

The Assay Office Retirement Benefits Scheme Implementation Statement for the year ended 31 March 2021

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Assay Office Retirement Benefits Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31st March 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

During the reporting year, the Scheme's SIP was reviewed and amended from September 2020. This review was initiated by the Trustees aiming to outline their policy in relation to environmental, social and governance ("ESG") and voting issues in compliance with regulations which took effect from 1 October 2020. The Trustees policy had simply been a broad reflection of the investment managers' own equivalent policies up until the amendments were made in September 2020.

The previous version of the SIP had been in existence since September 2019, meaning each version of the SIP was relevant during different parts of the reporting year.

The Trustees' updated policy

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be considered in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the SIP.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be considered in any future investment manager selection exercises.

The Trustees received manager selection advice in September 2020, which will be implemented within the Scheme's next financial year. The manager selection advice introduced the following funds: BlackRock Multi Strategy Credit Fund, Legal & General Investment Management ("LGIM") Dynamic Diversified Fund, LGIM Buy and Maintain Maturing Credit Funds and LGIM Matching Core Funds.

When providing manager selection advice, XPS assessed the funds using various criteria. One of these criteria is the funds ESG and climate change integration, where XPS will only recommend funds that at least meet a minimum level of ESG integration. Therefore, whilst these funds do not have an ESG focus, it was believed that the funds ESG credentials were sufficient to meet Scheme's ESG and climate change policy.

Ongoing governance

The Trustees, with the assistance of the Investment Consultant, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the SIP. Further, the Trustees will seek advice from the Investment Consultant to ensure that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities, as it represents the equity ownership and shareholder's stake within the underlying business. There is likely to be no voting rights for credit-based assets or funds that invest into them. Investments in equities will form part of the strategy for all the funds in which the Scheme was invested into at the end of the reporting period. The investment managers of these funds were; Ruffer, Seven Investment Management ("7IM"), Dimensional and Vanguard.

Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment managers, is shown below. Based on this summary, the Trustees conclude that the investment managers have exercised their delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard.

The Scheme invests into several "fund of funds", these are where the fund itself will own units of another fund. In this kind of circumstance, the Scheme's Investment Managers do not hold equities directly and they may not have any voting rights. Therefore, the voting section below is split into sections to show which funds had direct voting activity, and which fund had voting activity that was of the underlying fund holdings.

Direct Voting Activity (Voting activity of the fund)

Voting Information
Ruffer Segregated account
The manager voted on 87.9% of resolutions of which they were eligible out of 497 eligible votes.
Investment Manager Client Consultation Policy on Voting
Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, they can accommodate client voting instructions for specific areas of concerns or companies where feasible.
Investment Manager Process to determine how to Vote
<p>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 they are cognisant of proxy advisers' voting recommendations, they do not delegate or outsource their stewardship activities when deciding how to vote on their clients' shares.</p> <p>Research analysts are responsible, supported by the responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based upon 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. They look to discuss with companies any relevant or material issue that could impact their investment. They will ask for additional information or an explanation, if necessary, to inform our voting discussions. If they decide to vote against the recommendations of management, they will endeavour to communicate this decision to the company before the vote along with their explanation for doing so although they acknowledge this may not always be possible.</p>
How does this manager determine what constitutes a 'Significant' Vote?
They have defined 'significant votes' as those that they think will be of particular interest to their clients. In most cases, these are when they form part of continuing engagement with the company and/or they 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, ISS, and their internal voting guidelines.
Does the manager utilise a Proxy Voting System? If so, please detail
<p>Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). They have developed their own internal voting guidelines, however they take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although they are cognisant of proxy advisers' voting recommendations, they do not delegate or outsource their stewardship activities when deciding how to vote on their clients' shares.</p> <p>Each research analyst, supported by the responsible investment team, reviews the relevant issues on a case-by-case basis and exercises 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. As discussed above, they do use ISS as an input into their decisions. In the 12 months to 31 March 2021, of the votes in relation to holdings in the Assay Office Retirements Benefits Scheme they voted against the recommendation of ISS 9.6% of the time.</p>

Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Cigna	Votes for re-election of non-executive directors	Against 6 non-executive directors	Re-election proposals passed with a range of 96-99% shareholder approval for votes
They will continue to vote against the re-election of non-executive directors where they have concerns about their independence.			
National Oilwell Varco	Votes for re-election of non-executive directors	Against 4 non-executive directors	Re-election proposals passed with a range of 88-95% shareholder approval for votes
Our holding in this company is now de minimus.			
Ocado	Re-election of the Chair of the Board	Against	Re-election proposal passed with 96% shareholder approval for vote
They have a good relationship with the company and have engaged on many other topics including food waste, green-house gas emissions, vertical farming.			
Mitsubishi Electric	Vote for re-election of independent director	Against	Re-election proposals passed with a range of 76-82% shareholder approval for votes
They will continue to engage with Mitsubishi Electric to improve the independence of the Board.			
Lloyds Bank	Vote on remuneration policy	Against	Remuneration policy passed with 63.8% approval. Long term share plan passed with 63.7% approval.
They spoke with the Chairman of Lloyds on this issue after they voted and since then the company has made some changes to the remuneration of the new CEO. Even though these do not address all of the concerns, it does make the remuneration criteria more aligned to shareholder interests.			

Direct Voting Activity (Voting activity of the fund)

Voting Information
Seven Investment Management AAP Balanced Fund
The manager voted on 100% of resolutions of which they were eligible out of 2 eligible votes.
Investment Manager Client Consultation Policy on Voting
7IM are discretionary managers and vote in line with the voting policy.
Investment Manager Process to determine how to Vote
7IM has a policy in place on voting and disclosure of voting activity in line with its Stewardship Code disclosure. A member of the Investment Management team is designated to vote on shares held in the funds, through the Broadridge proxy voting

service. Should that member of the team be unavailable there are other designated team members who are able to vote through this service. Company proposals have a default to automatically vote in line with management. Should the IM team wish to make a vote against any of the proposals this can be done by overriding the automatic vote before the deadline time for voting.

While the IM team does not subscribe to a proxy voting recommendations service, it can choose to override management recommendations based on other factors such as advice from other members of the IM team, publicly available voting decisions of other institutions and advice from other sources.

7IM seeks to votes all shares held actively and passively where voting rights are held. In doing so, 7IM takes into account the UK Corporate governance Code and other international guidance on governance when voting such as board structure, remuneration and shareholder rights seeking to vote with management unless they are dissatisfied by a company's adherence to these governance codes. Votes against management and abstentions are recorded through the proxy voting service with notes where appropriate.

Where stocks are held in funds the fund manager is responsible for voting the shares; but, if there is an issue about a company proposal that 7IM believes contravenes the code, 7IM would communicate this to the portfolio manager. When 7IM outsources stock selection to an external manager it has policies and procedures in place governing what is expected from the external manager in terms of voting and governance activity. The manager reports to 7IM with regular updates on governance activity.

How does this manager determine what constitutes a 'Significant' Vote?

The Investment Manager does not provide their rationale for what constitutes a significant vote. As a result of this, XPS have included below the votes that they deem to be significant in relation to the Scheme.

Does the manager utilise a Proxy Voting System? If so, please detail

A member of the Investment Management team is designated to vote on shares held in the funds through the Broadridge proxy voting service.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Coca Cola European Partners	Approval of the Directors' Remuneration Policy	For	-
The information regarding the result of the vote was not provided.			
Coca Cola European Partners	Re-election of 10 individuals as directors of the Company	For	-
There were 10 separate proposals to re-elect individuals as directors of the Company. The proposals have been grouped together as the investment manager voted the same way ('For') for them all. The information regarding the voting results was not provided by the investment manager.			
NXP Semiconductors NV.	Re-appoint 9 individuals as non-executive directors and the authorisation of the Board to repurchase ordinary shares	For	-

There were 9 separate proposals to re-appoint individuals as non-executive directors. The proposals have been grouped together as the investment manager voted the same way ('For') for them all. The information regarding the voting results was not provided by the investment manager.

