Annual Implementation Statement (forming part of the Trustee's report)

Year ended 31 March 2024

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Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Marks & Spencer Pension Scheme ("the Scheme") covering the Scheme Year ("the year") from 1 April 2023 to 31 March 2024.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting as set out in the Statement of Investment Principles (the "SIP") have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of proxy voting services during the year.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets, including but not limited to: investment managers, portfolio construction and risks.

Unless otherwise stated, this Statement will refer to wording within the SIP dated August 2023. This is an updated document from the one previously dated March 2022, with modest revisions made to reflect governance arrangements and remove explicit asset allocation information from the document. A copy of the August 2023 SIP can be found within the Scheme's annual reports and accounts, and published online here: Statement of Investment Principles.

Section 2: How the Trustee has adhered to policies related to voting and engagement

As set out in the Trustee's ESG Beliefs, engagement and voting are both thought to be highly influential activities and the Trustee recognises that they can lead to changing behaviour of companies and ultimately improving investment performance, as well as having a positive impact on the environment and society. The primary goal of the Trustee is to act in the best financial interests of its members, and the investment strategy is formulated to support its primary objective of paying member benefits as and when they fall due. Contributing towards this objective, the Trustee works in close partnership with the Scheme's investment managers, monitoring stewardship processes closely, with the advice and expertise of third parties.

The Scheme makes use of both pooled and segregated vehicles. Investing in pooled funds allows the Scheme to benefit from economies of scale and potentially lower fees. However, this means that the investment or engagement decisions regarding the companies invested in by each fund are made at the discretion of the investment manager of the pooled fund. The Trustee is comfortable with this approach, given that ESG factors form a significant part of manager selection exercises and ongoing due diligence, particularly when considering long-term investments.

Across both pooled and segregated mandates, whilst the Trustee does not direct voting or engagement activities themselves, they seek to exert their influence as an asset owner through engaging with the managers where concerns are highlighted through the various monitoring processes. The Trustee requires the investment managers to develop and maintain appropriate voting and engagement policies, both as part of the initial selection process and ongoing where applicable.

The Trustee's policies relevant to voting and engagement as stated in the SIP are as follows:

- The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee, or its advisers, will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may from time to time invest in certain strategies (e.g. hedge fund strategies) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.
- The Trustee believes that ESG factors, including Climate Change, are financially material considerations that will have significant influence on the future success of companies and their ability to service debt and of security of cashflows and asset values. Integration of ESG factors is fundamental to the design and implementation of the investment strategy of the Scheme.
- The ESG Committee ("ESGC") advises the Board, including the Investment Committee, on ESG risks and opportunities, and recommends governance and policies to manage these. The ESGC receives input from the Investment Advisor, the Covenant Advisor, and the Scheme Legal Advisor, where appropriate
- In appointing investment managers, the Trustee, with input from the Investment Advisor, considers in detail their experience and capabilities in managing ESG factors and sustainability in the securities or assets in which they invest, and this assessment forms a part of the regular on-going monitoring of the investment managers.
- The Trustee believes that companies that effectively manage ESG risks can protect and enhance value by, for example, avoiding risk to their reputation, reducing potential financial liability and by increasing their ability to recruit and retain high-quality staff.
- Therefore, the Trustee wishes to promote the proactive management of ESG risks amongst the companies in which the Scheme invests and expects its appointed investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process and also to exercise their voting rights. To aid the Trustee in the monitoring of and engagement with ESG issues, where possible the Trustee utilises detailed ESG monitoring of bond mandates through the Scheme's custodian.
- The Trustee monitors the stewardship practices of its managers to understand how they exercise their duties with regard to ownership rights (including voting rights) on the Trustee's behalf and to aid them in so doing, the Trustee seeks the advice of expertise from third parties.

