Date : June 2022

The Morris & Spottiswood Limited Pension Scheme

Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Scheme updated its SIP in 2020 in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address:

https://www.morrisandspottiswood.co.uk/site/assets/files/2108/the_morris_spottiswood_limited_pension_scheme_statement_of_investment_principles.pdf

There were no changes to the investment arrangements or the policies within the SIP over the year.

Implementation Report

This Implementation Report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the reporting year up to 31 December 2021 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

No key actions were undertaken over the Scheme's reporting year.

Implementation Statement

This report demonstrates that The Morris & Spottiswood Limited Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

20 June 2022

Managing risks and policy actions DC

Risk / Policy	Definition	Policy	Actions
Interest rates	The potential for adverse interest rate movements to have an impact on the Scheme's bond investments.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk.	There have been no changes to the policy over the reporting year.
Inflation	The potential that the Scheme's investments will not keep pace with inflation.	The Scheme offers funds which are expected to outperform inflation over the long term, including the default.	There have been no changes to the policy over the reporting year.
Liquidity	The potential that investments cannot be encashed when required.	The funds offered through the Scheme invest predominantly in assets which are readily redeemable in normal circumstances at reasonable prices.	There have been no changes to the policy over the reporting year.
Market	The potential for losses due to factors that affect the overall performance of financial markets.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk. The Trustees are aware that in falling markets members may suffer losses.	There have been no changes to the policy over the reporting year.
Credit	The potential for losses due to a holding in a bond fund defaulting on their obligations.	The Scheme's bond funds invest in a range of bonds to minimise the impact of any default.	There have been no changes to the policy over the reporting year.
Shortfall / pension conversion risk	The potential that a member has not saved sufficiently for retirement, or suffers an investment loss close to retirement leading to a pension shortfall	The Scheme's default and alternative lifestyle options automatically de-risk members as they approach retirement and allow them to target specific retirement outcomes.	There have been no changes to the policy over the reporting year.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The funds which the Scheme invest in are Sterling denominated, however, members will still be exposed to currency risk where assets are held overseas on an unhedged basis. This is managed by communicating with members whose funds invest overseas.	There have been no changes to the policy over the reporting year.

Risk / Policy	Definition	Policy	Actions
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who account for ESG factors as part of their investment process. The Trustees monitor the managers in this regard on an ongoing basis.	More details of the ESG policy and how it was implemented are presented later in this report.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not considered in the selection, retention or realisation of investments.	There have been no changes to the policy over the reporting year.

Changes to the SIP

There were no Changes to the SIP during the Scheme Year

Implementing the current ESG policy and approach

ESG as a financially material risk
The SIP describes the Scheme's policy with regards to ESG, listing it as a financially material risk. This page details how the Scheme's ESG policy is implemented.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	The Trustees request their investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.	- The manager has not acted in accordance with their policies and frameworks. - The manager's policies are not in line with the Trustees' policies in this area.

Areas of assessment and ESG beliefs

Risk Management	• ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees. • The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.
Approach / Framework	• The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities. • The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors. • The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.
Voting & Engagement	• ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors. • The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance. • The Trustees want to understand the impact of voting & engagement activity within their investment mandates.
Reporting & Monitoring	• ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge. • The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
Collaboration	• Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD. • The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.

Engagement

The Scheme's investments were invested in white-labelled funds with Prudential during the Scheme Year. Prudential then make investments with underlying fund managers. We requested data on their engagement actions including a summary of the engagements by category for the 12 months to 31 December 2021. We have reported on the funds which are components of the Plan's default strategy (except for the cash fund) as this represents the majority of assets invested.

Fund name(s)	Engagement Summary	Commentary
Prudential Dynamic Growth II Fund & Prudential Dynamic Growth IV Fund	No data available	We requested this data from Prudential; however, they were unable to produce this level of reporting. We are working with them to ensure that this data is available in future.

Voting (for equity/multi asset funds only)

The Scheme's investments were invested with Prudential during the Scheme Year. We requested data on their voting actions including a summary of any significant votes by category for the 12 months to 31 December 2021.

Prudential have provided voting data that was collected on behalf of the underlying fund manager, BlackRock, for the equity / multi asset funds that make up the white labelled funds in the default strategy.

Fund name(s)	Underlying Fund name	Voting summary	Examples of significant votes	Commentary
Prudential Dynamic Growth II Fund	BlackRock Aquila UK Equity Fund, BlackRock Aquila US Equity Fund, BlackRock Aquila Pacific Rim Equity Fund, BlackRock Aquila European Equity Fund, BlackRock Aquila Japan Equity Fund, BlackRock Aquila Global Emerging Markets Fund	Meetings eligible to vote for: 5,274 Resolutions eligible to vote for: 56,001 Resolutions Voted: 99.9% Votes for management: 92.1% Votes against management: 7.3% Abstained from voting: 0.6%	BP Plc – a shareholder resolution requested that the company set and publish climate change targets that are consistent with the foal of the Paris Climate Agreement: to limit global warming to well below 2C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5C. The manager voted for this proposal as they believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight. Chevron Corporation – a shareholder proposal requested that Chevron substantially reduce the greenhouse gas emissions of their energy products (scope 3) in the medium and long-term future. The manager voted in favour of the proposal as they believe that all carbon intensive industries should aim to set scope 3 emissions reduction targets.	The underlying manager, BlackRock, use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holdings directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.
Prudential Dynamic Growth IV Fund	BlackRock Aquila UK Equity Fund, BlackRock Aquila US Equity Fund, BlackRock Aquila Pacific Rim Equity Fund, BlackRock Aquila European Equity Fund, BlackRock Aquila Japan Equity Fund, BlackRock Aquila Global	Meetings eligible to vote for: 5,274 Resolutions eligible to vote for: 56,001 Resolutions Voted: 99.9% Votes for management: 92.1% Votes against management: 7.3% Abstained from voting: 0.6%	Johnson & Johnson – a shareholder proposal was raised for Johnson & Johnson to require an Independent Board Chair. The manager voted against this proposal as, based on their analysis, they believe the board already has an appropriate leadership structure in place and that the current lead independent director has a robust and independent oversight role. Vinci SA – management proposed an advisory shareholder vote on the company's environmental transition plan. The manager voted in favour of this proposal as it provided a clear roadmap	Please see above.

	Emerging Markets Fund		towards the company’s stated climate ambitions and targets.	