

# 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 2024:

- 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) describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed post year-end in July 2024 and has been made available online here:

<https://churchmissionsociety.org/wp-content/uploads/2024/07/2024-07-CMS-SIP-v1.0.pdf>

At this time, the Trustee has not set stewardship priorities / themes for the Scheme due to potentially securing the Scheme's benefits in the short term. Should the Trustee's objectives and the Scheme's circumstances change the Trustee may consider 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 four different managers (M&G, Pimco, Partners Group and Hamilton Lane), along with a segregated mandate of matching assets with Schroders Solutions.

Over the year, there were no major changes to the strategy. However, post 31 March 2024, the Scheme has de-risked the portfolio, disinvesting from all growth funds and investing an allocation of 50% to Insight's Maturing Buy and Maintain fund range, while decreasing the allocation to the matching portfolio to 50%.

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 2023), 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 2024**

## 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 2024. The LDI 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 the 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 during the year. Please note that the voting data provided by Partners Group is over a 12-month period to 31 December 2023, as they only produce reports twice a year.

Manager	Partners Group
<b>Fund name</b>	The Partners Fund
<b>Structure</b>	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
<b>No. of eligible meetings</b>	56
<b>No. of eligible votes</b>	847
<b>% of resolutions voted</b>	100%
<b>% of resolutions abstained</b>	3%
<b>% of resolutions voted with management<sup>1</sup></b>	92%
<b>% of resolutions voted against management<sup>1</sup></b>	41%
<b>Proxy voting advisor employed<sup>1</sup></b>	Glass Lewis
<b>% of resolutions voted against proxy voter recommendation</b>	2%

<sup>1</sup> 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 due to potentially securing the Scheme’s benefits in the short term. Should the Trustee’s objectives and the Scheme’s circumstances change the Trustee may consider 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 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*
<b>Fund name</b>	Alpha Opportunities Fund	Dynamic Bond Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	11	267
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	9	1,449
<b>Number of engagements undertaken at a firm level in the year</b>	n/a	6,831

\*PIMCO were unable to provide engagement data as at 31 March 2024. Data is as at 31 December 2023.

Partners Group did not provide engagement data as at 31 March 2024. 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 2024

### M&G Investments, Alpha Opportunities Fund

AIB Group Plc - M&G met with the Chief Strategy and Sustainability officer as well as a member of their investor relations team, aiming to discuss the process it went through to have its near-term decarbonisation targets SBTi approved (as one of the few banks to have done so). With the idea to apply the lessons learned by AIB to other financial holdings that are finding validation difficult. M&G also encouraged the bank to have its net zero targets approved by SBTi, as well as regularly reporting on the outcomes of its scope 3 engagement programme, particularly as it relates to its loan book.

AIB provided a good overview of the steps it had taken, the most important of which was initially getting internal stakeholders on board to allow for a smooth process and working closely with SBTi on areas of uncertainty or concern. The bank confirmed that its intention was to get its net zero target approved and was positive on the idea of reporting on its scope 3 engagement. This, it said, could eventually look at other ways of encouraging loan customers to decarbonise - in terms of incentives - while regulation was also helping to drive this, particularly the Corporate Sustainability Reporting Directive (CSRD).

### **PIMCO, Dynamic Bond Fund**

PIMCO engaged with a telecommunications company on human capital management (e.g. inclusion and diversity, employee terms, safety etc.), climate targets, data privacy and best practices for ESG-labelled bonds. Workforce management has been a topic of thematic focus for PIMCO's engagements as they believe that a resilient and productive workforce can be indicative of a long-term sustainable growth strategy.

In this particular case, they hoped to prompt improved disclosures on diversity, equity, and inclusion (DEI) efforts. They engaged with the company acknowledging their progress, identifying areas for improvement in data privacy, and discussed potential risks. PIMCO offered recommendations for increasing transparency in several areas related to restructuring processes, workforce breakdown, as well as diversity, equity, and inclusion (DEI) efforts, and suggested linking ESG metrics to executive compensation. In response, the issuer showed openness to suggestions and agreed to consider enhancing their DEI disclosure in their 2023 reporting. The issuer went on to successfully implement all of PIMCO's recommendations on enhancing their DEI disclosure, including a comprehensive breakdown of their workforce.

