

Implementation Statement, covering 1 April 2020 to 31 March 2021 (the “Plan Year”)

The Trustee of the Morrison Pension and Life Assurance Plan (the “Plan”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

The Statement does not include the Plan’s Additional Voluntary Contribution (“AVC”) arrangements, as the AVCs are not considered significant in relation to the overall investments of the Plan.

The SIPs in place during the Scheme Year were:

- SIP dated June 2019 for the period between 1 April 2020 and 25 September 2020;
- SIP dated 25 September 2020 for the period between 25 September 2020 and 31 March 2021.

The latest version of the SIP is available here: mplap-statement-of-investment-principles.pdf (awg.com)

1. Introduction

The SIP was reviewed and updated during the Plan Year on 25 September 2020. The SIP was updated to primarily reflect:

- changes to the strategic asset allocation of the Plan, including the introduction of a multi-asset credit fund, removal of absolute return bond funds, and restructure of the Plan’s matching assets.
- the latest guidance regarding Responsible Investment, including in relation to the implementation of investment manager arrangements and ESG-related risks; and
- the change in Trustee structure.

There were no changes to the voting and engagement policies in the SIP. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Plan’s voting and engagement policies, in each of the Plan’s SIPs during the Plan Year, for the relevant period that each SIP was in force, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Plan’s existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

The Plan’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement into its advice on the selection and ongoing review of the investment managers.

Although outside of the Plan Year, in March 2020 the Trustee reviewed LCP’s responsible investment (RI) scores for the Plan’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2020.

Following this review, the Trustee agreed to send letters to LGIM (in relation to the Buy and Maintain Fund) and Schroders (in relation to the Diversified Growth Fund) requesting further information on each managers respective RI practices and encouraging the managers to improve them. The Trustee issued these letters in May 2020. The Trustee was satisfied with the managers’ responses and no further action was taken.

The Trustee also invested in a new pooled fund, the Barings Global High Yield Credit Strategies Fund, on 8 June 2020. In selecting and appointing this manager, the Trustee reviewed LCP's assessment of the manager's RI capabilities.

3. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section we have sought to include voting data on the Plan's funds that hold equities as follows:

- LGIM UK Equity Index Fund
- LGIM Future World Fund
- Schroder Life Global Emerging Markets Fund
- Schroder Life Diversified Growth Fund
- First Sentier Global Listed Infrastructure Fund
- Newton Real Return Fund

In addition to the above, the Trustees contacted the Plan's other investment managers that don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

3.1.1 LGIM

All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually by LGIM. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector, and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote on clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.

3.1.2 Schroders

As active owners, Schroders recognises its responsibility to make considered use of voting rights. It therefore votes on all resolutions at all AGMs/EGMs globally, unless restricted from doing so (eg as a result of share blocking). Schroders aims to take a consistent approach to voting globally, subject to regulatory restrictions, which is in line with its published ESG policy.

The overriding principle governing Schroders voting is to act in the best interests of its clients. Where proposals are not consistent with the interests of shareholders and clients, Schroders is not afraid to vote against resolutions. Schroders may abstain where mitigating circumstances apply, for example, where a company has taken steps to address shareholder issues.

Schroders evaluates voting resolutions arising at investee companies and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities and in what Schroders deems to be in the interests of clients. The Corporate Governance specialists assess each proposal, applying Schroders' voting policy and guidelines (as outlined in the Environmental, Social, and Governance Policy) to each agenda item.

In applying the policy, Schroders considers a range of factors, including the circumstances of each company, long-term performance, governance, strategy, and the local corporate governance code. Specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Schroders' research is also integral to the process; this is conducted by both financial and Sustainable Investment analysts.

3.1.3 First Sentier

First Sentier's Global Listed Infrastructure team does not have a formal policy in relation to consulting with clients before exercising proxy voting rights.

First Sentier's Global Listed Infrastructure investment team votes on all issues at company meetings where it has the authority to do so. First Sentier stated that voting rights are a valuable asset which should be managed with the same care and diligence as any other asset. Ultimately, it added, shareholders' ability to influence management depends on shareholders' willingness to exercise those rights.

Recommendations are sought from a selection of independent corporate governance research providers; however, First Sentier's investment teams retain full control of their voting decisions. When First Sentier intends to vote against a proposal, it may choose to make representations to a company prior to the vote, so that appropriate consultation may take place with a view to achieving a satisfactory solution.

First Sentier has an approval and escalation process for proxy votes and maintains records when it votes against management or against the recommendations of the proxy voting advisors (Glass Lewis).

3.1.4 Newton

Newton stated that where it plans to vote against management on an issue, it often engages with the company in order to provide an opportunity for its concerns to be allayed. In such situations, it would not be a surprise should Newton vote against. Newton only communicates its voting intentions ahead of the meeting direct to the company and not to third parties. Newton does alert a company regarding an action it has taken at their annual general meeting (AGM) through an email, to explain its thought process. Newton then often holds a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the sponsoring global industry analyst.

