

Implementation Statement for the Commonwealth War Graves Commission Superannuation Scheme

Covering 1 April 2021 to 31 March 2022

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
- 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
- Schroders Life Diversified Growth Fund
- Twenty Four Absolute Return Fund
- Threadneedle Property Unit Trust
- Insight Broad Opportunity Fund
- BNY Mellon Real Return Fund

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:

- Schroders LDI Portfolio
- LGIM Emerging Market Passive Local Currency Government Bond Fund
- LGIM World Emerging Markets Equity Index Fund
- Ninety One Diversified Growth Fund

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.”

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 2020, we voted on approximately 99% of total resolutions, and instructed a vote against management at 36% of meetings. In total, we voted on 6,518 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 their Internet-based platform Proxy Exchange. Schroder’s receives ISS’s research on resolutions. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For our smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for us, with only a few resolutions referred to Schroders for a final decision.

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.”

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.”

d. BNY Mellon

BNY Mellon describe their voting process as follows:

“Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, we may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies. We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance.”

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	£21.1 m as at 31 March 2022
Number of equity holdings in the fund	3,833
Number of meetings eligible to vote	6,519
Number of resolutions eligible to vote	64,607
% of resolutions voted	99.83%
% of resolutions voted with management	80.66%
% of resolutions voted against management	18.06%
% of resolutions abstained	1.28%
% of resolutions voted of which at least once vote against management	60.03%

	Summary Info
Manager name	Schroders
Fund name	Life Diversified Growth Fund
Approximate value of trustees' assets	c.£11.8m as at 31 March 2022
Votable Proposals	1,680
Proposals Voted	1,609 95.77%
FOR Votes	1,504 89.52%
AGAINST Votes	91 5.42%
ABSTAIN Votes	1 0.06%
WITHOLD Votes	13 0.77%
DNV Proposals	13 0.77%
Votes WITH Management	1,507 89.70%
Votes AGAINST Management	102 6.07%
Votes WITH Policy	1,562 92.98%

	Summary Info
Manager name	Insight
Fund name	Broad Opportunities Fund
Approximate value of trustees' assets	£ 12.0m as at 31 March 2022
Number of equity holdings in the fund	11
Number of meetings eligible to vote	12
Number of resolutions eligible to vote	141
% of resolutions voted	100%
% of resolutions voted with management	99.3%
% of resolutions voted against management	0.7%
% of resolutions abstained	0.0%
% of resolutions voted, for which at least one vote was against	8.3%

	Summary Info
Manager name	Newton Investment Management Limited
Fund name	BNY Mellon Real Return Fund
Approximate value of trustees' assets	£11.9 m as at 31 March 2022
Number of equity holdings in the fund	79
Number of meetings eligible to vote	98
Number of resolutions eligible to vote	1,476
% of resolutions voted	99.2%
% of resolutions voted with management	83.9%
% of resolutions voted against management	16.1%
% of resolutions abstained	0.0%
% of meetings with at least one vote against managements	47%
% of resolutions voted contrary to the proxy adviser recommendation	11.7%

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.

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

	Vote 1	Vote 2
Company name	Apple Inc.	Microsoft Corporation
Date of vote	2022-03-04	2021-11-30
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.847691	3.578468
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella
How you voted	For	Against
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	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight
Outcome of the vote	53.6%	94.7%
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 vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes

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.

Due to limitations in the information provided by Schroder Life, the Trustees were unable to include specifics regarding the most significant votes cast within the Schroder Life Intermediated Diversified Growth Fund, however they will continue to work with their advisers and Schroder Life with the aim of providing more information in future statements.

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.

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."

Most Significant votes for BNY Mellon Real Return Fund

	Vote 1	Vote 2
Company name	AstraZeneca Plc	Citigroup Inc
Date of vote	11-May-21	27-Apr-21
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.45	1.20
Summary of the resolution	Elect Directors X4, Approve Remuneration Policy, Amend Restricted Stock Plan	Amend Proxy Access Right
How you voted	AGAINST	AGAINST management proposals and FOR the shareholder proposal
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	Votes were instructed against the remuneration policy, a new performance share plan, and members of the remuneration committee. We did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.	We voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.
Outcome of the vote	26% AGAINST Elect Director, 39.8% AGAINST Approve Remuneration Policy, 38.3% AGAINST Amend Restricted Stock Plan	32.1% FOR Amend Proxy Access Right
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	UK best practice recognises that shareholder dissent in excess of 20% on remuneration-related proposals is significant and should result in proactive steps being taken by the company. In this case, with almost 40% of votes against pay proposals, the company is expected to consult with shareholders to determine and address underlying concerns.	The vote outcome, while not a majority, will be understood by the board as a matter of significant interest to the company's shareholders. It is a matter that should be addressed to avoid a further or increased public demonstration of concern.
On which criteria have you assessed this vote to be "most significant"?	The level of shareholder dissent merits this vote as significant.	This vote demonstrates the increased tendency of shareholders to vote in support of such proposals. In addition the actual level of support, at 32.1%, is considered significant.