Implementation Statement for the year ended 31 December 2020

The Pension and Life Assurance Plan of the Royal Society ("the Plan")

Introduction

This Implementation Statement (the 'Statement') has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator. This is the first time that this Statement has been required to be produced by the Trustees.

Section 1 of this Statement sets out the investment objectives of the Plan and changes which have been made to the Statement of Investment Principles ("SIP") during the year to 31 December 2020.

A copy of the SIP is available at: https://iconic-ptluk.s3.eu-west-2.amazonaws.com/s3fs-public/The_Pension_and_Life_Assurance_Plan_of_the_Royal_Society-min.pdf

Section 2 of this Statement comprises information on the engagement and key voting activities of the underlying investment managers of the Plan, and also sets out how the Plan's engagement and voting policy has been met.

Section 1 – Statement of Investment Principles

The Trustees believes that it is important to consider the policies in place in the context of the objectives they have set.

The objectives for the Plan specified in the SIP are as follows:

- to ensure that they can meet the members' entitlements under the Trust Deed & Rules as they fall due;
- to achieve a long term positive real return consistent with the Trustees' assumptions agreed as part of the triennial Scheme Funding valuation;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objective

During the year, the Trustees reviewed and amended the Plan's SIP, taking formal advice from their investment advisers and after consultation with the Sponsoring Employer. A revised SIP was signed on 21 December 2020.

The key amendments to the SIP were:

- Updating it to reflect the strategy changes that occurred during the year, namely:
    - Reducing the Plan's allocation to return-seeking assets in favour of protection assets.
    - Replacing the NinetyOne (previously 'Investec Asset Management') Diversified Growth Fund with the Baillie Gifford Multi Asset Growth Fund.
    - Replacing the LGIM Global Equity MW (30:70) – 75% GBP Hedged Fund with the LGIM Future World Global Equity Index Fund, with 75% of the equity allocation invested in the GBP currency hedged version and the remaining 25% invested in the unhedged version.
- Adding the Trustees' policy on the Plan's current arrangement with its asset managers, specifically in relation to:
    - How the Trustees monitor and engage with the Plan's asset managers on investee companies' capital structure, and how they manage conflicts of interest;
    - Incentivising alignment with the Trustees' investment policies;
    - Incentivising assessments based on medium to long term financial and non-financial considerations;
    - The method and time horizon for assessing performance;
    - Portfolio turnover costs; and
    - The duration of arrangements with asset managers.

Section 2 - How voting and engagement policies have been followed

The Plan invests entirely in pooled funds and delegates responsibility for carrying out voting and engagement activities to the fund managers.

The Trustees undertook an initial review of the stewardship and engagement activities of the Plan's fund managers at their June 2019 meeting. The Trustees concluded, at the time, that the managers' approaches to stewardship and engagement were appropriate.

Annually, the Trustees receive and review voting information and engagement policies from both the asset managers and their investment advisers, which they review to ensure alignment with their policies, alongside the preparation of this Statement.

Having reviewed the above, the Trustees are comfortable that the actions of the fund managers are in alignment with the Plan's stewardship policies.

The Trustees appointed a new manager for the Plan's diversified growth mandate over the year and stewardship and voting policies were considered as part of the manager selection exercise, alongside all other material factors. The new manager is rated high conviction by the Plan's investment advisers for stewardship and voting, and the Trustees are comfortable that the manager is suitable across all criteria considered.

The Trustees also decided to replace the Plan's equity fund with LGIM. The new LGIM funds were chosen to reflect the Trustees' views on financially material factors including Environmental, Social and Governance ("ESG") factors. However, stewardship and voting was also considered. For instance, LGIM have a 'disinvestment budget' for the new fund. This allows them to stop investing in companies if they do not engage with them on ESG matters over a year or more. This gives LGIM more credibility when engaging with companies. The Trustees' investment advisers continue to rate LGIM as high conviction for stewardship and voting in relation to their index-tracking equity funds.

Additional information on the voting and engagement activities carried out for the Plan's investments are provided on the following pages.

The Trustees of the Pension and Life Assurance Plan of the Royal Society
June 2021

Voting Data

Manager	LGIM	LGIM	Baillie Gifford	NinetyOne
Fund name	*Invested in from 30 October 2020:* Future World Global Equity Index Fund Future World Global Equity Index Fund – GBP Hedged	*Invested in until 27 November 2020:* Global Equity Market Weights (30:70) – 75% GBP Hedged	*Invested in from 19 November 2020:* Multi Asset Growth Fund	*Invested in until 3 December 2020:* Diversified Growth Fund
Structure	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.			

