

Thorntons Pension Scheme

Implementation Statement for the year to 31 May 2023

Introduction

This Statement sets out how, and the extent to which, the stewardship (voting and engagement) policies set out in the Trustee's Statement of Investment Principles ('SIP') dated April 2022 have been followed during the year to 31 May 2023.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed.

The Trustee's primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer; and
- To pay due regard to the interest of the Employer on the size and incidence of its contribution payments.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

The Trustee understands, following discussions with the Employer, that the Employer is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

Policy on Environmental, Social and Governance ('ESG'), Stewardship and Climate Change

As set out in its SIP, the Trustee has agreed policies in relation to ESG factors, stewardship and climate change. In particular the SIP sets out the Trustee's policies with regard to:

- The exercise of the rights (including voting rights) attaching to the investments held by the Scheme.
- The undertaking of engagement activities with the issuers of the investments held by the Scheme.
- How to incentivise the Scheme's appointed investment managers to align their investment strategy and decisions with the Trustee's policies.
- How to incentivise the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity they invest in on the Trustee's behalf.
- How to incentivise the investment managers to engage with issuers of debt or equity that they invest in on the Trustee's behalf in order to improve the issuer's performance over the medium to long-term.
- How the method (and time horizon) of the evaluation of the investment managers' performances, and the managers' remunerations for asset management services, are aligned with the Trustee's policies.
- How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how it defines and monitors targeted portfolio turnover or turnover range.
- The duration of the Trustee's arrangements with the investment managers.

Engagement

Set out below is a summary of the work undertaken during the year by the Trustee relating to its stewardship policies and an assessment of how the Trustee's engagement and voting policies were implemented by its appointed investment managers during the year. In the Trustee's opinion, the implementation of the Trustee's policies has been acceptable over the reporting year.

- With the assistance of its investment consultant, Mercer Limited ("Mercer"), the Trustee reviewed the stewardship activity of its investment managers. This is with the exception of the Trustee's appointed Additional Voluntary Contributions providers, where the assets held form only a very small part of the Scheme's total invested assets.
 - As part of these reviews, the Trustee considered Mercer's assessment of how each manager incorporates stewardship considerations into its investment processes, noting and discussing any changes to Mercer's assessments. Mercer summarises its assessment of each manager by means of an "ESG" rating, an ESG rating of 1 indicating that Mercer believes an investment manager is fully embedding stewardship matters into its investment process and a rating of 4 indicating that Mercer believes an investment manager takes little account of stewardship matters.
 - All of the managers retained acceptable ESG ratings during the year, taking into account the asset class / investment structure for their mandate.
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- The Trustee also received direct reporting from its investment managers on stewardship activity,
- The Trustee expects the investment managers to undertake stewardship in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis. All managers, at the Trustee's request, have recently confirmed their compliance with the principles of the UK Stewardship Code.

Aviva engaged with companies on a number of issues, including environmental issues such as climate change related topics, natural resource use, deforestation, decarbonisation, and mitigation of forever chemicals exposure across industries, as well as social issues, namely public health, incentives to structural change and cost of energy. Lastly, Aviva engaged with various companies on governance related topics such as leadership in companies.

An example of engagements conducted by Aviva is outlined below:

— Aviva engaged with P&G (NEE) on the topic of natural resource use. The Canadian Boreal Forest is one of the last remaining intact forests globally and an important biodiversity hub. It is, however, under increasing threat of degradation given its exploitation for timber used in construction and pulp destined for consumer products like toilet paper. P&G, a market leader in the toilet paper segment in the US, sources pulp from Canadian forests. Despite the inherent supply chain risks, Aviva found limited disclosure on sourcing standards and impact on forest degradation. Furthermore, the company was not mitigating these impacts through the use of other materials, like bamboo, or recycled paper. Aviva met with P&G on three occasions in 2022 to share best practices regarding forest degradation. The manager collaborated with the Natural Resources Defence Council which helped outline the best way forward on the Boreal exposure. In addition to measuring and disclosing how much pulp is sourced from Intact Forest Land (IFLs), Aviva asked for a time-bound commitment for no deforestation. The discussions also included the implementation of free, prior and informed consent (FPIC) of local and Indigenous communities, as well as an increase in the use of alternative/recycled materials.

