

Thorn Lighting Pension Fund

**Annual Implementation
Statement – Fund year
ending 31 March 2023**

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1. Introduction

This document is the Annual Implementation Statement (the “Statement”) prepared by the Trustee of the Thorn Lighting Pension Fund (the “Fund”) covering the Fund year (the “year”) to 31 March 2023. The purpose of this Statement is to set out:

- How, and the extent to which, in the opinion of the Trustee, the Fund’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year; and
- A description of voting behaviour (including the “most significant” votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

To ensure that the investment policies set out in the SIP are undertaken only by persons or organisations with the skills and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited (“TWL”), to manage the Fund’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this Statement has been made available on the following website:

<http://bit.ly/ThornLightingPensionFund>

Review of and changes to the SIP

The version of the SIP in place at the start of the Fund year was dated September 2020. The SIP was reviewed and updated during the course of the Fund year. The version in place as at the end of the year was dated September 2022. These updates were largely to reflect recent guidance in relation to stewardship and engagement, in particular the identification of climate and human and labour rights as priorities for the Trustee, alongside some more minor updates. As the key policies in the 2020 version are also included in the 2022 version, this statement focusses on the policies outlined in the current version.

2. Adherence to the SIP: voting and engagement

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee’s agreed investment strategy, including making certain decisions about investments

(including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Trustee's view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of how the portfolio aligns with the principles and beliefs (including ESG) outlined in its SIP as part of its overall assessment of the Fiduciary Manager's performance.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

Manager level engagement undertaken by the Fiduciary Manager

Engaging with asset managers is one of the Fiduciary Manager's key stewardship activities. The three main priorities that define their asset manager engagement are:

- Sustainable investing (SI), including climate
- Culture
- Diversity, equity and inclusion (DEI)

Consistent with the Fiduciary Manager's net zero commitment, climate risk management has been a key topic during the year, working with investment managers to communicate expectations re the need to

- be able to measure, report and manage climate risk, and
- use their influence to undertake stewardship that supports a Paris aligned climate transition

An example of this activity is set out below in relation to the SSgA Heitman Global Prime Property Securities (AMX) Fund

- Inclusion and diversity reporting was very limited at this firm and it was not able to report on key areas, such as the level of diversity among the ownership and investment team at the firm level or strategy level.
- The Fiduciary Manager engaged with SSgA and agreed on action points for them to take into 2023. This included introducing DEI recording and reporting. This included going beyond the minimum of gender and nationality reporting to include additional information on ethnicity.

As a result, SSgA has set out a timeline to release their Inclusion and Diversity report in 2023 at both the firm and strategy level.

The Fiduciary Manager has also engaged with SSgA in relation to the MFG Core Infrastructure Fund (AMX) Fund

- Infrastructure as an asset class is facing particular scrutiny given the high proportion of highly carbon-emitting and carbon-intense industries and assets in the universe
- The Fiduciary Manager engaged with this manager to scrutinise the sustainability credentials of underlying portfolio companies. The manager was challenged on its portfolio holdings and whether these companies were truly aligned to the energy transition and acting on their decarbonisation agendas
- This has led to the firm's methodology and climate risk analysis to be integrated into the investment process

As a result of this activity, the Fiduciary Manager's engagement score for the firm improved from a neutral to a strength over the course of 2022. The Fiduciary Manager continues to engage with SSgA with regard to additional enhancements to policies and disclosures.

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Fund's investment managers. The day-to-day integration of stewardship activities (including consideration of all relevant matters, voting and engagement) is delegated to the Fund's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance ("ESG") and stewardship both at the appointment of a new manager and as part of its regular review process. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity managers (including listed infrastructure and real estate) as here there is a right to vote as an ultimate owner of a stock. An overview of the responses received are provided in the table below. Where managers provided multiple examples of votes, a sample of those considered most significant by the Trustee have been shown below. The Trustee has endeavoured to select "significant" votes which align with the Trustee's identified priorities for voting and engagement – human and labour rights, and climate change – where the data has allowed.

Further information on the voting of the managers is provided in the table below.

