

# BIG THINKING FOR SMALL SCHEMES

## Implementation Statement

Chelmsford Star Co-operative Society Limited Employees'  
Superannuation Fund

28 January 2023



# 1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach and stewardship dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principles outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of Chelmsford Star Co-operative Society Limited Employees' Superannuation Fund (the Scheme). In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

## 2. ESG Principles

### Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest.

In principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect the fund managers to have integrated ESG factors as part of their investment analysis and decision-making process where appropriate.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

Trustees view that the stewardship responsibilities attached to the ownership of shares is important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC UK Stewardship Code.

Further information on the Trustees' policies can be found in the latest SIP dated May 2022.

In the Trustees' opinion, their policies, as recorded in the SIP in place for the accounting year, have been followed over the 12-month period to 28 January 2023.

The following pages illustrate how the Trustees, through their fund managers, have followed their stewardship and engagement policies.

### 3. Investments Attitudes to ESG

Fund Manager/Fund	ESG Description
<p><b>Abrdn</b></p> <p><b>Abrdn Diversified Growth Fund</b></p> <p><b>Abrdn Global (ex UK) Equity Fund</b></p> <p><b>Abrdn UK Growth Fund</b></p>	<ul style="list-style-type: none"> <li> <p><b>Fund Manager Overview</b></p> <p>Abrdn believe environmental, social and governance (ESG) considerations have been an integral part of their decision-making process for almost 30 years. At Abrdn they state their vision is to make a difference for their clients, society and the wider world. It is about aiming to achieve their clients’ goals whilst doing the right thing.</p> <p>They centre their approach to responsible investing on the following principles.</p> <ol style="list-style-type: none"> <li>1. Their investment process: they integrate and appraise environmental, social and governance factors in their investment process, with the aim of generating the best long-term outcomes for clients.</li> <li>2. Their investment activity: they actively take steps as active owners to deliver long-term, sustainable value consistent with their clients’ objectives.</li> <li>3. Their client journey: they clearly define how they act in clients’ interests in delivering stewardship and ESG (environmental, social and governance) principles). They transparently report on actions to meet those interests.</li> <li>4. Their corporate influence: they actively advance policy, regulation and industry standards as they seek to deliver a better future for clients, the environment and society.</li> </ol> <p>Client feedback helps to shape their views and approach.</p> </li> <li> <p><b>ESG Integration</b></p> <p>ESG considerations are central to the way Abrdn invest. They believe ESG factors are financially material and can meaningfully affect an asset’s performance. An asset’s ability to sustainably generate returns for investors depends on the management of its impact on the environment, its consideration of the interests of society and stakeholders, and on the way in which it is governed.</p> <p>They believe that a thorough understanding of ESG factors allows them to make better investment decisions, leading to better outcomes for their clients. This begins with rigorous research. They undertake thorough due diligence before investing, considering material ESG risks and opportunities alongside other financial metrics. They seek to understand whether such risks are being adequately managed, and whether the market has understood and priced them accordingly.</p> </li> </ul>

ESG is integrated through:

- Implementation – Taking into account investor preferences and excluding companies with controversial exposures.
- Asset Allocation – Asset allocation decisions and ESG are closely linked, as changes associated with ESG issues shape the way they allocate capital.
- Risk Management- Scenario analysis also allows us to work with clients on risk-mitigation strategies.
- Stewardship – Being committed to always acting in the best interests of clients. They believe in active, constructive engagement. For both active and passive strategies, they vote all shares globally wherever they have voting authority.

Abrdn has an approach to climate-change which is built around six areas of focus:

- Research and Data – Provide high-quality climate change insights and thematic research across asset classes and regions.
- Investment Integration – Understand the potential financial impacts of climate-change risks and opportunities across regions and sectors, integrate these into investment decisions and understand the implications to their portfolios.
- Client Solutions – Understand client needs in relation to climate change and low-carbon product demand.
- Investee Engagement & Voting – Better understand investee exposure and management of climate change risks and opportunities. Influence investee companies on management of climate risks and opportunities via engagement and voting.
- Collaboration & Influence – Collaborate with climate-change-related industry associations and participate in relevant initiatives.
- Disclosure – Disclose climate-change-related data using the TCFD reporting framework across the four pillars: governance, strategy, risk management, metrics & targets.

