

STEWARDSHIP AND ENGAGEMENT IMPLEMENTATION STATEMENT:

1 April 2023 to 31 March 2024



Introduction

On 6 June 2019, the UK Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the “Regulations”). The Regulations require that the Trustees of the Thomson Pension Fund (the “Trustees”) outline how the stewardship, voting and engagement policies set out in their Statement of Investment Principles (“SIP”) have been followed over the course of the year under review.

This Statement has been prepared by the Trustees with the assistance of their appointed Fiduciary Manager and is for the year ending 31 March 2024.

The Trustees’ Stewardship and Engagement policies are included in the SIP which is available on request.

Last review of the key policies regarding Stewardship and Engagement

Policies regarding stewardship, voting and engagement were last reviewed as part of a wider review of the SIP in August 2023. The Trustees confirmed that the policies remained suitable and in the best interests of members. No material changes were made.

During the course of the year, the Trustees have received presentations from their appointed Fiduciary Manager in relation to how the votes are carried out on their behalf and more generally on how Environmental, Social and Governance (“ESG”) factors are integrated into the Fiduciary Manager’s investment philosophy and by association the underlying specialist managers used in the portfolio.

Voting behaviour

Under the Fiduciary Management arrangement in place the Trustees have delegated proxy voting and engagement decisions to the Fiduciary Manager. The Fiduciary Manager has a robust and well-established set of guidelines to follow when voting on the Trustees’ behalf which are reviewed and updated on an annual basis. It has provided the Trustees with both a copy of the Proxy Voting Guidelines and the most recent Active Ownership Report. The Fiduciary Manager instructs Glass Lewis, a specialist proxy voting firm, to execute the votes in-line with the agreed guidelines and where Glass Lewis cannot apply this policy the votes are referred to Russell Investments Active Ownership Committee.

A total of 12,845 votes were placed on securities held in the Fund’s Growth portfolio over the period under review. A summary of the voting activity carried out on behalf of the Trustees is set out overleaf.

Key statistics

	Management Proposals	Share Proposal	Holder Total Proposals
With Management	11,357	330	11,687
Against Management	887	205	1,092
Votes without Management Recommendation	29	18	47
Take No Action	726	9	735
Unvoted	0	0	0
Totals	13,012	568	13,580

The decision to “Take No Action” was driven by:

- i. Shareblocking markets: As per the Fiduciary Managers standing instructions, if a meeting belongs to a Shareblocking market such as Switzerland, then the ballots are automatically set to Take No Action.
- ii. This rule is applicable at the meeting and the ballot level as well. Sometimes if a meeting or a ballot is share-blocked then either the entire meeting or a ballot gets auto-TNA.
- iii. And lastly, for the Contested meetings, one of the two voting cards is set to “Take No Action” (the card which is not voted).

Votes Broken Out by Category

Topic	Number of Votes
Environmental	131 (includes climate risk issues)
Social	199
Governance	12,515

This table excludes Take No Action votes.

Most significant votes

Criteria adopted

The Fiduciary Manager defines significant votes as ones that meet, at least, one of the following criteria:

- Votes against management proposals where the level of dissent from shareholders is 20% or higher, in line with the UK Corporate Governance Code.
- Votes supporting shareholder proposals when management is recommending against, and the level of support is 40% or higher, suggesting that the proposal nearly passed.
- Votes that directly affect shareholder equity holding or value. For example, merger and acquisitions.

In addition, the Fiduciary will consider votes that are aligned with the Fiduciary Manager's stewardship priorities with regards to environmental, social and governance matters, as defined by the [voting policy](#).

To ensure a wide variety of the placed votes is reflected, the summary of the most significant votes below has been split into Environmental, Social or Corporate Governance categories. Furthermore, the votes are selected on the basis of having high weight in the Fund. Any reference to we and/or us in the following examples refers to the Fiduciary Manager's views and / or approach followed when voting on behalf of the Trustees.

