

BIG THINKING FOR SMALL SCHEMES

Implementation Statement

Chelmsford Star Co-operative Society Limited Employees'
Superannuation Fund

25 January 2025



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.

The Scheme had in place over the Scheme year three SIPs dated September 2023, April 2024 and December 2024. Further information on the Trustees' policies can be found in the latest signed SIP dated December 2024.

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 31 January 2025.

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 data-bbox="204 371 328 398">Fulcrum</p> <p data-bbox="204 421 416 562">Diversified Core Absolute Return Fund</p>	<ul style="list-style-type: none"> <li data-bbox="459 405 863 439">• Fund Manager Overview <p data-bbox="504 472 1366 645">Fulcrum has made a commitment to being a responsible investor, with sustainability representing one of their five core firm values. They recognise the challenges facing the natural environment and believe that financial markets have an important role to play in creating a more sustainable world.</p> <p data-bbox="504 685 1382 752">Guided by their values, they are committed to responsible investing through the following initiatives:</p> <p data-bbox="504 790 1374 927">Climate-aligned investing: Fulcrum launched their first climate-aligned global equity strategy in 2020, and this strategy forms the bedrock of their equity allocation across diversified absolute return strategies.</p> <p data-bbox="504 965 1246 1032">Proactive stewardship: Actively voting, engaging with companies and collaborating externally.</p> <p data-bbox="504 1070 1369 1137">Investing in climate solutions: Supporting innovative solutions for a low-carbon future.</p> <p data-bbox="504 1176 1353 1243">Integrating metrics and transparent reporting: Integrating clear metrics and targets in their investment process.</p> <p data-bbox="504 1281 1382 1496">Fulcrum believe that sustainability risks and opportunities including climate risk, biodiversity, diversity and inclusion, and human rights can have a meaningful impact on investment outcomes. They also believe that these are important as they can directly or indirectly impact long-term value creation for shareholders, or the ability of a borrower to repay.</p> <p data-bbox="504 1534 1374 1704">Fulcrum are guided by these values as they integrate sustainability considerations across their capabilities and aim to produce thoughtful research on this topic. The research conducted informs their investment thinking as their investment process gradually evolved over time.</p> <ul style="list-style-type: none"> <li data-bbox="459 1742 743 1776">• ESG Integration <p data-bbox="504 1809 1382 1980">Fulcrum’s strategic equity allocation is entirely invested in companies that are aligned to the Paris Agreement’s temperature target of below 2°C. Their thematic equity approach has led to numerous, targeted, investment ideas such as the climate solutions strategy.</p>

They have also developed an innovative systematic process for managing the Paris-aligned carbon budget of an equity portfolio.

The Fulcrum Responsible Investment Committee (RIC) works to incorporate ESG into all aspects of the firm. Their approach to responsible investing is based on 3 pillars:

Innovative: contributing new ideas that move the industry forward.

Holistic: applying the “multiplier – effect” through third party interactions.

Integrated: working as a cohesive, inquisitive and ambitious team.

Fulcrum has a dedicated fund with a sustainability focus, and the Diversified Core Absolute Return Fund has a holding in this fund. Fulcrum is an active participant in global initiatives e.g. United Nations Principles for Responsible Investing (UNPRI), Climate Action 100+ and Task Force on Climate-related Financial Disclosures (TCFD). Thematic approach to ESG with the primary focus on climate change. Fulcrum Climate Change (FCC) recently established commitment to a weighted average portfolio temperature below 2 degrees – in line with the Paris Agreement.

- **Active Ownership – (1 year to 31 December 2024)**

Fulcrum report annually on their active ownership to 31 December, and they also provide quarterly reporting on their proxy voting. Fulcrum cast proxy votes in a manner consistent with the interest of all their clients.

Over the year to 31 December 2024, Fulcrum were eligible to vote at 378 shareholder meetings and on 9,841 resolutions. Fulcrum participated on 100.0% resolutions they were eligible to vote on. On a resolution-by-resolution basis, 84.4% of their votes were with management, 15.4% of votes were against management and they abstained from voting on 0.2% of the votes.

