

Implementation Statement

Church Mission Society Pension Scheme

This is the Implementation Statement prepared by the Trustee of the Church Mission Society Pension Scheme ("the Scheme") and sets out:

- How the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 March 2021.

How voting and engagement policies have been followed

At the Scheme's year-end the Scheme was invested entirely in pooled funds, and as such delegated responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

Over the year the Trustee undertook a review of the investment strategy which considered the appropriateness of the current investment managers and pooled funds held in the Scheme's portfolio, which included the extent of voting and stewardship undertaken by the current managers as well as all other material factors. The Trustee was satisfied that the policies of the existing investment managers were reasonable and no remedial action was required on ESG grounds during the period.

Having taken appropriate advice from their Investment Adviser, the Trustee made a number of changes to the investment strategy which included the appointment of three new investment managers for four new mandates. The new holdings included two additional pooled funds as well as two segregated mandates. Investments in these new holdings were not made until after the Scheme's year end and so we have not included voting and engagement data relating to these holdings in this report. ESG credentials formed part of the selection process for these holdings.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers is in alignment with the Scheme's stewardship policies.

Additional information on the voting and engagement activities carried out for the Scheme's investments are provided on the following pages. The Trustee and their investment consultant are working with the fund managers to improve the availability and quality of information included in future Implementation Statements.

Voting undertaken on behalf of the Scheme

Voting only applies to equities held in the portfolio. The Scheme's equity investments are held in pooled diversified growth fund's managed by Newton Investment Management and Schroders Investment Management Limited. The use of pooled funds means that there is limited scope for the Trustee to influence voting, which is carried out by the fund managers on behalf of the Trustee.

The table below provides a summary of the voting activity undertaken by each manager during the year.

Manager	Newton Investment Management Limited	Schroders Investment Management Limited
Fund name	Real Return Fund	Diversified Growth Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
Number of company meetings the manager was eligible to vote at over the year	98	1,711
Number of resolutions the manager was eligible to vote on over the year	1307	20,478
Percentage of resolutions the manager voted on	99.2%	99.6%
Percentage of resolutions the manager abstained from	0.0%	0.3%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	85.4%	91.9%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	14.6%	7.7%
Percentage of resolutions voted <i>contrary to the recommendation of the proxy advisor</i>	9.9%	Not provided

Some voting percentages quoted above may not sum to 100.0%. Managers' assure us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

There are no voting rights attached to the other assets held by the Scheme and therefore there is no voting information shown above for these assets.

Significant votes

For the first year of implementation statements we have delegated to the investment managers to define what a “significant vote” is. A summary of the data they have provided is set out in the appendix.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee.

Data Limitations

Information relating to fund level engagement policies was requested from the Scheme’s investment managers. The managers have provided their data in varying levels of detail with some providing information at a firm level and others at fund level. The Trustee’s investment consultants are working with the managers to improve the depth of the information provided in the requested format.

The table below provides a summary of the engagement activity undertaken by managers during the year at a firm level.

Manager	BMO	M&G	PIMCO	Newton	Schroders
Fund name	Pooled Dynamic LDI Funds Sterling Liquidity Fund	Alpha Opportunities Fund	GIS Dynamic Bond Fund	BNY Mellon Real Return Fund	Diversified Growth Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	74 LDI counterparty engagements during 2020.	8 entities engaged with.	266 entities engaged with in year to 31 March 2021.	Not provided	362 entities engaged with.
Number of engagements undertaken at a firm level in the year	2,262 engagements in 2020	Not provided	1,586 entities engaged with in 2020.	153 entities engaged with over last 12 months.	1,564 entities engaged over last 12 months.

Manager	BMO	M&G	PIMCO	Newton	Schroders
Examples of engagements undertaken with holdings in the fund	The key engagement topics for 2020 were corporate governance, climate change, business conduct, human rights, labour standards, public health and environmental stewardship.	The key engagement topics were enhancing carbon data and disclosures, modern slavery and adherence with the UN Global Compact initiative.	The key engagement topics for the period were responsibility, resilience and COVID-19 recovery, supply chain management and climate data quality and disclosures.	The key engagement topics were NetZero targets, biodiversity, circular economy and resource efficiency, human capital, cybersecurity, food sustainability and control and regulation.	The key engagement topics were human capital management, transparency and disclosure, remuneration, board structure and supply chain management.

Appendix – Significant votes data

Newton, BNY Mellon Real Return Fund – table 1 of 2

	Vote 1	Vote 2	Vote 3
Company name	LEG Immobilien AG	Microsoft Corporation	Linde plc
Date of vote	19 Aug 20	2 Dec 20	27 Jul 20
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.3%	1.3%	1.1%
Summary of the resolution	Remuneration policy	Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors	Executive compensation arrangements and election of directors.
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	Yes	No
Rationale for the voting decision	Newton voted against the pay arrangements on account of their lack of alignment with performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention.	Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance and hence voted against the executive compensation arrangements and against the three members of the compensation committee. Newton also voted against the re-appointment of the company's auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.	A majority of long-term pay awards vest based on time served, which means executive pay is not subject to rigorous performance conditions and therefore not aligned with shareholders' interests.
Outcome of the vote	22.2% against approval of the remuneration policy	1.1%, 0.9%, 0.3%, against compensation committee members, 3.9% against reappointment of the auditor, 5.3% against executive officers' compensation	2%-10% against election of various Directors and 40% against elect one particular Director, 9.6% against executive compensation arrangements
Implications of the outcome	Newton believe investor scrutiny of pay arrangements is increasing. The significance of the high vote against is	The vote outcome demonstrates shareholders are not overly concerned with the company's executive pay arrangements.	Newton did not consider the vote outcome on the pay resolution to be material and of a level where the company is

	Vote 1	Vote 2	Vote 3
	important to note given that a majority of pay proposals from companies rarely see such high levels of dissent.	However, Newton's engagement with the company over multiple years shows that pay arrangements have been improving and are expected to continue to improve.	expected to address concerns. However, the election of one director that received 40% of votes against warrants further consideration.
Criteria on which the vote is considered "significant"	The vote outcome is considered significant owing to more than 20% of votes being instructed against its approval. It is likely that the company will seek to address concerns in an effort to avoid similar or higher future dissent	The company is recognised as a leader among its US peers in terms of its approach to corporate governance. Its executive pay structure is also better than most but there exists fundamental improvements that should be made.	Newton expect more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues. In addition, director election rarely achieve such a high level of dissent as seen by one nominee receiving a 40% vote against.

Schroders, Diversified Growth Fund

Schroders were unable to provide significant votes data in a useable format. We are continuously working with the managers in order obtain this data in a consistent, sensible format going forward.