- **Active Ownership (to 31 January 2023)**

Abrdn reports proxy voting activity on a quarterly basis. As shareholders, Abrdn votes in a considered manner and work with companies to drive positive change. They also engage with policymakers on ESG and stewardship matters. Abrdn maintain close contact with the companies in which they invest, generally meeting representatives of investee companies at least once a year. They recognise the importance of effective communication and value having a focused dialogue with directors and senior executives about issues such as corporate strategy and performance, risk management, corporate governance and relations with stakeholders. Their activities include a regular engagement programme to discuss a range of relevant ESG issues, such as:

- board balance and composition
- remuneration policies

- audit and risk issues
- environmental and social issues.

Abrdn takes part in voting issues across the globe for all investments where they have voting rights. The exceptions are when they are otherwise instructed by the beneficial owner or where, for practical reasons such as share-blocking, this is not appropriate.

The active ownership details below apply to the funds which the Scheme is invested in:

#### **Abrdn Life Diversified Growth Fund**

Over the year to 31 January 2023, Abrdn was eligible to vote at 608 meetings and on 8,568 resolutions with regards to the Diversified Growth Fund. Abrdn voted on 97.5% of resolutions. 86.4% of votes were votes for, 13.0% were votes against and 0.6% were votes abstained or withheld from.

#### **Abrdn Life Global (ex UK) Equity Fund**

Over the year to 31 January 2023, Abrdn was eligible to vote at 46 meetings and on 659 resolutions with regards to the Global (ex UK) Equity Fund. Abrdn voted on 100.0% of resolutions. 82.8% of votes were votes for, 16.4% were votes against and 0.8% were votes abstained or withheld from.

#### **Abrdn Life UK Growth Fund**

Over the year to 31 January 2023, Abrdn was eligible to vote at 44 meetings and on 751 resolutions with regards to the UK Growth Fund. Abrdn voted on 100.0% of resolutions. 98.8% of votes were votes for, 1.2% were votes against and no votes were abstained or withheld from.

A case study by Abrdn looks at the company Berkeley Group Holdings Plc. At the meeting held on 06 September 2022, Abrdn voted against the resolution to compensate the executives with Executive shares. Abrdn was concerned that this significant one-off award could lead to a change of control in the company. Abrdn is against one-off award.

Another case study by Abrdn looks at the company Shin-Etsu Chemical Co., Ltd. At the meeting held on 29 June 2022, Abrdn voted against the management to elect Tsuyoshi Miyazaki as a director of the company. Abrdn was concerned that the long tenure of outside director candidates could compromise their independence.

A further case study by Abrdn looks at Standard Chartered Plc. At the meeting held on 04 May 2022, Abrdn voted in line with the management for the Approval of the Net Zero Pathway. Abrdn supports the Net Zero Pathway and expects the Board to retain responsibility for strategic delivery in this area. Abrdn raised