Top 5 Significant Votes during the Period continued

Coca-Cola European Partners	Authority to allot new shares and purchase own shares on the market	For	-
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There were two proposals for this voting subject. The proposals have been grouped together as the investment manager voted 'For' on both. The information regarding the voting results was not provided by the investment manager.

Indirect Voting Activity (Voting Activity relates to underlying funds)

Voting Information

Dimensional World Allocation 60/40

The manager voted on 98.5% of resolutions of which they were eligible out of 71,224 eligible votes.

Investment Manager Client Consultation Policy on Voting

For pooled funds, such as the World Allocation 60/40 Fund, Dimensional votes according to its policies.

Mandates for separate accounts may be voted according to a client's voting policy upon request, even if different from Dimensional's policies; while not standard practice, this may be considered on a case-by-case basis.

Investment Manager Process to determine how to Vote

Dimensional votes or refrains from voting proxies on behalf of their UK and Irish UCITS funds, as well as those separate account mandates for which clients have given them the authority to vote according to their then-current proxy voting policies and procedures. Their voting activities are intended to maximise shareholder value.

This involves consideration of the feasibility, costs, and expected benefits of voting for each portfolio.

How does this manager determine what constitutes a 'Significant' Vote?

When determining significant votes, Dimensional prioritized votes on the issues that Dimensional believes are key to protecting shareholder interests. They believe that a well-functioning board, executive remuneration aligned with company performance, and the effective management of environmental and social risks may be reflected in increased valuations through a combination of lower discount rates and higher cash flows. Their intention is to demonstrate how our proxy voting policy addresses failures in these areas. To narrow the universe to ten companies, they also considered the collective holdings of Dimensional's clients in the company and the overall outcome of the shareholder vote.

Does the manager utilise a Proxy Voting System? If so, please detail

Dimensional has engaged Institutional Shareholder Services (ISS) to provide information on shareholder meeting dates, research on proxy proposals, and voting recommendations based on their Proxy Voting Policies, Procedures, and Guidelines. ISS also provides vote execution through its proprietary voting platform. In addition to ISS, they may also review voting recommendations from Glass Lewis and Ownership Matters for selected meetings. Third-party research is only one of several inputs into their voting decision on a given proposal. They retain final discretion on how to vote.

Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Recylex SA	Approve Financial Statements, Allocation of Income, and Discharge Directors	Against	Passed, resolution received 98.7% support.
Dimensional continues to monitor the oversight of the external audit at the Company. Dimensional will review the upcoming external auditor's opinion and may continue to vote against Audit Committee members if concerns remain.			
Top 5 Significant Votes during the Period continued			
Manitou BF SA	Approve Remuneration Policy	Against	Passed, resolution received 89.6% support.
Dimensional continues to monitor the Company's remuneration practices and may vote against directors if concerns remain.			
Somfy SA	Elect Supervisory Board Member	Against	Passed.
Dimensional continues to monitor the independence of the Audit Committee Chair and may continue to vote against directors if the Chair remains non-independent.			
Ferrexpo Plc	Elect Directors	Against	Passed, director received 77.6% support.
Dimensional continues to monitor the Company and may continue to vote against directors if the relevant director remains on the board.			
Floor & Decor Holdings, Inc.	Elect Director	Against	Passed, director received 80.7% support.
Dimensional continues to monitor the classified board structure of the company. Dimensional may continue to vote against directors if such a structure is maintained.			

Indirect voting activity Voting Activity relates to underlying funds

Voting Information
Vanguard LifeStrategy® 40% Equity Fund
The manager voted on 99.5% of resolutions of which they were eligible out 73458 eligible votes.
Investment Manager Client Consultation Policy on Voting
They do not consult with individual clients / investors before voting. Vanguard understands that people have a wide variety of deeply felt humanitarian, ethical, environmental, and social concerns, and that some may want to see their beliefs reflected in their investments. As a fiduciary and the steward of lifetime savings for more than 30 million investors worldwide, Vanguard is required to manage their funds in the best interests of shareholders and obligated to maximize returns in order to help shareholders meet their financial goals.