The Trustee has been involved in extensive activities over the course of the year to 31 March 2024 in order to meet its engagement and voting policies, and, more widely, the incorporation of responsible investment factors in decision-making. These activities included (but are not limited to) the following:

- The ESGC met 4 times over the year ending 31 March 2024. The ESGC discussed ongoing ESG related activities, opportunities and risks within Responsible Investment ("RI") and meeting evolving regulatory requirements. The purpose of the ESGC is to continue to maintain the Scheme's progress and position at the forefront of good practice in relation to RI.

- The ESGC continued to make progress in relation to meeting TCFD recommendations. With the help of advisors and lawyers, the ESGC reviewed, approved and published the Scheme's second Climate Change Report. The report highlights that engagement will be a critical element in achieving the targets set out, noting that the Trustee will aim to reduce emissions through changing the behaviour of investee companies. Ahead of publishing this report, the Trustee reviewed TPR's feedback on first round of TCFD statements, noted any applicable commentary and reflected this in the report.

- The ESGC formalised the decision to use a 'Binary Target Measurement' metric approach for the Scheme's alignment metric, and specifically report on the proportion of the Scheme's portfolio covered by Science-Based Targets.

- The ESGC received training on the Taskforce on Nature-related Financial Disclosures ("TNFD") reporting standards and the topic of biodiversity more generally in order to enhance knowledge of the topic and better understand what may be required of the Scheme in coming years. The training addressed the importance of biodiversity as well as the risk that biodiversity loss poses to organisations/the industry, an overview of the TNFD recommendations, including how it compares with TCFD and the potential next steps towards the implementation of TNFD.

- The ESGC considered analysis which reviewed the Scheme investment managers' commitment to Net Zero, United Nations Sustainable Development Goals (UN SDGs), United Nations Principles of Responsible Investment (UN PRI) and exclusions as part of the annual Sustainable Investment (SI) review. It was concluded that the majority of the managers consider ESG information while making investment decisions and are signatories to industry initiatives, while others have good engagement and are striving to add these factors to their decision-making process. Where managers fell short of expectations, the Trustee engaged further to address this and encourage managers to align with the ESGC's expectations. For example, managers that are not signatories to the UK Stewardship Code were asked to provide rationale as to the reason why and, where applicable, asked about their ambitions for becoming a signatory in the future.

- The ESGC reviewed progress to net zero across the global investment industry, including an overview of the developments taking place across the industry to help contextualise the Scheme's own net zero ambitions. The session covered industry progress on cutting emissions, climate solutions that the industry is investing in, including an overview of measures taken by other Schemes and climate policy/areas for development.

- The ESGC reviewed what the Trustee's approach to ESG should be going forward in the context of longer-term objectives, the regulatory landscape, stewardship priorities and reputational risk.

- The Investment Committee agreed that any new investments to the portfolio would be made with consideration of the manager's emissions targets, engagement policies and ability to demonstrate unusual resilience to wider climate transition.

- Given the Scheme's ultimate objective to buy-out the Scheme, the onus has started to shift towards a better understanding of what the buy-in managers are doing in this space. The ESGC has been considering how to implement this consideration into the Scheme's ESG governance.

- The ESGC finalised and implemented an Exclusions Policy for the Scheme's investments. The ESGC decided that whilst a material Scheme-wide exclusions policy may not be appropriate, the ability to exclude provides the Scheme with a means to support a manager's engagement activity or attempt to correct manager behaviour where deemed subpar in ESG matters.

- The Trustee expects the Scheme's investment managers to carry out engagement on its behalf, in line with the Trustee's approach to engagement as set out in their ESG beliefs. These priorities are set out below.

More widely, in line with the Trustee's fiduciary duty to meet member benefit payments as they fall due, the Trustee considers that the balance of investments held and the approach to managing risk is in the best interests of members in order to mitigate downside risk to the funding position of the Scheme whilst helping the Scheme to achieve its ultimate objectives over an appropriate time horizon.

