

United Reformed Church Ministers' Pension Fund ('the URC MPF')

Engagement Policy Implementation Statement

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ('the Regulations'). The Regulations, among other things, require trustees of defined benefit pension scheme to produce an Engagement Policy Implementation Statement ('EPIS'). The EPIS should set out the following:

- How the Trustees have adhered to their policies on engagement and the exercise of their rights, including voting rights attaching to the pension scheme investments.
- The voting behaviour by, or on behalf of, the trustees including the most significant votes cast during the year and stating any use of the services of a proxy voter.

Trustees must include the EPIS in the Trustees' Report & Accounts and publish it on a publicly available website.

This is the first implementation statement the Trustees of the URC MPF have prepared and covers the year ending 31 December 2020.

The Trustee's Policy on the Exercise of Rights (including Voting rights) and Stewardship

"The Trustee has delegated the exercise of rights, including voting rights in relation to assets that attract voting rights, to the managers of the pooled equity fund on the basis that voting power will be exercised by them with the objective of managing conflicts of interest, encouraging good corporate governance, preserving and enhancing long term shareholder value and mitigating financial risks. While the Trustee delegates the exercise of Voting Rights and Stewardship to the investment managers, it monitors and regularly engages with them to ensure their application of this responsibility is complementary to the objectives of the mandate and supportive of active engagement where issues appear not to be being addressed by the investee. All voting and engagement is reported to and monitored by the Trustee to ensure that no inconsistent management activity by Newton, or the investee, occurs to allow any apparent controversies to be actively pursued. The Trustee separately considers any conflicts of interest arising in the management of the Fund and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place." – URC MPF Statement of Investment Principles, September 2020.

The Implementation of this Policy

The Trustees of the URC MPF have delegated all direct investment activities in relation to the management of its equity portfolio to Newton Investment Management Ltd (NIM) through the use of the BYN Mellon Sustainability Global Equity Fund (BNYM SGEF). This is a pooled arrangement, which focuses upon a limited number of investable companies whose business operations are judged to actively pursue the UN Sustainable Development Goals (SDGs).

This mandate implicitly excludes those businesses which are contained in the Church's negative screens and also promotes the standards of the positive screens. For instance, the fund does not hold hydrocarbon extractor companies or their suppliers, or those involved in mining. Accordingly, the fund is appropriately aligned with the URC's Ethical Investment Policy (EIP) which can be found here:

https://urc.org.uk/images/2019_version_Ethical_Investment_Policy.pdf

The Trustees considers the BNYM SGEF mandate to be fully supportive of meeting their objectives in terms of managing conflicts of interest and encouraging good corporate governance and, in so doing, preserving and enhancing long term shareholder value and mitigating financial risks.

Aligned with their policy, the Trustees have delegated responsibility for the exercise of rights, including voting rights to NIM. In order to ensure the application of this responsibility is complementary to the objectives of the mandate and supportive of active engagement, the Trustees require NIM to report on the following:

- Engagement by NIM and the outcomes of their efforts with the investee companies.
- Analysis of the carbon footprints of each business.
- Voting at Annual and Extraordinary General Meetings.
- Purchases and sales of assets to ensure that NIM's actions are consistent with the mandate of the BNYM SGEF and with any apparent divergences examined and evaluated.

This reporting is presented quarterly at the United Reformed Church Investment Committee (URCIC) and Trustee meetings. Discussions take place at URCIC quarterly. Twice a year, the Convener of URCIC and the Chair of the Trustees meet directly with the portfolio manager and the NIM head of sustainability to consider specific strategic efforts by the portfolio managers and their asset analysts to enforce the pursuit of the SDGs. These discussions also covered the identification of future opportunities and developments in ethical thinking.

In addition, ad hoc contacts with the senior management at NIM takes place by email or verbally to address any emerging concerns about the management resourcing at NIM or controversies which might impact the BNYM SGEF portfolio.

No concerns were identified during the year and the Trustees consider NIM to be undertaking their stewardship and voting responsibilities in an appropriate manner which is aligned with their mandate and is hence conducive to meeting the Trustees' ultimate objectives of preserving and enhancing long term shareholder value and mitigating financial risks.

Aside from the equity investments, the URC MPF invests in property with FIL Investment Management Ltd (FIL) through a pooled fund which holds a portfolio of high quality, mainly commercial and industrial units. There are no voting rights associated with these property investments. However, FIL is acquainted with the EIP and makes efforts to investigate both lessees and secondary lessees to avoid conflicting breaches. Additionally, the assets are actively managed and upgraded between leases to comply with the prevailing standards for such assets in terms of enhanced environmental and social requirements.

Monitoring of the stewardship activities undertaken by FIL takes place through quarterly reporting and discussions with the URCIC. No concerns were identified during the year and the Trustees consider FIL to be undertaking their stewardship activities in an appropriate manner.