Their Investment Stewardship website is the primary source of information about their investment stewardship program, and can provide portfolio companies with comprehensive information about their principles-based approach, perspectives and commentary, proxy voting guidelines, responsible investment policy, insights on environmental, social, and governance (ESG) topics, and proxy votes cast by their funds in the last proxy season.

Investment Manager Process to determine how to Vote

Vanguard Investment Stewardship team makes every effort to cast proxy votes at all meetings at which their funds are eligible to vote. Each fund advised by Vanguard has adopted a voting policy, which details the general positions of the funds on recurring proxy proposals at public companies. In some cases, country-specific guidelines for key markets are applied. An experienced team of analysts evaluates each proposal on a case-by-case basis and casts the funds' votes in accordance with their voting guidelines and based on their analysis of the impact of the proposal on long-term value. The guidelines for these case-by-case items set forth the general frameworks for their analysis. Proposals for which specific guidelines are not defined will likewise be voted on a case-by-case basis in the best interests of each fund consistent with the principles articulated in the proxy voting guidelines and each fund's investment objective.

Proxy voting responsibilities for Vanguard's externally-managed active funds are performed by those funds' external advisors. The external managers have proxy voting guidelines designed to ensure they vote consistently with their fiduciary obligations. Each manager has its own policies and guidelines that govern their voting decisions. A number of qualitative and quantitative considerations inform these decisions, including context around the company, the industry, and the region in which business is being conducted. The external managers are carefully selected to ensure their investment principles and processes align with the best interest of the Vanguard funds they manage. The externally managed funds hold their portfolio managers to high standards of portfolio management and compliance and are confident in the managers' ability to act in the best interest of the funds.

How does this manager determine what constitutes a 'Significant' Vote?

Vanguard has identified a range of criteria that they contribute to a vote being deemed as a 'Significant vote'. Their criteria are applied to companies that are held in their internally managed equity portfolios. Vanguard published its first SRD II-compliant annual report on its engagement policy and significant votes in the first quarter of 2021. They will report their significant vote data at an entity level in accordance with SRD II requirements. It is important to note that under their framework they would expect to see variations in the number of significant votes identified per period and it is possible for some funds not to hold any portfolio companies where Vanguard have deemed there to be a significant vote.

Does the manager utilise a Proxy Voting System? If so, please detail

Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. They consult a wide variety of third-party research providers and our own internal proprietary databases. They then analyse the various issues and ballot measures in conjunction with their Proxy Voting Guidelines and other relevant data to reach their own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis, and Equilar, as well as a number of smaller research providers. They do not rely on recommendations from proxy advisors for their voting decisions. They believe it is valuable to understand all sides of an issue before casting a vote on behalf of a Vanguard fund. As such, proxy advisors can be a useful data aggregator which serves as one of the many inputs that Vanguard's Investment Stewardship team uses to reach independent voting decisions on each funds' behalf.

Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
CK Hutchison Holdings Limited	Elect Edith Shih as Director	Against	Pass
The proposal was misaligned with the proxy voting policy due to an oversight failure. There was also noncompliance with the Hong Kong governance code with no compelling reason given.			
Centene Corporation	Eliminate Supermajority Vote Requirement	For	Pass
The proposal was aligned with the proxy voting policy. They support proposals that empower shareholders.			
Kaman Corporation	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Pass
The proposal was misaligned with the proxy voting policy There were concerns with the new compensation plan.			
Johnson & Johnson	Report on Governance Measures Implemented Related to Opioids	For	Pass
The proposal was found to be a reasonable ask. It addressed a material financial risk, and enhanced disclosures will benefit shareholders going forwards.			
Bunge Limited	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Fail
The proposal was misaligned with the proxy voting policy. There were concerns with the pay-for-performance alignment, structure, disclosure, and the one-time award payment was deemed to be excessive.			

Despite best efforts to obtain comprehensive data on significant voting behaviour carried out during the reporting year, significant voting activity was only obtained for two of the sub funds. Due to this, XPS have exercised judgement on what they deem to be the most significant from the data provided.

Based on this summary, the Trustees conclude that the investment managers have exercised their delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard.

Adopted on behalf of the Trustees