As at 31 March 2024, the Fund was 10.3% invested in the Multi Asset Growth Strategy Fund (MAGS), which in turn held 51.0% in equities. At the same date, the Fund was 1.1% of the total MAGS Fund.

This statement does not include the fixed income funds, as the voting only covers equity engagements. **The following size of holdings are references to the approximate weight of the company as a proportion of the Multi Asset Growth Strategy Fund.**

Environmental Votes

Berkshire Hathaway Inc.

Shareholder Proposal Regarding Climate Report

Date	06/05/23
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.04%
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Rejected
Criteria for selection as significant vote:	Vote Against Management, Controversial Outcome, Environmental Shareholder Proposal

Rationale

Voted to support this proposal, along with nearly 27% of the vote. The Company is exposed to material climate risks being involved in the utility and insurance sector. It currently does not provide any meaningful or comprehensive disclosure of climate-related issues at the Company level, which significantly lags peers.

Amazon.com Inc.

Shareholder Proposal Regarding Just Transition Reporting

Date	24/05/23
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.32%
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Rejected
Criteria for selection as significant vote:	Top Holding, Vote Against Management, Controversial Outcome, Environmental Shareholder Proposal

Rationale

Voted to support this proposal, along with nearly 27% of the vote. The Company has disjointed reporting with a focus on its human rights impacts and not necessarily a just transition. Thus shareholders would benefit from a more cohesive message from the Company on how it is addressing the challenge of a just transition. The Company has faced ongoing labor challenges in the past few years and understanding how it proactively is addressing further labor challenges would benefit shareholders

Exxon Mobil Corp.**Shareholder Proposal Regarding Methane Emission Disclosures**

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.50%

Date 31/05/23

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Environmental Shareholder Proposal

Rationale

This proposal was referred to the Active Ownership Committee for further review, per our guidelines. The Committee voted to support this proposal, along with over 35% of the vote. The emitting of methane has come under tighter scrutiny by both investors and regulators placing the Company at higher risk. The proper management and containment of methane emissions is a significant issue, with legal, regulatory, financial, and environmental implications for the Company. Thus, showcasing to shareholders that the Company is mitigating fugitive methane emissions to the best possible extent and providing shareholders with enough disclosure so they can fully assess the risks is prudent.

Social Votes

Amazon.com Inc.

Shareholder Proposal Regarding Report on Working Conditions

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 2.04%

Date 24/05/23

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Social Shareholder Proposal

Rationale

Voted in support of the proposal, along with ~35% of the vote. The proposal asks the Company to commission an independent audit and report of the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets. Given the extremely high-profile nature of the reports and allegations concerning the Company's working conditions, it appears that the Company's current efforts are not enough to stop continued high rates of worker injuries. Since the Company's policies and procedures evidence non-effectiveness, the proponents request for an independent audit report seems not only reasonable but certainly in the best interests of shareholders.

International Business Machines Corp.

Shareholder Proposal Regarding Lobbying Report

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.02%

Date 25/04/23

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Social Shareholder Proposal

Rationale

This proposal was referred to the Active Ownership Committee for further review, per our guidelines. The Committee voted to support this proposal, along with over 45% of the vote. While we acknowledge that The Company provides exceptionally robust disclosures concerning its policies concerning electioneering expenditures, it provides little information concerning its indirect lobbying payments through trade associations. Increasing these disclosures would bring the Company in line with peers.

Microsoft Corporation

Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.81%

Date 07/12/23

Mgmt. Rec. Against

How the vote was cast Against

Vote Outcome Rejected

Criteria for selection as significant vote: Top Holding, Controversial Outcome, Social Shareholder Proposal

Rationale

Despite significant support for this proposal (~33% of shareholders voting for), Russell Investments voted against, in support of management. At this time, the company upholds sufficient human rights-related disclosure and policies, especially concerning the regions in which it operates. Additionally, it maintains board-level oversight of this issue. The proponent failed to provide evidence that the existing disclosures, reporting and oversight present a risk to shareholder value.

