

# The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries Implementation Statement for the year ended 31 December 2020

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustees of The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31 December 2020 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## The Trustees’ updated policy

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The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment managers. The Trustees require the Scheme’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from their Investment Advisor on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustees introduced the Aon Adept Strategy 29 Fund within Scheme. This fund was recommended by the Investment Advisor, using various criteria.

## Ongoing governance

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The Trustees, with the assistance of their Investment Advisor, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this statement. Further, the Trustees have set XPS the objective of supporting the Trustees with respect to Responsible Investment (RI) and Stewardship matters, and ensuring the Trustees’ policy is reviewed regularly.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

## Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

## Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to equities as part of the strategy for the diversified growth funds in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

### Baillie Gifford Diversified Growth Fund

Voting Information
Baillie Gifford Diversified Growth Fund
The manager voted on 94.53% of resolutions of which they were eligible out of 877 eligible votes.
Investment Manager Client Consultation Policy on Voting
All voting decisions are made by our Governance & Sustainability team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.
Investment Manager Process to determine how to Vote
Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the longterm investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.
How does this manager determine what constitutes a 'Significant' Vote?
The list below is not exhaustive, but exemplifies potentially significant voting situations: — Baillie Gifford's holding had a material impact on the outcome of the meeting

- The resolution received 20% or more opposition and Baillie Gifford opposed
  - Egregious remuneration
  - Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
  - Where there has been a significant audit failing
  - Where we have opposed mergers and acquisitions
  - Where we have opposed the financial statements/annual report
  - Where we have opposed the election of directors and executives.

Does the manager utilise a Proxy Voting System? If so, please detail

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

#### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Covivio REIT	Remuneration - Policy	Against	Pass
Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
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Please note that the BlackRock Market Advantage Fund voting data cannot be shown as BlackRock have said that the fund only began holding equities during Q4 of 2020 (last two months) and was only made available for voting and engagement reporting in 2021.

Signed: by Graeme Caughey - Chair of Trustees

Date: \_1/10/2021