

# *Implementation Statement, covering the Pension and Assurance Scheme for Lay Employees of the Methodist Church Scheme Year from 1 September 2023 to 31 August 2024*

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 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, 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.

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 on 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**

Over the Scheme Year, the Trustee delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The Scheme did not hold any listed equities during the Scheme Year.

The Trustee entered into a bulk annuity contract with Aviva Life and Pensions (“Aviva”) in April to fully insure member benefits. However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers and insurers as detailed below.

As part of its advice on the selection and review of its investment managers and insurance providers, the Scheme’s investment adviser, LCP, incorporated 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 overlayed 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) in order to make communication of the priorities to third parties more straight forward. The Trustee communicated its priorities to each of its managers ahead of the Scheme's full buy-in and considered these priorities when selecting Aviva as the Scheme's insurer.

However, the Trustee acknowledges that it now has a limited influence on the Scheme's approach to ESG, ethics and engagement because it now holds a bulk annuity policy.

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

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), not just juniors, to achieve the largest impact. This JIC also asked several questions about AXA's engagement practices to check alignment with its own preferences.

In selecting an insurer, the Trustee reviewed LCP's assessment of different insurers' ESG practices and responsible investment capabilities as an important consideration in its decision before selecting Aviva.

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

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

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers to have areas where they could improve. Therefore, the Trustee aimed to have an ongoing dialogue with its managers to clarify expectations and encourage improvements before the Scheme's full buy-in. Now, the Scheme's ESG Sub-Committee acts as a forum for oversight of the Scheme's insurer, Aviva, where appropriate.

### 3. Description of voting behaviour during the Scheme Year

The Scheme did not hold investments in listed equities during the reporting period to 31 August 2024.

The Trustee contacted the Scheme's asset managers (before the Scheme's full buy-in) that did not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. However, the Scheme's corporate bond and LDI managers (both now fully redeemed) 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 Scheme Year - these are detailed below.

Over the Scheme Year, the Trustee itself did not use proxy voting services.

#### 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 invested in assets that had voting opportunities during the Scheme Year (before the Scheme fully redeemed from those funds):

#### AXA

- 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.**

- After years of individual engagement with Apple, AXA decided to continue its engagement through its participant role in the Big Tech and Human rights collaborative initiative. It is led by the Swedish AP-funds, and the first step was to send Apple a letter engagement detailing AXA's engagement objectives and requesting a discussion. AXA expected Apple to take concrete measures to address human rights risks pertaining to its products and business model and to report on related impacts and efforts. The initiative focuses on human rights key performance indicators (KPIs) related to: culture and business model; content; vulnerable groups; access to remedy; and stakeholder engagement. Apple acknowledged reception of the letter but have not yet proposed to have a meeting. AXA hope to have such a meeting in the near future. **This aligns with the Trustee stewardship priority on Safe Work for all as it relates to worker's human rights.**
- AXA met with Mizuho for the fourth time since it initiated a dialogue on their climate policy in September 2022. This was the first meeting since they published updated ESG and TCFD reports. AXA expect the bank to improve its climate policies and strategy. Mizuho explained that they use demanding scenarios – mainly the International Energy Agency's (IEA's) Net Zero Emissions by 2050 scenario – but want to remain grounded in reality. They study sectors and technologies and engage with clients to find solutions. In addition to power, Oil & Gas and coal, Mizuho will soon provide policies and targets for auto and steel. AXA believe the answers were clear, precise and considers the engagement to be progressing. The addition of non-financial elements in the award of management remuneration is a new and a positive evolution. **This aligns with the Trustee stewardship priority on a Just Transition for all as it relates to climate action.**