Stewardship and Engagement

Implementation Statement – 1 April 2022 to 23 February 2023

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 Monks & Crane Pension Scheme (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 period under review.

This Statement has been prepared by the Trustees with the assistance of their appointed Fiduciary Manager and is for the period ending 23 February 2023.

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 April 2021. The Trustees confirmed that the policies remained suitable and in the best interests of members. No material changes were made.

Over the period, 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 10,886 votes were placed on securities held in the Scheme'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 Holder Proposal	Total Proposals
With Management	9,285	270	**9,555**
Against Management	1,082	190	**1,272**
Votes without Management Recommendation	52	7	**59**
Take No Action	416	7	**423**
Unvoted	0	0	**0**
Totals	**10,835**	**474**	**11,309**

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	92 (includes climate risk issues)
Social	192
Governance	11,025

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 Scheme. 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 23 February, the Scheme was 19.7% invested in the Multi Asset Growth Strategy Fund (MAGS), which in turn held 47.1% in equities. At the same date, the Scheme was 0.5% 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

Travelers Companies Inc.	
Shareholder Proposal Regarding Aligning GHG Reductions with Paris Agreement	
Date	25/05/22
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.29%
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Passed
Criteria for selection as significant vote:	Vote Against Management, Controversial Outcome, Environmental Shareholder Proposal
Rationale	
Voted to support this proposal, along with over 55% of the vote. The Company has fairly robust disclosure concerning its fossil fuel underwriting; however, it does not provide disclosure of or a reduction target for its Scope 3 emissions. Given this proposal does not explicitly direct the adoption of any policies or actions—it asks the Company to report on if and how it intends to measure, disclose, and reduce its GHG emissions associated with underwriting, insuring, and investment activities—we believe this proposal provides sufficient latitude to the Company concerning what is disclosed and how it will provide the requested information, while benefitting shareholders.	

Amazon.com Inc.	
Shareholder Report on Plastic Packaging	
Date	25/05/22
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.04%
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 over 48% of the vote. While the company discusses its impact in terms of plastic waste reduction, it does not provide an overall baseline amount of plastic used throughout its supply chain, nor does it provide data that allows investors to assess its progress. Additional disclosures on the company's plastics use would allow shareholders to keep track of the company's commitments and assess progress in terms of waste reduction.	

Alphabet Inc	
Shareholder Proposal Regarding Report on Physical Risks of Climate Change	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.40%

Date	01/06/22
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 40% of the vote. Despite some disclosures of identified risks, the company offers little disclosure regarding its adaptive planning for these short-, medium-, and long-term risks. It is prudent for investors to know whether the company is taking reasonable mitigation measures or contingency plans for these risks, such as efforts to protect or relocate its Bay Area headquarters, and to mitigate the risks to data centers. The implementation guide for the Task Force on Climate-related Financial Disclosures (TCFD) illustrates how a company should go beyond identifying physical risks, to also report on measures being taken to protect the company's business from those risks.	

Social Votes

Chevron Corp.	
Shareholder Proposal Regarding Racial Equity Audit	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.42%
Date	25/05/22
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 ~47% of the vote. The proposal asks the Company to address systemic environmental racism and the disproportionate harm climate change will have on indigenous communities and the populations of developing nations. While the deeper solutions to these issues lie outside the Company's purview, it is feasible that the company look more holistically on its current operations and provide a report to Shareholders integrating the DEI issues specific to its industry (climate justice and environmental equity) in its current policies and provide an audit of those policies. As the Company's peers are reporting on the efforts to address environmental justice and placing the issue in the framework of its DEI policies – it is not a material burden for the company to meet the request of this proposal.	

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)	0.30%
Date	25/05/22

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, 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 43% of the vote. The Company is assessed for multiple high-level controversies around its labor practices and working conditions. Further disclosing information and auditing its practices would support risk reduction around its human capital management programs which are clearly lacking (as evidenced by the frequent news articles concerning unsafe working conditions).	

Microsoft Corporation	
Shareholder Proposal Regarding Report on Tax Transparency	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.21%
Date	13/12/22
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, Social Shareholder Proposal
Rationale	
Though this proposal was rejected by ~76% of shareholders, Russell Investments voted for the proposal. Controversies around tax avoidance pose a large reputational risk for companies. Since the company will be required to disclose most of the information requested by this proposal in be in alignment with recent EU regulations, this requested disclosure would not be a significant burden to the company and would benefit shareholders.	

Governance Votes

Bristol-Myers Squibb Co.	
Shareholder Proposal Regarding Independent Board Chair	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.37%
Date	03/05/22
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	
Vesting a single person with both executive and board leadership concentrates too much responsibility in a single person and inhibits independent board oversight of executives on behalf of shareholders. On the Trustees' behalf, we believe adopting a policy requiring an independent chair may therefore serve to protect shareholder interests by ensuring oversight of the company on behalf of shareholders is led by an individual free from the insurmountable conflict of overseeing oneself. Though ultimately rejected, the proposal received >44% support.	