### **Hamilton Lane**

Hamilton Lane engaged with a European Early-Stage Venture Capital Manager, where they identified that the cybersecurity practices of this manager needed improvement. They identified the issue using their standard operational due diligence process, which is an important part of forming their governance opinion of a manager.

Hamilton Lane made the decision to hold off on investing with the Manager until they had received a response to their issues and the company had updated their cybersecurity processes.

### **Partners Group**

Partners Group did not provide engagement data as at 31 March 2024. 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 2023. 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
<b>Company name</b>	CWP Renewables	Techem	Emeria
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>		n/a	
<b>Summary of the resolution</b>	As Partners Group control the Board, please see below the ESG efforts of the portfolio company.		
<b>How the manager voted</b>	Control of board		
<b>Rationale for the voting decision</b>	These companies are direct private infrastructure investments in Partners Group's portfolio of companies, where they invest directly to obtain control and influence over their operations.		
<b>Outcome of the vote</b>	n/a		

**Implications of the outcome**

CWP Renewables, an Australian renewable energy platform, focuses on various environmental, social, and governance (ESG) initiatives. Environmentally, CWP publicly committed to reducing emissions intensity by 50% by 2030 and reaching net zero emissions by 2040. The platform will continue improving its internal capability to track Scope 3 emissions and build an ISO 14001-certified Environmental Management System. CWP is also investing in ecological and scientific research for the conservation of vulnerable species.

Techem is a leading sub-metering service provider with the number one market position in Germany, the largest market globally. The firm has been part of PG's portfolio for a longer period than most and has already progressed further on its decarbonization path. Beyond decarbonizing its own business, Techem is transforming into a firm focused on energy efficiency, offering measurement and emissions reducing solutions to its clients.

Techem has published its own "climate roadmap" and is actively tackling their Green House Gas emissions. With their roadmap, they intend to reduce their total CO<sub>2</sub>e emissions by at least 42% by 2030 and achieve a long-term emissions reduction of at least 90 percent by 2045. The base year for this is fiscal year 2020. They will remove the remaining emissions from the atmosphere using carbon capture technologies in accordance with the SBTi's Net Zero standard in order to achieve carbon neutrality for the Techem Group by 2045.

Emeria's board and management have aligned with and committed to PG's Sustainability strategy, with the company launching the "Bien + durable (more sustainable housing)" plan, for which the implementation was kicked off in 2020. As a starting point, a materiality assessment was commissioned to identify and define the key challenges from a sustainability point of view, which then provided a roadmap for Emeria's ESG journey.

**Environment** - Sustainable housing: Accounting for 36% of greenhouse gas emissions in Europe, the construction sector plays a vital role in the fight against climate change. Emeria and its subsidiaries pledge to contribute to the improvement of the environmental performance of the property holdings they manage by:

- Promoting energy-efficient renovations
- Developing a more sustainable approach to building management
- Raising awareness and guiding customers towards better resource usage.

Vote 1	Vote 2	Vote 3
		<p>Concrete measures include the development of a dedicated carbon footprint reduction plan, the renewal of Emeria's vehicle fleet with hybrid models to reduce average emissions and the training of most managers for buildings' energy renovation work.</p> <p><b>Social</b> – Well-being for all: guaranteeing a safe working and living environment, but also a better understanding of societal transformations at play (digital, new habits, etc.) and the development of appropriate responses.</p> <p>Concrete measures include a continued investment in staff development and retention as well as the promotion of diversity and non-discrimination by committing to professional equality for men and women. Lastly, an emphasis is set on facilitating the development of employees with disabilities.</p> <p><b>Governance</b> - Dialogue and local anchoring: Become a trusted partner to local communities.</p> <p>Concrete measures include the communication of Emeria's action plan to all stakeholders through the publication of their first CSR report in April 2022, a strengthened civic engagement and support of local suppliers (SMEs) in their sustainable development approach and finally the implementation of a process for collecting and analysing stakeholder feedback.</p>

Criteria on which the vote is considered "significant"

Size of holding in fund