Governance Votes

Southwest Airlines Co

Shareholder Proposal Regarding Shareholder Ability to Remove Directors

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.17%

Date 17/05/23

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Passed

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Governance Shareholder Proposal

Rationale

We believe, on the Trustees' behalf, that shareholders should be able to remove directors for any reason if they do not believe the director should serve as a director of the Company, and that the Company's existing policy requiring "cause" to remove a director creates a nearly insurmountable standard since under most legal definitions, "cause" is a very high burden. Furthermore, this same proposal received ~47% support from shareholders at the 2022 AGM, and there has been no clear response or engagement from the company to address shareholder concerns.

Archer Daniels Midland Co.

Shareholder Proposal Regarding Independent Chair

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.18%

Date 04/05/23

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Top Holding, Controversial Outcome, Governance Shareholder Proposal

Rationale'

We believe, on the Trustees' behalf, that in most cases, it is best practice to require the positions of Chairman and CEO to be held by different persons. Russell Investments, along with over ~31% of shareholders, supported this proposal. Our guidelines functioned as intended and the rationale was sound.

Meta Platforms Inc

Shareholder Proposal Regarding Recapitalization

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.16%

Date 31/05/23

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Governance Shareholder Proposal

Rationale

We believe, on the Trustees' behalf, that the "one-share, one-vote" principle represents best practice, and as a result we will not support the introduction of multiple-class capital structures or the creation of shares with voting rights disparity and will support proposals calling for recapitalization plans which align with the "one-share, one-vote" principle. Public shareholders would have the opportunity to be much better represented if the outcome of matters up for a vote was not largely determined by the controlling shareholder.

Engagement Activities

Not all investments have voting rights attached to them, however asset owners can engage with the issuers of equity and debt to influence positive change. The Trustees are supportive of engagement with investee companies in this way and has delegated this activity to the Fiduciary Manager.

The Fiduciary Manager aims to engage with companies on overall business strategy, capital allocation, and ESG practices while encouraging appropriate levels of risk mitigation. The Fiduciary Manager's engagement policy is available [here](#) and examples of engagement activity are provided below.

Any reference to we, our and/or us in the following examples refers to the Fiduciary Manager's policy, views and activity.

Direct-Company Engagement on human capital management with a North American Mining Company

Engagement Action: Russell Investments engaged with a mining company domiciled in Canada. The dialogue was focused on the company's efforts around human capital management, climate change resilience, and natural capital management

Engagement Objective: Russell Investments expects companies to report on their risk management practices and strategy concerning human capital management, climate change resilience, and natural capital management where applicable to company operations.

Engagement Summary: The Company has a robust ESG report and is consistently transparent with stakeholders on its ESG strategy. However, recent and consistent controversies and events showcase that the Company's strategy needs to be adjusted to prevent further negative impacts on the business and a subsequent shift in strategy (and reporting) may be required. The Company has had five on-the-job deaths since December 2022 and is focusing on overhauling its health and safety practices to meet its target of zero-fatalities. The Company plans to hire a third-party auditor to assess its health & safety programs with the results expected early 2024. They hope to make that report available to investors.

Engagement Outcome: Russell Investments will continue to engage with the Company, specifically looking at it improving its health & safety practices, disclosing further scope 3 emissions data, and the development of a biodiversity metric by 2025.

Direct-Company Engagement with a UK-based consumer healthcare company

Engagement Action: Russell Investments engaged with a UK-based healthcare company concerning climate change resilience and natural capital management.

Engagement Objective: Russell Investments engaged with the company to encourage further disclosure on its decarbonization strategy. Additionally, the objective was to evaluate the company's approach to the environmental characteristics of its packaging, considering that material extraction and waste contribute to environmental externalities.

Engagement Summary: Russell Investments found that capital investment for the decarbonization strategy is already integrated into the company's financial planning, and the primary challenge lies in ensuring the continuity of electricity supply for sites situated in emerging markets. Research and development focus on packaging, a significant concern in the industry. The Company raised safety, quality, regulatory burdens and geographical differences as the primary obstacles in developing sustainable packaging.

