

Implementation Statement, covering the Scheme Year from 1 January 2023 to 31 December 2023 (the "Scheme Year")

The Trustees of the FM Insurance Company Limited Pension Fund and Life Assurance Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year to reflect the Department of Work & Pensions' new guidance on Stewardship. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the Scheme's voting and engagement policies during the Scheme Year.

2. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement.

However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

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.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q1 2023 meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were Climate change, Diversity, Equity & Inclusion and Risk management.

These priorities were selected because the Trustees believe they represent key market-wide risks and areas where good stewardship and engagement can improve long-term financial outcomes for the Scheme's members. The Trustees communicated these priorities to their managers in May 2023. In this communication, the Trustees set out the following expectations for their managers:

- to take account of financially material factors (including climate change and other ESG factors) when investing the Scheme's assets, and to improve their ESG practices over time, within the parameters of their mandate;
- to undertake voting and engagement on the Trustees' behalf in line with the managers' stewardship policies, considering the long-term financial interests of the Trustees; and
- to provide information on the managers' stewardship policies, activities and outcomes, as requested by the Trustees and LCP from time to time, to enable the Trustees to monitor the managers.

3. Description of voting behaviour during the Scheme year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- L&G World Developed Equity Index Fund (GBP Currency Unhedged)
- L&G World (ex UK) Developed Equity Index (GBP Currency Hedged)
- JP Morgan Emerging Markets Fund

Information on voting data was requested from BlueBay for the Total Diversified Credit Fund, as it invests in assets that can have voting opportunities, however BlueBay confirmed that it was not eligible to vote at any meetings over the period.

3.1. Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which its managers have in place. The Trustees reviewed these policies in June 2023, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustees' views.

Legal & General ("L&G")

All decisions are made by L&G's Investment Stewardship team and in accordance with L&G's 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 L&G's stewardship approach is integrated into the engagement and voting process, therefore sending consistent messaging to companies.

L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote on clients' shares. All voting decisions are made by L&G and L&G does not outsource any part of the strategic decisions. L&G's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure L&G's proxy provider votes in accordance with its position on ESG, L&G have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G considers are minimum best practice standards, which it believes all companies globally should observe, irrespective of local regulation or practice. L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

JP Morgan

JP Morgan investment professionals monitor the corporate actions of the companies held in their clients' portfolios. To assist JP Morgan investment professionals with public companies' proxy voting proposals, a JP Morgan Entity may, but shall not be obligated to, retain the services of an independent proxy voting service ("Independent Voting Service").

The Independent Voting Service is assigned responsibility for various functions, which may include one or more of the following: coordinating with client custodians to ensure that all proxy materials are processed in a timely fashion; providing JP Morgan with a comprehensive analysis of each proxy proposal and providing JP Morgan with recommendations on how to vote each proxy proposal based on the guidelines or, where no guidelines exists or where the guidelines require a case-by-case analysis, on the Independent Voting Service's analysis; and executing the voting of the proxies in accordance with guidelines and its recommendation, except when a recommendation is overridden by JP Morgan,

as described below. If those functions are not assigned to an Independent Voting Service, they are performed or coordinated by a Proxy Administrator (as defined below).

JP Morgan has adopted procedures to determine if it should recall securities on loans to vote proxies when it believes a vote is material with respect to an investment such as when JP Morgan believes its participation in a vote is necessary to preserve the long-term value of an investment or in highly contested issue for which JP Morgan believes its vote is important to the account's strategy.

3.2. Summary of voting behaviour

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

	JP Morgan Emerging Markets Fund	L&G World Developed Equity Index Fund (GBP Currency Unhedged)	L&G World (ex UK) Developed Equity Index (GBP Currency Hedged)
Total size of fund at end of the Scheme Year	£2,254m	£1,859m	£2,892m
Value of Fund assets at end of the Scheme Year	£20.3m	£52.2m	£51.5m
Number of equity holdings at end of the Scheme Year	71	2,506	2,399
Number of meetings eligible to vote	96	2,392	2,275
Number of resolutions eligible to vote	887	31,063	28,620
% of resolutions voted	97.0%	99.9%	99.9%
Of the resolutions on which voted, % voted with management	94.0%	78.2%	76.7%
Of the resolutions on which voted, % voted against management	5.0%	21.7%	23.2%
Of the resolutions on which voted, % abstained from voting	0.0%	0.1%	0.2%
Of the meetings in which the manager voted, % with at least one vote against management	22.0%	79.9%	81.8%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1.0%	15.8%	16.8%

3.3. Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustees did not inform their managers which votes they considered to be most significant in advance of those votes. However, during the Scheme Year, the Trustees communicated their stewardship priorities to the Scheme's investment managers. The Trustees will continue to consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist.

