

Implementation Statement, covering the Methodist Ministers' Pension Scheme Year from 1 September 2023 to 31 August 2024

The Trustee of the Methodist Ministers' Pension Scheme (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 Scheme Year. This is provided in Section 1 below.

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

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

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

No changes were made to the voting and engagement policies in the SIP during the Scheme Year, with the last formal review taking place in July 2023.

Shortly after Scheme Year end, the Trustee finalised its process for monitoring and engaging with managers on ESG issues. This was reflected in the Scheme's SIP which was updated in September 2024, just after Scheme Year End, and will be reported against in next year's Statement.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

Epworth:

- Epworth votes according to a template it agrees and helps construct each year, as members of the Church Investors Group (CIG). This template is available to clients, and Epworth reports on its implementation regularly to the Trustee. Moving forward, reporting will be through the Trustee's ESG Sub-Committee.
- The CIG template is implemented by Institutional Shareholder Services (ISS).

The Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

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 and to financially material ESG considerations (including climate change).

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. The Trustee discussed and agreed stewardship priorities for the Scheme, which are:

1. **(Climate emergency) A Just Transition for All**
Corresponding UN SDGs: 8 (Decent work and economic growth); 11 (Sustainable cities and communities); 12 (Responsible consumption and production); 13 (Climate action)
2. **Quality Living for All**
Corresponding UN SDGs: 2 (Zero hunger); 3 (Good health and wellbeing); 12 (Responsible consumption and production)

3. **(Worker's rights) Safe Work for All.**

Corresponding UN SDGs: 5 (Gender equality); 8 (Decent work and economic growth); 10 (Reduced inequalities)

These priorities were selected noting the results of a Priority Matrix Survey, where constituents of the Methodist Church were contacted on their ethical priorities before the results were overlaid on the investment exposures to assess scope for impact. A matrix of priority and scope for impact was then created to guide the prioritisation of issues. Each stewardship priority was also associated with a selection of the UN's Sustainable Development Goals (SDGs) to make communication of the priorities to third parties more straight forward. The priorities were also recently re-confirmed for the coming year following a review by the ESG Sub-Committee. The Trustee has communicated its priorities to each of its investment managers.

The Trustee regularly invites the Scheme's investment managers to present at Joint Investment Committee ("JIC") meetings.

In September 2023, CT presented to the JIC to explain that the Global Low Duration Credit Fund, subject to regulatory approval, was looking to add additional ESG objectives. This included carbon emissions reduction aligned to a global Net Zero pathway, minimum standards of sustainability and minimum standards of good governance. The changes were expected to have negligible impact on the strategy as most of CT's holdings were already aligned. This was formally implemented in Q1 2024, with the fund now named the Net Zero Transition Low Duration Credit Fund.

In November 2023, AXA presented to the JIC to discuss its approach to engagement in relation to the Scheme's credit mandate, explaining that engagement is done in collaboration with industry peers in areas it feels like it can have the largest impact. AXA provided examples of collaborative initiatives in climate action, responsible consumption and production and other areas. The JIC encouraged AXA to seek engagement with companies at senior levels (both on the AXA and the underlying company sides) to achieve the largest impact. This JIC also asked several questions about AXA's engagement practices to check alignment with its own preferences.

In February 2024, AXA presented to the JIC on a potential allocation to asset-backed securities (ABS) for the Scheme – this was later implemented in August 2024. The JIC asked AXA to provide information to learn more about the carbon intensity and emissions of the AXA ABS portfolio, and trend over time (as well as any net zero aspirations). AXA followed up with some information on this shortly after the meeting.

In May 2024, Partners Group presented to the JIC on the Scheme's Impact Investing mandate. Partners Group provided some specific examples of engagement and explained its impact assessment scores are conducted externally. Partners Group also provided some figures on its Principal Adverse Impact (PAI) and Taskforce on Climate Related Financial Disclosures (TCFD) metrics.

In early September 2024, Epworth presented to the ESG Sub-Committee on the listed equity portfolios, providing specific examples of voting and other engagement aligned with the Trustee's stewardship priorities. Epworth also provided updated Priority Matrix Survey information, allowing the Trustee (with help from the ESG Sub-Committee and the JIC) to re-confirm its stewardship priorities would remain the same moving forward.