Overall, Newton prefers to retain discretion in relation to exercising its clients' voting rights and have established policies and procedures to ensure the exercise of global voting rights. Newton believes the value of its clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Newton's understanding of a company's fundamental business enables it to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

Newton's Head of Responsible Investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. Newton does not maintain a strict proxy voting policy. Instead, Newton prefers to take into account a company's individual circumstances, investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Voting decisions are approved by either the Deputy Chief Investment Officer or a senior investment team member (such as the Head of Global Research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	LGIM UK Equity Index Fund	LGIM Future World Fund	First Sentier Global Listed Infrastructure Fund	Newton Real Return Fund	Schroder Life Diversified Growth Fund
Approximate value of trustees' assets (% of total assets) as at 31 March 2021	£2.6m (1.0%)	£5.2m (2.1%)	£10.5m (4.2%)	£9.5m (3.8%)	£9.6m (3.8%)
Total number of holdings as at 31 March 2021	598	2,181	48	91	1,360
Number of meetings eligible to vote	943	3,250	53	98	1,711
Number of resolutions eligible to vote	12,574	39,016	675	1,307	20,478
% of resolutions voted	100%	100%	97%	99%	100%
% of resolutions voted with management	93%	82%	86%	85%	92%
% of resolutions voted against management	7%	18%	12%	15%	8%
% of resolutions abstained	0%	1%	2%	0%	0%
% of meetings with at least one vote against management	3%	6%	40%	38%	45%
% of resolutions, on which there was a vote, was the vote contrary to the recommendation of a proxy adviser	1%	0%	9%	10%	N/A

Figures may not sum due to rounding.

Schroders is currently unable to provide voting data for the Schroder Life Global Emerging Markets Fund; it hopes to provide it in the future.

3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out below. We have interpreted “most significant votes” to be the three votes that corresponded to the largest holdings of each of the Funds. These votes are selected from a subset of the votes that were provided by managers. Where managers have provided less than three significant votes, we have listed them all. Schroders was unable to provide any examples of significant votes.

Vote	1	2	3	4	5	6	7	8	9	10	11	12
Fund	LGIM UK Equity Index Fund	LGIM UK Equity Index Fund	LGIM UK Equity Index Fund	LGIM Future World Fund	LGIM Future World Fund	LGIM Future World Fund	First Sentier Global Listed Infrastructure Fund	First Sentier Global Listed Infrastructure Fund	First Sentier Global Listed Infrastructure Fund	Newton Real Return Fund	Newton Real Return Fund	Newton Real Return Fund
Company name	Barclays	Imperial Brands Plc	Pearson	Amazon	The Procter & Gamble Company (P&G)	Samsung Electronics	NextEra Energy	Dominion Energy	American Tower	LEG Immobilien AG	Microsoft Corporation	Linde plc
Summary of the voting matter	To approve Barclays commitment on climate change	To approve remuneration report and policy	To approve amended remuneration policy	Various shareholder proposals*	Report on efforts to eliminate deforestation	Elect directors	Shareholder proposal regarding political contributions and expenditures report	Management proposal regarding the ratification of auditor	Shareholder proposal regarding political contributions and expenditures report	To approve executive remuneration policy	To elect director, ratify named Executive Officers' compensation and ratify auditors	Executive compensation arrangements and election of remuneration board directors
Vote cast	For	Against	Against	Voted for 10/12 proposals	For	Against	For	Against	For	Against	Against all	Against
Summary of reason for voting decision	Environmental stewardship	The policy lacked alignment with performance	LGIM disagreed with the grant of a co-investment award	See footnote below	Environmental stewardship	Concerns over the independence of the directors	Seeking transparency for shareholders	Encourage company to rotate auditors for fresh perspectives to ensure all risks are considered	Supporting increased transparency to identify potential risks	The policy lacked alignment with performance	Concerns that remuneration policy lacked alignment with performance and over independence of the auditor	Compensation arrangements not linked to performance and excessive perks
Outcome	Passed	Passed	Passed	Failed	Passed	Results not yet available	Failed	Passed	Failed	Passed	Passed	Passed

*There were 12 shareholder proposals put forward at Amazon’s annual shareholder meeting on 27 May 2020 covering a broad range of topics, e.g. environmental stewardship. LGIM voted for 10 of these proposals and against 2. LGIM looked into the individual merits of each proposal, with two main areas which drove its decision-making on how to vote: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).

3.5 Votes in relation to assets other than listed equity

Barings confirmed that there were voting opportunities within its Global High Yield Credit Strategies Fund over the period the Plan was invested, and it has taken the opportunity to vote when it has arisen. However, Barings has not been able to provide further information on these voting opportunities. Barings stated that where its fund holds equities, these holdings are often as a result of restructurings of a company and the holding will usually be in unlisted equities. As a result, usual proxy voting mechanisms are not applicable.

4. Overview of managers Responsible Investment initiatives

The following of the Plan's managers are signatories to the **UK Stewardship Code 2012**: LGIM, Barings, First Sentier, Newton, Schroders.

It is expected that each of the above managers will seek to sign up to the new UK Stewardship Code 2020, effective from 31 March 2021.

The following of the Plan's managers are signatories to the **United Nations' Principles for Responsible Investment**: LGIM, Barings, First Sentier, Newton, Schroders, Permira.