



CRANLEIGH
SIXTH FORM



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EX CULTU ROBUR



CRANLEIGH
PREPARATORY SCHOOL

THE CRANLEIGH SCHOOL PENSION SCHEME

IMPLEMENTATION STATEMENT

FOR THE YEAR ENDED 5 APRIL 2024

The Trustees of the Cranleigh School Pension Scheme (the “Scheme”) are 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 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, in April 2023, to reflect:

- the addition of the Trustees’ agreed stewardship priorities; and
- wording on monitoring and engagement with the Scheme’s investment managers on their approach to stewardship.

Further detail and the reasons for these changes are set out in Section 2. 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 their investment manager, Legal & General Investment Management (“LGIM”), the exercise of rights attaching to investments, including voting rights, and engagement. LGIM’s policy can be found at the following link (and a summary of its voting behaviour is included in section 3.1): [LGIM's Engagement Policy 2020](#). However, the Trustees take ownership of the Scheme’s stewardship by monitoring and engaging with LGIM 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 as well as its approach to financially material considerations (including climate change and other ESG considerations).

In the previous Scheme year, at the 7 March 2023 meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were: Climate Change and Board Remuneration.

The priorities were selected after discussion of the various priorities suggested by the DWP guidance and felt that these were the most important. The Trustees updated the SIP in April 2023 and communicated these priorities to the investment manager, LGIM.

The Trustees regularly invite the Scheme's investment manager, LGIM, to present at Trustee meetings. Over the Scheme Year, the Trustees met with LGIM to discuss the Scheme's investments and approach to ESG.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with its investment manager to clarify expectations and encourage improvements.

When LGIM presented to the Trustees during the Scheme Year, the Trustees asked several questions about the managers' voting and engagement practices to check alignment with its own preferences. The Trustees were happy with LGIM's policies and approach.

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 manager, LGIM, 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. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenge managers where their activity has not been in line with the Trustees' expectations.

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:

- LGIM Low Carbon Developed Markets Equity Index Fund;
- LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged);
- LGIM North America Equity Index Fund;
- LGIM Europe (ex UK) Equity Index Fund;
- LGIM Japan Equity Index Fund;
- LGIM Asia Pacific (ex-Japan) Equity Index Fund;
- LGIM World Emerging Markets Equity Index Fund; and,
- LGIM Diversified Fund.

We have omitted the LGIM active corporate bond fund and the LGIM Secured Income Assets Fund as these would not ordinarily have any equity holdings.

3.1 Description of the voting processes

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

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and are reviewed annually, taking into account feedback from its clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM develops its voting and engagement policies.

All decisions are made by LGIM's Investment Stewardship team and are in accordance with the 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.

The Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and it does not outsource any part of its strategic decisions. LGIM uses ISS recommendations but 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 LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions that apply to all markets globally.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

3.2 Summary of voting behaviour over the year

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

Fund name	LGIM Low Carbon Developed Markets	LGIM Global Equity Fixed Weights (50:50) (GBP Hedged)	LGIM North America	LGIM Europe (ex UK)	LGIM Japan	LGIM Asia Pacific (ex Japan)	LGIM World Emerging Markets	LGIM Diversified Fund
Total size of fund at end of the Scheme Year	£1,838.2m	£218.9m	£23,578.7m	£6,970.0m	£3,917.9m	£367.0m	£3,701.5m	£11,938.7m
Value of Scheme assets at end of the Scheme Year	£0.9m	£0.6m	-	-	-	-	£0.3m	£1.8m
Number of equity holdings at end of the Scheme Year	1,416	3,028	606	396	818	686	1,795	7,569
Number of meetings eligible to vote	1,607	3,035	645	542	514	634	4,238	8,997
Number of resolutions eligible to vote	22,507	39,303	8,731	9,556	6,103	4,569	33,716	93,090
% of resolutions voted	99.8	99.8	99.8	99.7	100.0	100.0	99.9	99.8
% of resolutions voted with management	78.0	81.8	65.4	80.6	88.0	78.3	80.1	76.6
% of resolutions voted against management	21.8	18.1	34.6	19.0	12.0	21.7	19.0	23.1
% of resolutions abstained from voting	0.2	0.1	0.0	0.4	0.0	0.0	0.9	0.3
% of meetings on which the manager voted with at least one vote against management	81.3	70.2	97.8	81.9	71.0	65.0	54.3	73.6
% of resolutions on which the manager voted contrary to recommendation of proxy advisor	16.3	13.3	29.0	10.7	9.8	13.2	7.4	14.5

LGIM was unable to provide data for the Scheme year to 5 April 2024, so data for the year to 31 March 2024 has been used.