At the end of the year, the Fund's equity holdings were invested across four pooled funds:

- Towers Watson Investment Management ("TWIM") Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active China equity fund
- SSgA Heitman Global Prime Property Securities (AMX) Fund - a passive global equity fund focussed on equity related to prime properties
- SSgA MFG Core Infrastructure Fund (AMX) Fund – a passive global equity fund focusses on equity related to infrastructure companies

As outlined above, the Fund is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM and Manager A. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Fund's investment managers could impact the investment manager's ability to generate the best investment outcome for the Fund and ultimately, the Fund's members.

The Fiduciary Manager views Manager A's approach to voting as acceptable and its ESG integration and engagement as a strength. Manager A's voting policy is publicly disclosed and includes beliefs on voting for a wide range of ESG related issues. The manager publicly supports sustainable investment initiatives and its policy covering ESG integration and analysis is also publicly disclosed.

The Fiduciary Manager views SSgA's overall approach to SI as acceptable. SsgA publicly supports ESG initiatives and discloses its integration and analysis policy. SSgA also uses multiple third party ESG data providers such as Sustainalytics, Vigeo EIRIS, ISS and S&P Trucost. More recently, SSgA has undertaken a successful multi-year campaign on diversity with clear tracking of progress/action with voting and engagement linked to real world impact. The Fiduciary Manager continues to engage for further improvement.

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment managers. The Fiduciary Manager has assessed the investment managers' voting policies as part of its overall assessment of the investment managers' capabilities. The Fiduciary Manager considered the policies to be appropriate for the mandates, and consistent with the Trustee's policies and objectives in aggregate and ultimately, therefore in the best financial interests of the members.

Additional oversight on some of the Fund's investments is provided through the Fiduciary Manager's partnership with EOS at Federated Hermes (see below). The Trustee has identified key ESG risks for the Fund as climate change action and human and labour rights and has therefore sought to include examples of significant votes relating to these areas, subject to the availability of data.

Manager and strategy	Portfolio structure	Voting activity (12 months to March 2023)
Towers Watson Investment Management Global Equity Focus Fund	Pooled multi-manager equity fund	Number of meetings at which the manager was eligible to vote: 150 Number of resolutions on which manager was eligible to vote: 2,548 Percentage of eligible votes cast: 99.0% Of the votes cast, percentage of votes with management: 87.6% Of the votes cast, percentage of votes against management: 10.8% Of the votes cast, percentage of votes abstained from: 1.6% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 60.6% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.5%
Use of proxy voting		The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote investors' shares. TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and support responsible ownership. The underlying managers are ultimately responsible for the votes.

Manager and strategy	Portfolio structure	Voting activity (12 months to March 2023)
Manager A – an active Chinese equity fund	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 118 Number of resolutions on which manager was eligible to vote: 1,106 Percentage of eligible votes cast: 100% Percentage of votes with management: 96.6%

		<p>Percentage of votes against management: 3.2%</p> <p>Percentage of votes abstained from: 0.2%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 14.4%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7.0%</p>
Use of proxy voting	<p>The manager uses Glass Lewis' voting recommendation service. The Head of each asset class or their authorised signatory is responsible for ensuring that all company resolutions are reviewed such that an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. Once the proxy voting intentions have been confirmed, they must communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off date</p>	

Manager and strategy	Portfolio structure	Voting activity (12 months to March 2023)
SSgA Heitman Global Prime Property Securities AMX Fund	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 75</p> <p>Number of resolutions on which manager was eligible to vote: 890</p> <p>Percentage of eligible votes cast: 94.8%</p> <p>Of the votes cast, percentage of votes with management: 90.8%</p> <p>Of the votes cast, percentage of votes against management: 9.2%</p> <p>Of the votes cast, percentage of votes abstained from: *0.3%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64.4%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.7%</p>
		<p>The manager has noted that votes abstained have been counted both as a vote of abstain but also as a vote against management. As such the sum of votes may add up to more than 100%.</p>
SSgA MFG Core Infrastructure AMX Fund	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 81</p> <p>Number of resolutions on which manager was eligible to vote: 1,042</p> <p>Percentage of eligible votes cast: 98.8%</p> <p>Of the votes cast, percentage of votes with management: 83.8%</p> <p>Of the votes cast, percentage of votes against management: 16.2%</p> <p>Of the votes cast, percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 77.8%</p>