A case study by Fulcrum looked at engagement with the company Mitsubishi UFJ Financial Group, Inc. At the 21 June 2024 meeting, Fulcrum voted for the shareholder proposal regarding customers’ climate change transition plans. Fulcrum agreed with the proponents that the disclosures requested in this proposal are required to ensure the Company adequately enacts its stated risk control measures and aligns with its commitment to reduce finance portfolio emissions to net zero by 2050.

- **References**

- <https://fulcrumasset.com/sustainability/>
- Fulcrum DCAR – Voting Summary to December 2024

<p>Lombard Odier</p>	
<p>All Roads Fund</p>	<ul style="list-style-type: none"> <p>• Fund Manager Overview</p> <p>Lombard Odier believes that sustainability is one of the most important drivers of risk and return. They believe that value chain disruption and profit pool shifts emerging from the energy, land & oceans and materials’ systems’ transitions represent areas where investment is needed at scale to effect urgent transformation and ensure they respect planetary boundaries.</p> <p>They also believe that stewardship is crucial to protect and enhance the long-term sustainable value of the assets entrusted to them by their clients, and an indispensable tool to achieve long-lasting impact beyond financial returns. Through active ownership, Lombard Odier seek to support the expansion of the portion of the economy that is aligned to the transition.</p> <p>Additionally, as part of their active ownership responsibility, Lombard Odier undertake outcome-based engagements that support company alignment with best-practice corporate governance and strong ESG practices.</p> <p>LOIM’s stewardship function has two key objectives:</p> <ol style="list-style-type: none"> 1. Promote alignment with the sustainability transition. 2. Promote company identification and alignment with value chain disruption and shifting profit pools. <p>The outcomes of their engagement process can influence their investment and research views, ensuring a circular and integrated approach.</p> <p>• ESG Integration</p> <p>LOIM understand and use proxy voting and engagement as constituents of their stewardship continuum.</p> <p>Through engagement and having a meaningful two-way conversation, LOIM seek to build relationships of trust with their investee companies. They believe that it is crucial that they follow an integrated approach throughout the investment lifecycle, seeking to ensure that these companies are aligned with the sustainability challenges they face. Through engagement LOIM raise issues, share their science-based evidence and estimates for implied temperature trajectories, while seeking to understand how the company is able to react to them and how it plans to address them.</p> <p>Proxy voting allows LOIM to hold management accountable at least once a year and express and convey their views and preferences, even if no prior engagement has taken place.</p>

LOIM's stewardship structure includes the Stewardship Statement (mission, vision and stewardship tools), which is underpinned by the Engagement Policy and the Proxy Voting Policy and Proxy Voting Guidelines.

Lombard Odier strive to integrate sustainability throughout their process into their funds. Sustainability is one of the four main objectives of the "All Roads" strategy. Lombard Odier apply exclusions to companies as part of their ESG process.

Lombard Odier views ESG as a risk management tool rather than a performance-enhancing one.

- **Active Ownership – (1 year to 31 December 2024)**

Lombard Odier report annually on their active ownership to 31 December, and they also provide quarterly reporting on their proxy voting. Lombard Odier cast proxy votes in a manner consistent with the interest of all their clients.

Over the year to 31 December 2024, Lombard Odier were eligible to vote at 2,365 shareholder meetings and on 30,641 resolutions. Lombard Odier participated on 100.0% resolutions they were eligible to vote on. On a resolution-by-resolution basis, 84.5% of their votes were with management, 15.5% of votes were against management, and they abstained from voting on 0.0% of the votes.