— In August 2022, P&G announced steps reducing their impact on forests. While the company has demonstrated some progress against Aviva's asks, the view remains that these new developments can be enhanced further, especially regarding the net reduction of its virgin pulp footprint. In order to escalate Aviva's concerns, the manager consequently voted against three board members at the 2022 AGM, as they failed to provide the leadership needed to align P&G's pulp sourcing with the urgency of the climate and biodiversity crises, exposing the company to significant risk. Aviva will continue to engage with P&G and exploring engagements with the Canadian provincial governments.

BlackRock engaged with companies on a number of issues, including Environmental issues such as climate risk management, operational sustainability, water and waste, as well as Governance related topics such as Board Composition and Effectiveness, Corporate Strategy and Business Oversight/Risk Management. On the Social related topics, BlackRock engaged with companies on issues related to Human Capital Management, Social Risks and Opportunities and Diversity and Inclusion.

An example of engagements conducted by BlackRock is outlined below:

— BlackRock engaged with Zijin Mining China, the largest gold and copper miner in China, with international materials assets such as lithium and cobalt. A low-carbon transition presents a significant opportunity for the company given their asset mix and growing demand for new minerals in products such as electric vehicles. BIS engaged to encourage TCFD-aligned reporting, and the company indicated a commitment to do so. The report was published in January 2023. In it, the company published a TCFD-aligned framework, set a target to be carbon neutral by 2050, nine years ahead of their previous target, and strengthened their oversight mechanism for sustainability, which is advanced practice in the market.

Hermes engaged with companies on a number of issues, including social issues such as human and labour rights, inequality and public health, as well as environmental issues, namely climate change, natural resource use and impact and pollution and waste. Additionally, the company also engaged with companies on governance issues such as board effectiveness namely diversity and independence.

An example of engagements conducted by Hermes is outlined below:

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- Hermes engaged with Dupont de Nemours to increase board gender diversity. The company has been included in the engagement programme based on the combination of the size of aggregate client holdings and the materiality of a number of long-term sustainability-related issues. Hermes seeks engagement on the company's progress as it spins out each operating company into three new entities, and how the forward strategy will capitalise on the unique strengths of each. The managers seeks to understand how the company will continue to align its innovation and R&D agenda with growing demand for sustainable products and services in B2B verticals; how it plans to confront emerging regulatory trends tied to chemicals of concern and global plastics proliferation; and its future strategy and targets for supply chain sustainability, carbon emissions reduction and increased renewable energy use. The company is seen as an environmental and social leader in many regards, but when the newly formed board was announced in 2019, board gender diversity was well below expectations at 8%. Hermes expected the company to refresh its independent board over the next two years to increase gender representation and demonstrate that it was driving towards at least 30% women on the board. In 2020, the manager raised board gender diversity during the engagement with the company and the company indicated that it was seeking to refresh the board over time with diversity being one of several criteria. At the 2021 annual meeting, while Hermes noted that progress had been made by the company, board gender diversity remained below our expectations at 25%. In its engagement with the company later that same year, the manager learned the company was not in a period of active board refreshment but was being purposeful about adding female directors to the board which we welcomed. In Q1 2022, Hermes wrote to the company providing our US corporate governance principles and conveying its expectations with respect to board diversity.

Hermes was pleased to read in the company's 2022 proxy the nomination of a female director to the board bringing gender diversity to above 30%. During subsequent engagement with the company on its proxy, Hermes welcomed the increase in board gender diversity, the company's enterprise-wide focus on diversity, equity and inclusion (DE&I) and publication of gender, race and ethnicity data on a dedicated DE&I webpage.

