June 2025

Morgan Pension Scheme

Introduction

This Implementation Statement (the "Statement") has been prepared by the Trustee of the Morgan Pension Scheme ("the Trustee") and relates to the Morgan Pension Scheme ("the Scheme"). This Statement covers the Scheme year from 1 April 2024 to 31 March 2025.

Under regulatory requirements, the Scheme is required to produce an Implementation Statement setting out:

a) How voting and engagement policies set out in the Statement of Investment Principles ("SIP") in respect of the Scheme year from 1 April 2024 to 31 March 2025 have been followed; and
b) A description of any voting behaviour by or on behalf of the Scheme Trustee during the Scheme year.

From 1 October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This Statement aligns with the latest guidance, and with the DWP's updated stewardship expectation for the relevant period.

Overall, the Trustee is comfortable that the policies set out in the SIP have been properly adhered to over this period.

Changes to the SIP over the period:

The were no changes to the SIP over the period, although the SIP was reviewed in March 2025.

The Scheme's latest SIP can be found here.

How the Trustee has implemented its investment policies:

Governance

There were no changes to the Scheme's governance structure over the year to 31 March 2025.

Investment Strategy and Risk Management

Over the financial year, the Scheme has continued to target full funding on a gilts + 0.5% p.a. basis. Over the year, the Scheme's investment strategy was largely unchanged (although some further information on less material changes are noted below), taking an appropriate level of investment risk relative to the liabilities (expected investment return broadly equivalent to gilts + 1.0% p.a. over the year).

- The Scheme previously submitted a full redemption from the BlackRock UK Property Fund. Over the year to 31 March 2025, the Scheme received the final distributions from the Fund and, following advice from the Scheme's investment adviser, these proceeds were invested into the Scheme's LDI portfolio which very marginally reduced risk and expected return.

- During the year, the quarterly sweep process remained in place, which assists the Scheme in meeting short-term cash requirements, funded from the LDI portfolio to the Trustee Bank Account.

- In addition to the quarterly sweeps, the administrator made a few ad-hoc cash divestments from the LDI portfolio to the Trustee Bank Account, to continue to meet short-term cash requirements. Due to an increase in the forecast requirement, the amount of the automatic sweeps will be increased from July 2025, as approved by the Trustee.

In accordance with the SIP, on a quarterly basis the Trustee receives written reports from its investment adviser on the performance of the Scheme's investment managers against their relevant benchmarks using information provided by the investment managers. This also includes reporting on the performance of the Scheme's investment strategy and position against agreed objectives, including risk, return and liquidity metrics.

Stewardship, engagement and voting behaviour

The Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long term.

Being cognisant of the DWP's guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, the Trustee has reflected its engagement policy in the SIP with a view to align with this guidance, and also reflect the Scheme's chosen stewardship themes. The relevant policy in the SIP states that:

> *"The Trustee expects investment managers to engage with issuers to maintain or enhance the long-term value of investments. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and instead encourages investment managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.*
>
> *Where initial engagement has made little progress, the Trustee expects investment managers to escalate engagement accordingly."*

The Scheme's investment adviser assesses a manager's ability to factor in environmental, social and governance ("ESG") risks into the decision-making process and the ability of a manager to carry out effective stewardship to promote the long-term success of investments. Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers. The Trustee recognises that its ability to influence investment managers' stewardship activities will depend on the nature of the investments held. As the Scheme's assets are wholly invested in pooled funds – where the Trustee holds units in a fund rather than having any direct ownership rights over the underlying assets – the Trustee has less scope to influence managers' stewardship activities.

The Scheme's investment adviser continues to regularly monitor the Scheme's existing managers, with financially material ESG considerations in mind. Regular updates regarding this are relayed to the Trustee.

All the Scheme's investment managers are signatories of the UK Stewardship Code. The code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value. The Scheme's managers have not flagged any non-compliance with the principles of the code and the Trustee is comfortable they provide good quality and transparent reporting of their approaches to stewardship.