A case study by Lombard Odier looked at engagement with a company that were previously added to their controversial weapon exclusion list due to their product containing white phosphorus. The company explained that yellow phosphorus was used in the smoke bombs they supply to a government for training exercises, but the scale of sales was extremely small. The company initially confirmed that it would continue to provide the smoke ammunitions upon request from the Ministry of Defense, while recognising that white phosphorus weapons are potentially controversial due to their humanitarian impact. The company agreed to share Lombard Odier's concerns with the Ministry in the course of their standard interactions. Furthermore, following more consistent engagement, the company has confirmed that it will cease to supply smoke bombs from 2026, which is a very positive overall outcome.

- **References**

- <https://am.lombardodier.com/files/live/sites/am/files/images/Sustainability/STEWARDSHIP-2022/Stewardship%20Statement.FINAL.pdf>
- <https://am.lombardodier.com/files/live/sites/am/files/images/Sustainability/STEWARDSHIP-2022/Engagement%20policy.pdf>
- Lombard Odier Case Studies 2025

Pictet	
Dynamic Asset Allocation	<ul style="list-style-type: none"> <li data-bbox="421 230 831 264">• Fund Manager Overview <p data-bbox="467 297 1385 472">Pictet Asset Management believes in responsible capitalism and takes an enlarged view of the economy and its interactions with civil society and the natural environment. As such, they expect issuers to respect both planetary boundaries and international standards on governance, human rights and ethical business practices.</p> <p data-bbox="467 510 1366 611">When investing on behalf of their clients, Pictet apply the core tenets of responsible investment. To achieve this, they focus their attention on:</p> <ul style="list-style-type: none"> <li data-bbox="467 618 1302 651">• The clarity and robustness of the issuer’s long-term strategy <li data-bbox="467 656 1382 719">• The functioning and calibre of governance structures and effective leadership <li data-bbox="467 723 1326 786">• The financial strength and performance of issuers and the fair valuation of underlying securities <li data-bbox="467 790 1278 853">• Sustainability risks & opportunities and adverse impacts of potential investments on society and/or the environment <p data-bbox="467 902 1377 1111">Interaction with issuers take the form of one-to-one discussions, shareholder/bondholder meetings, investor roadshows and/or conference calls. The objectives of these interactions are to assess an organisation before investment, monitor that their strategy is being implemented in line with their expectations and ensure that issuers are on track to meet their goals and objectives.</p> <ul style="list-style-type: none"> <li data-bbox="421 1149 707 1182">• ESG Integration <p data-bbox="467 1216 1326 1384">ESG considerations are integrated at many different stages of the investment process in addition to forming an integral part of risk management. Pictet consider ESG risks as intrinsic to the financial evaluation of a potential investment weighing up ESG, along with other considerations, against the cost of capital.</p> <p data-bbox="467 1429 1385 1738">Consistent with their fiduciary duty to act in the best interests of clients and their adherence to the Principles for Responsible Investment (PRI), Pictet are committed to integrating material Environmental, Social and Governance (ESG) criteria in their investment processes and ownership practices with a view to enhance returns and/or mitigate risks over the medium to long term. They also aim to include ESG aspects in their risk management and reporting tools in order to maintain high standards of transparency and accountability.</p> <p data-bbox="467 1783 1374 1917">Where appropriate, Pictet will engage companies on material ESG issues, to satisfy themselves that these companies fully understand and address these issues effectively over the short, medium and long term.</p>

The research process for internal and externally managed funds involves a blend of quantitative and qualitative assessment. ESG risks are assessed with both the due-diligence questionnaire and analytical approach. Funds are assessed by assigning a score from 1-5 on a qualitative basis using the four categories of firm-level policy, ESG integration, active ownership, and monitoring/reporting. This analysis is based on information garnered from DDQs and in-person meetings. ESG considerations are balanced against other factors in the investment decision. Any areas of concern are brought up at regular update meetings held with external managers. DDQs are completed annually for existing investments.

The ESG Score of external funds is also integrated in the overall Qualitative Fund Score which consists of 7 seven factors (parent, people, philosophy & process, performance, price, risk & liquidity and ESG) with each factor assigned an equal weight. If the ESG score does not meet the required threshold, then Pictet will consider an alternative way of implementing a view into the portfolio. These scores are subject to regular review, and they use it as a basis to engage with managers.