By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustees believe that their managers will understand how they expect them to vote on issues for the companies they invest in on their behalf.

The Trustees have reported on two significant votes per fund only as the most significant votes. The managers have interpreted "most significant votes" as follows:

- **L&G** - In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. 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; or
 - a vote linked to an L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.
- **JP Morgan** - JP Morgan defines significant votes as: votes where it is a major shareholder in its portfolios; where the vote is likely to be close or contentious; or where there may be potential material consequences for its clients.

¹ [Vote reporting template for pension Fund implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Manager	L&G	
Fund	World Developed Equity Index Fund - GBP Currency Unhedged	
Company name	Microsoft Corporation	Amazon.com, Inc.
Date of vote	7 December 2023	24 May 2023
Approximate size of fund's holding at the date of the vote	4.9%	1.7%
Summary of the resolution	Elect Director Satya Nadella	Report on median and adjusted gender/racial pay gaps
Relevant stewardship priority	Risk management	Diversity, equity & inclusion
How you voted	Against	For (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is L&G's policy not to engage with our investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topic.	
Rationale for the voting decision	A vote against is applied as L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	A vote in favour is applied as L&G expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as L&G believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
Outcome of the vote	Pass	Fail
Implications of the outcome	L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	L&G will continue to engage with the company and monitor progress.
On which criteria have you assessed this vote to be "most significant"?	L&G considers this vote to be significant as it is in application of an escalation of L&G's vote policy on the topic of the combination of the board chair and CEO.	L&G views gender diversity as a financially material issue for its clients, with implications for the assets L&G manages on their behalf.

Manager	L&G	
Fund	World (ex UK) Developed Equity Index Fund – GBP Currency Hedged	
Company name	NVIDIA Corporation	Exxon Mobil Corporation
Date of vote	22 June 2023	31 May 2023
Approximate size of fund's holding at the date of the vote	1.6%	0.8%
Summary of the resolution	Elect Director Stephen C. Neal	Shareholder resolution calling for a report on asset retirement obligations under IEA net zero emissions scenario
Relevant stewardship priority	Diversity, equity & inclusion	Climate change
How you voted	Against (against management recommendation)	For (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	L&G co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the L&G Blog. As part of this process, there was regular communication with the company ahead of the meeting.
Rationale for the voting decision	A vote against is applied as L&G expects a company to have at least one-third women on the board. L&G also expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Together with CBIS, L&G has co-filed a shareholder resolution asking for more transparency on the retirement costs of Exxon's asset base. In L&G's view, this is a highly relevant and financially material matter, and by filing this proposal L&G are seeking greater clarity into the potential costs Exxon may incur in the event of an accelerated energy transition.
Outcome of the vote	Pass	Fail
Implications of the outcome	L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	L&G will continue to engage with the company and monitor progress.
On which criteria have you assessed this vote to be "most significant"?	L&G views gender diversity as a financially material issue for its clients, with implications for the assets L&G manages on their behalf.	L&G considers this vote to be significant as L&G co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change.

Manager	JP Morgan	
Fund	Emerging Markets Fund	
Company name	NetEase, Inc.	Jerónimo Martins SGPS SA
Date of vote	15 June 2023	20 April 2023
Summary of the resolution	Elect Alice Yu-Fen Cheng as Director	Approve remuneration policy
Relevant stewardship priority	N/A	
How you voted	Against	
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	
Rationale for the voting decision	A non-executive director who has served more than three terms (or nine years) in the same capacity is no longer, normally, deemed to be independent. Directors staying on beyond this term would require the fullest explanation to shareholders.	Companies should disclose performance targets pertaining to variable remuneration, allowing shareholders visibility on awards vested. In addition, Companies should introduce strong malus and clawback provisions within executive remuneration schemes and annual increases in salary should be limited and generally in line with the wider workforce of the company. We do not approve of large increases in fixed salary as a retention mechanism
Outcome of the vote	Pass	
Implications of the outcome	JP Morgan will continue to engage with the company	
On which criteria have you assessed this vote to be “most significant”?	Votes against management are considered significant by JP Morgan	

3.4. Votes in relation to assets other than listed equity

Information on voting data was requested from BlueBay for the Total Diversified Credit Fund, however, BlueBay confirmed that it was not eligible to vote at any meetings over the period.