

Implementation Statement, covering 1 October 2019 to 30 September 2020

The Trustee of the St Paul's Cathedral (1972) Pension & Life Assurance Scheme (the "Scheme") 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 year. This is provided in Sections 1 & 2 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the year. The last time these policies were formally reviewed was August 2019.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments. The Trustee took a number of steps to review the Scheme'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 Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In June 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund 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 highest score available is 4 (strong) and the lowest is 1 (weak). None of the Scheme's managers scored a 2 or lower. The Trustee was satisfied with the results of the review and no further action was taken.

3. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds 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 year.

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

- Legal & General UK Equity Index Fund;
- Legal & General North America Equity Index Fund;
- Legal & General Europe (ex UK) Equity Index Fund;
- Legal & General Japan Equity Index Fund;
- Legal & General Asia Pacific (ex Japan) Equity Index Fund;
- Legal & General World (ex UK) Equity Index Fund – GBP Hedged; and
- Ruffer Absolute Return Fund.

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

We provide below descriptions provided by the managers on their voting processes:

L&G: *“All decisions are made by L&G’s Investment Stewardship team and in accordance with our relevant 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. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.”*

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.”

3.2 Summary of voting behaviour over the year

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

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7
Manager name	Legal & General	Legal & General	Legal & General	Legal & General	Legal & General	Legal & General	Ruffer
Fund name	UK Equity Index	North America Equity Index Fund	Europe (ex UK) Equity Index Fund	Japan Equity Index Fund	Asia Pacific (ex Japan) Equity Index	World (ex UK) Equity Index Fund – GBP Hedged	Absolute Return Fund
Total size of fund at end of reporting period	£21,860m	£40,264m	£14,760m	£8,980m	£423m	£5,475m	£4,368m
Value of Scheme assets at end of reporting period (£ / % of total assets)	£0.43m / 1.3%	£0.53m / 1.6%	£0.38m / 1.2%	£0.20m / 0.6%	£0.21m / 0.6%	£1.29m / 4.0%	£4.34m / 13.5%
Number of holdings at end of reporting period	634	639	455	515	619	2,492	81
Number of meetings eligible to vote	822	726	514	519	472	2,286	83
Number of resolutions eligible to vote	11,799	8,951	8,971	6,277	3,345	27,995	1,047
% of resolutions voted	99.93%	99.84%	99.10%	99.57%	99.52%	99.51%	96.75%
Of the resolutions on which voted, % voted with management	93.16%	72.41%	83.77%	86.67%	74.74%	79.59%	91.02%
Of the resolutions on which voted, % voted against management	6.83%	27.55%	15.85%	13.33%	25.26%	20.26%	7.70%
Of the resolutions on which voted, % abstained from voting	0.01%	0.04%	0.38%	0.00%	0.00%	0.15%	1.28%
Of the meetings in which the manager voted, % with at least one vote against management	45.07%	93.92%	74.17%	68.53%	69.57%	78.14%	39.76%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	6.14%	21.70%	7.78%	10.38%	15.14%	13.67%	8.39%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have selected some of the votes provided based on their content and the rationale given by the managers.

Legal & General

L&G provided the following rationale to explain how it decided which votes it deemed significant:

"In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- *A 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 L&G'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 L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes."*

L&G provided details on a number of significant votes across the equity funds in which the Scheme invests. These include the following:

- **Barclays, UK, May 2020**
L&G voted for two resolutions to approve Barclays' commitment in tackling climate change. These resolutions came following a significant level of investor interest in L&G's voting intentions and engagement activities. L&G has stated that its focus will now move to engaging with Barclays to help on the detail of their plans and targets.
- **International Consolidated Airlines Group, UK, September 2020**
L&G voted against a resolution to approve the remuneration for directors. Against a backdrop of the company withdrawing its dividend in 2020 and reducing its workforce by 30%, the report recommended bonus payments of 80-90% of salary for executives and 100% of salary for the departing CEO. Whilst bonuses had been determined at the end of February 2020 and executive directors had taken a 20% reduction in basic salary from 1 April 2020, L&G expected the remuneration committee to exercise greater discretion in light of the company's financial situation at the time.
- **ExxonMobil, US, May 2020**
L&G voted against the re-election of the CEO as Chair of the Board, as well as supporting shareholder proposals for an independent Chair and a report on the company's political lobbying. The vote against the re-election of the Chair was led by the company achieving a low position in L&G's annual ranking of corporate climate leaders and laggards.
- **Amazon, US, May 2020**
L&G voted for ten shareholder proposals, eight of which aimed to improve disclosure to encourage a better understanding of process and performance of material issues and two of which aimed to improve governance structures. The number of proposals put forward and the press coverage that was received, against the backdrop of concerns being voiced about the way that the company treats its staff, made this range of votes particularly significant.
- **Olympus Corporation, Japan, July 2020**
L&G voted against the election of the most senior member of the board. This member is also a member of the nomination committee. L&G considers it a minimum standard that every board should have at least one female board member and, since this company has not appointed a female board member, L&G voted against this member's election to highlight this issue.

Ruffer

Ruffer provided the following rationale to explain how it decided which votes it deemed significant:

“We have defined ‘significant votes’ as those that we think will be of particular interest to our clients. In most cases, these are when they form part of continuing engagement with the company and/or we have 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, Ruffer’s proxy voting advisor and our internal voting guidelines.”

Ruffer provided details on a number of significant votes that it carried out. These include the following:

- **Walt Disney, US, March 2020**
Ruffer voted in favour of a Shareholder resolution requesting additional disclosures on lobbying and the company’s memberships of trade associations. Whilst the company has increased its disclosure in recent years, it has only included trade associations based in the US. Ruffer supports the drive for the company to expand this to cover all trade associations of which it is a member.
- **ExxonMobil, US, May 2020**
Ruffer voted against re-election of all non-executive directors as it believes that the company has been inflexible in relation to shareholder engagement on the topic of climate change and perceives that it has made limited progress in this area. Ruffer also voted for the appointment of an independent Board Chair as it believes that this measure could improve the effectiveness of the board.
- **Lloyds Bank, UK, May 2020**
Ruffer voted against the company’s remuneration policy as it significantly relaxed the vesting criteria for directors to receive incentives. Ruffer’s view was that this policy did not sufficiently incentivise management to deliver value to shareholders.

3.4 Votes in relation to assets other than listed equity

There were no voting opportunities over the year for other managers.