- **Active Ownership – (1 year to 31 December 2024)**

Pictet report annually on their active ownership to 31 December, and they also provide quarterly reporting on their proxy voting. They cast proxy votes in a manner consistent with the interest of all their clients.

Over the year to 31 December 2024, Pictet were eligible to vote at 6 shareholder meetings and on 107 resolutions. Pictet participated on 100.0% resolutions they were eligible to vote on. On a resolution-by-resolution basis, 66.4% of their votes were with management, 33.6% of votes were against management, and they abstained from voting on 0.0% of the votes.

A case study by Pictet looked at engagement with the company Apple Inc. At the 28 February 2024 meeting, Pictet voted for the shareholder proposal to introduce a report on the use of artificial intelligence. Pictet believes that the company's lack of disclosure regarding AI limits shareholders' ability to evaluate the risks associated with the use of AI or the actions the company is potentially taking to mitigate those risks. Improved transparency and the disclosure of an ethical guideline may alleviate shareholder concerns.

- **References**

- Pictet DGF – Voting Summary to December 2024

<p>LGIM</p> <p>Global Equity Fixed Weights (50:50) GBP Hedged Fund</p> <p>All Stocks Gilts Index Fund</p> <p>Over 15 Year Gilts Index Fund</p> <p>Over 15 Year Index-Linked Gilts Index Fund</p>	<ul style="list-style-type: none"> <p>Fund Manager Overview</p> <p>LGIM’s ultimate goal is to protect and enhance the investment returns generated by their clients’ assets whilst aiming to have a long-standing commitment to raising corporate governance and sustainability standards to ultimately enhance the value of the companies in which they invest.</p> <p>LGIM has publicly committed to the following three goals as part of their five-year strategic plan:</p> <ul style="list-style-type: none"> • Influencing the transition to a low-carbon economy • Making society more resilient with our financial solutions • Creating new investments for the future economy <p>Further information on how they can achieve these goals is publicly available on the parent company Legal & General Group plc’s reporting on corporate responsibility.</p> <p>https://group.legalandgeneral.com/en/sustainability</p> <p>ESG Integration</p> <p>LGIM uses a bottom-up and a top-down approach to monitoring and analysis as well as using ESG information that comes out from engagement meetings with companies. LGIM’s ESG scoring tool assesses companies in 17 different sectors on their disclosure, policies and processes for managing ESG risks. LGIM has set up three long-term thematic working groups (demographics, energy and technology) that undertake top-down research and analysis of macroeconomic issues, related to responsible investment and ESG. The direct engagement with companies is a way LGIM seek to identify ESG risks and opportunities. LGIM have an escalation policy to tackle difficult and inter-connected ESG issues that materially impact the value of assets.</p> <p>LGIM has an Active ESG View tool that forms an essential component of the overall active research process. The tool brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company. ESG risks vary across sectors and therefore the proprietary tool LGIM has developed evaluates sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporates a qualitative approach on top of this as data alone may not tell the full story.</p>
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- **Active Ownership (1 year to 31 December 2024)**

LGIM reports annually on their active ownership to 31 December and provides quarterly reporting on their proxy voting. LGIM's Corporate Governance team casts proxy votes in a manner consistent with the interests of all clients. They direct the vote of a significant proportion of a company's shares by exercising the shareholder rights of almost all clients. LGIM acknowledges that the Scheme, in giving LGIM their mandate, requires LGIM to vote with the shares on behalf of the Scheme. LGIM therefore aims to minimise abstaining from voting, only doing so if it is technically not possible to cast a vote in any other way.

LGIM's voting decisions are made internally within the corporate governance team, and independently from the investment teams. LGIM have in place supplementary regional policies setting out their voting approaches publicly on their website however various other factors may also help them form a view on voting matters. These consist of previous engagements, third party research (e.g. ESG reports, broker research), company performance and LGIM's in-house views with respect to their investment teams.