		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 4.7%
Use of proxy voting	<p>The manager uses a variety of third-party service providers to support their stewardship activities. Data and analysis from service providers are used as inputs to help inform their position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with the managers in-house policies and views, ensuring the interests of clients remain the sole consideration when discharging the managers stewardship responsibilities. The manager has contracted Institutional Shareholder Services (ISS) to assist with managing the voting process at shareholder meetings.</p> <p>They use ISS to: (1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying their voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances.</p> <p>In addition, the manager also has access to Glass Lewis and region specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complements their in-house analysis of companies and individual ballot items. All final voting decisions are based on their proxy voting policies and in-house operational guidelines.</p>	

The table below gives some examples of significant votes for the year to 31 March 2023:

Coverage in portfolio	Size of holdings	Most significant votes cast
Towers Watson Investment Management Global Equity Focused Fund	1.5%	<p><u>Company: Amazon</u></p> <p>Resolution: Report on the impacts of plastic packaging</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: Promotes transparency around environmental issues.</p> <p>Rationale for being considered a significant vote: ESG factors considered to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth</p> <p>Outcome of the vote: Failed</p> <p>Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome: Continue to consider proposals whether from management or shareholders which enhance transparency around environmental issues</p>
Towers Watson Investment Management Global Equity	3.1%	<p><u>Company: Alphabet Inc.</u></p> <p>Resolution: Report on risks of doing business in countries with significant human rights concerns</p>

<p>Focused Fund</p>		<p>How the manager voted: For</p> <p>Rationale for the voting decision: We believe that this shareholder proposal promotes appropriate accountability.</p> <p>Rationale for being considered a significant vote: Voted against management recommendation</p> <p>Outcome of the vote: Failed</p> <p>Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome: The manager had nothing to report.</p>
<p>Towers Watson Investment Management Global Equity Focused Fund</p>	<p>1.4%</p>	<p>Company: <u>Cigna</u></p> <p>Resolution: Report on Gender pay gap</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: We support disclosure of data to assess Cigna’s gender pay gap on a raw and adjusted basis, which will positively support Cigna’s global recruitment and human resources effort.</p> <p>Rationale for being considered a significant vote: Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders’ interests.</p> <p>Outcome of the vote: Failed</p> <p>Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome: Diversity and equity are important for the success of any company in the knowledge economy. We advocate companies provide enhanced disclosure related to diversity and pay equity so that shareholders can assess company’s policies.</p>
<p>SSgA MFG Core Infrastructure AMX Fund</p>	<p>2.1%</p>	<p>Company: <u>SNAM SpA</u></p> <p>Resolution: Accept Financial Statements and Statutory Reports</p> <p>How the manager voted: Against</p> <p>Rationale for voting decision: Inadequate management of climate-related risks</p> <p>Rationale for being considered a significant vote: Against management</p> <p>Outcome of the vote: Failed</p> <p>Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome: N/A</p>
<p>SSgA Heitman Global Prime Property Securities AMX Fund</p>	<p>1.2%</p>	<p>Company: <u>Pebblebrook Hotel Trust</u></p> <p>Resolution: Advisory vote to ratify named executive</p> <p>How the manager voted: Against</p> <p>Rationale for voting decision: The manager had concerns with the proposed remuneration structure for senior executives at the company.</p> <p>Rationale for being considered a significant vote: Against management</p>

		<p>Outcome of the vote: Failed</p> <p>Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome: N/A</p>
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Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It utilises EOS' services, from public policy engagement to corporate voting and engagement, for several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

EOS have also undertaken corporate level engagement activity within and for the Towers Watson Global Equity Focus Fund.

- The Towers Watson Global Equity Focus Fund is a multi-manager equity strategy with c8-12 underlying investment managers. The investment managers exercise active stewardship in respect of the stocks they own to enhance or protect the value of those securities, and this is supplemented by engagement carried out by EOS.

- In selecting companies for engagement, EOS takes account of their ESG risks, their ability to create long-term shareholder value and the prospects for engagement success.

As an indication of the level of activity EOS engaged on 384 issues and objectives with companies held within the Towers Watson Global Equity Focus Fund during 2022, covering a range of ESG, strategy, risk and communication issues and objectives.

3. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.