3.3 Most significant votes over the year

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 Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has 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 criteria for creating this shortlist.

The Trustee has interpreted "significant votes" to mean those that:

- align with the Trustee's stewardship priorities;
- 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 LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote; and
- a vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's five-year ESG priority engagement themes.

The Trustee has reported on one of these significant votes per fund.

LGIM Low Carbon Developed Markets Equity Index Fund and LGIM North America Equity Index Fund:

1. JPMorgan Chase & Co.

Relevant stewardship priority: Climate change

Summary of resolution: Report on Climate Transition Plan describing efforts to align financing activities with GHG targets.

Vote: For.

Management recommendation: Against.

Rationale: LGIM generally supports resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

Outcome: Fail.

Approximate size of the Fund's holding at the date of the vote: 0.8% for LGIM Low Carbon Developed Markets Equity Index Fund and 1.12% for LGIM North America Equity Index Fund

Criteria against which this vote has been assessed as "most significant": It is aligned with the Trustees' stewardship priority of climate change. Furthermore, LGIM considers this vote to be significant as it pre-declared its intention to support. LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.

3.3 Most significant votes over the year (continued)

LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged) and LGIM Diversified Fund:

2. Shell Plc.

Relevant stewardship priority: Climate change.

Summary of resolution: Approve the Shell Energy Transition progress.

Vote: Against.

Management recommendation: For.

Rationale: A vote against was applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.

Outcome: Pass.

Approximate size of the Fund's holding at the date of the vote: 3.5% for LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged) and 0.3% for LGIM Diversified Fund

Criteria against which this vote has been assessed as "most significant": It is aligned with the Trustees' stewardship priority of climate change. Furthermore, LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

LGIM Europe (ex UK) Equity Index Fund:

3. Banco Santander SA

Relevant stewardship priority: Board remuneration.

Summary of resolution: Approve Remuneration Policy.

Vote: Against.

Management recommendation: For.

Rationale: Remuneration - Performance conditions: A vote against has been applied because awards are permitted to vest for below median relative performance which therefore fails the pay for performance hurdle. We also highlight that the 5% salary raises for 2024 and future year increases to be given to the Executive Directors, including the Chair, will likely exacerbate existing concerns with the significant pay packages.

Approximate size of the Fund's holding at the date of the vote: 0.77%

Criteria against which this vote has been assessed as "most significant": It is aligned with the Trustees' stewardship priority of board remuneration. Furthermore, LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.

3.3 Most significant votes over the year (continued)

LGIM Japan Equity Index Fund:

4. Toyota Motor Corp.

Relevant stewardship priority: Climate change.

Summary of resolution: Amend articles to report on corporate climate lobbying aligned with the Paris Agreement.

Vote: For.

Manager recommendation: Against.

Rationale: LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.

Outcome: Fail

Approximate size of the Fund's holding at the date of the vote: 4.2%

Criteria against which this vote has been assessed as "most significant": It is aligned with the Trustees' stewardship priority of climate change. Furthermore, LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.

LGIM Asia Pacific (ex-Japan) Equity Index Fund:

5. National Australia Bank Limited

Relevant stewardship priority: Climate change.

Summary of resolution: Approve Transition Plan assessments.

Vote: For

Manager recommendation: Withdrawn

Rationale: LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM acknowledges the Company's disclosures on sector policies and emissions reduction targets in this regard, LGIM believes that additional reporting on how this is assessed in practice and any timelines associated with this in light of the Company's existing commitments is considered beneficial to shareholders.

Outcome: Withdrawn.

Approximate size of the Fund's holding at the date of the vote: 1.4%

3.3 Most significant votes over the year (continued)

Criteria against which this vote has been assessed as “most significant”: It is aligned with the Trustees’ stewardship priority of climate change. Furthermore, this shareholder resolution is considered significant due to the relatively high level of support received.

LGIM World Emerging Markets Equity Index Fund:

6. Tencent Holdings Limited.

Relevant stewardship priority: Climate change.

Summary of resolution: Elect Jacobus Petrus (Koos) Bekker as Director.

Vote: Against.

Manager recommendation: Against.

Rationale: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. LGIM also expects the Committee to comprise independent directors.

Outcome: Pass.

Approximate size of the Fund’s holding at the date of the vote: 4.2%

Criteria against which this vote has been assessed as “most significant”: It is aligned with the Trustees’ stewardship priority of climate change. Furthermore, LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM’s flagship engagement programme targeting companies in climate-critical sectors.