

Implementation Statement, covering the Pension and Assurance Scheme for Lay Employees of the Methodist Church, Scheme Year from 1 September 2021 to 31 August 2022

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

Material changes to the investments during the year ended 31 August 2022 are set out below:

- The Trustee agreed to de-risk the Scheme over Q1 2022, reducing the allocations to equities and property and increasing the allocation to credit along with introducing a new AXA Sterling Buy & Maintain Credit Fund, replacing the CFB UK Corporate Bond Fund. The Scheme also removed the active asset allocation discretion within Epworth’s mandate, and increased the Scheme’s target interest rate and inflation hedging levels. The SIP reflecting this was produced in June 2022.
- The Scheme carried out further de-risking over June and July 2022, decreasing the allocation to equity assets, increasing the allocation to corporate bonds and making some adjustments to the LDI portfolio to maintain target levels of hedging. The SIP reflecting these changes was produced after the end of the Scheme Year.

As part of the above SIP updates, the principal employer was consulted and raised no objections 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 a number of steps to review the Scheme’s existing managers and funds over the Year, 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 (“CT”) and Epworth Investment Management Limited (“Epworth”) presented to the Trustee during the reporting period, 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 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”.

The Trustee invested in a new pooled fund, the AXA Sterling Buy and Maintain Credit Fund, in February 2022 as a replacement for the Epworth UK Corporate Bond Fund. In selecting and appointing this manager, the Trustee reviewed the manager's ESG and ethical considerations. In April AXA formalised the net zero commitments of this fund, renaming it the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund and writing net zero targets into the Fund's governing documentation. This was well received by the Trustee.

All of the Scheme's managers are also signatories of the UK Stewardship Code, which the Trustee is supportive of.

3. Description of voting behaviour during the Year

All of 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 in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- CFB UK Equity Fund;
- CFB Global Equity Fund

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

In addition to the above, the Trustee contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Year. None of the other funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

3.1 Description of the voting processes

Epworth:

- Epworth votes according to a template it agrees and helps construct each year, 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 Year is provided in the table below.

	Fund 1	Fund 2
Manager name	Epworth Investment Management Limited	Epworth Investment Management Limited
Fund name	CFB UK Equity Fund	CFB Global Equity Fund
Total size of fund at end of the Year	£211m	£161m
Value of Scheme's assets at end of the Year (£ / % of total assets)	£4.2m	£4.4m
Number of equity holdings at end of the Year	68	231
Number of meetings eligible to vote	73	227
Number of resolutions eligible to vote	1385	3,532
% of resolutions voted	100%	100%
Of the resolutions on which voted, % voted with management	88%	76%

Of the resolutions on which voted, % voted against management	12%	24%
Of the meetings in which the manager voted, % with at least one vote against management	72%	84%

3.3 Most significant votes over the Year

Commentary on the most significant votes over the Year, from the Scheme's asset managers who hold listed equities, is set out below.

Epworth

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	Berkeley Group Holdings	Ashtead Group Plc	XP Power Ltd.	NatWest Group Plc	Barclays PLC	Standard Chartered Plc	Next Plc	BT Group	Halma	Unilever Plc
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.96%	2.61%	1.13%	0.65%	1.64%	0.94%	0.47%	0.63%	0.53%	5.29%
Date of Vote	03-Sep-21	16-Sep-21	14-Apr-22	28-Apr-22	04-May-22	04-May-22	19-May-22	14-Jul-22	21-Jul-22	28-Apr-22
Summary of the resolution	Approve remuneration report	Approve remuneration policy	Elect Director	Elect Director	Approve political donations and expenditure	Elect Director	Approve remuneration report	Elect Director	Approve remuneration report	Approve remuneration report
How you voted	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 performance metrics used within variable remuneration schemes	Concern over the level of annual bonuses	Concerns over audit independence	Concerns over sub-board level gender diversity	Concerns over level of political donations	Concern over board level gender diversity	Concerns over performance metrics used within variable remuneration schemes	Responsible for remuneration which doesn't comply with CIG approach	Concerns remuneration scheme breaches local good practice	Concern over the level of annual bonuses

3.3.2 CFB Global Equity Fund

CFB Global Equity Fund										
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Nike Inc	Tesla Inc	The Coca-Cola Company	Wells Fargo & Company	AbbVie Inc	Zebra Technologies Corporation	JP Morgan Chase	Meta Platforms	Infotel	NVIDIA Corporation
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.29%	1.15%	0.38%	0.26%	0.39%	1.08%	0.58%	0.68%	1.33%	0.66%
Date of Vote	06-Oct-21	07-Oct-21	26-Apr-22	26-Apr-22	06-May-22	12-May-22	17-May-22	25-May-22	25-May-22	02-Jun-22
Summary of the resolution	Advisory Vote to ratify exec compensation	Shareholder resolution	Elect director	Elect director	Advisory Vote to ratify exec compensation	Advisory Vote to ratify exec compensation	Elect director	Shareholder resolution	Advisory Vote to ratify exec compensation	Elect director
How you voted	Against	For	Against	Against	Against	Against	Against	For	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	The voting template is available on the CFB/Epworth websites.									
Rationale for the voting decision	Concern over the level of annual bonuses	Provision of a report on the topic is seen as an enhancement to shareholders understanding of the company's role in these matters	Responsible for remuneration which doesn't comply with CIG approach	Concerns over audit independence	Concern over the level of annual bonuses	Concerns over performance metrics used within variable remuneration schemes	Combined CEO/Chair with no intention to separate	Provision of a report on the topic is seen as an enhancement to shareholders understanding of the company's role in these matters	Concerns remuneration scheme breaches local good practice	Responsible for remuneration which doesn't comply with CIG approach