



**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 2023**

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 Trustees have 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 during the Scheme Year and subsequently updated just after the Scheme Year in April 2023. The SIP was updated to reflect the Trustees' stewardship priorities and view on monitoring and engaging with the Scheme's investment manager on its approach to stewardship. The Trustees selected Climate Change and Board Remuneration as its key Environmental, Social and Governance ("ESG") priorities to provide a focus for its monitoring of the investment manager's voting and engagement activities. 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 the investment manager, Legal & General Investment Management ("LGIM"), the exercise of rights attaching to investments, including voting rights, and engagement. LGIM's voting policy is set out in section 3.1. However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with the manager as detailed below.

As part of its advice on the selection and ongoing review of the investment manager, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of the manager's approach to voting and engagement as well as its approach to financially material considerations (including climate change and other ESG considerations).

In March 2022, the Trustees reviewed LCP's responsible investment (RI) scores for the Scheme's existing manager and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement.

## 2. Voting and engagement (continued)

The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022.

The Trustees were satisfied with the results of the review as LGIM and its funds scored either a 3 or a 4, where the highest score available is 4 (strong) and the lowest is 1 (weak). Therefore, no further action was taken.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with its investment manager on specific ESG factors. At the 7 March 2023 meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were: Climate Change and Board Remuneration.

These priorities were selected because the Trustees discussed various priorities suggested by the DWP guidance and decided that Climate Change and Board Remuneration were most important. The Trustees are in the process of updating the SIP to document its stewardship priorities. The Trustees have communicated these priorities to the investment manager, LGIM.

The Trustees regularly invite the Scheme's investment manager, LGIM, to present at Trustees meetings, seeing the manager at least annually. 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 the manager will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with the manager to clarify expectations and encourage improvements.

When LGIM presented to the Trustees during the Scheme Year, the Trustees asked several questions about the manager's 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 its 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 manager's voting and engagement behaviour on an annual basis and challenges the manager where its 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 on materiality grounds 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 its manager 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's voting and engagement activities are driven by Environment, Social and Governance (ESG) professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take 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 LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop LGIM's voting and engagement policies and define strategic priorities in the years ahead. LGIM also considers client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS's recommendations is to augment LGIM's 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 received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

### 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
Value of Scheme assets at end of the Scheme Year	£0.8m	£1.0m	£0.3m	£0.3m	£0.1m	£0.1m	£0.5m	£3.3m
Number of equity holdings at end of the Scheme Year	1,482	3,435	624	744	841	685	1,679	6,396
Number of meetings eligible to vote	1,760	3,197	676	618	505	677	4,231	9,541
Number of resolutions eligible to vote	24,018	41,099	8,543	10,391	6,267	5,153	36,506	99,252
% of resolutions voted	99.8	99.8	99.4	99.9	100.0	99.9	99.9	99.8
% of resolutions voted with management	78.5	81.9	65.4	81.0	88.8	75.7	79.5	77.4
% of resolutions voted against management	21.3	18.0	34.5	18.5	11.2	24.3	18.4	21.9
% of resolutions abstained from voting	0.2	0.1	0.1	0.5	0.0	0.0	2.1	0.7
% of meetings with at least one vote against management	81.0	70.1	97.2	79.1	71.5	68.5	53.9	72.8
% of resolutions on which the manager voted contrary to recommendation of proxy advisor	15.0	12.2	26.6	9.7	9.2	14.2	6.8	12.5

### 3.3 Most significant votes over the year

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

We have included the "most significant votes" below as provided by the Scheme's investment manager.

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- 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;
- Sanction vote due to a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's five-year ESG priority engagement themes.

The Trustees have reported on one significant vote per fund to cover the most significant votes, and these votes are consistent with the Trustees' stewardship priorities. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

#### LGIM Low Carbon Developed Markets Equity Index Fund:

##### 1. Alphabet Inc., North America, June 2022

**Relevant stewardship priority:** Climate Change

**Summary of resolution:** Report on Physical Risks of Climate Change

**Vote:** For

**Management recommendation:** Against

**Rationale:** LGIM expects companies to be taking sufficient action on the key issue of climate change.

**Outcome:** 17.7% voted for the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Approximate size of the Fund's holding at the date of the vote:** 1.3% of total assets in the fund

**Criteria against which this vote has been assessed as "most significant":** LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote. Climate Change is one of the Trustees' stewardship priorities.

### 3.3 Most significant votes over the year (continued)

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

##### 2. Rio Tinto Plc., United Kingdom, April 2022

**Relevant stewardship priority:** Climate Change

**Summary of resolution:** Approve Climate Action Plan

**Vote:** Against

**Management recommendation:** For

**Rationale:** LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

**Outcome:** 88.5% voted for the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Approximate size of the Fund's holding at the date of the vote:** 1.3% of total assets in the fund

**Criteria against which this vote has been assessed as "most significant":** LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote. Climate Change is one of the Trustees' stewardship priorities.

