

LSEGPS - IMPLEMENTATION STATEMENT – VOTING AND ENGAGEMENT

1st January 2021 – 31st December 2021

London Stock Exchange Group Pension Scheme

Introduction

Under regulatory requirements, 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 second 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 2021 to 31 December 2021.

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 August and December 2021, to update the Strategic Asset Allocations (SAA’s) for each of the LSE Section and LCH Section in respect of the following investment activity:

- LCH Section (Aug) – reduction of 3% in the Diversified Risk Premia allocation following the full disinvestment from AQR.
- LCH Section (Aug) – 12% reduction in the UK Investment Grade Sterling Credit allocation following the de-risking disinvestment from RLAM.
- LSE Section (Dec) – to remove the Synthetic Global Equities allocation (7%) following the expiry of the Equity Total Return Swap.

As normal, the allocations in the SAA’s to the other asset classes were updated to reflect the latest asset allocation position and some minor wording changes to the body of the SIP (e.g. removal of references to passive equities) were also included.

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 expects 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 receives 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 Oaktree, Partners Group, Royal London Asset Management, Permira, Schroders and Man Group. Over the coming year the Trustee will continue to engage with managers it meets on ESG matters including stewardship.

The following investment managers for the Scheme are signatories to the UK Stewardship Code: Royal London Asset Management and Ruffer. None of the Scheme's managers have raised any matters of non-compliance with the principles of the UK Stewardship Code. There are no immediate concerns that the other investment managers used by the Scheme (Schroders, Permira, Oaktree and Partners Group) are not signatories to the UK Stewardship Code. These managers all support the principles of the UK Stewardship Code but are not formal signatories. The Scheme's investment advisers will continue to engage with the Scheme's managers to improve and monitor their stewardship and engagement practices.

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, Man Progressive 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.

During the year, the Scheme fully redeemed its investment in AQR on the 12th March 2021. Furthermore, the Scheme's investment in the Man Diversified Risk Premia Fund was switched to the Man Progressive Diversified Risk Premia Fund on the 13th December 2021.

A summary of voting by Ruffer Absolute Return Fund, AQR (up to 12th March 2021), Man Diversified Risk Premia (up to 13th December 2021) and Man Progressive Diversified Risk Premia (from 13th December 2021) on behalf of the Scheme over the year is provided in the tables below:

Voting Criteria	Ruffer	AQR
Value of assets (as at 31 st Dec 2021)	£44.2m	£0
Number of holdings at period end	104	1,486*
No of meetings eligible to vote during the period	95	43
No of resolutions eligible to vote during the period	1,265	479
% of resolutions voted on of which eligible	100%	99%
% of resolutions voted with management	92%	96%
% of resolutions voted against management	7%	4%
% of resolutions abstained	2%	<0%
% of meetings with at least one vote against management	41%	23%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	7%	<1%
Any use of proxy voting services during the period	Yes (ISS)	Yes (ISS & Glass Lewis)

*The number of holdings as at 28th February 2021.

The voting data below covers the Man Diversified Risk Premia Fund (“Man DRP”) from the 1st January 2021 to the 13th December 2021 and the Man Progressive Diversified Risk Premia Fund (“Man PDRP”) from the 13th December 2021 to the 31st December 2021.

Voting Criteria	Man DRP (1 st January 2021- 13 th December 2021)	Man PDRP (13 th December 2021 – 31 st December 2021)
Value of assets (as at 31 st Dec 2021)	£0	£30.7m
Number of holdings at end of the period	1,558*	1,542
No of meetings eligible to vote during the period	871	9
No of resolutions eligible to vote during the period	10,021	76
% of resolutions voted on of which eligible	100%	100%
% of resolutions voted with management	90%	89%
% of resolutions voted against management	10%	11%
% of resolutions abstained	0.3%	0%
% of meetings with at least one vote against management	49%	56%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	<0%	<0%
Any use of proxy voting services during the period	Yes (Glass Lewis)	Yes (ISS & Glass Lewis)

*The number of holdings as at 13th December 2021.

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 Group. The significant votes for the Man DRP Fund and Man PDRP Fund have been shown separately:

Ruffer Absolute Return Fund 'Significant Vote' disclosure table (1 of 2)

Period: 1st January 2021 – 31st December 2021

Company name	WH Smith	Countryside Properties	Walt Disney	Royal Dutch Shell	Aena
Summary of resolution	Governance – remuneration	Governance – board composition and remuneration	Governance – lobbying and succession planning	Vote on management resolution relating to the company's climate transition plan	Advisory Vote on Company's Climate Action Plan
How Ruffer voted	Against	Abstain	Voted for shareholder resolutions and re-election of Board member	For	For
Outcome of vote	The vote in favour of approving of the remuneration report passed with shareholder support	Re-election proposals passed with a range of shareholder approval for votes	Re-election proposal passed with shareholder approval for vote. Shareholder resolution failed	The resolution passed	The resolution passed

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

Period: 1st January 2021 – 31st December 2021

Company name	Ambev	NEC	American Express	American Express	Centene
Summary of resolution	Governance – remuneration	Governance – vote on election of independent director	Governance – vote on election of independent director	Social - diversity and inclusion. Vote on shareholder resolution requesting annual D&I report	Governance – vote on election of independent director
How Ruffer voted	Against	Against	Vote against non-exec directors with tenure over nine years	For	Against
Outcome of vote	The resolution passed with 86.5% votes in favour	The proposal passed with 64.7% votes in favour	Re-election proposals passed with a range of 95-99% shareholder approval for votes	The resolution passed with 59.7% votes in favour	Re-election proposals passed with a 93.2% and 98.8% shareholder approval for votes respectively

Man DRP 'Significant Vote' disclosure table (1 of 2)

Period: 1st January 2021 – 13th December 2021

Company name*	A	B	C	D	E
Summary of resolution	Shareholder Proposal Regarding GHG Reduction Targets	Shareholder Proposal Regarding AGM Investigation	Shareholder Proposal Regarding Capital Policy	Shareholder Proposal Regarding Disclosure of Business Alliance Agreements	Shareholder Proposal Regarding issuance of a Climate Transition Report
How Man voted	For	For	For	For	For
Outcome of vote	For: 30.5%	For: >50%	-**	-**	-**

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

**The outcome of the vote was not identifiable by Man Group.

Man DRP 'Significant Vote' disclosure table (2 of 2)

Period: 1st January 2021 – 13th December 2021

Company name*	F	G	H	I	J
Summary of resolution	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Election of director	Advisory Vote on Executive Compensation	Shareholder Proposal Regarding Greenhouse Gas Reduction Targets
How Man voted	For	For	Against	Against	For
Outcome of vote	Resolution Failed	Resolution Failed	Resolution Passed	Resolution Passed	Resolution Failed

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

Man PDRP 'Significant Vote' disclosure table (1 of 1)

Period: 13th December 2021 – 31st December 2021

Company name*	A
Summary of resolution	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement
How Man voted	For
Outcome of vote	For: 70%

*Please note that Man Group 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.