

The Church of Scotland Pension Scheme for Ministries Development Staff Implementation Statement for the year ended 31 December 2023

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of The Church of Scotland Pension Scheme for Ministries Development Staff (“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 2022 (“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

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

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.

There was one manager selection exercise over the reporting year, which resulted in the Trustees introducing the Baillie Gifford Sustainable Multi Asset Fund. This fund is awarded the “Sustainable Fund” designation by XPS Investment. During this selection exercise, the Trustees were content with the extent to which Baillie Gifford considered ESG within their funds and will continue to monitor each manager on this criteria, with the aid of XPS Investment. The introduction of this mandate was a replacement for the Baillie Gifford Diversified Growth Fund, which does not have the Sustainable designation.

All of the multi-asset funds held by the Scheme at the year-end are now considered to be sustainable by XPS Investment. This is a reflection of the Trustee’s policy, as noted in the statement of investment principles, to consider investing in explicitly sustainable approaches as the sector evolves and more funds become available.

Ongoing governance

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 factors including developments within the industry. In particular, whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the results of those votes deemed by the managers to

be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

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

Baillie Gifford Diversified Growth Fund
The manager voted on 96.4% of resolutions of which they were eligible out of 440 eligible votes.

Investment Manager Client Consultation Policy on Voting

All voting decisions are made by our ESG 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 long-term 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 ESG 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 ESG 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
- Management resolutions that receive 20 per cent or more opposition in the prior year
- Egregious remuneration

- Controversial equity issuance
- Shareholder resolutions that received 20 per cent or more support from shareholders in the prior year
- Where there has been a significant audit failing
- Mergers and acquisitions
- Where we have opposed the financial statements/annual report
- Where we have opposed the election of directors and executives
- Where we identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management

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
PRYSMIAN S.P.A.	Remuneration	Against	Pass
We opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. We believe the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business. We are not convinced that this use of discretion meets that bar. We will communicate our rationale for voting against the remuneration report. We supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.			
PROLOGIS, INC.	Remuneration	Against	Fail
We opposed executive compensation because we do not believe the performance conditions for the long-term incentive plan are sufficiently stretching. We will re-iterate our expectation to the company and monitor the evolution of pay going forward.			
CONSOLIDATED EDISON, INC.	Appoint/Pay Auditors	Against	Pass
We opposed the ratification of the auditor because of the length of tenure - the external auditor has been in place since 1938. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. Although not a regulatory requirement in the U.S., we consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. We have informed the company of our expectation but have not received a response. This year we decided to escalate our voting action to oppose the auditor and will continue to share our expectations with the company.			

NEXTERA ENERGY, INC.	Shareholder Resolution - Social	For	Fail
<p>We supported a shareholder resolution requesting the company report on median pay gaps across race and gender. We believe the additional disclosure would allow shareholders to better assess the internal equity of pay and would also allow comparability over time and across organisations. We will communicate our decision to support the shareholder resolution with the company and will explain our rationale for doing so. Although the resolution failed to secure enough support to pass, it did receive support from more than 24% of shareholders.</p>			
NEXTERA ENERGY, INC.	Shareholder Resolution - Governance	For	Fail
<p>We supported a shareholder resolution requesting a board diversity and qualifications matrix because we believe that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications. We will communicate our decision to support the shareholder resolution with the company and will explain our rationale for doing so. We will monitor for any similar disclosure the company may choose to institute, as although the resolution failed to secure enough support to pass, it did receive support from more than 48% of shareholders.</p>			

Baillie Gifford Sustainable Multi-Asset Fund

Please note that the Baillie Gifford Sustainable Diversified Growth Fund was introduced to the Scheme’s portfolio in Q4 2023 and voting data here is shown for the full reporting year, and hence may not have directly impacted the Scheme.

Baillie Gifford Sustainable Multi-Asset Fund
The manager voted on 96.4% of resolutions of which they were eligible out of 440 eligible votes.
Investment Manager Client Consultation Policy on Voting
All voting decisions are made by our ESG 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 long-term 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 ESG 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 ESG 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
- Management resolutions that receive 20 per cent or more opposition in the prior year
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that received 20 per cent or more support from shareholders in the prior year
- Where there has been a significant audit failing
- Mergers and acquisitions
- Where we have opposed the financial statements/annual report
- Where we have opposed the election of directors and executives
- Where we identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management

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
GOLUB CAPITAL BDC, INC.	Elect Director(s)	For	Pass
<p>We supported the election of Director Anita J. Rival to the company's board. We believe she has skills and experience that are valuable to the company. We were interested to learn that Director Anita J. Rival received significant opposition at the 2023 AGM; we did note her long tenure but also that she is the only woman on the board. As this is a classified board, we do not have the opportunity to vote on directors annually and chose instead to monitor and engage on board succession planning.</p>			
PROLOGIS, INC.	Remuneration	Against	Fail
<p>We opposed executive compensation because we do not believe the performance conditions for the long-term incentive plan are sufficiently stretching. We will re-iterate our expectation to the company and monitor the evolution of pay going forward.</p>			