LGIM engaged with companies on a wide variety of issues related to the ESG metric. The top five engagement topics were climate change, deforestation, remuneration, shareholders rights and company disclosure and transparency.

An example of engagements conducted by LGIM is outlined below:

- LGIM has observed corporate governance progress in Japan in recent years, including an increased number of outside directors, female directors and a reduction in cross shareholdings, but LGIM believes there is room to improve. As a member of Asia Corporate Governance Association (ACGA) and International Corporate Governance Network (ICGN), LGIM engaged with Keidanren (the largest business federation in Japan), Financial Services Agency (FSA), Ministry of Economy, Trade, and Industry and Tokyo Stock Exchange on various governance issues. Key topics covered were strengthening disclosure of the senior advisory position; aligning the publication of the securities report with the international norm, i.e. before annual general meetings; improving gender diversity; board independence; and mandating sustainability corporate reporting and the importance of adopting the IFRS ISSB standards. LGIM believes in collaboration and regularly works with peers, industry groups, NGOs, academia and civil society. The manager looks forward to continuing the engagement with the broad range of third parties it works alongside. By joining forces with collaborative organisations, LGIM aims to broaden its reach, and strengthen its voice.

NinetyOne majorly engaged with corporates, with the rest being engagement with governments and industry bodies. Over half of NinetyOne's engagements had some element relating to climate change, with the rest relating to company specific issues relating to individual issuers. For the next 12 months the focus will be on climate change in line with the manager's corporate strategy.

An example of engagements conducted by NinetyOne is outlined below:

- NinetyOne engaged with Vale on climate change related issues. Vale is one of the companies covered by NinetyOne's firmwide strategic engagement on climate change as one of the highest emitting companies in its house portfolio. NinetyOne has been engaging with the company to better understand their transition plan, and to ask them to focus on reducing scope 3 emissions. In addition, Vale are looking to innovation in lower carbon technologies to assist in their decarbonisation including renewables, bioenergy, electrification and 'new processes' so NinetyOne wants to ensure that the use of these technologies in their plan is feasible. NinetyOne has met with Vale's sustainability VP twice in the last year to discuss progress on carbon reduction. There is an increased focus on scope 3 (the majority of their emissions) compared to a year ago. 50% of their scope 3 emissions now fall under MoUs with their customers to jointly target emission reduction. Their green brickettes can also reduce partner emissions and are currently in pilot stage. Just transition is also a focus area for Value, with the impact of the company's operations on the livelihood of the community being a key consideration for Vale's sustainability team. The manager has seen some encouraging progress in key areas such as scope 3 emissions and Just Transition and will continue to monitor progress.
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Mercer manages a Multi-Asset Credit mandate for the Scheme. This fund is managed as a 'fund of funds' and engagement with underlying companies is undertaken by the appointed sub-investment managers.

An example of an engagement conducted by an underlying manager is listed below:

- CQS engaged with a non-disclosed fashion group on social related issues. CQS noted that there was a lack of disclosures from a fashion group around labour standard audits, chemical safety certifications and there had been some negative publicity around the company. CQS analysts raised questions on a group investor call with the management on their ESG policies, specifically on setting and tracking labour policy targets, and raised concerns around the company's plan to move operations to higher-risk Asian countries. CQS reduced their ESG rating of the company until further information on their labour strategy and long term target tracking is made available.

Voting Activity

As the Scheme was invested solely in pooled funds over the year, the Trustee accepts it has no legal right to the votes available under these arrangements. Given these arrangements, the Trustee does not use the direct services of a proxy voter.

However, as noted above, the Trustee expects the managers to exercise voting rights and undertake stewardship activity that is consistent with the Trustee's stewardship policies.

The Trustee expects the investment managers to provide a summary of their voting activity at least annually. This is reviewed by the Trustee, with the assistance of Mercer, to ensure that voting activity by the managers was in line with the Trustee's policy.

