

Implementation Statement, covering 1 September 2020 to 31 August 2021

The Trustee of the Pension and Assurance Scheme for Lay Employees of the Methodist Church (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction – Last review of the voting and engagement policies

The SIP was formally reviewed and updated in December 2020 to reflect:

- changes to the Scheme's equity portfolio, reducing the allocation to UK equities, and increasing the allocation to overseas equities with the aim of transitioning to a 50:50 split.

A further update to the SIP was made in September 2021 (this falling outside the date range of the statement but being relevant to investment arrangements for part of the period) to reflect:

- a de-risking of the Scheme's investment strategy, including targeting higher levels of interest rate and inflation hedging and a lower allocation to equity assets.

As part of the SIP updates the employer was consulted and raised no objections to the changes.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took steps to review the Scheme's new and existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

Where possible the Trustee seeks to appoint fund managers which manage assets in a manner consistent with its policies on responsible investment and its investment beliefs. The Trustee's policies on responsible investment are set out in its Responsible Investment Policy document, last updated in May 2021.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

When managers Columbia Threadneedle and Epworth Investment Management Limited ("Epworth") presented to the Trustee during the year, the Trustee asked several questions about the managers' voting, engagement and responsible investment practices and were satisfied with the answers they received. The Trustee also reviewed reports from their managers on voting and engagement activities undertaken on their behalf.

The Methodist Church Joint Advisory Committee on the Ethics of Investment ("JACEI") performed an independent review of the Epworth investments which lie in funds managed by the Central Finance Board of the Methodist Church ("CFB"), covering their voting and engagement activities. This review confirmed that "The Committee judges that the CFB (Epworth) has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church".

In response to requests from Conference, the JACEI have, with help from Epworth, worked on a framework to address concerns about companies which are deemed to have business plans which were inconsistent with the 2015 Paris Agreement on climate change. In late April 2021, JACEI advised CFB/Epworth that no companies in the oil & gas sector made sufficient progress during the year to show that they were fully aligned with the targets set by the Paris Agreement. Epworth further confirmed it disinvested its last remaining oil & gas holdings as a result. The Trustee therefore considered whether amendments were required to its Responsible Investment Policy. Ultimately it concluded that there was no need to amend the policy as it already explicitly addressed climate related risks.

The Trustee has also sought to confirm that the Scheme's investment managers intend to sign up to the revised UK Stewardship Code which sets out standards for stewardship of assets, including voting and engagement practices. Epworth and Mayfair Capital signed up to the revised code in the first batch of signatories, confirmed in 2021. Both BMO and Columbia Threadneedle intend to apply for admission to the list of signatories in 2022.

3. Description of voting behaviour during the year

All the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

- CFB UK Equity Fund; and
- CFB Overseas Equity Fund

The Trustee has sought to obtain the relevant voting data for Sections 3.2 and 3.3, from the investment manager listed above, Epworth / CFB.

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. However, the property, corporate bond and LDI managers confirmed that no such opportunities were available.

3.1 Description of the voting processes

Epworth:

- Epworth votes according to a template it agrees each year, and helps construct, as members of the Church Investors Group (CIG). This policy is available to clients and it reports on its implementation regularly to the Scheme.
- Epworth votes in line with the Church Investors Group policy on voting. This is implemented by Institutional Shareholder Services (ISS).
- Epworth utilises ISS to enact the Church Investors Policy on its behalf.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	CFB UK Equity Fund	CFB Overseas (Equity) Fund
Manager name	Epworth Investment Management Limited	Epworth Investment Management Limited
Total size of fund at end of reporting period	£248m	£198m
Value of Scheme assets at end of reporting period	£21m	£21m
Number of holdings at end of reporting period	67	228
Number of meetings eligible to vote	86	230
Number of resolutions eligible to vote	1,430	3,392
% of resolutions voted*	99%	97%

Of the resolutions on which voted, % voted with management	87%	78%
Of the resolutions on which voted, % voted against management	13%	22%
Of the meetings in which the manager voted, % with at least one vote against management	72%	79%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out below. Epworth has interpreted “most significant votes” to mean votes pertaining to the companies with the largest position in the funds, and a high governance risk score from ISS. Alternatively, they are votes pertaining to companies where Epworth / CFB has co-filed a resolution or has a particular interest in a resolution.

3.3.1 CFB UK Equity Fund

CFB UK Equity Fund										
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	AstraZeneca	Howden Joinery	Standard Chartered	BT Group	Rio Tinto	Lloyds Banking Group	Ocado Group	Berkeley Group	Just Eat Takeaway	Hilton Food Group
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.74%	1.37%	0.71%	0.83%	3.68%	1.92%	0.50%	1.18%	1.67%	1.36%
Date of Vote	7 May 2021	6 May 2021	12 May 2021	15 July 2021	9 April 2021	20 May 2021	13 May 2021	4 September 2020	7 October 2020	21 May 2021
Summary of the resolution	Elect Euan Ashley as Director	Re-elect Andrew Crips as Director	Re-elect Jose Vinals as Director	Re-elect Sir Ian Cheshire as Director	Re-elect Simon McKeon as Director	Authorise EU political donations and expenditure	Authorise UK political donations and expenditure	Approve Remuneration Report	Approve Remuneration Report	Re-elect Robert Watson as Director
How you voted	Abstain	Against								
Where you voted against management, did you communicate your intent to the company ahead of the vote?	The CFB sends letter to all members of the FTSE 350 outlining its voting intentions on an annual basis.									
Rationale for the voting decision	Concerns over director time commitments	Concerns over audit independence	Concerns over gender diversity at board level	One of the directors responsible for oversight of remuneration, which does not meet CIG policy	Concerns over level of political donations		Did not meet the criteria in the CIG policy on good practice		Concerns over gender diversity at both board and sub-board level	

3.3.2 CFB Overseas Equity Fund

CFB Overseas Equity Fund											
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10	
Company name	Facebook	Partners Group	Netflix	Infotel	Zebra Technologies	Alphabet	Amazon	Allegion	General Electric	Johnson & Johnson	
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.08%	1.30%	0.29%	0.80%	1.36%	0.97%	1.87%	1.66%	0.17%	0.61%	
Date of Vote	26 May 2021	12 May 2021	3 June 2021	19 May 2021	12 May 2021	2 June 2021	26 May 2021	3 June 2021	4 May 2021	22 April 2021	
Summary of the resolution	Require Independent Board Chair	Approve remuneration report	Advisory vote on exec officers compensation	Approve remuneration policy	Advisory vote on exec officers compensation	Elect Ann Mather as Director	Elect Jeffrey Bezos as Director	Elect David D Petratis as Director	Elect Thomas Horton as Director	Elect Ronald A. Williams as Director	
How you voted	For	Against									
Where you voted against management, did you communicate your intent to the company ahead of the vote?	The CFB sends letter to all holdings in the Global fund outlining its voting intentions on an annual basis.										
Rationale for the voting decision	Separation of roles is considered best practice and supported by CIG guidelines	Did not meet the criteria as set out in the CIG policy on good practice				Concerns over audit independence	Concerns over tax transparency	Chair and CEO with no intention to separate	Responsible for oversight of remuneration which does not meet CIG policy		