Significance of stewardship in appointment and monitoring of investment managers:

The Scheme's Trustee and the Joint Board meet with investment managers when required to discuss relevant matters, including sustainable investment, and voting and engagement aspects.

Over the year, the Scheme has not appointed any new investment managers. Although, as part of a regular monitoring program, the Trustee has met with Schroders in their capacity as the Scheme's implementation manager. This is noted in further detail below.

Engagement

The Trustee delegates responsibility for engaging with individual issuers to the Scheme's investment managers. The Trustee understands that engagements carried out by investment managers are likely to vary in nature by asset class. Regardless, engagement is considered to be of importance for all the Scheme's investment managers. The Trustee has highlighted engagement examples from managers in the appendix.

As part of aligning with the DWP's stewardship expectations, the Trustee considered both how best to assess the engagement activities of the Scheme's managers and how best to engage with the managers where necessary.

The Trustee's expectation remains that the Scheme's investment managers integrate all material ESG factors into their investment approach and stewardship work, with a particular focus on the Scheme's chosen stewardship themes. Focussing on these key stewardship themes provides a way for the Trustee to understand the activity across its managers and is a basis for the Trustee to take greater ownership of stewardship matters by holding its managers to account. The Trustee's expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes relating to the key themes;
- Provision of tailored reporting on stewardship activities and outcomes; and
- Participation as appropriate in public policy debates and the development of best practices.

The Trustee's updated expectations (reflecting an increased focus on the Scheme's stewardship priorities), were communicated to the Scheme's managers. An assessment as to whether the Scheme's investment managers are practising effective stewardship that is best aligned with the Trustee's long-term interests will be made through the material they provide to help complete the annual Implementation Statement. If the Trustee believes there are areas where managers' stewardship activities could be improved to better align with its expectations, it will seek an open discussion on how this could be achieved.

Having reviewed managers' engagement activities over the period, and in particular those relating to the Scheme's key stewardship themes, the Trustee is satisfied that its managers have followed its engagement policy, as contained in the SIP, over the reporting period.

Voting

As set out above, the Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's Investment managers. The Trustee is not aware of any material departures from the managers' stated voting policies. Given the nature of these mandates and the fact that voting activities appear to be undertaken in line with the managers' voting policies, the Trustee is comfortable that the voting policies for the Scheme have been adequately followed over the period.

The Trustee meets its managers periodically, where the managers are required to present on these activities and the Trustee holds the managers accountable to the standards expected by the Trustee. Over the period, the Trustee met with Schroders, who manage the majority of the Scheme's assets, including its LDI investments and the Schroders ISF Fund.

The relevant Scheme managers provided details of their voting behaviour in line with the Pensions and Lifetime Savings Association's Vote Reporting Template. Their responses are summarised in the appendix to this document; information is sourced directly from the managers unless otherwise stated. In addition to voting information, examples of the Scheme's investment managers' engagement with debt issuers have been included. Please note, manager and company names have been anonymised throughout the document, where requested by the manager.

Under the latest DWP guidance, it is the Trustee's responsibility to define the significance of votes placed on its behalf, and to be transparent with stakeholders and beneficiaries regarding outcomes. The Trustee has therefore defined significant votes as votes which meet one or more of the following criteria. Please note that the more of these criteria a vote meets, then the more significant the vote will be deemed:

- Votes relating to the key stewardship themes;
- Votes relating to an issuer to which the Scheme has a large £ exposure (defined as the top-10 largest holdings);
- Votes which may be inconsistent between investment managers; and
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

In line with the above, the Trustee has asked its voting managers to provide significant votes and, in particular, any which relate to the Scheme's key stewardship themes, which took place at one of the fund's top 25 largest holdings (proxying where the Scheme itself has most exposure) and which the managers themselves deem to be significant. The managers' voting statistics are summarised in the appendix.

