

# Morris Pension Scheme – Implementation Statement 2022

## 1. Introduction

This Statement sets out how the Trustee of the Morris Pension Scheme (the “Scheme”) has ensured compliance with the policies, on the exercise of rights and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated September 2020. This was the SIP in place at the Scheme’s year-end date, 31 March 2022.

This Statement has been prepared by the Trustee with the assistance of their appointed Investment Consultant (Quantum Advisory). This statement does not cover the Additional Voluntary Contributions of the Scheme, due to the size of the holding.

References herein to the actions, review work or determinations of the Trustee refer to activity that has been carried out either by the Trustee or their Investment Adviser on behalf of the Trustee.

## 2. Executive summary

Over the Scheme year, the Trustee:

- Has reviewed voting and engagement activity of the funds that invest in equities. The Trustee is generally content that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- Are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP.
- Following the closure of the Barings Dynamic Asset Allocation Fund, replaced the Fund with the LGIM Dynamic Diversified Fund (“DDF”).
- Reviewed the investment strategy for the Scheme and is considering the long-term strategy for the Scheme during 2022.

It should be noted that the voting activities of funds that do not hold equities have not been reviewed, as these have fewer (if any) voting opportunities.

## 3. Investment Manager’s voting policies

### Trustee’s voting and stewardship policies

The Trustee, through their investment consultant, consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustee has provided the appointed investment managers with full discretion concerning the stewardship of their investments.

Over the Scheme year, the voting activities of the following funds have been reviewed:

- BNY Mellon Real Return Fund (“RRF”)
- Insight Broad Opportunities Fund (“BOF”)
- M&G Episode Allocation Fund (“EAF”)
- LGIM World Equity Index / World Equity Index GBP Hedged Fund
- LGIM DDF

The Insight BOF gains its equity exposure from closed-end investment companies with independent boards. Insight state that this governance exposure limits the number of contentious issues that can arise with listed securities. Because of this, Insight have not provided significant voting data as they do not deem this appropriate for the fund, but their general voting practices and policies were still reviewed for the period in addition to the voting statistics below.

### Voting statistics

The table below sets out the key statistics on voting eligibility and action over the Scheme year. The Trustee is satisfied with the level of voting activity that has been undertaken.

Statistic	BNY Mellon RRF	Insight BOF	M&G EAF	LGIM World Equity Index / World Equity Index GBP Hedged	LGIM DDF
Number of equity holdings	79	11	Not provided	2,601	6,747
Meetings eligible to vote at	98	12	16	3,079	7,193
Resolutions eligible to vote on	1,476	141	260	36,675	71,658
Proportion of eligible resolutions voted on (%)	99.2	100.0	80.8	99.8	99.8
Votes with management (%)	83.9	99.3	86.7	80.2	80.2
Votes against management (%)	16.1	0.7	13.3	19.0	18.9
Votes abstained from (%)	0.0	0.0	0.0	0.9	0.9
Meetings where at least one vote was against management (%)	47.0	8.3	63.0	72.9	65.0
Votes contrary to the recommendation of the proxy adviser (%)	11.7	N/A	1.2	13.3	11.3

Source: Scheme's underlying investment managers. Note: Totals may not sum due to rounding.

It should be noted that the Insight BOF has a low number of votes against management largely due to the fund's investment structure. This both limits the number of votes the fund can participate in and the necessity of the fund to make active voting decisions.

In addition to this, the Insight Broad Opportunities Fund and the M&G Episode Allocation fund have low votes contrary to the proxy advisor. For Insight this is because of the governance structure of the fund, which causes insight to use the service of an external provider for voting decisions. However, recommendations are reviewed on an ongoing basis. For M&G, their voting is instructed through the ISS platform, which provides investment research and recommendations. The ISS is therefore pivotal to M&G's voting decision making, which accounts for the company's policies and guidelines.

## 4. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

### LGIM

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. LGIM referred the Trustee to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed. This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

### Newton

Newton manage the BNY Mellon RRF.

Newton have confirmed that they were not affected by any conflicts of interest within the fund over the Scheme year. The Fund was previously subject to conflicts arising from points 1 and 4 of the above list due to a position within an investee company during the previous Scheme year. However, this position was sold in Q3 2020 meaning that no conflicts of interest remained in the Fund for the period considered.

### M&G

M&G has confirmed that they are not affected by any of these conflicts of interest.

## Insight

Insight have confirmed they are frequently affected by the following two areas:

- Conflicts that arise due to divergences between the responsible investment policies of Insight and the responsible investment policies of the client; and
- Potential divergences between the interests of Insight's clients and their beneficiaries.

Over the reporting period, the issues were generally related to the divergence between client interests and their beneficiaries' interests, rather than conflicts between Insight's interests and those of the clients'. To date, issues highlighted have been resolved through engagement with the client to obtain instruction for how to proceed. The discussions seek to balance financial, and non-financial considerations to establish the correct approach. In all cases, Insight have identified and resolved issues in partnership with clients, formally documenting the agreed approach in the investment guidelines for the mandate.

As Insight further evolve their approach, they believe conflicts are more likely to arise as a result of legal changes; net-zero emissions goals; or the introduction of additional firmwide ESG/stewardship-related policies which need to be implemented, such as firmwide exclusion lists. Conflicts of interest will need to be addressed on a case-by-case basis to address the different implications which clients may be exposed to.

## Appendix 1 – Overview of Voting and Stewardship Policies and Procedures

### **Newton**

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. They do not maintain a strict proxy voting policy. Instead, Newton prefer to consider a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, they may confer with the company or other interested parties for further clarification, to reach a compromise, or to achieve a commitment from the company.

