

# Implementation Statement

## Implementation Statement for the Commonwealth War Graves Commission Superannuation Scheme

Covering 1 April 2022 to 31 March 2023

### 1. Background

The Trustees of the Commonwealth War Graves Commission Superannuation Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Scheme's Statement of Investment Principles ("SIP") during the previous Scheme year, in relation to engagement and voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIP can be found at <https://www.cwgc.org/who-we-are/pension-scheme/>

### 2. Voting and Engagement

The Trustees are keen that their managers are signatories of the UK Stewardship Code, which is the case for all managers apart from Threadneedle, who intend to become a signatory.

All of the Trustees' holdings are within pooled funds and the voting rights in the underlying investments are exercised by the companies that manage the funds. Therefore, the Trustees are not able to direct how votes are exercised and consequently have not directly used proxy voting services over the year.

The Scheme was invested in the following funds at the scheme year end:

- LGIM All World Equity Fund
- BNY Mellon Real Return Fund
- Schroders Life Diversified Growth Fund
- Insight Broad Opportunity Fund
- LGIM Synthetic Leveraged Equity Fund
- LGIM LDI Matching Core Long Fund - Nominal
- LGIM LDI Matching Core Long Fund - Real
- LGIM LDI Matching Core Short Fund – Real
- LGIM LDI Matching Core Short Fund - Nominal
- Threadneedle Property Unit Trust

The Trustees were unable to include voting data for the underlined funds as they are a mixture of fixed income and property funds and do not hold physical equities.

The Scheme disinvested fully from the following funds throughout the scheme year and therefore have not provided voting information:

- Twenty Four Absolute Return Fund

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### 3. Description by Investment Managers of their voting processes

#### a. LGIM

LGIM describe their voting process as follows:

“All decisions are made by LGIM’s Investment Stewardship team and in accordance with their 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 ensures their stewardship approach flows smoothly 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 voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. Their voting policies are reviewed annually and take into account feedback from 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 continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

LGIM’s Investment Stewardship team uses ISS’s ‘Proxy Exchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is to augment their 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 they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM’s 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 LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their 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.”

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### **b. Schroders**

Schroders describe their voting process as follows:

“As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking).

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy.

The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, applying our voting policy and guidelines (as outlined in our Environmental, Social and Governance Policy) to each agenda item. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as the Investment Association’s Institutional Voting Information Services and ISS, and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

In 2022, we voted on approximately 7600 meetings and 96% of total resolutions, and instructed a vote against the board at over 50% of meetings.

Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition, we receive ISS’s Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

ISS automatically votes all our holdings of which we own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in our voting decisions as well as creating a more formalised approach to our voting process.”

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### **c. Insight**

Insight describe their voting process as follows:

“Insight retains the services of Minerva Analytics (Minerva) for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. In addition, please refer to our Proxy Voting Policy, which sets out in detail our approach to voting on resolutions: <https://www.bnymellon.com/emea/en/about-us/esg-and-responsible-investment.html>

Insight does not consult with clients prior to voting on resolutions. However, Insight is committed to voting all proxies where it is deemed appropriate and responsible to do so. Insight takes its responsibility to vote very seriously and votes in the best interest of clients. We would utilise Minerva to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable.

The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, examples of significant votes cast that may be comparable to other listed entities are not applicable to the strategy’s exposures.”

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### **d. BNY Mellon**

BNY Mellon (“Newton”) describe their voting process as follows:

Newton has established overarching stewardship principles which guide our ultimate voting decision, based on guidance established by internationally recognized governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association’s Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting our investment rationale, engagement activity and the company’s approach to relevant codes, market practices and regulations. These are applied to the company’s unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. It is only in the event that we recognise a material conflict of interest that we apply the vote recommendations of our third-party voting administrator.

Newton seeks to make proxy voting decisions that are in the best long-term financial interests of its clients and which seek to support investor value by promoting sound economic, environmental, social and governance policies, procedures and practices through the support of proposals that are consistent with following four key objectives:

- To support the alignment of the interests of a company’s management and board of directors with those of the company’s investors;
- To promote the accountability of a company’s management to its board of directors, as well as the accountability of the board of directors to the company’s investors;
- To uphold the rights of a company’s investors to effect change by voting on those matters submitted for approval; and
- To promote adequate disclosure about a company’s business operations and financial performance in a timely manner.

In general, voting decisions are taken consistently across all Newton’s clients that are invested in the same underlying company. This is in line with Newton’s investment process that focuses on the long-term success of the investee company. Further, it is Newton’s intention to exercise voting rights in all circumstances where it retains voting authority.

All voting opportunities are communicated to Newton by way of an electronic voting platform.

The Responsible Investment team reviews all resolutions for matters of concern. Any such contentious issues identified may be referred to the appropriate global fundamental equity analyst or portfolio manager for comment. Where an issue remains contentious, Newton may also decide to confer or engage with the company or other relevant stakeholders.

An electronic voting service is employed to submit voting decisions. Each voting decision is submitted via the electronic voting service by a member of the Responsible Investment team but can only be executed by way of an alternate member of the team approving the vote within the same system.

Members of certain BNY Mellon operations teams responsible for administrative elements surrounding the exercise of voting rights by ensuring the right to exercise clients’ votes is available and that these votes are exercised.

