

Conservative Agents' Superannuation Fund - Implementation Statement

Statement of Compliance with the Stewardship Policy of the Conservative Agents' Superannuation ("the Fund") for the year ending 31 March 2022

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Fund's Stewardship Policy during the period from 1 April 2021 to 31 March 2022.

Stewardship policy

The Trustees' Stewardship Policy as stated in the Statement of Investment Principles sets out how the Trustees will behave as an active owner of the Fund's assets which includes the Trustees' approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with the Fund's investment managers and any other stakeholders.

The Fund's Stewardship Policy is reviewed periodically in conjunction with reviews of the Fund's Statement of Investment Principles (SIP). The last review was last completed in September 2020.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Fund's investment managers. The Trustees believe it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Fund's direct exposure to equity holdings is limited to the Vanguard Global Equity ETF. The other holdings of the Fund are either credit mandates without voting rights or are invested in a fund of fund structure such as the Partners Master Portfolio where Partners are an intermediary between the Trustees and the managers that directly invest in equities. In this case the monitoring of the stewardship decisions of the underlying managers is the responsibility of Partners. The Trustees, or their investment adviser on their behalf, challenge Partners on issues of stewardship and engagement where appropriate.

The Trustees' own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with its investment adviser. The Trustees meet periodically with its managers and the Trustees consider managers' exercise of their stewardship both during these meetings and through reporting provided by its managers and investment advisers.

The Trustees monitor its compliance with its Stewardship Policy and is satisfied that it has complied with the Fund's Stewardship Policy over the last year.

Voting activity

The Trustees seek to ensure that its managers are exercising voting rights and, where appropriate, to monitor managers voting patterns.

The Fund has direct investment in equity assets through the Vanguard Global Equity ETF. The table below sets out how votes were cast to the year ending 31 March 2022 by Vanguard.

	Vanguard Global Equity ETF
Proportion of Fund assets as at 31/03/2022	14.7%
No. of meetings eligible to vote at during the year	5,148
No. of resolutions eligible to vote on during the year	53,896
% of resolutions voted	99%
% of resolutions voted with management	94%
% of resolutions voted against management	5%
% of resolutions abstained	1%
% of meetings with at least one vote against management	25%

* Figures pertain to the 2021 calendar year period. Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

Resolutions which Vanguard voted against management over the Fund year were often in relation to governance issues, remuneration and appointments to the board of directors.

Significant votes

The following votes have been identified as of particular significance by Vanguard. Vanguard highlight these because they involved a vote at a company in which Vanguard holds a meaningful ownership position, the vote conveys their perspective on an important governance topic or communicates their view of positive progress (or lack of it) by a company and its board.

NIKE, 6 October 2021, Report on Diversity and Inclusion efforts

Vanguard funds supported a shareholder proposal seeking additional reporting related to the company's workforce diversity, equity, and inclusion (DEI) efforts. The funds did not support a shareholder proposal requesting that NIKE report on its gender and racial pay gaps as they did not view specific disclosures on the median pay gap metrics to be appropriate given NIKE is already providing sufficient information to investors through for instance Pay and Representation analysis disclosures. This vote is considered significant because it demonstrates Vanguard's commitment to support proposals that engages boards on DEI issues including reporting on recruitment, retention and promotion.

Shell, 18 May 2021, Vote against Shareholder Resolution on Climate Change Targets

Vanguard voted against a binding shareholder resolution that asked that the company's board adopt emission-reduction targets aligned with the Paris Agreement goals and publish a yearly report on any progress it has made toward those goals. The resolution was significant in that it demonstrated the implementation of Vanguard's voting policy regarding climate change. In Vanguard's assessment, the activist shareholders' climate proposal was not addressing a material gap, as Shell's leaders have committed to continue developing their energy transition strategy consistent with the Paris Agreement goals. Vanguard voted against the shareholder proposal and in favour of the management proposal.

FedEx Corporation (FedEx), 27 September 2021, Vote on compensation and a shareholder proposal requesting that the board report on the company's lobbying-related oversight, policies, and expenditures.

Vanguard voted against two shareholder proposals that requested reports on the alignment between the company's values and its political contributions and on how the company's policies may reinforce racism within its corporate culture. Vanguard supported a shareholder proposal that requested shareholder approval of severance agreements but did not support a shareholder proposal that required an independent board chair. The vote was significant because it highlights Vanguard's commitment to enhance disclosure on oversight and management of a company's material risks, despite being non-traditional risks.

Engagement activity

Managers are challenged both directly by the Trustees and by their investment adviser on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio. The following table summarises the steps taken to engagement and challenge managers over the year to 31 March 2022.

Fund	Highlights of Engagement
Partners Master Portfolio	<ul style="list-style-type: none"> The Trustees receive bi-annual investment monitoring reporting from the investment adviser which highlight key issues impacting the managers' performance. Partners attended the October IC meeting where the Trustees discussed with Partners how they integrate ESG considerations into their investment process and what factors they consider important when rating, monitoring and allocating capital to underlying managers.
Vanguard Global Equity	<ul style="list-style-type: none"> As a passively managed exchange-traded fund, the Trustees do not regularly hold meetings with the manager. The fund falls under the growth portfolio with oversight by Partners The Trustees monitor the voting record and key engagements of the manager annually.
M&G Credit Opportunity IV	<ul style="list-style-type: none"> The Trustees receive bi-annual investment monitoring reporting from the investment advisers which highlight key issues impacting the manager's performance. The investment adviser also holds quarterly calls with M&G and highlight any material issues or concerns to the Trustees that arise.

As part of changes to the investment strategy, the monitoring of stewardship activities will also extend to the new managers.

Summary of manager engagement activity

The Trustees receive annual reporting on Vanguard's engagement activity. The following table summarises some key engagement activity for the 12-month period ending 31 December 2021.

Topic engaged on	Number of engagements
Board composition and effectiveness	3,869
Oversight of strategy and risk	269
Executive compensation	99
Shareholder rights	292
Other proposals	783

In terms of engagement, the manager cast 5,312 individual votes in relation to shareholder proposals and the Investment Stewardship team engaged with 1,074 companies over 2021. Engagements primarily focused on oversight of strategy and risk, board composition and effectiveness and executive compensation.

Use of a proxy adviser

Vanguard does not vote in lockstep with recommendations from proxy advisers such as Institutional Shareholder Services or Glass Lewis. Data from proxy advisors serve as one of many inputs into the research process. Even when a fund's vote happens to be consistent with a proxy advisor's recommendation, that decision is made independently. Their Investment Stewardship team evaluates proposals and casts Vanguard's funds' votes in accordance with Vanguard's voting guidelines.

Review of policies

The Trustees have committed to reviewing the managers' RI policies on a periodic basis. Reviews consider the fund managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager.

The Trustees remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Fund.