	<p>concerns about the company’s financed emissions targets and will continue to engage with the company to make swift progress in this area.</p> <ul style="list-style-type: none"> <li>• <b>References</b> <ul style="list-style-type: none"> <li>○ Abrdn Listed Company Stewardship Guidelines</li> <li>○ Responsible Investing page on the Abrdn website</li> <li>○ Abrdn SI Position Statement – Climate change</li> <li>○ <a href="https://www.abrdn.com/docs?editionid=33888ea5-5f5e-4873-8a69-efc6753e5401">https://www.abrdn.com/docs?editionid=33888ea5-5f5e-4873-8a69-efc6753e5401</a></li> <li>○ Annual voting reports</li> </ul> </li> </ul>
<b>Insight</b>	
<p><b>Enhanced Selection LDI Longer Real Fund</b></p> <p><b>Enhanced Selection LDI Longer Nominal Fund</b></p>	<ul style="list-style-type: none"> <li>• <b>Fund Manager Overview</b> <p>For Insight, responsible investment is about value. They believe all risks, including environmental, social and governance (ESG) risks, can affect the value of an investment.</p> <p>Insight believe that investing responsibly means managing risk. This includes risks to the wider market, as well as the specific underlying risks that determine whether an investment is fair value.</p> <p>They aim to systematically consider ESG issues within our research processes – and if they identify material ESG risks, they engage to better understand the issues. They also seek to understand and act on wider issues to support our clients’ best interests.</p> <p>Insight was a founding signatory to the UN-supported Principles for Responsible Investment (PRI) in 2006, the world’s leading proponent of responsible investment. Signatories to the PRI include investment managers and asset owners with trillions of dollars of assets under management. In 2020, they were awarded A+ ratings across the relevant categories in the PRI survey, including corporate and sovereign debt.</p> <ul style="list-style-type: none"> <li>• <b>ESG Integration</b> <p>Insight’s proprietary models continually evolve to help address the gaps in third-party ESG data. They guide their engagement with companies and governments to better understand the ESG risks they face and how those risks are managed.</p> <p>They aim to take a proactive role in ensuring the long-term sustainability and resilience of markets. They have helped to drive change on significant regulatory and market issues to protect their clients’ long-term interests, as well as those of wider society.</p> <p>Insight generate prime corporate ESG ratings are based on separate environmental, social and governance ratings, which in turn rest on 33 separate scores for a wide range of key ESG issues. The ratings are generated using inputs from numerous ESG data</p> </li> </ul> </li> </ul>

providers, adjusted for quality and relevance by Insight's credit and data experts, who also weight them according to their significance for different sectors. Prime corporate ESG ratings were created to generate ESG ratings that we believe more accurately and reliably reflect the risks that corporates face. They aim to help Insight's analysts and portfolio managers consider material ESG risks, informing their decision-making and engagement, and to enable portfolios for clients requesting specific sustainability criteria. More information can be found in Insight's Responsible Investment Annual Report 2021.

• **Active Ownership – (1 year to 31 January 2023)**

To help clients stay abreast of relevant developments, Insight publishes regular market insights, views from industry experts and reports detailing their efforts and the difference they make. Insight report quarterly on their active ownership. They have provided quarterly policy level engagements spreadsheets on their LDI Engagement from Quarter 4 2022 last year when these requirements were introduced. Insight carry out engagements with some themes outlined below:

- Development of Green Gilt Market
- RPI reform
- LIBOR Transition
- Bank capital rules
- Integration of ESG factors into credit risk assessments

**Enhanced Selection LDI Funds**

Insight aims to embed ESG where appropriate. Insight considers how ESG is incorporated in their choice of counterparties, which they use by reviewing quantitative and qualitative factors as well as overall governance.

A particular case over the year period saw Insight engaging with their derivative counterparty banks on the topic of responsible approach to improve the financial markets sustainability to protect their clients' interests. Insight worked with a range of partners to explore how to increase the diversity of sources of funding and developed approaches for pension funds to access these sources for the first time. With their broad experience in financial markets, Insight led the way in facilitating pension funds to access these funds, which increased their market access, made their ongoing funding needs more secure and reducing their costs.

A case study by Insight had them engaging with several banks, Pensions Europe, ISDA and the European Commission to look at the Bank Capital rules. Insight believes that these rules can have indirect and undesirable impacts on their clients. Insight has raised their concerns regarding some issues with these rules and have been supported by the Pensions Europe. Insight are now having regular ongoing engagement with the European Commission regarding these.



	<ul style="list-style-type: none"><li>• <b>References</b></li></ul> <p>More information can be found in the following documents:</p> <ul style="list-style-type: none"><li>○ <a href="https://www.insightinvestment.com/investing-responsibly/">https://www.insightinvestment.com/investing-responsibly/</a></li><li>○ <a href="https://www.insightinvestment.com/globalassets/documents/responsible-investment/stewardship-code/uk-stewardship-code-report-2021.pdf">https://www.insightinvestment.com/globalassets/documents/responsible-investment/stewardship-code/uk-stewardship-code-report-2021.pdf</a></li><li>○ <a href="https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/proxy-voting-policy-2023.pdf">https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/proxy-voting-policy-2023.pdf</a></li><li>○ Quarterly Policy Level Engagement Sheets</li></ul>
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