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". Epworth also performed an independent review of the non-CFB elements of the Scheme's portfolios during the Scheme Year, assessing the holdings against an ethical stance consistent with the aims of the Methodist Church. It was confirmed that none of the Scheme's fund holdings raised concerns.

The JIC also reviewed reports from its managers on voting and engagement activities undertaken on its behalf.

The Trustee invested in a new pooled fund, the AXA ABS Fund, towards the end of the Scheme Year in August 2024. In selecting and appointing this manager, the Trustee reviewed LCP's RI assessments of AXA and in particular its approach for the ABS fund.

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

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements. The Scheme's ESG Sub-Committee acts as a forum for oversight and assists the JIC in engaging with managers on matters of stewardship, where appropriate.

3. Description of voting behaviour during the Scheme 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 Scheme Year. However, the Trustee monitors managers' voting and engagement behaviour regularly and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- CFB UK Equity Fund; and
- CFB Global Equity Fund (formerly the CFB Overseas Fund)

In addition, 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. The impact, corporate bond and LDI managers confirmed that no such opportunities were available. The Trustee did however ask for examples of significant engagement with companies which these managers may have had over the Year, which are detailed below.

In August 2024, the Trustee appointed AXA to manage the Scheme's ABS mandate. Given the Scheme's allocation to the Fund was made very close to the Scheme Year end, we have omitted information on the AXA ABS mandate.

3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

Below is a description of Epworth Investment Management Limited voting process:

- Epworth supports the Principles set out in the UK Corporate Governance Code 1 (as revised) and the UK Stewardship Code. Epworth vote proxies in the UK and Europe in accordance with these Codes and in keeping with the overarching objectives set out in their Policy Statement.
- Epworth is a founding member of the CIG proxy voting coalition that has adopted a common voting template for its supporting members. These members of the CIG seek to promote best practice standards of corporate governance at investee companies by leveraging their combined voting rights in a collective approach.
- The voting template that governs how the CIG coalition votes at each company meeting is updated and refreshed annually. The template is administered by ISS on a global basis, executing ballots in a timely way so as to register the voting intentions of CIG members by the due deadline.
- In keeping with their commitments under the UK Stewardship Code, Epworth publish a quarterly summary of voting activity which is available on their website; a full report of votes registered at each investee meeting in the UK and Europe, is available on request.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme 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 Scheme Year	£50.9m	£138.1m
Value of Scheme assets at end of the Scheme Year (£ of total assets)	£9.8m	£10.0m

Number of equity holdings at end of the Scheme Year	62	131
Number of meetings eligible to vote	70	133
Number of resolutions eligible to vote	1,306	2,321
% of resolutions voted	100%	97%
Of the resolutions on which voted, % voted with management	89%	73%
Of the resolutions on which voted, % voted against management	11%	26%
Of the resolutions on which voted, % abstained from voting	0%	1%
Of the meetings in which the manager voted, % with at least one vote against management	69%	87%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11%	20%

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period.

Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria² for creating this shortlist. Going forward, by informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's stewardship priorities.

The Trustee has reported on two of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

Epworth Investment Management Limited, CFB UK Equity Fund

Ashtead Group, 6 September 2023

- **Summary of resolution:** Approve Remuneration Report.
- **Relevant stewardship priority:** (Worker's rights) Safe Work for All.
- **Approx size of the holding at the date of the vote (as a % of CFB UK Equity Fund):** 2.46%
- **Why this vote is considered to be most significant:** Voting action was aligned with Trustee priorities on (Worker's rights) Safe Work for All.
- **Vote:** Against.
- **Rationale:** The company is not living wage accredited.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** For resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

Anglo American Plc, 30 April 2024

² [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- **Summary of resolution:** Re-elect director
 - **Relevant stewardship priority:** (Climate emergency) A Just Transition for All
 - **Approx size of the holding at the date of the vote (as a % of CFB UK Equity Fund):** 1.66%
 - **Why this vote is considered to be most significant:** Voting action was aligned with Trustee priorities on (Climate emergency) A Just Transition for All
 - **Vote:** Against.
 - **Rationale:** Concern over the company's actions in addressing climate change.
 - **Was the vote communicated to the company ahead of the vote:** No
- Outcome of the vote and next steps:** For resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