Manager	LGIM	LGIM	Baillie Gifford	NinetyOne
Number of company meetings the manager was eligible to vote at over the year	4,502	7,188	64	150
Number of resolutions the manager was eligible to vote on over the year	49,856	77,223	696	1.794
Percentage of resolutions the manager voted on	99.98%	99.69%	95.98%	90.80%
Percentage of resolutions the manager abstained from	0.51%	0.72%	1.80%	2.33%
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	84.13%	84.53%	90.27%	93.49%
Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	15.36%	14.75%	7.93%	6.51%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0.29%	0.24%	n/a	4.00%

Source: Fund managers

The proportion of resolutions that were voted on or abstained from may not sum to 100%. This can be due to how managers or local jurisdictions define abstentions or classify formal voting or abstentions as opposed to not returning a voting form or nominating a proxy. The data in the table covers the 12 months to 31 December 2020, regardless of whether the Plan was invested for the duration of the period. The Trustees believe this is proportionate and provides a reasonable overview of the managers' voting behaviour.

There are no voting rights attached to the other assets held by the Plan and therefore there is no voting information shown above for those assets.

Baillie Gifford employs Institutional Shareholder Services (ISS) and Glass Lewis as its proxy voting advisors and LGIM and Ninety One use ISS as their proxy voting advisor.

Significant votes

A summary of the data the managers have provided is set out below. For the first year of implementation statements it has been delegated to the investment manager(s) to define what a "significant vote" is. Their rationale is included in the tables below.

LGIM Global Equity Market Weights (30:70) – 75% GBP Hedged Fund

	Vote 1	Vote 2	Vote 3
Company name	Qantas Airways Limited	International Consolidated Airlines Group	SIG plc
Date of vote	23 October 2020	7 September 2020	9 July 2020
Summary of the resolution	Approve the participation of Alan Joyce (CEO) in the Long-Term Incentive Plan Resolution	Approval of a remuneration report	Approval of a one-off payment to Steve Francis (CEO)
How the manager voted	LGIM voted against the resolution.	LGIM voted against the resolution.	LGIM voted against the resolution.
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Given their engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	The COVID-19 crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as they wanted to ensure the impact of the COVID-19 crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with their Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express their	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company, stating their support during the pandemic. They also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020	The company wanted to grant its interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments.

	Vote 1	Vote 2	Vote 3
	concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team.	and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. LGIM were concerned about the level of bonus payments, which were 80% to 90% of the salaries for current executives and 100% of the salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).	They believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried out over a two-month period, yet was equivalent to 65% of the CEO's full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.
Outcome of the vote	Approximately 90% of shareholders supported the resolution. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in their view.	Approximately 28% of shareholders opposed the remuneration report.	The resolution passed. However, 44% of shareholders did not support it. LGIM believe that with this level of dissent the company should not go ahead with the payment.
Implications of the outcome	LGIM will continue to engage with the company.	LGIM will continue to engage closely with the renewed board.	LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.
Criteria on which the vote is considered "significant"	It highlights the challenges of factoring in the impact of the COVID-19 pandemic into the executive remuneration package.	LGIM considers this vote significant as it illustrates the importance to investors of monitoring their investee companies' responses to the COVID-19 crisis.	The vote is high-profile and controversial.

LGIM Future World Global Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Fast Retailing Co. Limited	Luckin Coffee inc.	The Procter & Gamble Company (P&G)
Date of vote	26 November 2020	5 July 2020	13 October 2020
Summary of the resolution	Re-electing Yanai Tadashi as a company director	Remove Director Charles Zhengyao Lu	Report on effort to eliminate deforestation.
How the manager voted	LGIM voted against the resolution.	LGIM voted in favour of this resolution.	LGIM voted in favour of the resolution.
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. A lack of women employed is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level, LGIM consider that every board should have at least one female director. They deem this a de minimis standard. Globally, LGIM aspire to all boards comprising 30% women. In the beginning of 2020, LGIM announced that they would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. LGIM opposed the re-election of this	Shortly after its public listing in May 2019, the Chinese coffee start-up, which holds the ambition of disrupting the traditional coffee-shop model and competing with Starbucks in China, was accused by an anonymous report of potential fraudulent behaviour. This was initially denied by the board, and the company later opened an internal investigation with the formation of a special board committee and advice from outside law and forensic firms. The investigation revealed fabricated sales of approximately $300 million, which represented almost half of the company's 2019 sales. As a result, the CEO and chief operating officer were dismissed, and the company was delisted from Nasdaq in June 2020. Two Chinese regulators are investigating the issue. Following the internal investigation, the company board proposed a resolution at the meeting to seek	P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. The company also uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC