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### 4. Summary of voting behaviour over the year

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

	Summary Info
Manager name	LGIM
Fund name	All World Equity Index Fund
Approximate value of Trustees' assets	£14.5m as at 31 March 2023
Number of equity holdings in the fund	4,560
Number of meetings eligible to vote	6,728
Number of resolutions eligible to vote	68,320
% of resolutions voted	99.88%
% of resolutions voted with management	79.13%
% of resolutions voted against management	19.68%
% of resolutions abstained	1.18%
% of resolutions voted of which at least once vote against management	63.38%

	Summary Info
Manager name	Schroders
Fund name	Life Diversified Growth Fund
Approximate value of trustees' assets	c.£7.7m as at 31 March 2023
Number of meetings eligible to vote	1,270
Votable Proposals	15,662
Proposals Voted	14,926   95%
FOR Votes	13,412   89%
AGAINST Votes	1,514   10%
ABSTAIN Votes	93   0%
Contrary to Proxy adviser	367   2%
Meetings voted at least once AGAINST Management	660   51%

	Summary Info
Manager name	Insight
Fund name	Broad Opportunities Fund
Approximate value of trustees' assets	£ 7.8m as at 31 March 2023
Number of equity holdings in the fund	11
Number of meetings eligible to vote	11
Number of resolutions eligible to vote	152
% of resolutions voted	100%
% of resolutions voted with management	100%
% of resolutions voted against management	0%
% of resolutions abstained	0%
% of resolutions voted, for which at least one vote was against	0%

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	Summary Info
Manager name	Newton Investment Management Limited
Fund name	BNY Mellon Real Return Fund
Approximate value of trustees' assets	£7.7m as at 31 March 2023
Number of equity holdings in the fund	69
Number of meetings eligible to vote	78
Number of resolutions eligible to vote	1,287
% of resolutions voted	100.0%
% of resolutions voted with management	89.2%
% of resolutions voted against management	10.8%
% of resolutions abstained	0.0%
% of meetings with at least one vote against managements	45.0%
% of resolutions voted contrary to the proxy adviser recommendation	7.0%

### 5. Most significant votes over the year

#### a. LGIM

Commentary on the most significant votes over the period is set below.

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 note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

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### Most Significant votes for the LGIM All World Equity Index Fund:

	Vote 1	Vote 2
Company name	Amazon.com, Inc.	Alphabet Inc.
Date of vote	2022-05-25	2022-06-01
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.708502	1.107098
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 7 - Report on Physical Risks of Climate Change
How you voted	Against	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	93.3%	17.7%
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.



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### **b. Schroders**

Schroder Life consider "most significant" votes as those against company management.

They are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concern with a company's performance they may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

### **Most Significant votes for Schroders Diversified Growth Fund**

Schroders believe that all resolutions when we vote against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders

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### **c. Insight**

Insight "most significant" votes are defined as follows:

"Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Minerva Analytics monitors company meeting agendas and items to be voted on. Minerva reviews each vote against Insight's specific criteria and provides a recommendation for each item. Insight votes in line with the recommendations of the proxy voting agent and documents where it makes a voting decision against the recommendation. The rationale for, abstaining or voting against the voting recommendation is retained on the Minerva platform on a case-by-case basis.

As mentioned previously, the strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, we have voted in line with recommendations of our proxy voting provider on all occasions."

### **Most Significant votes for Insight Broad Opportunity Fund**

Insight did not provide information as all votes are significant.

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### **d. BNY Mellon**

BNY Mellon "most significant" votes are defined as follows:

"We regard as material issues all votes against management, including where we support shareholder resolutions that the company's management are recommending voting against. As active managers, we invest in companies that we believe will support the long term performance objectives of our clients. By doing so, we are making a positive statement about the business, the management of risks and the quality of management.

Voting against management, therefore, is a strong statement that we think there are areas for improvement. As such, by not supporting management, we think that this is material, which is different to a passive investor where there is no automatic assumption of a positive intent in ownership. As such, we report publicly our rationale for each instance where we have voted against the recommendation of the underlying company's management.

At the fund level, we consider each instance of voting against management to be significant but if required to prioritise these instances, we take an objective approach that includes the fund's weighting in each security."

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### Most Significant votes for BNY Mellon Real Return Fund

	Vote 1	Vote 2
Company name	Greencoat UK Wind Plc	Universal Music Group NV
Date of vote	28-Apr-22	12-May-22
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.68	0.64
Summary of the resolution	Re-elect Shonaid Jemmett-Page as Director	Advisory Vote to Ratify Named Executive Officers' Compensation
How you voted	AGAINST	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	We voted against the re-election of the chairperson of the board. We raised concerns over the past share issuance undertaken by the trust. We believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.	We voted against executive remuneration. There is inadequate information regarding the various one-off grants, specific targets, thresholds, and pay-outs, to be able to arrive at an informed voting decision. The short-term awards employ a metric that ensures the CEO receives the bonus more in the form of royalty than the metric being an actual driver of growth and incentivising the executive to perform. In addition, the quantum of pay is considered excessive. The pay structure currently reflects Vivendi's legacy remuneration arrangements, and we expect better disclosures and a more traditional performance-based pay structure going forward.
Outcome of the vote	15% AGAINST	20.98% AGAINST
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The vote outcome demonstrates that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.	Owing to the company having controlling shareholders, the vote outcome shows that a majority of the minority shareholders failed to support the CEO's compensation and retain concerns had with Vivendi's remuneration arrangements. The company should recognise this significant level of dissent, and determine mitigating steps required to avoid a similar or worse vote outcome occurring in the future.
On which criteria have you assessed this vote to be "most significant"?	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.	This vote provides an example of where a majority of the companies minority shareholders disagreed with a company's pay practices.