Looking ahead

It is the Trustee's belief that the policies set out in the SIP regarding the exercise of rights attaching to investments and the undertaking of engagement activities in respect of the investments have been followed over the year to 31 March 2025, and is appropriate for the circumstances of the Scheme. The Trustee will continue to engage with the Scheme's managers to ensure they are practising effective stewardship that is best aligned with the Trustees' long-term interests.

Appendix

Voting Disclosures and Significant Votes

The use of voting rights is applicable where physical equities are held: the Amundi Multi Strategy Growth Fund and Man Progressive Diversified Risk Premia Fund (Man PDRP). This appendix details voting behaviour and significant votes undertaken by these asset managers on behalf of the Scheme.

Summary of voting over the period

Voting Criteria	Amundi	Man
No. of meetings eligible to vote during the period	15	643
No. of resolutions eligible to vote during the period	268	7,741
% of resolutions voted	100.0	99.5
% of resolutions voted with management	76.0	76.8
% of resolutions voted against management	24.0	22.7
% of resolutions abstained	0.0	0.2*
% of meetings with at least one vote against management	80.0	80.0
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	ISS, Glass Lewis, Proxinvest	Glass Lewis - bespoke policy
% of resolutions which you voted contrary to the recommendation of your proxy adviser?	N/A	15.2

Note: figures may not sum to 100% due to rounding.
*Remaining 0.3% had no management recommendation.

Summary of Significant votes over the period

The following table provides a significant vote example for each relevant manager, relevant for the period 1 April 2024 to 31 March 2025. In practice, the managers vote on a wider range of topics than the examples listed below.

The significant votes for Amundi and Man are shown below.

	Amundi	Man
Company name	Meta Platforms, Inc.	PepsiCo Inc
Date of vote	29/05/2024	01/05/2024
Summary of the resolution	Report on Child Safety and Harm Reduction	Shareholder Proposal Regarding Racial Equity Audit
Manager's vote	For	For
Outcome of the vote	Rejected 18.5% For	Rejected
Rationale for the voting decision	Although Amundi appreciate the company's progress in addressing child safety online evidenced in engagement, they note the lack of quantitative metrics evidencing the effectiveness of these interventions. Amundi thus consider that the risks invoked in the proposal merit to be assessed and that the report would be beneficial to shareholders.	The requested audit could help to identify and mitigate potentially significant risks.

Summary of engagement from the Scheme's managers over the year

As per the Scheme's SIP, the Trustee expects their investment managers to practice good stewardship and engagement. The Trustee expects the nature of engagement to vary between asset classes, and that it is not restricted to equity investments. The managers provided an overview of engagement activity, and the Trustee selected an example for each manager that they consider noteworthy.

To focus the examples of engagement to those that are most relevant to the Trustee, the examples from relevant managers were collected with a focus on the Scheme's chosen stewardship themes.

Man Group

Company: A Selection of Anonymised Companies

Focus of the engagement: To encourage disclosure and adoption of policies that improve management of human rights risks.

Details of the engagement: The Stewardship team first identified a list of laggards based on ESG data, in particular an indicator assessing company disclosure of relevant policies and procedures ensuring respect for human rights in both their own and supply chain operations. The shortlist of companies was then reviewed by the relevant investment teams holding those securities, considering the size and time prospect of those holdings. The final target list included seven companies across the globe (including Australia, US, UK and Japan), in various industries (ranging from mining to hospitality).

Outcome of the engagement: The overall company response rate to the letter exceeded 50%. In response, certain companies chose to address our questions one-by-one and in other instances Man received links to recent company disclosures relating to human rights policies and procedures. In the sense of information seeking, this campaign proved successful in the instances where Man received responses from the targets. What is more, the importance of this ESG matter has been elevated at the target companies and there is evidence of a willingness from these companies to make improvements around human rights, including due diligence and governance.

A US industrials company did not respond to Man's letter and for this reason, together with the fact the company does not have a formal human right policy in place, Man chose to escalate this issue at the company's annual general meeting by voting against a member of the board.

