

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 2022, including information regarding the most significant votes.

How voting and engagement policies have been followed

At the beginning of the Scheme's financial year, 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. In May 2021 the Trustee also invested in a segregated mandate with Schroders Solutions. However, these are largely derivative and UK government bond holdings, therefore there are no voting rights attached and there is limited opportunity for engagement.

Over the year the Trustee took steps to de-risk the investment strategy following improvements in the Scheme's funding level, with a 10% transfer from growth assets to matching assets. Three new investment managers for four new mandates were appointed last year, with the investment in these new holdings completed earlier in this financial year. The Scheme completed the switch from the BMO LDI portfolio to the segregated LDI portfolio with Schroders Solutions, as well as the investment in the Schroders Solutions equity portfolio, the Hamilton Lane Global Private Assets Fund and Partners Group Partners Fund. ESG credentials formed part of the selection process for these holdings which occurred in the last financial year. 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.

The Trustee reviewed the stewardship and engagement activities of the current managers during the year, alongside preparation of the Implementation Statement. The Trustee also monitors the ESG performance of the managers on an annual basis and receives voting information and engagement policies from all asset managers, which we review to ensure alignment with our own policies. The Trustee believes that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests. This exercise was undertaken in September 2021

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 equity exposure for the Schroders Solutions structured equity portfolio is achieved through derivatives, therefore there are no voting rights attached.

The table below provides a summary of the voting activity undertaken by each manager during the year. Please note that the voting data provided by Partners Group is over a 12-month period to 31 December 2021, as they only produce reports twice a year.

Manager	Newton Investment Management Limited	Schroders Investment Management Limited	Partners Group
Fund name	Real Return Fund	Diversified Growth Fund	The Partners 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.		
No. of eligible meetings	98	1,935	63
No. of eligible votes	1,476	22,766	811
% of resolutions voted	99.2%	98.2%	91.7%
% of resolutions abstained	0.0%	0.7%	4.0%
% of resolutions voted <i>with</i> management¹	83.9%	89.7%	90.6%
% of resolutions voted <i>against</i> management¹	16.1%	10.1%	5.4%
% of resolutions voted <i>contrary</i> to proxy advisor recommendation	11.7%	Not provided	2.3%

¹ as a percentage of the total number of resolutions voted on

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.

Hamilton Lane have stated that almost all of equity investments within the fund are in limited partnerships that do not have annual shareholders' meetings and therefore do not have attached voting rights.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a "significant" vote, so for this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a "significant vote". 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. The segregated LDI portfolio and the structured equity portfolio with Schroders Solutions consist of gilts and derivatives, therefore they have very limited scope to engage with its investees and engagement data is not provided.

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. Please note that Partners Group and PIMCO were only able to provide engagement data over a 12-month period to 31 December 2021.

Manager	M&G	PIMCO*	Newton	Schroders	Hamilton Lane**
Fund name	Alpha Opportunities Fund	GIS Dynamic Bond Fund	BNY Mellon Real Return Fund	Diversified Growth Fund	Global Private Assets Fund
No. of engagements undertaken on behalf of the holdings in this fund in the year	34	513	56	600+	Not applicable
No. of entities engaged on behalf of the holdings in this fund in the year	31	185	39	1000+	Not applicable
No. of engagements undertaken at a firm level in the year	Not provided	4000+	190	2,468 entites engaged with	Not applicable

* PIMCO were unable to provide engagement data as at 31 March 2022. Data is as at 31 December 2021.

**Hamilton Lane state that they are not a general partner and therefore typically take a minority position alongside a high-quality general partner, although they do engage directly with a general partner.

Partners Group did not provide engagement data as at 31 March 2022. This is because they tend to have a controlling stake in companies they invest in and therefore their investment model for The Partners Fund is through engagement with each holding to improve profits and, ultimately, performance. More information on actions they have taken are provided in the significant votes section below.