This section sets out a summary of voting activity and the "most significant" votes cast, as defined by the Trustee, in respect of holdings in the pooled funds for which voting is possible (i.e. all funds which include equity holdings).

The Trustee's stewardship priority themes are as follows:

- Climate Change; and
- Governance

To be deemed a "most significant" vote, a vote must be in relation to one of the Trustee's stewardship priority themes, as well as being in respect of a holding that makes up 4% or more of the investment fund. The Trustee did not inform managers of its definition of most significant votes in advance of voting.

The voting rights attached to the Scheme's investments related to its equity holdings during the year. These holdings are managed by BlackRock in the following passively managed pooled funds:

- Aquila Life UK Equity Index Fund;
- Aquila Life World (ex UK) Equity Index Fund;
- Aquila Life Currency Hedged World (ex UK) Equity Index Fund;
- Aquila Life Global Minimum Volatility Fund; and
- BlackRock Emerging Markets Index Sub-Fund.

BlackRock uses the BlackRock Investment Stewardship ("BIS") team to formulate its voting policy. Voting decisions are made by members of the team with input from investment colleagues as required and in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. The BIS team subscribes to research from the proxy advisory firms Institutional Shareholder Services and Glass Lewis. There is therefore indirect use of proxy voters by the Trustee. However, BlackRock does not simply follow any single proxy research firm's voting recommendations and uses several other inputs, including a company's own disclosures, and BlackRock's record of past engagements, in its voting and engagement analysis.

Information on voting activity has been provided by BlackRock and is summarised below, including commentary provided by them on the most significant votes that have been undertaken on the Trustee's behalf during the Scheme year.

Aquila Life UK Equity Index Fund

A summary of the voting undertaken over the year to 31 May 2023 is provided below:

- BlackRock has voted in 1024 meetings of 1061 eligible meetings. In these meetings, there were a total of 15,051 votable proposals.
 - BlackRock has voted on 97.1% of resolutions where they were eligible to vote. In around 96% of these votes for proposals, BlackRock has indicated their support to the companies' management, while voting against management in around 4% of the proposals.
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Holding details	Resolution details	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote	Why vote is Significant
Company name: BP Plc Approximate size of holding as at date of the vote: 4.0%	Summary of resolution: Approve Shareholder Resolution on Climate Change Targets Date of vote: 04/25/2023	Against	The manager did not disclose why it voted against the proposal. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has deemed votes related to Climate Change and the approximate size of the holding at more than 4% to be a significant vote.
Company name: Shell Plc Approximate size of holding as at date of the vote: 7.0%	Summary of resolution: Approve the Shell Energy Transition Progress Date of vote: 05/19/2023	For	The manager did not disclose why it voted for the proposal.	The manager did not disclose the outcome of the vote.	The Trustee has deemed votes related to Climate Change and the approximate size of the holding at more than 4% to be a significant vote.
Company name: Shell Plc Approximate size of holding as at date of the vote: 7.0%	Summary of resolution: Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement Date of vote: 05/19/2023	Against	The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has deemed votes related to Climate Change and the approximate size of the holding at more than 4% to be a significant vote.

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Aquila Life World (ex UK) Equity Index Fund & Aquila Life Currency Hedged World (ex UK) Equity Index Fund

A summary of the voting undertaken over the year to 31 May 2023 is provided below:

- BlackRock has voted in 2127 meetings of 2207 eligible meetings. In these meetings, there were a total of 27,919 votable proposals.
- BlackRock has voted on 92% of resolutions where they were eligible to vote. In around 94% of these votes for proposals, BlackRock has indicated their support to the companies' management, while voting against management in around 6% of the proposals*.