#### LGIM North America Equity Index Fund:

##### 3. JPMorgan Chase & Co., North America, May 2022

**Relevant stewardship priority:** Board Remuneration

**Summary of resolution:** Elect Director Todd A. Combs (joint chair/CEO)

**Vote:** Against

**Management recommendation:** For

**Rationale:** LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. The vote is applied in light of the one-off time-based award and LGIM's persistent concerns about pay structures at the Company. As a member of the Compensation Committee, this director is deemed accountable for the Company's pay practices.

### 3.3 Most significant votes over the year (continued)

**Outcome:** 95.3% voted for the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Approximate size of the Fund's holding at the date of the vote:** 0.9% of total assets in the fund

**Criteria against which this vote has been assessed as “most significant”:** LGIM considers this vote to be significant and pre-declared its vote intention as an escalation of its concerns regarding remuneration. LGIM also considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Board Remuneration is one of the Trustees' stewardship priorities.

**LGIM Europe (ex UK) Equity Index Fund:**

#### 4. TotalEnergies SE, France, May 2022

**Relevant stewardship priority:** Climate Change

**Summary of resolution:** Shareholders are voting to approve company's sustainability and climate transition plan.

**Vote:** Against

**Management recommendation:** For

**Rationale:** LGIM recognises the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remains concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.

**Outcome:** 88.9% voted for the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Approximate size of the Fund's holding at the date of the vote:** 1.6% of total assets in the fund

**Criteria against which this vote has been assessed as “most significant”:** LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote. Climate Change is one of the Trustees' stewardship priorities.

### 3.3 Most significant votes over the year (continued)

#### LGIM Japan Equity Index Fund:

##### 5. Hitachi Metals Ltd., Japan, June 2022

**Relevant stewardship priority:** Board Remuneration

**Summary of resolution:** Elect Director Tani, Makoto

**Vote:** Against

**Management recommendation:** For

**Rationale:** Amongst other reasons (diversity and board independence), LGIM also voted against the proposal on the grounds of remuneration. A vote against is applied due to an executive serving on the remuneration committee. LGIM would expect this committee to only comprise independent outside directors.

**Outcome:** The vote passed. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Approximate size of the Fund's holding at the date of the vote:** 0.1% of total assets in the fund

**Criteria against which this vote has been assessed as "most significant":** LGIM's main driver to vote against this proposal was due to diversity however it will vote against policies where board remuneration is not independent from the decisions of the board. Board Remuneration is one of the Trustees' stewardship priorities.

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

##### 6. Santos Limited, Australia, May 2022

**Relevant stewardship priority:** Climate Change

**Summary of resolution:** Approve Advisory Vote on Climate Change

**Vote:** Against

**Management recommendation:** For

**Rationale:** While LGIM notes the improvement the company has made with regards to its operational emissions reduction targets, LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. The absence of tangible scope 3 targets, together with the potential fossil fuels expansion plans, are at odds with the level of ambition required to align with such goals.

**Outcome:** 63.1% voted for the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.



### 3.3 Most significant votes over the year (continued)

**Approximate size of the Fund's holding at the date of the vote:** 0.4% of total assets in the fund

**Criteria against which this vote has been assessed as "most significant":** LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote. Climate Change is one of the Trustees' stewardship priorities.

**LGIM World Emerging Markets Equity Index Fund:**

#### 7. Sappi Ltd., South Africa, February 2023

**Relevant stewardship priority:** Board Remuneration

**Summary of resolution:** Re-elect Mike Falon as Director

**Vote:** Against

**Management recommendation:** For

**Rationale:** LGIM voted against this proposal on the grounds of remuneration and accountability. LGIM has had concerns with the Company's remuneration practices for consecutive years.

**Outcome:** 77.9% voted for the resolution. LGIM will continue to engage with the company and monitor progress.

**Approximate size of the Fund's holding at the date of the vote:** >0.1% of total assets in the fund

**Criteria against which this vote has been assessed as "most significant":** LGIM continues to challenge companies on its remuneration policies and against boards with insufficient diversity. Board Remuneration is one of the Trustees' stewardship priorities.

**LGIM Diversified Fund:**

#### 8. Royal Dutch Shell Plc., United Kingdom, May 2022

**Relevant stewardship priority:** Climate Change

**Summary of resolution:** Approve the Shell Energy Transition Progress Update

**Vote:** Against

**Management recommendation:** Against

**Rationale:** LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and believes the Company would benefit from further disclosure of targets associated with the upstream and downstream businesses.

### 3.3 Most significant votes over the year (continued)

**Outcome:** 79.9% voted for the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Approximate size of the Fund's holding at the date of the vote:** 0.3% of total assets in the fund

**Criteria against which this vote has been assessed as "most significant":** LGIM considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote. Climate Change is one of the Trustees' stewardship priorities.