposals passed with a range of 96-99% shareholder approval for votes	Re-election proposals passed with a range of 88-95% shareholder approval for votes

Ruffer Absolute Return Fund 'Significant Vote' disclosure table continued (2 of 3)

Company name	Barrick Gold	Newmont Mining	Wheaton Precious Metals	Ocado	Mitsubishi Electric
Summary of resolution	Votes for re-election of non-executive directors	Votes for re-election of non-executive directors	Votes for re-election of non-executive directors	Re-election of the Chair of the Board	Vote for re-election of independent director
How Ruffer voted	Against 2 non-executive directors	Against 2 non-executive directors	Against 5 non-executive directors	Against	Against
Outcome of vote	Re-election proposals passed with a range of 88-95% shareholder approval for votes	Both re-election proposals passed with 94% shareholder approval for votes	Re-election proposals passed with a range of 85-95% shareholder approval for votes	Re-election proposal passed with 96% shareholder approval for vote	Re-election proposals passed with a range of 76-82% shareholder approval for votes

Ruffer Absolute Return Fund 'Significant Vote' disclosure table continued (3 of 3)

Company name	Walt Disney	Lloyds Bank	Fuji Electric	Gold Fields	Aena S.M.E
Summary of resolution	Shareholder resolution requesting	Vote on remuneration policy	Governance – director independence	Governance – director independence	Vote on shareholder resolution

	additional disclosures on lobbying activities.		and cross shareholdings		relating to the company's climate transition plan
How Ruffer voted	For	Against	Against	Against	For
Outcome of vote	Proposal failed with 65.7% votes against	Remuneration policy passed with 63.8% approval. Long term share plan passed with 63.7% approval.	Re-election of Mr Tachikawa passed with 90.4% support, re-election of Mr Hiramatsu passed with 77.3% support, re-election of Mr Takaoka passed with 84.3% support	Re-election of Mr Menell as Director passed with 94.6% support. Re-election of Mr Menell as member of Audit Committee passed with 94.3% support.	The 3 resolutions passed with 99.2%, 98.1% and 96.5% shareholder support.

Man Diversified Risk Premia 'Significant Vote' disclosure table (1 of 1)

Company name*	A	B	C	D	E
Summary of resolution	Shareholder Proposal - Regarding the Establishment of a Human Rights Risk Oversight Committee	Shareholder Proposal - Regarding Report on Food Waste	Shareholder Proposal - Regarding Reporting on the Use of Non-Recyclable Packaging	Shareholder Proposal - Regarding Liquid Natural Gas Investments	Shareholder Proposal - Regarding Climate Change Proxy Voting Practices
How Man voted	For	For	For	For	For
Outcome of vote	15.5% shareholder support	27% shareholder support	38.4% shareholder support	25.7% shareholder support	N/a

*Please note that Man are not able to disclose the name of the companies on public documents.

AQR does not differentiate between significant or non-significant votes. However, AQR generally vote all proxies and may request reactive engagement on certain votes based on their assessment of significance.