

# National Association of Head Teachers Staff Benefits Plan – Implementation Statement for the year ended 31/03/2023

## 1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in the Plan's Statement of Investment Principles ("SIP") have been complied with during the year ended date. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. These include the exercise of rights (including voting) and undertaking of engagement activities in respect of the Plan's investments. In addition, this statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## 2. Background

Under the regulatory now in force, Trustees of Occupational Pension Schemes are required to state their policy on the exercise of the rights attaching to the investments, and on undertaking engagement activities in respect of the investments. Trustees are also required to report on how and the extent to which they have followed this policy and on significant votes.

This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

This Statement has been prepared by the Trustees, with the assistance of their Investment Consultant (Quantum Advisory).

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees, or the Investment Adviser on the Trustees' behalf.

## 3. Executive summary

Over the Plan year, the Trustees:

- Through its investment advisers, reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content that the Plan's investment managers have appropriately carried out their stewardship duties.
- Are of the opinion that it has complied with the relevant policies and procedures as identified in the SIP.
- Has remained aware of the relevant policies and procedures as identified in the SIP and received input from its Investment Adviser to aid ongoing compliance.

The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees believe there is less scope to influence the practices within such arrangements. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they engage with companies, especially with those which it lends. This ensures that the voice of the bond holder is reflected in conversations.

## 4. Reviews of the SIP over the Plan year

The SIP was last reviewed in February 2023.

The Trustees confirm that:

- The SIP has been amended over the Plan year to reflect the updated investment strategy that was implemented in February 2022.
- The SIP will be reviewed in future, to ensure any amendments to investment policy resulting from a review of investment strategy that is ongoing are reflected. The Trustees will seek advice from the Investment Adviser on the SIP and the suitability of the investments.

## 5. Investment Manager's voting and stewardship policies and activity

### Trustees' voting and stewardship policies

The Trustees, through their investment advisers, consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used a proxy voting services provider over the Year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions.

As part of this exercise, the Trustee, through its Investment Adviser, has reviewed the voting activities and stewardship policies of the funds. This is to ensure that investment managers engage in voting behaviour that is consistent with the Plan's stewardship priorities as set out in the SIP.

Over the Plan year, the voting activities of the following fund has been reviewed:

- LGIM Dynamic Diversified Fund

### Manager's voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed. The Trustees are satisfied with the voting and policies/procedures of the investment managers. The Trustees plan to undertake a review of the Scheme's stewardship priorities over the coming Scheme year and will aim to review whether or not the investment managers' stewardship priorities are aligned with these.

## Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year.

Statistic	LGIM Dynamic Diversified Fund
Number of equity holdings	6,854
Meetings eligible to vote at	9,541
Resolutions eligible to vote on	99,647
Proportion of eligible resolutions voted on (%)	99.83
Votes with management (%)	77.58
Votes against management (%)	21.73
Votes abstained from (%)	0.69
Meetings where at least one vote was against management (%)	72.50
Votes contrary to the recommendation of the proxy adviser (%)	12.62

Source: LGIM.

The Trustees are generally satisfied with the level of voting activity that has been undertaken.

### Significant votes over the reporting year

The Trustee, through their investment advisers, reviewed the significant votes cast by the investment managers and assessed these votes against the Plan's stewardship priorities. Where the managers significant votes do not align with the Plan's stewardship priorities the managers voting behaviour will be queried.

The Trustees have interpreted "most significant votes" to mean their choices from an extended list of "most significant votes" provided by each of the investment managers following the PLSA guidance provided.

Where possible, the Trustee, through its investment advisor, have selected significant votes which incorporate financially material ESG factors. Votes have also been selected, where possible, to include different ESG considerations. The Plans classification of a significant vote generally aligned with the reviewed funds over the Plan year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 6. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

### LGIM

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. This refusal for a direct comment on the selected funds was raised by the Trustees. In place of providing a direct response, LGIM referred Trustees to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=> The Trustees have received a copy of the conflicts of interest policy.

## Appendix 1 – Investment manager voting policies and procedures

### **LGIM voting policies and process**

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's 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.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received 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 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 LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information 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 them of rejected votes which require further action.

## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Plan. Information on further significant votes undertaken by the Plan’s investment managers has been reviewed by the Trustees through their investment adviser.

### LGIM Dynamic Diversified Fund

Company Name	Royal Dutch Shell Plc	American Tower Corporation
<b>Date of Vote</b>	24/05/2022	18/05/2023
<b>Summary of the resolution</b>	Resolution 20 – Approve the Shell Energy Transition Progress Update	Resolution 1f – Elect Director Robert D. Hormats
<b>Stewardship priority</b>	Environmental	Social & Governance
<b>Size of the holding (% of portfolio)</b>	0.33	0.12
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	Voted in line with management	LGIM publicly communicates its vote instructions 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.
<b>On which criteria has the vote been deemed as ‘significant’?</b>	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on clients’ behalf.
<b>Outcome of the vote</b>	Passed	Passed
<b>Do the trustees/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM.