

# National Association of Head Teachers Staff Benefits Plan – Implementation Statement for the year ended 31 March 2024

## 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 31 March 2024. 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

This Statement has been prepared by the Trustees with the assistance of their Investment Advisers (Quantum Advisory), in line with the current regulatory guidance that was in place at the Plan year end.

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 their 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 they have complied with the relevant policies and procedures as identified in the SIP.
- Have remained aware of the relevant policies and procedures as identified in the SIP and received input from their 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. 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 Trustees, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

The Trustees do not currently have any stewardship priorities in place. However, the Trustees aim to undertake a review of the Plan's stewardship priorities and will aim to review whether or not the investment managers' stewardship priorities are aligned with these.

Over the Plan year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustees:

- Legal & General Investment Management ("LGIM") Dynamic Diversified Fund ("DDF")

Furthermore, the general stewardship policies of the above fund and the funds listed below have also been reviewed by Quantum Advisory on behalf of the Trustees:

- LGIM Over 15 Years Gilts Index
- LGIM Over 5 Years Index-Linked Gilts Index
- LGIM 5 to 15 Years Gilts Index
- LGIM Maturing Buy and Maintain Credit 2020-2024
- LGIM Maturing Buy and Maintain Credit 2025-2029
- LGIM Sterling Liquidity Fund
- LGIM IG Corporate Bond Over 15 Year Index

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

Details of the manager's 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 Plan's stewardship priorities 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	7,258
Meetings eligible to vote at	9,651
Resolutions eligible to vote on	98,900
Proportion of eligible resolutions voted on (%)	99.8
Votes with management (%)	76.7
Votes against management (%)	23.1
Votes abstained from (%)	0.2
Meetings where at least one vote was against management (%)	73.2
Votes contrary to the recommendation of the proxy adviser (%)	14.1

Source: LGIM.

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

## Significant votes over the reporting year

The Trustees, through their investment advisers, reviewed the significant votes cast by the investment managers.

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 Trustees, through their 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.

## 5. 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. In place of providing a direct response, LGIM referred the 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/landg-assets/lgim/\\_document-library/capabilities/lgim-conflicts-of-interest.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-conflicts-of-interest.pdf)

## Appendix 1 – Investment manager voting policies and procedures

### LGIM voting policies and process

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. Please note, however, this approach does not extend to the Plan's UK Government Bond holdings as these are invested passively. Quantum believes this is reasonable given their underlying investments. For Equity holdings, 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 table below sets out a cross section of significant votes undertaken by the investment manager 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.

### LGIM's Significant vote definitions

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the PLSA guidance. 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 we 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 Dynamic Diversified Fund

Company Name	Microsoft Corporation	Shell Plc
<b>Date of Vote</b>	December 2023	May 2023
<b>Summary of the resolution</b>	Resolution 1.06 - Elect Director Satya Nadella	Resolution 25 - Approve the Shell Energy Transition Progress
<b>Size of the holding (% of portfolio)</b>	0.57	0.28
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	The vote was against management, but the vote intention was not communicated beforehand.	The vote was against management, but the vote intention was not communicated beforehand.
<b>On which criteria has the vote been deemed as ‘significant’?</b>	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
<b>Outcome of the vote</b>	Not disclosed	The vote passed
<b>Do the trustees/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage with the investee company, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM continues to undertake extensive engagement with Shell on its climate transition plans

Source: LGIM.