

Implementation Statement

Church Mission Society Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Church Mission Society Pension Scheme ("the Scheme") to set out the following information over the year to 31 March 2023:

- how the Trustee policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 23 March 2023 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in March 2023 and has been made available online here:

<https://churchmissionsociety.org/wp-content/uploads/2023/03/CMSPS-Statement-of-Investment-Principles-2023.pdf>

At this time, the Trustee has not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

How voting and engagement have been followed

At the beginning of the Scheme's financial year, the Scheme was invested in growth funds with six different managers (M&G, Pimco, Partners Group, Hamilton Lane, Schroders and Newton), along with a segregated mandate of matching assets and a structured equity mandate aiming to smooth the returns of some of the growth assets, both being held with Schroders Solutions.

Over the year, as gilt yields rose, culminating with the spike seen after the 'mini budget' in September 2022, the Scheme was required to provide collateral to the segregated LDI portfolio in order to maintain hedging. The Trustee took this opportunity to de-risk the assets, given the improvement in the funding level over the period and as such fully disinvested from the Schroders and Newton diversified growth funds (10% allocations respectively) with the proceeds going to the segregated matching assets mandate.

Annually the Trustee receives and reviews voting information and engagement policies from both the asset managers and our investment advisors. The Trustee believes that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests. As part of ongoing monitoring of the Scheme's investment managers, the Trustee uses ESG ratings information available within the pensions industry or provided by its investment consultant (last considered in December 2022), to assess how the Scheme's investment managers take account of ESG issues.

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.

**Prepared by the Trustee of the Church Mission Society Pension Scheme
July 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Assets on behalf of the Trustee over the year to 31 March 2023. The LDI and Structured Equity with Schroders and Corporate Bonds with M&G and Pimco have no voting rights and limited ability to engage with key stakeholders given the nature of the mandates.

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.

The table below provides a summary of the voting activity undertaken by Partners Group, Schroders Diversified Growth Fund and Newton Real Return Fund during the year. Please note that the voting data provided by Partners Group is over a 12-month period to 31 December 2022, as they only produce reports twice a year. The voting data for Newton is for the year to 30 September 2022 as the fund was fully disinvested in early October 2022. The data for the Schroders Diversified Growth Fund is for the year to 31 March 2023, despite disinvestment in October 2022, as the data provided by Schroders prior to 31 March 2023 was insufficient.

Manager	Partners Group	Newton Investment Management Limited	Schroders Investment Management Limited
Fund name	The Partners Fund	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.		
No. of eligible meetings	58	80	1,290
No. of eligible votes	853	1330	15,823
% of resolutions voted	100%	100%	95%
% of resolutions abstained	2%	0%	0%
% of resolutions voted with management¹	94%	88%	89%
% of resolutions voted against management¹	4%	12%	10%
Proxy voting advisor employed¹	Glass Lewis	ISS	ISS
% of resolutions voted against proxy voter recommendation	1%	8%	2%

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

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. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities. At this time, the Trustee has not set stewardship priorities for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

A summary of the data the managers have provided is set out in the appendix.

Fund level engagement

The investment managers may engage with 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.

The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme’s LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	M&G	Pimco*	Newton**	Schroders***
Fund name	Alpha Opportunities Fund	Dynamic Bond Fund	BNY Mellon Real Return Fund	Diversified Growth Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	13	220	30	>600
Number of entities engaged on behalf of the holdings in this fund in the year	11	127	41	>1000
Number of engagements undertaken at a firm level in the year	n/a	6,600	174	>2800

*PIMCO were unable to provide engagement data as at 31 March 2023. Data is as at 31 December 2022.

** Newton BNY Mellon Real Return Fund was disinvested in October 2022 and so data shown is for the 12 months to 30 September 2022.

***Schroders Diversified Growth Fund was disinvested in October 2022, but data is shown for the 12 months to 31 March 2023 because data from Schroders in previous quarters was insufficient.

Partners Group did not provide engagement data as at 31 March 2023. 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.

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.

Examples of engagement activity undertaken over the year to 31 March 2023

M&G Investments, Alpha Opportunities Fund

BP Plc - M&G met with the CEO and CFO of BP to encourage them to propose a 'Say on Climate' Resolution at its upcoming AGM.

BP put their own climate plan to vote at the 2022 AGM - 'Approve Net Zero - From Ambition to Action Report'. M&G supported this resolution, along with a total of 89% of shareholders and voted against the Follow This resolution. The Follow This resolution failed to pass, receiving 15% support."

Pimco, Dynamic Bond Fund

Pimco have been engaging with more than 20 global banks on implementing their carbon emission strategy and alignment with the Paris Agreement. They shared their view and recommendation on committing to net zero, setting time-bound expectations in lending policy in line with the Paris Agreement, timeline and scope of interim targets, linking targets to compensation, and so on. By partnering with investors affiliated with the Institutional Investors Group on Climate Change (IIGCC), we reinforced our expectations on climate strategy with some of these banks.

Several banks have already made progress in line with Pimco's expectations on setting or implementing climate strategy. They expect more announcements from banks on interim progress in the coming months.

Hamilton Lane

Through portfolio monitoring Hamilton Lane were alerted to one of the portfolio companies being part of a relatively small group of companies that account for well over half of one European country's carbon emissions. Additionally, the country as a whole was lagging on emission reduction goals.