CONSOLIDATED EDISON, INC.	Appoint/Pay Auditors	Against	Pass
<p>We opposed the ratification of the auditor because of the length of tenure - the external auditor has been in place since 1938. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. Although not a regulatory requirement in the U.S., we consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. We have informed the company of our expectation but have not received a response. This year we decided to escalate our voting action to oppose the auditor and will continue to share our expectations with the company.</p>			
ARES CAPITAL CORPORATION	Elect Director(s)	For	Pass
<p>We supported the election of all three directors on the meeting agenda. We will continue to monitor the composition of the board going forward.</p>			
AMERICAN TOWER CORPORATION	Appoint/Pay Auditors	Against	Pass
<p>We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. Although not a regulatory requirement in the U.S., we consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. We asked about plans to tender last year but did not receive a response. This year we decided to escalate our voting action to oppose the auditor and will continue to share our expectations with the company.</p>			

Alliance Bernstein Sustainable All Market Portfolio

Alliance Bernstein Sustainable All Market Portfolio
The manager voted on 100.0% of resolutions of which they were eligible out of 1,983 eligible votes.
Investment Manager Client Consultation Policy on Voting
Upon client's request, we would be pleased to outline how our votes will be implemented based on AB's Proxy Voting and Governance Policy under non-disclosure agreement.
Investment Manager Process to determine how to Vote

The members of the Responsible Investing Team responsible for proxy voting apply AB's Proxy Voting and Governance Policy. Votes of our significant holdings are consulted with covering investment analysts. All executed votes are also reviewed by our independent offshore-approval team.

How does this manager determine what constitutes a 'Significant' Vote?

Significant votes are generally selected from our significant holdings universe* considering elements such as, but not limited to, below:

- Materiality of issues and the impact on shareholder value
- Absolute value of the shareholding
- Holding relative to other shareholders
- Votes against the recommendation of the Board, which require case-by-case analysis by AB's Proxy Voting and Governance Policy

*Significant holdings are defined by absolute value of the shareholding or AB's stake on the company relative to other shareholders.

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

We use Institutional Shareholder Services' online voting platform to execute votes electronically. We also use their benchmark research as a screening tool before implementing our own Proxy Voting and Governance Policy.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Danaher Corporation	Elect Director A. Shane Sanders	Against	Pass

Audit committee incumbents were voted against to address the continued share pledging concerns. Alliance Bernstein will review the company's share pledging position ahead of the upcoming AGM, and potentially vote against the relevant Director(s) should concerns remain.

Broadcom Inc.	Elect Director Harry L. You	Against	Pass
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The nominee is not a CEO and sits on more than four public company boards. Alliance Bernstein believe that incorporating an assessment of each director's capacity into consideration for a director election is essential to promote meaningful board oversight of the management. Director effectiveness aside, a social externality arises when the practice of directors serving on many public company boards becomes widespread, as this limits the opportunities for other board candidates.

Schneider Electric SE	Re-elect Gregory Spierkel as Director	Against	Pass
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The nominee is an incumbent member of the governance committee and the company is maintaining a multi-class capital structure with unequal voting rights - this is a multi-year concern. Alliance Bernstein supports an one-vote-per share structure. Alliance Bernstein will look to escalate concerns ahead of the next AGM should the multi-class capital structure with unequal voting rights remain in place.

UnitedHealth Group Incorporated	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	For	Fail
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The company's existing policy does not appear to require shareholder approval on severance exceeding the threshold described in the proposal, although we acknowledge that the policy has a limit on the cash component of the severance pay. Accordingly, the proposal appears value additive by allowing shareholders to evaluate severance packages above market norm levels. Alliance Bernstein will review the company's response to the shareholder proposal to observe if any meaningful changes are made to the company's severance policy that enhance shareholder rights.

General Mills, Inc.	Provide Right to Call a Special Meeting at a 10 Percent Ownership Threshold	For	Pass
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Based on Alliance Bernstein's Shareholder Proposal Assessment Framework, the proposal appears to be value-additive, despite being potentially prescriptive, in consideration of the fact that GIS has a combined CEO/chair and at the proposed 10 percent ownership threshold, no shareholder could act unilaterally to call a special meeting. Alliance Bernstein will review the company's response to the shareholder proposal to observe if any meaningful changes are made to the company's special meeting right.

Signed by Stuart Stephen - Chair of Trustees

Date: 14 /05 /2024