LDI and Securitised Credit Manager

Company: Anonymised Production Company

Focus of the engagement: Deforestation concerns

Details of the engagement: The investment manager engaged with a soy producer operating largely in Brazil due to concerns about its connection to deforestation in the biodiverse Cerrado savannah, a habitat for around 5% of the world's animals. Over half of the Cerrado biome has disappeared, and the investment manager believes that deforestation for soy and cattle poses risks to businesses connected to this, including regulatory and supply chain disruption issues. Initially, its policy permitted sourcing in the Cerrado until 2025 if legally compliant with Brazil's Forest Code, but such engagement did not allay the investment manager's concerns. In 2023, the investment manager co-filed a shareholder resolution to report on whether its policies incentivised deforestation before the 2025 cut-off and to take corrective measures.

Outcome of the engagement: By February 2024, the company agreed to actions such as 100% geospatial monitoring for soy and preparing the requested report, prompting us to withdraw the resolution. Subsequently, it established a cut-off date of 31 December 2024 for deforestation and achieved 100% traceability in its direct soy supply chain and 98% in indirect sourcing. The investment manager continues to monitor and support the company's progress.

TwentyFour

Company: BNP

Focus of the engagement: Engagement for more information on their environmental policies surrounding fossil fuel financing as part of TwentyFour's Carbon Emissions Engagement Policy, specifically focused on the rise in financing in 2022 and their lending criteria for new fossil fuel financing.

Details of the engagement: Regarding the increase in emissions, BNP disputed the data from the Banking on Climate Chaos report and believed that total financing did actually decline in 2022 (credit exposure to oil and gas exploration and production fell 12% between 31 December 2020 and 31 December 2022, and 15% in oil exploration and production) – TwentyFour have therefore followed up to determine the methodological differences.

They further highlighted that between Q3 2022 and Q3 2023, upstream oil exposure decreased by 45% and upstream gas exposure decreased 37%. Coal exposure also fell from 1.3bn EUR to 0.4bn during the same period and they reinforced their 2020 decision to exit from the thermal coal value chain by 2030 in the EU & OECD and by 2040 for the rest of the world. In addition, since 2023, BNP no longer grants financing for the development of new oil or gas projects, regardless of the financing terms. BNP is committed to decrease by 80% its upstream oil exposure and by 30% its upstream gas exposure between Q3 2022 and 2030. To offset the removal from fossil fuel financing BNP plan to continue expanding their financing of low carbon energy: they said in 2028, at least 80% of BNP Paribas' credit exposure to energy production will be composed of low-carbon energies (representing EUR 40 bn), and at least 90% in 2030. At the end of September 2023, credit exposure to low-carbon energy already represented EUR 32 billion, i.e. 65% of financing for energy production.

For the energy companies BNP currently provide finance to, they will examine their oil and gas policies and alignment to net zero by 2050 – if this is not sufficient BNP will look to engage to find an acceptable solution but if this cannot be achieved, they have said they will halt financing. BNP are also working with the Science Based Targets initiative (SBTi) to create a framework that works for financial institutions and is currently reviewing the pilot testing version of SBTi's Corporate Near-Term Criteria published in November. BNP highlighted that despite four international banks having decided to exit the initiative in 2023, they will continue to engage in dialogue with SBTi to ensure that the future framework is designed to take into account the specificities of international financial institutions such as BNP Paribas as well as to ensure its compatibility with other existing climate-alignment frameworks already in use such as NZBA. BNP have a leading position in ESG labelled issuance; they were #1 in the world in 2023 in Sustainable Finance (bond and loans) with $62.5bn, and #1 in the world in Green Bond issuance with $25.6bn.

Outcome of the engagement: TwentyFour stated that the response was satisfactory. TwentyFour think BNP have made significant strides in their approach to fossil fuel financing and their support of low carbon alternatives and will therefore continue to monitor the evolution of their policies and financing data in this and related areas.