



CRANLEIGH
EX CULTU ROBUR

THE CRANLEIGH SCHOOL PENSION SCHEME IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 5 APRIL 2021

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 their Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

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

1. INTRODUCTION – LAST REVIEW OF VOTING AND ENGAGEMENT POLICIES

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was September 2019. The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme’s existing manager and funds over the period, as described in Section 2 (Voting and engagement) below.

2. VOTING AND ENGAGEMENT

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.

In March 2020, the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing manager, Legal & General Investment Management (“LGIM”), along with LCP’s qualitative RI assessments for each fund and red flags of concern. These scores cover the approach to ESG factors, voting and engagement. 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 2020.

The Trustees were satisfied with the results of the review as the Scheme’s manager and its funds scored 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.

When LGIM presented to the Trustees during the year, the Trustees asked several questions about the managers’ voting and engagement practices and were satisfied with the answers they received. The Trustees also reviewed reports from their managers on voting and engagement activities undertaken on their behalf.

3. DESCRIPTION OF VOTING BEHAVIOUR DURING THE 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 year.

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

LGIM Global Equity Fixed Weights (50:50) Index Fund;

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

LGIM World Emerging Markets Equity Index Fund; and

LGIM Diversified Fund.

We have omitted the LGIM active corporate bond fund on materiality grounds as it would not ordinarily have any equity holdings.

3.1 DESCRIPTION OF THE VOTING PROCESSES

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 takes into account 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 our 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 Global Equity Fixed Weights (50:50) Index Fund	LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged)	LGIM World Emerging Markets Equity Index Fund	LGIM Diversified Fund
Approximate value of trustees' assets (as at 31 March 2021)	£2.6m	£2.7m	£1.1m	£6.1m
Number of holdings (as at 31 March 2021)	2,858	2,858	1,882	6,642
Number of meetings eligible to vote	3,641	3,641	3,998	11,362
Number of resolutions eligible to vote	44,680	44,680	36,036	115,604
% of resolutions voted	100%	100%	100%	99%
% of resolutions voted with management	84%	84%	85%	82%
% of resolutions voted against management	16%	16%	13%	18%
% of resolutions abstained	0%	0%	1%	1%
% of meetings with at least one vote against management	5.46%	5.46%	5%	6%

3.3 MOST SIGNIFICANT VOTES OVER THE YEAR

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

In determining significant votes, LGIM's Investment Stewardship team takes into account 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 as a result of 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.

3.3 MOST SIGNIFICANT VOTES OVER THE YEAR (CONTINUED)

LGIM GLOBAL EQUITY FIXED WEIGHTS (50:50) INDEX FUND:

WHITEHAVEN COAL, AUSTRALIA, NOVEMBER 2020.

Summary of resolution: Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

Vote: For

Rationale: The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.

Outcome: The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.

Criteria against which this vote has been assessed as "most significant": The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

BARCLAYS, UK, MAY 2020.

Summary of resolution: Resolution 29 Approve Barclays' Commitment in Tackling Climate Change
Resolution 30 Approve ShareAction Requisitioned Resolution

Vote: For both 29 and 30

Rationale: The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

Outcome: Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)

Criteria against which this vote has been assessed as "most significant": Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.

3.3 MOST SIGNIFICANT VOTES OVER THE YEAR (CONTINUED)

TYSON FOODS, USA, FEBRUARY 2021.

Summary of resolution: Report on Human Rights Due Diligence

Vote: Against

Rationale: A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting. Furthermore, it is believed that there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks.

Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain.

LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.

Outcome: The resolution failed to get a majority support as only 17% of shareholders supported it.

Criteria against which this vote has been assessed as "most significant": Our clients were particularly interested in the outcome of this vote.

LGIM GLOBAL EQUITY FIXED WEIGHTS (50:50) INDEX FUND (GBP HEDGED):

Same votes as the LGIM Global Equity Fixed Weights (50:50) Index Fund – see above for comments.

LGIM WORLD EMERGING MARKETS EQUITY INDEX FUND:

LGIM confirmed there were no significant votes over the reporting period.

LGIM DIVERSIFIED FUND:

Same votes as the LGIM Global Equity Fixed Weights (50:50) Index Fund – see above for comments.