LGIM provides an annual Active Ownership Report which summarises their activity over the full year. In the most recent of these reports, during the year 2024, LGIM reported

- to have managed £424.6 billion of assets in responsible investment strategies
- voted on 142,000 resolutions worldwide
- engaged with 3,447 companies.

The following paragraphs relate to the active ownership or approaches to ESG specific to the LGIM funds in which the Scheme is currently invested. Gilts funds have no active ownership:

Global Equity Fixed Weights (50:50) GBP Hedged Fund

Over the 12 months to end December 2024, LGIM were eligible to vote at 2,971 meetings and on 37,861 resolutions. LGIM voted on 99.7% of resolutions. 81.9% of votes were with management, 17.8% were votes against and 0.3% of votes were abstained from.

A case study by LGIM looks at the company Skandinaviska Enskilda Banken AB. At the AGM on the 19th of March 2024, LGIM voted against the resolution to instruct Board of Directors to revise SEB Overall Strategy to be in line with the Paris Agreement Goals. LGIM believed that the drafting of the proposal and demand for a climate strategy that seeks to immediately halt new fossil fuel extraction is too vague and does not consider the nuances in an orderly transition to a net-zero emissions economy.

	<p>Another case study by LGIM looks at the company Restaurant Brands International Inc. At the AGM on 06 June 2024, LGIM voted in favour of the resolution to comply with the World Health Organisation guidelines on antimicrobial use throughout supply chains. LGIM believe that the overuse of antibiotics is known to exacerbate AMR and expect the company to be transparent about their AMR strategy, the actions taken to implement it, and steps taken to monitor implementation. LGIM therefore supported this resolution.</p> <p>A further case study by LGIM looks at the company AeroVironment, Inc., which, in Q3 2024, LGIM voted against the resolution to elect director Wahid Nawabi. LGIM believe that the roles of chair and CEO are substantially different, requiring distinctly different skills and experience and should therefore be separated, to ensure that a single individual does not have unfettered powers of decision-making at the head of the company.</p> <ul style="list-style-type: none"> • References LGIM aims to implement best practice reporting to stakeholders including an: <ul style="list-style-type: none"> • Annual Active Ownership report • Quarterly ESG Impact Report • Public monthly voting reports
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Insight	
<p>Enhanced Selection LDI Longer Real Fund</p> <p>Enhanced Selection LDI Longer Nominal Fund</p> <p>Liquidity Plus Fund</p>	<ul style="list-style-type: none"> <p>• Fund Manager Overview</p> <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 their 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> <p>• ESG Integration</p> <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 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 providers, adjusted for quality and relevance by Insight’s credit and data experts, who also weigh 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 enabling portfolios for clients requesting specific sustainability criteria. In 2024, Insight conducted 942 engagements with debt issuers, of which the majority included some form of ESG dialogue. These included 134 engagements focused solely on ESG issues. The 942 engagements</p>

included interactions with companies in 88 countries, of which 47 were emerging markets.

More information can be found in Insight's Responsible Stewardship Annual Report 2024.

- **Active Ownership – (1 year to 31 December 2024)**

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 for the year to end December 2024. Insight carry out engagements with some themes outlined below:

- Pension trustee skills, capability and culture
- Options for DB schemes consultation
- LDI consultation
- Work and Pensions Committee consultation on DB pension schemes

Enhanced Selection LDI Nominal and Real 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 case study by Insight looks at their engagements with the HM Treasury over clearing exemption for UK Pension Funds. HM Treasury consulted multiple parties on the long-term solution of UK pension fund exemption, which Insight had been advocating for over 10 years. Insight saw this as an opportunity to ask for a permanent exemption from the UK policymakers. Although the final outcome is still to be determined, Insight have been successful in influencing the PLSA and IA response. HMT have been treating Insight as a key go-to firm on this issue

- **References**

More information can be found in the following documents:

- Insight's Responsible Stewardship Report 2024
- Policy Level Lobbying Engagement - 2024 Q4