	Vote 1	Vote 2	Vote 3
	director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue.	shareholder approval to remove the board chair. LGIM supported the removal of the board chair, and also voted in favour of the removal of two outside, non-independent directors of the board. LGIM opposed the election of the two outside directors proposed by the board chair himself, as they had concerns about outside directors' independence.	certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G and spoke to representatives from the proponent of the resolution, Green Century. In addition, they engaged with the Natural Resource Defence Counsel to understand the issues. Ultimately, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets on deforestation, LGIM felt it was not doing as much as it could. LGIM continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.
Outcome of the vote	Shareholders supported Yanai Tadashi's re-election.	A majority of investors (% not available) supported the removal of the board chair. Three other board directors were also removed, and two new outside directors were appointed to the board.	The resolution received the support of approximately 68% of shareholders (including LGIM).
Implications of the outcome	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.	The company subsequently appointed a new combined chair and CEO, who is a co-founder of the company. LGIM will continue to monitor developments.	LGIM will continue to engage with P&G on the issue.
Criteria on which the vote is considered "significant"	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	LGIM identified this vote as significant given the size of the scandal and the proposal by the board to remove the company's chair. LGIM also note that this scandal has triggered important media coverage. The company is incorporated in China and was listed in the US; The Financial Times reported that this scandal triggered the US Congress passing bills in May to strengthen disclosure requirements for foreign groups.	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

NinetyOne Diversified Growth Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	The TJX Companies, Inc.	Bank of America Corporation	Johnson & Johnson	The Walt Disney Company
Date of vote	09 June 2020	22 April 2020	23 April 2020	11 March 2020
Summary of the resolution	Report on Reduction of Chemical Footprint	Report on Gender Pay Gap	Report on Governance Measures Implemented Related to Opioids	Report on Lobbying Payments and Policy
How the manager voted	For	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	They did not engage pre-AGM	They voted with management	They voted with management	They voted with management
Rationale for the voting decision	Shareholders would benefit from a better understanding of steps the company is taking to mitigate its risks related to toxic chemicals	Global median gender/racial pay gap report would not produce meaningful information about worker fairness because categories of underrepresented minorities differ from country to country	Shareholders would benefit from more specific information about proactive steps the board is taking to mitigate risks related to the manufacture and marketing of opioid-related products, and that incentives are aligned with the health of the communities it serves.	Additional disclosure of the company's indirect lobbying-related oversight mechanisms, along with its trade association payments, would help shareholders better assess the risks and benefits associated with the company's participation in the public policy process.
Outcome of the vote	Failed	Failed	Passed	Failed
Implications of the outcome	They continue to require adequate disclosure	Information not provided	They will continue closely monitoring similar issues	Information not provided
Criteria on which the vote is considered "significant"	Thematic Vote - Climate	Thematic Vote/Shareholder Proposal - Social/Diversity	Controversial vote that garnered media interest - Thematic Vote/Shareholder Proposal	Thematic Vote/Shareholder Proposal - Social

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beyond the expected

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Covivio REIT	EDP Renovaveis	Gecina	Merlin Properties
Date of vote	22 April 2020	26 March 2020	23 April 2020	16 June 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.45%	0.38%	0.34%	0.21%
Summary of the resolution	Remuneration - Policy	Elect Director(s)	Remuneration - Report	Remuneration - Report
How the manager voted	Against	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	Yes	Yes	Yes
Rationale for the voting decision	Baillie Gifford opposed five resolutions on the basis it could lead to rewarding under-performance.	Baillie Gifford opposed the election due to the lack of independence and diversity on the board.	Baillie Gifford opposed three resolutions on the view that pay is not sufficiently aligned with performance.	Baillie Gifford opposed the resolution to approve the Remuneration Report because of concerns with quantum.
Outcome of the vote	Passed	Passed	Passed	Passed
Implications of the outcome	Following the AGM, Baillie Gifford informed the company of their voting decision and advised that they expect more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.	Baillie Gifford have repeatedly taken action on the election of directors at the company. They are concerned by some directors' attendance records and a lack of independence and diversity. As the company has an 82% controlling shareholder, Baillie Gifford's influence is limited. They believe it is important to hold the board accountable regardless.	Baillie Gifford have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. They are yet to see improvements in the remuneration plan, however continue to engage with the company to advise on areas for improvement.	Baillie Gifford have been opposing remuneration at the company since 2017 and engaging with the company on the issue. In 2020, they saw significant improvements in the company's remuneration policy which is a positive outcome.
Criteria on which the vote is considered "significant"	Baillie Gifford view this as significant because they opposed remuneration.	Baillie Gifford view this as significant as they opposed the election of a director.	Baillie Gifford view this as significant because they opposed remuneration.	Baillie Gifford view this as significant because they opposed remuneration.