At present, the Trustee does not explicitly take account of non-financial matters in the Scheme's investment strategy but may consider reflecting specific non-financial considerations in future. The Trustee is working to provide more regular updates on the topic of Responsible Investment (RI) to the Scheme's members. The Trustee also recognises that, with ever increasing focus on RI, a number of non-financial considerations may materialise into financial considerations which may affect the Scheme and its underlying companies in meeting financial obligations in future.

Engagement and Governance Priorities

- The Trustee's preferred approach is to drive change through engagement with the Scheme's underlying investments as opposed to applying negative screens. The Trustee expects managers to engage for long-term value over short-term improvements, however, the Trustee identified circumstances where an exclusionary approach may be appropriate, for example:
  - Where, despite repeated attempts at engagement, a company shows no indication that it will seek to improve its practices;
  - Where investment in an entity is seen to be significantly detrimental to matters relating to ESG considerations, including where there is significant unmitigated climate/transition risk;
  - Where there are significant failings within a company, including material or repeated breaches of the voluntary UN Global Compact initiative;
  - Where political risks cause a related investment risk and/or there are sanctions applied.
- The Trustee has agreed that fund managers should be able to evidence that, where relevant, they have engaged with their investments on these matters where appropriate. The governance priorities, upon which the Trustee believes that engagement should be focused, include:
  - Carbon emissions and related climate issues, as the Trustee believes that such issues will have a significant financially material impact on the Scheme, and that engagement should be used to support the transition to a low-carbon economy
  - Corporate activity to the detriment of biodiversity
  - Labour standards, and in particular, Diversity, Equity and Inclusion ("DEI") and modern slavery
  - Corporate governance and appropriate executive remuneration structures, aligning board interests with those of stakeholders.

Engagement case studies:

As highlighted above, the Trustee considers engagement as a key aspect of ongoing Scheme management, and an important responsibility of both the Trustee and its investment managers, expected to provide long-term value to the Scheme. The Trustee expects the Scheme's investment managers to act as responsible stewards of capital as applicable to their mandates, through engagement undertaken.

As part of the ongoing monitoring and reviewing of the Scheme's investment managers, the Trustee has explored the approach to voting and engagement carried out across the portfolio. The Trustee has picked out key case studies related to the voting and engagement activities over the year. The Trustee considered these areas as significant as they closely align with the Trustee's investment beliefs (including ESG beliefs), policies, and mission statement in relation to RI.

AXA Biodiversity Training

In November 2023, AXA were invited to an ESGC meeting to deliver training to the Trustee on biodiversity, which is felt to be an increasingly important area of ESG. The manager provided a detailed presentation on the topic, covering areas including: a background on biodiversity; its role in risk and other investment considerations; challenges in the biodiversity space, including data; and the direction of biodiversity regulation in the investment industry.

UK Stewardship Code

As part of the Scheme's annual SI review, managers are asked whether they are signatories to the UK Stewardship Code. Whilst the Trustee strongly values the role that stewardship plays in driving long-term value for members and other stakeholders, and is aligned with the principles of the Code, it has taken a decision not to undertake the process of becoming a signatory to the Code itself.

Following the review, the Trustee re-engaged with those managers that said they were not a signatory in order to better understand the reasons why and if there was scope to become a signatory. Whilst some managers felt that the provisions of the code were not relevant to their investment strategy, the Trustee pushed back on this in a number of cases. Others explained that whilst they were not signatories, they felt that they align with the Code's 12 principles. In these cases, the Trustee encouraged the managers to become a signatory. One manager highlighted that they would look to become a signatory of the code in the coming years, recognising it is an area of importance to the Scheme.

Insight LDI mandate– UK DMO Engagement

Insight engages regularly with the Debt Management Office (DMO) given the manager's large client base of UK pension schemes, who invest heavily in UK government bonds (gilts).

In Q2 2023 the manager engaged with the DMO and Treasury regarding several issues related to green gilt issuance. As part of this, Insight encouraged the DMO to increase the frequency of impact reporting on green gilts from every two years to once a year.

Furthermore, Insight expressed concerns regarding the UK's ability to meet net-zero given the current policy environment. Specific concerns include the opening of a new coal mine in Cumbria and the lack of a green industrial policy to support transitioning companies.