Engagement Outcome: Russell Investments has requested the company to enhance disclosure around the strategies adopted to address climate change and natural capital management. We will engage with the company in 2024 to assess progress.

Direct-Company Engagement on Executive compensation at a global health services provider

Engagement Action: In advance of the AGM, Russell Investments held a call with the Company, focusing on executive compensation concerns, as well as controversies around the shareholder resolutions on the ballot at the 2023 AGM.

Engagement Objective: The aim of the engagement was to encourage the company to reduce the level of discretion retained by the compensation committee on payouts, as well as communicate our voting positions against management and discuss the company's assessment of the shareholder resolutions on the ballot.

Engagement Summary: The Company has received the 17% dissent on executive compensation at the prior year's AGM as a red flag and therefore they have tried to improve the level of disclosure around targets set for the performance compensation. Russell Investments conveyed our ongoing structural concerns with the vesting schedule of the LTIP

rewarding underperforming executives, along with very high levels of discretion exercised by the board in compensation packages, which indicates a poorly designed compensation package. The company agreed to pass our concerns on to the compensation committee for review but did not commit to making changes for the 2024 AGM.

Engagement Outcome: Following our dialogue, Russell Investments was unconvinced of the Company's commitment to meaningfully adjust the compensation package, and so we voted against the company's remuneration for at the 2023 AGM. We will monitor the voting results and the potential implementation of the changes proposed to the compensation package for the next AGM.

Industry Participation

The Trustees encourage the Fund's Fiduciary Manager to leverage its position through collaborative efforts and partnerships with other industry participants. To this end, the Fiduciary Manager is a signatory to the UK Stewardship Code 2020 and Principles for Responsible Investment ("PRI") and a member of Climate Action 100+, Nature Action 100, and the Net Zero Asset Managers Initiative.

The UK Stewardship Code 2020, comprising a set of 'apply and explain' Principles, sets high stewardship standards for those investing money on behalf of UK savers and pensioners. The Fiduciary Manager's latest investment stewardship report can be found [here](#).

PRI is a globally recognised proponent of responsible investment, which provides resources and best practices for investors incorporating ESG factors into their investment and ownership decisions. As a signatory to the PRI since 2009, the Fiduciary Manager has a long-standing relationship with the organisation and has completed the annual PRI assessment every year since 2013. The Principles are a set of global best practices that provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. The Fiduciary Manager is actively involved with the PRI, attending annual conferences and global seminars, and engaging on discussions of interest.

Climate Action 100+ is an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The Fiduciary Manager joined the Climate Action 100+ initiative in early 2020 and has directly engaged with a select number of companies on climate transition through the regional entities over the period.

Nature Action 100 is a global investor engagement initiative mobilizing institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action to stem nature and biodiversity loss. Investors participating in the initiative are engaging with 100 companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. The Fiduciary Manager joined Nature Action 100 upon its launch in 2023.

In 2021, the Fiduciary Manager joined the Net Zero Asset Managers Initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. The Fiduciary Manager has committed to a range of actions that are the key components required to accelerate the transition to net zero and achieve emissions reductions in the real economy: Engaging with clients, setting targets for assets managed in line with net zero pathways, corporate engagement and stewardship, and policy advocacy.

Compliance with the policy over the period

As a holder of assets with attached voting rights, the Trustees are able to exercise these voting rights on behalf of members of the Fund and believe the best approach is to delegate the execution of their policy to the Fiduciary Manager. The Trustees have received information on the voting activity that has been carried out on their behalf on an annual basis and are comfortable with the decisions taken.

Over the period, the Trustees are pleased to report that they have, in their opinion, adhered to the policies set out in their SIP.

The Trustees are pleased with the progress the Fiduciary Manager has made over the year in this area and will continue to work with them to develop their policies in the future.