Newton employ a variety of research providers that aid in the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

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 (ISS) will take precedence. It is also only in these circumstances when they may register an abstention given their stance of either voting in favour or against any proposed resolutions.

### **M&G**

An active and informed voting policy is an integral part of M&G's investment philosophy. In their view, voting should never be divorced from the underlying investment management activity. By exercising their votes, they seek both to add value to their clients and to protect their interests as shareholders. M&G considers the issues, meets the management if necessary, and votes accordingly. M&G use research provided by ISS and the Investment Association; and the ProxyExchange platform from ISS for managing their proxy voting activity.

### **LGIM**

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. 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 is designed to ensure LGIM's 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.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

### **Insight**

Insight retains the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva Analytics provides research expertise and voting tools. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction.

## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. The Trustees was satisfied with the voting activity of the managers over the period.

### Insight

Please note that Insight has not provided any significant votes. The equity exposure of the BOF is gained through the use of derivatives and does not confer voting rights. However, Insight does vote on its listed infrastructure companies, renewable energy and asset-backed aviation finance holdings.

The Fund invests in closed-ended investment companies which focus on investments in social infrastructure, renewable energy, and asset-backed aviation finance. The corporate structure of these companies includes an independent board responsible for providing an overall oversight function on behalf of all shareholders which covers setting investment objectives, and ensuring the underlying strategies and portfolio activities remain within an agreed framework. The framework limits contentious issues that may arise with other listed entities and as a result, significant votes that may be comparable to other listed entities are not applicable to the strategy's exposures.

### BNY Mellon RRF

The most significant votes for Newton are those that have been against management of the companies held. Newton have stated that these have the potential for the greatest impact, as areas for improvement can be highlighted and there is no automatic positive intent of ownership.

Company Name	AstraZeneca Plc	Citigroup Inc
<b>Date of Vote</b>	May 2021	April 2021
<b>Summary of the resolution</b>	Elect Directors X4, Approve Remuneration Policy, Amend Restricted Stock Plan	Amend Proxy Access Right
<b>How the firm voted</b>	Against	Against Management Proposal and For Shareholder Proposal
<b>Outcome of the vote</b>	3.4%, 1.3%, 2%, 26% against Elect Director, 39.8% against Approve Remuneration Policy, 38.3% against Amend Restricted Stock Plan	The vote did not pass.
<b>On which criteria have you assessed this vote to be "most significant"?</b>	Investor scrutiny of pay arrangements is increasing. Newton feel the significance of the high vote "against" of almost 40% is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent	While not a majority, the outcome of the vote was significant with over 30% of votes being cast for the shareholder proposal. This was in relation to improving minority voting rights, which is becoming increasingly important for shareholders.

## M&G EAF

M&G have determined their own definition of significant votes.

Company Name	Citigroup Inc	American Express Company
<b>Date of Vote</b>	April 2021	May 2021
<b>Summary of the resolution</b>	Amend Proxy Access Rights	Vote to publish a report assessing diversity, equality, and inclusion efforts on an annual basis.
<b>How the firm voted</b>	For	For
<b>Outcome of the vote</b>	for the vote did not pass	Pass
<b>On which criteria have you assessed this vote to be "most significant"?</b>	M&G believes shareholders should be able to nominate directors to the board within appropriate parameters. M&G defined this as a significant vote, as it relates to Shareholder rights and governance.	M&G believes the company should provide comprehensive disclosure to shareholders on diversity. M&G defined this as a significant vote, as it relates to ESG issues.

Source: Investment Manager

## LGIM World Equity Index Fund / World Equity Index (GBP Hedged) Fund

In determining significant votes, LGIM's Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association ("PLSA") consultation. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Votes linked to an LGIM engagement campaign, in line with LGIM's Investment Stewardship's 5-year ESG priority engagement themes.

Company Name	Apple Inc.	Microsoft Corporation
<b>Date of Vote</b>	March 2022	November 2021
<b>Summary of the resolution</b>	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella
<b>How the firm voted</b>	For	Against
<b>Outcome of the vote</b>	Pass	Pass



<p><b>On which criteria have you assessed this vote to be "most significant"?</b></p>	<p>LGIM views diversity and inclusion as financially material issues for their clients, with implications for the assets they manage. LGIM therefore found this vote significant as it is in support of improving diversity and inclusion reporting.</p>	<p>LGIM expects companies to separate the roles of Chair and CEO, due to risk management and oversight. They therefore found this vote significant as it is in line with their ESG engagement themes of voting against combining CEO and Chair roles.</p>
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Source: Investment Manager

### LGIM DDF

Company Name	Barrick Gold Corporation	American Tower Corporation
Date of Vote	May 2021	May 2021
Summary of the resolution	Resolution 1.2 Elect Director Gustavo A. Cisneros	Resolution 1i Elect Director Pamela D.A. Reeve
How the firm voted	Withhold	Against
Outcome of the vote	Pass	Pass
<p><b>On which criteria have you assessed this vote to be "most significant"?</b></p>	<p>LGIM views gender diversity as a financially material issue for their clients. They therefore enacted a policy to vote against companies in the S&amp;P 500 and S&amp;P/TSX with less than 25% women on the board.</p>	<p>LGIM considers this vote significant as it was applied under the Climate Impact Pledge. This programme targets some of the world's largest companies on their strategic management of climate change, voting against management in circumstances where the company does not meet LGIMs minimum standards with regards to climate risk disclosure and management.</p>