Becton, Dickinson And Co.	
Shareholder Proposal Regarding Severance Approval Policy	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.18%
Date	24/01/23
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Passed
Criteria for selection as significant vote:	Top Holding, Controversial Outcome, Governance Shareholder Proposal
Rationale	
We believe, on the Trustees' behalf, that in most cases, shareholders should have the ability to ratify company severance packages. Russell Investments, along with over 60% of shareholders, supported this proposal. Our guidelines functioned as intended and the rationale was sound.	

Ansys Inc.	
Shareholder Proposal Regarding Board Declassification	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.21%
Date	12/05/22
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 classified boards are not in the best interest of shareholders. Empirical evidence has shown that classified boards may reduce the firm's value and also reduce the likelihood of receiving a takeover offer. The annual election of directors provides maximum accountability of directors to shareholders; the ability to withhold votes from or vote against directors is a powerful mechanism through which shareholders may express dissatisfaction with company or director performance. The proposal was passed with overwhelming support from 90% of shareholders.	

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 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 climate change adaptation, ESG accountability, and natural resource management.

Engagement Objective: Mining operations are energy-intensive and generate significant direct greenhouse gas (GHG) emissions. Regulatory efforts to reduce GHG emissions in response to the risks posed by climate change may result in additional regulatory compliance costs and risks for the company due to climate change mitigation policies. The primary objective of this discussion was to encourage the company to further disclose its strategy to achieve net zero by 2050 and improve their approach to biodiversity impact.

Engagement Summary: Russell Investments identified that, whilst disclosure provided by the company is in line with The Task Force on Climate-Related Financial Disclosures ('TCFD'), the level of detail provided was limited from a strategic perspective. The company intends to reduce its reliance on fossil fuels. Natural gas and solar energy will be the main alternatives, and we have requested the company provide a higher level of detail in terms of percentage each alternative fuel will represent.
The company is taking a more conservative approach than peers as they believe that the technology they require to reach net zero will not be available until post 2030.

Engagement Outcome: Russell Investments will continue to engage with the company during 2023 to ensure the company shows progress in disclosure, particularly its net zero roadmap and biodiversity impact.

Collaborative Engagement on Board Composition and Accountability with a US-based food products supplier

Engagement Action: As part of a collaborative engagement with one of our sub-advisor partners, Russell Investments engaged with large US producer of proceed food products.

Engagement Objective: Russell Investments maintains responsibility for proxy voting related to investment holdings. In line with our proxy voting guidelines, we were set to vote against the three directors due to the company's lack of responsiveness to shareholder proposals. The company has a dual class share structure and a significant proportion of shareholders have expressed their concerns with this practice at the 2021 Annual General Meeting and in other forums.

Engagement Summary: Russell Investments conveyed our preference for a 'one-share-one-vote' capital structure. Furthermore, we encouraged the company to better respond to shareholder dissent through disclosures and outreach. The Company met with shareholders and understands the preference to remove dual-class shares structure but noted it is unwilling to change the structure in the short term.

Engagement Outcome: We voted against the re-election of two directors for their lack of response in implementing the shareholder proposal, and continued refusal to restructure the share classes. Russell Investments will continue to engage with the company on its ESG transparency and progress in disclosures in other areas.

Direct-Company Engagement on ESG Disclosures with a European Global Defense Company

Engagement Action: Russell Investments engaged with a UK-based Aerospace and Defence company with high ESG exposure to product governance risks in its operations as well as moderate risk from Scope 3 carbon emissions.

Engagement Objective: The engagement has been ongoing since 2021 with previous engagement calls covering ESG disclosures as it related to human capital and diversity and inclusion. Russell Investments objective for 2022 was to encourage the company to keep engaging with external stakeholders to influence the external perception of the defense industry. Furthermore, we have focused our discussion to assess and monitor the company's decarbonatisation strategy.

Engagement Summary:
The Company has continued engagement with the press to work toward a more positive perception of the defense sector. Regarding ESG strategy, the Company engaged with internal and external stakeholders from a materiality perspective and the outcome shows the company is focused on the right ESG-related issues. The targets and commitments set before the pandemic remained unchanged, and they're on track to achieve them. The decarbonisation strategy doesn't require high Capex and it is not fully reliant on technology for Scope 1 and 2. Technology more relevant for management of Scope 3 emissions. The company will consider disclosing a decarbonisation roadmap in the next report.

Engagement Outcome: The company exhibits very strong governance practices. We are broadly satisfied with the response to the issues raised. Where they don't have a response or strategy in place, they have taken action - This has been already reflected in their improved disclosures i.e. human capital metrics. Russell Investments will follow up with the company on the decarbonisation strategy, with the main topics of discussion being scope 3, waste and water in 2023.

Industry Participation

The Trustees encourage the Scheme'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+*** 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 Stewardship Code Report for 2022 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.

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.

Additionally, the Fiduciary Manager's latest investment stewardship report for the year ending 2022 can be found here.

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 Scheme 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 period in this area and will continue to work with them to develop their policies in the future.