The due diligence process that is undertaken when a manager is appointed includes checking that the appointed manager has an appropriate conflicts of interest policy in place. No new managers were appointed over the year. However, as part of their ongoing monitoring responsibilities, the Trustees, in conjunction with the URCIC, monitors any conflicts of interest that might arise and ensures that each manager used by the URC MPF maintains an appropriate conflicts of interest policy.

Use of the Services of a Proxy Voter

The Trustees do not directly use the services of a proxy voter. However, NIM obtain proxy voter services from Institutional Shareholder Services (ISS) for the purpose of administering proxy voting (notification and lodgement of votes), as well as research reports on individual company meetings.

Voting Behaviour

The table below provides details of the voting behaviour undertaken on behalf of the Trustees in respect of the BNYM SGEF over the year to 31 December 2020.

Number of meetings eligible to vote at	58
Number of resolutions eligible to vote on	725
Percentage of eligible resolutions voted on	97%
Of voted resolutions, percentage voted with management	80%
Of voted resolutions, percentage voted against management	20%
Percentage of eligible resolutions abstained from	0%
Percentage of eligible meetings with at least one vote against management	45%

Percentage of voted resolutions contrary to proxy adviser recommendation	16%
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Significant Votes Cast

Information from NIM relating to the significant votes cast is provided below.

Company name: Apple Inc. (American multinational technology company that designs, develops, and sells consumer electronics, computer software, and online services)

Date of Vote: 02/12/2020

Summary of resolutions:

Ratification of executive compensation arrangements and members of the compensation committee – NIM voted AGAINST

Shareholder proposal to remove limits on the number of director nominees that shareholders can propose for election to the board – NIM voted FOR

Shareholder request for the company to report on the feasibility of integrating sustainability measures into the company's compensation arrangements – NIM voted FOR

Shareholder request for details on the company's policies on freedom of expression and access to information – NIM voted FOR

Rationale for voting decisions:

NIM voted against the executive compensation arrangements and members of the compensation committee given what they view as an excessive portion of executives' long-term incentive awards that vest subject only to time served.

NIM supported a shareholder-proposed resolution to remove a provision that means shareholders can only nominate one director for election to the board.

NIM supported a shareholder-proposed resolution to request that the company report on the feasibility of integrating sustainability measures into the company's compensation arrangements. While NIM view Apple as having a well-developed sustainability programme, they would like to see executives held accountable for this and believe it would help enhance the company's approach.

NIM supported a shareholder-proposed resolution asking the company to provide more information on its policies regarding freedom of expression and access to information. The company has businesses in countries where incumbent governments do not allow full freedom of speech or free access to information. In the past, Apple has been required to censor or restrict content in certain countries. As such, NIM believe shareholders would benefit from more information about the oversight mechanisms for formulating policies on this topic and a description of action the business has taken in response to third-party requests.

Vote results:

5.8% AGAINST – Ratification of executive compensation.

5.1%, 6.1% and 4.9% AGAINST – Three board director members of the compensation committee.

31.1% FOR – Removal of limits on number of director nominees that shareholders can propose for election to the board.

12.1% FOR – Report on the feasibility of integrating sustainability measures into the company's compensation arrangements.

40.6% FOR – Details on the company's policies on freedom of expression and access to information.

Implications of the vote results:

In NIM's view, the lack of shareholder dissent suggests that shareholders are comfortable with the executive pay arrangements. However, NIM suggest that the significant support for two of the shareholder proposals should not be ignored by the company and will likely lead to further investor engagement.

Company name: Alibaba Group Holding Limited (Chinese multinational technology company specialising in e-commerce and technology)

Date of Vote: 30/09/2020

Summary of resolutions:

Election of directors – NIM voted AGAINST

Rationale for voting decisions:

NIM voted against the two members of the governance committee who were seeking re-election given their concern surrounding the low level of independence on the board.

Vote results:

19.7% and 18.6% AGAINST – Election of two board directors.

Implications of the vote results:

Given the register of the company's shareholders, NIM view a voting outcome of close to 20% against is a clear indication of non-domestic investors' concern with the company's board structure. NIM will continue to demonstrate concern formally through the exercise of voting rights and, given the opportunity, through engagement.

Company name: Intact Financial Corporation (Canadian multinational property and casualty insurance company)

Date of Vote: 06/05/2020

Summary of resolutions:

Ratification of auditors – NIM voted AGAINST

Advisory vote on the executive compensation approach – NIM voted AGAINST

Rationale for voting decisions:

NIM had concerns with the independence of the auditor given it had been in place for 27 years.

NIM voted against resolutions that related to executives' compensation given a significant proportion of the long-term pay awards were not subject to the achievement of performance hurdles.

Vote results:

8.3% AGAINST – auditor ratification

5.3% AGAINST – executive compensation approach

Implications of the vote results:

In the context of auditors seeking reappointment, NIM suggest a level of dissent approaching 10% is significant. While the vote result is unlikely to result in any immediate changes, NIM believe that the company will be sensitive to the level of dissent received.

NIM will continue to register their concerns with the executive compensation approach through voting activity.