Fund level engagement

A summary of the data the managers have provided is set out below.

Manager	LGIM	Baillie Gifford	Partners Group	Ninety One
Fund name	Future World Global Equity Index Fund Future World Global Equity Index Fund – GBP Hedged Global Equity Market Weights (30:70) – 75% GBP Hedged	Multi Asset Growth Fund	Multi-Asset Credit Fund	Diversified Growth Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes
Number of engagements undertaken at a firm level in the year	891	560	Data not provided	138

Manager	LGIM	Baillie Gifford	Partners Group	Ninety One
Examples of engagements undertaken with holdings in the fund	The top engagement topics over the year to 31 December 2020 were: • Remuneration • Board compensation • Diversity • LGIM ESG Score • Climate Change • Strategy • COVID 19 • Gender and Ethnic Diversity • Disclosures • Public Health An example is LGIM's engagement regarding Barclays' AGM. LGIM endorsed Barclay's target to shrink its carbon footprint to net zero by 2050 and are helping Barclays develop plans to achieve their target. Another example is ExxonMobil, who refused to disclose and set targets for its carbon emissions, which was at odds with peers and caused concern given the long-term prospects of the fossil fuel industry. LGIM announced they would vote against the chair of the board at the May 2020 AGM (after excluding the company from its Future World funds in 2019). This was covered by over 40 articles in major global news outlets. Approximately 30% of shareholders supported the proposals for independence and lobbying. LGIM believe this sends an important signal, and will continue to engage to push for change at the company.	**John Laing Group plc:** John Laing Group plc is a UK investor, developer and operator of privately financed, public sector infrastructure projects. Baillie Gifford ("BG") met the chairman of John Laing Group to talk about its strategy and long-term outlook. They discussed the newly appointed CEO and the company's shift away from renewables as well as its experiences in new markets like Colombia. They also discussed difficulties faced in previous projects and what the board had learned. They also discussed board succession - a clear plan is in place. Overall, BG's impression was positive, with the chairman demonstrating a good understanding of the issues and strategic priorities going forward, including the importance of ESG for individual projects. **Hibernia REIT Plc**: Hibernia REIT plc is a public real estate investment trust. As part of Hibernia REIT's annual governance roadshow, BG spoke with the chairman, newly appointed non-executive director and company secretary. They discussed onboarding three new directors, board succession and the external roles of several directors, as well as the board's role in acquisitions and disposals. Alignment of pensions with the wider workforce was also discussed. Finally, they touched on sustainability, which is now implemented by a full-time dedicated manager. BG subsequently completed Hibernia's inaugural sustainability survey to help shape its future strategy.	**Example 1**: Partners Group ("PG") participated in a transaction to refinance existing debt and finance an add-on acquisition. The investee Company, which has global operations, was able to put in place a multi-currency capital structure (PG was one of two lenders that provided GBP and EUR financing). The Company was also able to acquire its number 2 competitor, thereby increasing market share. **Example 2**: Calls with the CFO of JLA (a UK provider of commercial laundry, catering, heating and fire safety solutions) when the COVID-19 pandemic first hit the UK (early March) to assess JLA's preparation, and follow-up in June to assess the impact on business, use of government schemes, and expected impact as lockdown eases. **Example 3**: Assessment of the impact of COVID-19 on the investee Company. Assurance that the Company is able to deliver services remotely. Comfort that the business was not significantly impacted by the COVID-19 pandemic and the identification of risk associated with the pandemic that PG would seek to monitor going forward.	**Climate Change:** Ninety One have been encouraging banks to align with the Paris Agreement, make use of the TCFD framework and to be transparent on fossil fuel lending exposure. They have material exposure to the banking industry and are aware of the fact that lending can materially expose banks to climate risk. They have been involved in many initiatives to educate their investment teams, understand climate risk and mitigate the risk. This includes participation in the Climate Action 100 Plus initiative. **Impala Platinum and Sustainability**: NinetyOne's purpose is to encourage the improvement in Impala Platinum's (a South African holding company that owns several companies which operate mines that produce platinum and platinum group metals) sustainability strategy and disclosure. Their goal is to improve the third party service provider sustainability research ratings and ultimately to encourage an improved investor rating for Impala Platinum. NinetyOne have engaged with members of the board and the executives responsible for the sustainability strategy of the company. Their prime area of focus to date is contributing to thinking on the sustainability strategy including communication to stakeholders.