Examples of engagement activity undertaken over the year to 31 March 2022

Manager	Engagement example
M&G	The key engagement topics were climate change, carbon and net zero targets, natural resource use and pollution.
PIMCO	The key engagement topics for the firm over the period were climate change, natural resource use, financial performance, and strategy.
Newton	The key engagement topics for the firm over the period included supply-chain management, climate change, food and nutrient, and diversity,
Schroders	Amazon: Workers' Rights – Schroders requested comparable health and safety statistics, beyond Amazon's own safety leadership index. Amazon increased disclosure on their health and safety statistics. Additionally, the company have introduced a few comparable safety statistics. Schroders would like to see more metrics beyond the safety leadership index to mark this engagement as achieved.
Hamilton Lane	Not provided

Appendix – Significant votes data

Newton, BNY Mellon Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	AstraZeneca Plc	Citigroup Inc	CME Group Inc.
Date of vote	11 May 2021	27 April 2021	5 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.45%	1.20%	1.30%
Summary of the resolution	Elect Directors, Approve Remuneration Policy, Amend Restricted Stock Plan	Amend Proxy Access Right	Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against	For	Against
Rationale for the voting decision	Newton voted against the remuneration policy, a new performance share plan, and members of the remuneration committee, as they believed that the company had not provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.	Newton 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.	Newton voted against the executive officers' compensation arrangements owing to a significant proportion of the long-term pay awards not being subject to performance. In light of this, Newton also voted against the members of the compensation committee.
Outcome of the vote	Pass (for all resolutions)	Fail	Pass (for both resolutions)
Implications of the outcome	The significance of the high vote against pay proposals is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent. The company is therefore 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.	The vote outcome demonstrates shareholders are not overly concerned with the company's executive pay arrangements. However, Newton expect the company will be open to suggestions from investors as this subject is being scrutinised increasingly by US-based shareholders.
Criteria on which the vote is considered "significant"	The level of shareholder dissent merits this vote as significant, as the vote outcome is considered significant owing to more than 20% of votes being instructed against its approval.	Newton state that 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.	Newton considers this significant as domestic investors in the US are expected to enhance their scrutiny of executive pay practices; with more focus on how pay structures are aligned with generating or supporting company performance.

Schroders, Diversified Growth Fund

Schroders did provide voting data and rationale for how they voted but were unable to specify which of these votes were deemed significant. We are continuously working with the managers in order obtain this data in a consistent, sensible format going forward.

Hamilton Lane, Global Private Assets Fund

Hamilton Lane were unable to provide significant votes data due to the nature of the equity investments held within the fund as noted above.

Partners Group, The Partners Fund

Voting data provided by Partners Group is over a 12-month period to 31 December 2021. As the Partners Fund invests in private companies there are no significant votes to report on. The manager has provided examples of ESG efforts of the portfolio company, of which the manager has control of the Board.

	Vote 1	Vote 2	Vote 3
Company name	VSB Renewables Platform	Techem Metering GmbH	Civica
Rationale for the voting decision	VSB initiated the "VSB Goes Green Initiative", which includes several ESG projects aimed at deepening the alignment of business units and employees with the climate friendly nature of the company. One of the initiatives include assessing Scope 1 and Scope 2 emissions with the support of an external advisor. VSB aims to reduce its carbon footprint. The company has also initiated a comprehensive health and safety review to promote the well-being of its employees.	Techem completed a climate change engagement with an external advisor where a detailed greenhouse gas inventory was established including Scope 1, Scope 2 as well as material Scope 3 emissions. Initial carbon reduction opportunities were identified, and this analysis forms the basis for the development of Techem's carbon neutrality target. In addition, the organization added health and safety terms in all contracts with suppliers in Germany, Poland and France to improve its oversight across its supply chain.	Civica formalized its sustainability working group, which focuses on three areas: employees, customers and suppliers. The company aims to build on its previous achievements on employee net promoter score and diversity and inclusion. Following the rise in COVID-19 cases in India, Civica increased its assistance in the region. Civica raised funds to support the setup of an intensive care unit to ensure patient access to ventilators, oxygen, food and medicine, while directly funding the purchase of patient monitors.
Implications of the outcome	VSB completed a detailed assessment of its IT and cyber security setup across offices with an external consultant. VSB will make the necessary improvements based on the outcome of this.	After successfully completing a detailed materiality assessment, Techem published its first Corporate Sustainability Report in June 2021, which highlights key ESG achievements and lays out a detailed sustainability roadmap for the company. In the roadmap, the company commits to the development of a carbon neutrality target by 2022 and to increase the number of women in management from 17% in 2020 to 35% in 2025.	The focus on employees also includes managing the environmental impact of their offices. In September 2021, Civica formalized its first carbon plan.