After review, Hamilton Lane contacted the General Partner, seeking information on potential mitigation and emission reduction plans. Their deal team had detailed conversations with the General Partner on broader climate risk and the specific report. The manager and company have targets in place to decarbonize, is making progress as it relates to reducing CO2 emissions and rebalancing its output towards renewable energy, with 34% of energy generation coming from renewable sources in 2022. It has set specific goals, to be achieved by 2025, including reducing scope 1 and 2 emissions by 48% compared to 2017 by 2025, and scope 3 emissions by 20% compared to 2017. They also provided backup on the current progress.

Hamilton Lane's ESG team will continue to closely monitor any further risks, incident reports, and progress towards stated goals.

Schroders

Schroders engaged with Amazon over worker's rights. They requested health and safety statistics, beyond Amazon's own safety leadership index. Amazon have increased disclosure on their health and safety statistics and

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.

Newton

Newton have increased their engagement on climate change as they view the financial materiality of climate change to have increased across all sectors, with the transition to a low carbon economy not only benefitting the environment but also long-term prospects of the economy. Newton have been involved with Climate Action 100+ which supports their escalation strategy in terms of leading a cohort of like-minded investors to engage with a company, and, in more recent years, supporting the filing of shareholder resolutions at company AGMs. Examples of engagements include with Royal Dutch Shell, helping them make climate pledges and set targets, and with CMS Energy bringing the closure of four coal plants forward from 2040 to 2025.

Partners Group

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.

Appendix – Significant votes data

Partners Group, The Partners Fund

Voting data provided by Partners Group is over a 12-month period to 31 December 2022. 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	Confluent Health	EyeCare Partners	Pharmathen
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		n/a	
Summary of the resolution	As Partners Group control the Board, please see below the ESG efforts of the portfolio company.		
How the manager voted	Control of board		
Rationale for the voting decision	<p>Confluent has an environmental impact assessment underway and has also engaged a third-party consultant to determine its greenhouse gas footprint.</p> <p>Meanwhile, Confluent has established a Diversity, Equity & Inclusion council, which is currently creating goals and roadmaps with a target to complete by the end of the third quarter of 2022.</p>	<p>In 2022, the number of patients served by EyeCare Partners (ECP) rose to 3 million, with the company exceeding its targets for average net promoter score (NPS) for its ECP clinics and Medicare/Medicaid patients served.</p> <p>In 2021, ECP clinics had an NPS score of 89 compared to the target score of 87, and had served 37% of Medicare/Medicaid patients.</p>	<p>In May 2022, Pharmathen launched a sustainability assessment with EcoVadis. The results will be incorporated into Pharmathen's ESG Strategy.</p>

	Vote 1	Vote 2	Vote 3
	Thereafter, ownership of each initiative will be identified.		
Outcome of the vote	n/a		
Implications of the outcome	<p>Confluent has also expanded its stakeholder benefits program. For instance, in 2022, the company launched stock options for all physical therapists and made significant investments in benefits, including reduced Eligible Employee premiums and increased communication around its wellness programs.</p>	<p>Meanwhile, several initiatives were implemented to improve stakeholder benefits. For instance, significant investment in benefits were made in 2021 and 2022. In addition, the company increased communication around its ECP Cares Foundation, a non-profit organization dedicated to giving back to ECP team members in need. Meanwhile, Incident Frequency Rate (IFR) measures were established and are being captured to drive root-cause analysis and drive prevention strategies. This has engaged employees and helped to increase employee retention to 31% (exceeding the target of 27%).</p> <p>Lastly, baselines and specific initiatives were established based on the doctor and employee engagement surveys conducted during the first half of 2022.</p>	<p>The company has a strong ESG culture as reflected in its core mission of making a positive impact on the lives of people by ensuring that they enjoy better health.</p>
Criteria on which the vote is considered "significant"	Size of holding fund		

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, and sensible format going forward.

Newton, BNY Mellon Real Return Fund

Voting data provided by Newton is over a 12-month period to 30 September 2022 as the holding was fully disinvested in October 2022.

	Vote 1	Vote 2	Vote 3
Company name	Bayer AG	BioPharma Credit PLC	Greencoat UK Wind PLC
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.1%	1.1%	1.7%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Capital Raising (X2), Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Elect Director, Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights, Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights
How the manager voted	Against	Against	Against
Rationale for the voting decision	<p>Newton voted against the company's executive remuneration arrangements. The supervisory board exercised discretion for STIPs resulting in payouts that are not aligned with the company's performance. The management continues to be rewarded for underperformance where 40% of long-term awards vested despite share price lagging the benchmark.</p>	<p>Newton voted against proposals related to share issuance as the authority sought by the company for share issuance with and without pre-emptive rights is high. In addition, the company has not provided a commitment that shares would be issued at a premium to NAV. In the absence of these safeguards for shareholders, there could be scope for significant value dilution.</p>	<p>Newton voted against the proposed share issuances and the re-election of the chairperson of the board. They raised concerns over the past share issuance undertaken by the trust. Newton believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.</p>
Outcome of the vote	76% voted against the remuneration report	Resolution Withdrawn	15% AGAINST Elect Director, 10% and 11% AGAINST Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights
Implications of the outcome	<p>The vote outcome demonstrates the dissatisfaction of the shareholders regarding the pay practices of the company. Such overwhelming dissent cannot be ignored and Newton expect the company to reach out to shareholders for feedback to be able to effectively allay their concerns.</p>	<p>Newton assume that the company realised the vote outcome would not be favourable and therefore, withdrew the resolution. While their level of investment means it is unlikely that Newton will engage with the company, they will continue to make voting decisions in the best interests of their clients.</p>	<p>The vote outcome demonstrates that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.</p>

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant"	This is determined to be a significant vote given that a majority of shareholders voted against the company's remuneration policy.	It is highly unusual for resolution proposals to be withdrawn ahead of a meeting.	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.