Epworth Investment Management Limited, CFB Global Equity Fund

Amazon, 22 May 2024

- **Summary of resolution:** Report on efforts to reduce plastic usage
- **Relevant stewardship priority:** Quality living for all and (Climate emergency) A Just Transition for All.
- **Approx size of the holding at the date of the vote (as a % of CFB Global Equity Fund):** 2.49%
- **Why this vote is considered to be most significant:** Voting action was aligned with Trustee priorities on Quality living for all and (Climate emergency) A Just Transition for All.
- **Vote:** For.
- **Rationale:** Support items which seek better reporting on sustainability and climate.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** Against resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

Eli Lilly and Company, 6 May 2024

- **Summary of resolution:** Report on Effectiveness of Diversity, Equity, and Inclusion Efforts.
 - **Relevant stewardship priority:** (Worker's rights) Safe Work for All.
 - **Approx size of the holding at the date of the vote (as a % of CFB Global Equity Fund):** 1.07%
 - **Why this vote is considered to be most significant:** Voting action was aligned with Trustee priorities on (Worker's rights) Safe Work for All.
 - **Vote:** For.
 - **Rationale:** Support items which seek better reporting on equality.
 - **Was the vote communicated to the company ahead of the vote:** No.
- Outcome of the vote and next steps:** Against resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

3.4 Engagement in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers which don't hold listed equities, but invest in assets that had voting opportunities during the Scheme Year:

Partners Group

Partners Group confirmed that the Impact Investment mandate does not include listed equities and there are no "voting" opportunities within the fund. Partners Group does however have significant control and influence over the underlying companies and has provided examples of its activity.

Partners Group produces engagement data on a semi-annual basis. As of 30 June 2024, Partners Group recorded 3 engagement activities with assets in the fund over the Scheme Year. Examples of engagement include:

- Encouraging an underlying company to reduce GHG emissions by at least 50% by 2035, with the aim of working towards 100% sustainably sourced biomass by 2025. **This aligns with the Trustee stewardship priorities on (Climate emergency) A Just Transition for All and Quality Living for All.**
- Encouraging an underlying company to offer a safe and attractive working environment with various training and development opportunities, with a view to have a positive impact on individuals and society. The company is working on improving customer satisfaction, developing solutions for green and smart buildings in collaboration with partners, and engaging in social activities with positive impacts on individuals and society. **This aligns with the Trustee stewardship priorities on (Worker's rights) Safe Work for All.**

AXA

Some examples of engagement activities within the AXA holdings over the Scheme Year include:

- AXA met with John Deere Investor Relations to discuss their precision and smart agriculture solutions. John Deere explained how important leveraging connectivity of their machines is to them, and how much they invest in the development of these solutions, including engagement with suppliers. AXA encouraged John Deere to promote sustainable farming practices to their customers and improve the affordability of their solutions, for example through preferential financing options. John Deere were responsive to the idea and explained that they are also lowering costs for customers through the transition to a 'Solutions-as-a-Service' model, and by enabling the upgrading of existing machines. **This aligns with the Trustee stewardship priority on Quality Living for All as it relates to responsible production processes.**
- AXA had the opportunity to meet with the chief sustainability officer of Saint Gobain at a sustainability forum. AXA met with the issuer several times over the past 5 years. The company provided an update on its progress to decarbonize its flat glass furnaces, reduce its water footprint, access PPAS and the way it handles scope 3 and avoided emissions. Saint Gobain continues to implement its SBTi validated decarbonization roadmap. AXA will continue to follow the company's progress. **This aligns with the Trustee stewardship priority on (Climate emergency) A Just Transition for All**

Columbia Threadneedle

CT provided examples of engagement with the underlying funds within the Global Low Duration Credit Fund. This includes:

- Columbia Threadneedle engaged numerous times with Barclays on their management of climate risks as they viewed the company's policies as being looser than its UK peers. Barclays revised their position on fossil fuel financing, no longer providing financing to oil sands exploration and production companies, or financing focused on the construction of new oil sands exploration assets, production, pipelines and processing infrastructure. More recently, Barclays has provided evidence of significantly enhanced climate risk management in their latest climate updates. The company introduced additional financed emissions targets for agriculture, commercial real estate, and aviation. They also provided updates to their residential real estate target. The company became the first UK bank to publish a transition finance framework. They also updated their climate change statement introducing restrictions and tightened conditions for financing to the oil and gas sector. **This aligns with the Trustee stewardship priorities on (Climate emergency) A Just Transition for All and Quality Living for All as it relates to responsible production processes.**