Implementation Statement

Statement of Compliance with the Morrisons Retirement Saver Plan's Stewardship Policy for the year ended 31 March 2021

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with its Stewardship Policy for the Plan during the period from 6 April 2020 to 5 April 2021.

Stewardship policy

The Trustee's Stewardship Policy is included in the Plan's Statement of Investment Principles (SIP) document and sets out how the Trustee will behave as an active owner of the Plan's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with its investment managers and any other stakeholders.

The Plan's Stewardship Policy is reviewed at least every three years in line with the Plan's SIP, or sooner if there is a requirement to do so. The last review of the SIP was carried out in August 2020 and the next review is due to be carried out in September 2021. You can review the Stewardship Policy contained within the SIP online at https://www.morrisons-corporate.com/investor-centre/corporate-governance/

Policy Wording

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

Policy Implementation

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets regularly with its managers and as part of these meetings evaluates how each manager has exercised their stewardship responsibilities.

The Trustee also monitors compliance with its Stewardship Policy on a regular basis and is satisfied that it has complied with the Plan's Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that its managers are excising voting rights and where appropriate will monitor manager voting patterns. As the Plan's exposure to equity assets[1] is achieved through a global equity pooled fund managed by Legal and General Investment Management ('LGIM'), the remainder of this paper focuses on how LGIM have carried out their stewardship responsibilities on behalf of the Plan.

LGIM World Equity Index Fund	
Proportion of Plan assets (as at 31 March 2021)	29.0% (RSP Section) 11.8% (1967 Section)
Number of equity holdings	2,662
No. of meetings eligible to vote at during the year	3,421
No. of resolutions eligible to vote on during the year	40,987
% of resolutions voted	99.8%
% of resolutions voted with management	81.4%
% of resolutions voted against management	18.1%
% of resolutions abstained	0.5%
% of meetings with at least one vote against management	6.0%
% of resolutions where the manager voted contrary to the recommendation of the proxy advisor	0.34%

Significant votes

The Trustee has asked LGIM to report on the most significant votes cast for the shares they manage on behalf of the Plan. LGIM were asked to explain the reasons why votes identified were significant, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. In total LGIM provided 19 examples of votes they deem to be significant over the Plan's financial year. The following pages set out 4 of these examples which the Trustee deems to be of most relevance to the Plan.

[1] The RSP Section has exposure to equity assets through the Invesco Global Targeted Return Fund. However, the Trustee has not included details of Invesco's holdings in this Implementation Statement as the Invesco equity exposure is achieved through derivative instruments which do not have voting rights on the underlying company shares.

Company name	Pearson plc	Barclays plc
Date of vote	18 September 2020	5 May 2020
Summary of the resolution	The company management put forward an amended remuneration policy at the company's special shareholder meeting, held on 18 September 2020.	Resolution 29: proposed by company management, this resolution sets out Barclays' commitment to tackling climate change. Resolution 30: a requisitioned proposal by ShareAction, an influential campaigning organisation with a particular focus on climate and responsible investment matters.
How LGIM voted	Against management	For Resolution 29 (with management) For Resolution 30 (against management)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. LGIM also spoke with the chair directly before the EGM, and relayed their concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.
Rationale for the voting decision	Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. LGIM also discussed the shortcomings of the company's current remuneration policy.	Of particular relevance in resolution 30 is the goal to end Barclays provision of financing to the energy sector and gas and electric utility companies which are not aligned with the Paris Agreement. LGIM fully supports the ShareAction proposal and elected to vote against management's recommendation to reject the proposal.

Outcome of the vote	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.	Resolution 29 was passed by 99.9% of shareholders. Resolution 30 did not pass, however was supported by 23.9% of shareholders.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.	The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.
On which criteria you assessed this vote to be "significant"?	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

Company name	Walgreens Boots Alliance, Inc.	International Consolidated Airlines Group plc
Date of vote	28 January 2021	7 September 2020
Summary of the resolution	Resolution 3: Advisory vote to ratify named executive officer's compensation.	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.
How LGIM voted	Against management	Against management
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.
Rationale for the voting decision (wording provided by LGIM)	The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.

Outcome of the vote	The resolution failed to get a majority support as 52% of shareholders voted against.	28.4% of shareholders opposed the remuneration report.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to engage with the company and monitor progress.	LGIM will continue to engage closely with the renewed board.
On which criteria you assessed this vote to be "significant"?	LGIM's vote was significant as helped successfully vote against management. This wasone of the most high-profile and controversial cases of recent years.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.

Engagement activity

To comply with the Plan's Stewardship Policy the Trustee aims to meet with the Plan's investment managers at least once a year. The Trustee will usually do this through an annual 'manager day' meeting. The last manager day meeting took place in May 2021.

Prior to each manager meeting the Trustee and its investment advisor sets each manager a comprehensive agenda to assist the Trustee in holding each manager to account. The agenda covers a wide range of topics including review of short and long term performance in the market context, market outlook, risks and opportunities, and responsible investing. In addition, the Trustee's investment advisor prepared a paper prior to the meeting setting out the policies included within the SIP and how the Trustee could comply with the policies through the manager day meeting.

In addition to regular manager day meetings, the Trustee may also meet with the Plan's managers on an ad-hoc basis, for example to discuss any relevant market themes, concerns or opportunities.

The below table details the engagement meetings with managers over the year to 31 March 2021:

Meeting type	Manager	Mandates	Meeting date
Annual manager day engagement meeting	LGIM	World Equity Index Fund Corporate Bond Over 15-yeas AAA-AA-A Fund The proposed buy and maintain portfolio	14 May 2021
Annual manager day engagement meeting	M&G	Alpha Opportunities Fund Illiquid Credit Opportunities Fund	14 May 2021
Annual manager day engagement meeting	Partners Group	Multi-Asset Credit Fund	14 May 2021
Annual manager day engagement meeting	Insight	LDI portfolio	14 May 2021

The Trustee did not meet with Invesco over the year to 31 March 2021 as the Trustee had taken the decision to fully redeem all holdings in the Global Targeted Returns Fund.

Summary of manager engagement activity

The Trustee receives reporting on LGIM's engagement activity ahead of each annual 'manager day' or on an ad-hoc basis as required. The following table summarises the key engagement activity for the 12-month period ending 31 March 2021:

Topic	Number of engagements relating to topic
Environmental issues	416
Social issues	253
Governance issues	401
Other issues (e.g. financial and strategy)	159

In total, LGIM carried out 1,229 engagements with 665 companies over the year to 31 March 2021. The main method of engagement was meetings with management.

Use of a proxy advisor

In their management of the Plan's equity assets LGIM use Institutional Shareholder Services ('ISS') electronic voting platform to carry out proxy voting. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure ISS votes in accordance with LGIM's position on ESG, the manager has put in place a custom voting policy with specific voting instructions.

LGIM voted contrary to the recommendation of the proxy advisor on 0.3% of occasions.