Holding details	Resolution details	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote	Why vote is Significant
Company name: Apple Inc. Approximate size of holding as at date of the vote: 4.2%	Summary of resolution: Report on Civil Rights and Non-Discrimination Audit Date of vote: 01/09/2023	Against	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has deemed votes related to Governance and the approximate size of the holding at more than 4% to be a significant vote.
Company name: Apple Inc. Approximate size of holding as at date of the vote: 4.2%	Summary of resolution: Report on Operations in Communist China Date of vote: 01/09/2023	Against	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has deemed votes related to Governance and the approximate size of the holding at more than 4% to be a significant vote.
Company name: Apple Inc. Approximate size of holding as at date of the vote: 4.2%	Summary of resolution: Report on Median Gender/Racial Pay Gap Date of vote: 01/09/2023	Against	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustees have deemed votes related to Governance and the approximate size of the holding at more than 4% to be a significant vote.

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Aquila Life Global Minimum Volatility Fund

A summary of the voting undertaken over the year to 31 May 2023 is provided below:

- Blackrock has voted in 333 meetings of 337 eligible meetings. In these meetings, there were a total of 5,007 votable proposals.
- Blackrock has voted on 98% of resolutions where they were eligible to vote. In around 96% of these votes for proposals, Blackrock has indicated their support to the companies' management, while voting against management in around 4% of the proposals.

In the absence of votes that meet Trustee's criteria of a significant vote, below is a sample of 3 votes that do not meet the Trustee's criteria in full, but that the Trustee believes are aligned with its stewardship priorities.

Holding details	Resolution details	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote	Why vote is Significant
Company name: Glencore Plc Approximate size of holding as at date of the vote: 0.3%	Summary of resolution: Resolution in Respect of the Next Climate Action Transition Plan Date of vote: 05/26/2023	Against	Proposal is not in shareholders' best interests. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has not deemed this vote significant as the size of the holding is not higher than 4%.
Company name: Comcast Corporation Approximate size of holding as at date of the vote: 0.2%	Summary of resolution: Report on Retirement Plan Options Aligned with Company Climate Goals Date of vote: 06/01/2022	Against	The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has not deemed this vote significant as the size of the holding is not higher than 4%.
Company name: Berkshire Hathaway Inc. Approximate size of holding as at date of the vote: 0.7%	Summary of resolution: Report on Audit Committee's Oversight on Climate Risks and Disclosures Date of vote: 05/06/2023	Against	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has not deemed this vote significant as the size of the holding is not higher than 4%.

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BlackRock Emerging Markets Index Sub-Fund

A summary of the voting undertaken over the year to 31 May 2023 is provided below:

- BlackRock has voted in 2719 meetings of 2750 eligible meetings. In these meetings, there were a total of 24,702 votable proposals.
- BlackRock has voted on 98.3% of resolutions where they were eligible to vote. In around 88% of these votes for proposals, BlackRock has indicated their support to the companies' management, while voting against management in around 12% of the proposals.

In the absence of votes that meet Trustee's criteria of a significant vote, below is a sample of 3 votes that do not meet the Trustee's criteria in full, but that the Trustee believes are aligned with its stewardship priorities.

Holding details	Resolution details	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote	Why vote is Significant
Company name: China Zhenhua (Group) Science & Technology Co., Ltd. Approximate size of holding as at date of the vote: 0.01%	Summary of resolution: Amend Code of Corporate Governance Date of vote: 07/06/2022	Against	Vote against due to lack of disclosure. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has not deemed this vote significant as the size of the holding is not higher than 4%.
Company name: Shanghai Medicilon, Inc. Approximate size of holding as at date of the vote: 0.002%	Summary of resolution: Amend Part of the Corporate Governance Systems Date of vote: 05/18/2023	Against	Vote against due to lack of disclosure. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has not deemed this vote significant as the size of the holding is not higher than 4%.
Company name: Wuchan Zhongda Group Co., Ltd. Approximate size of holding as at date of the vote: 0.004%	Summary of resolution: Amend Governance Outline Date of vote: 09/08/2022	Against	Vote against due to lack of disclosure. (BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.)	The manager did not disclose the outcome of the vote.	The Trustee has not deemed this vote significant as the size of the holding is not higher than 4%.

Signed by the Trustee of Thorntons Pension Scheme on 15 December 2023