Insight discussed the Government's plans for green issuance, with the Government reaffirming its commitment to the Green Financing Programme with plans to issue £10 billion of green gilts in Financial Year 2023-24.

Insight have committed to continue its ongoing engagement with the DMO on a wide range of issues, and will keep engaging on relevant ESG topics.

Greencoat Capital – Modern Slavery

In 2023, Greencoat Solar continued its support for the Solar Stewardship Initiative, an industry wide initiative (through Solar Energy UK) to establish a supply chain framework for the solar industry to address modern slavery issues linked to polysilicon production in high-risk areas.

The industry (with the help of consultants) has developed the Solar Sustainability Best Practices Benchmark to produce industry standards for improved traceability and full disclosure of environmental and social aspects in the supply chain. The initiative is also working on an assurance process to map data gaps in the solar supply chain and enhance traceability.

Section 3: Voting information

Commentary on voting principles

The Scheme is invested in a diverse range of asset classes. However, this section focuses on the equity investments which have voting rights attached.

In mid-April 2023, close to the start of the Scheme year, the Scheme fully disinvested from the remaining equity mandates held with LGIM. Therefore, over the vast majority of year, the Scheme had no physical public market equity exposure and thus had no voting rights attached to any of its underlying holdings. For completeness, this statement includes LGIM's voting policy, detail on proxy voting and voting data for LGIM including significant votes detail for the period that the Scheme was invested.

Manager	Policy
LGIM	LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all clients. The manager's voting policies are reviewed annually and take into account feedback from their clients. All decisions made when making a voting decision are made by LGIM's Investment Stewardship team and in accordance with their relevant 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 ensures that 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. LGIM's Stewardship team exercises voting rights globally, across LGIM's active and index funds. LGIM also publish further information on their vote disclosure website, which can be found at the link here: LGIM Voting Policies

When applicable assets are held in the portfolio, the Trustee's policy is to delegate responsibility for exercising of ownership rights (including voting rights) to the Scheme's investment managers. The Trustee monitors the stewardship practices of its managers to understand how they exercise these duties on their behalf and to aid them in doing so, the Trustee seeks the advice of expertise from third parties. The Scheme's investment managers have their own policies which determine their approach to voting, and the principles they follow when voting on investors' behalf.

The Trustee expects investment managers to act as responsible stewards of capital as applicable to their mandates. The Trustee considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis through meetings with the managers. The Trustee engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The use of proxy voting by the Scheme's equity manager

The Trustee believes that the voting practices demonstrated by the Scheme's equity manager are a key part of manager engagement, which may add value to the Scheme's assets over the relevant time period. The Scheme's investment manager used a voting proxy advisor which aided in their decision-making when voting. Details are summarised in the table below:

Manager	Use of proxy advisor services:
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. The Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that are received from ISS for UK companies when making specific voting decisions. To ensure LGIM's proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit. LGIM is also an active member of the IIGCC Proxy Advisor Working Group, and have engaged with ISS both independently, and collaboratively with the Group, which included contributing to the consultation process for the ISS Benchmark Policy changes for 2023, ensuring their views were taken into account in the development of voting policies. Ultimately, LGIM retain the ability to override any vote decisions, which are based on their custom voting policy. The manager has strict monitoring controls to ensure that votes are fully and effectively executed in accordance with their voting policy by their service provider.

Voting activity over the Scheme Year

The below table sets out the voting activity of the Scheme's equity investment manager LGIM, on behalf of the Trustee, over the full Scheme year. As highlighted, the Scheme disinvested in April 2023 and hence the outcomes of the large majority of these votes were not applicable to the Scheme, but are included for completeness.

The data provided is, to the best of our knowledge, complete.

Fund	Voting activity
LGIM Future World Emerging Markets Equity Index (data covers full year but the Scheme was only invested until April 2023)	**Number of meetings at which the manager was eligible to vote:** 3,299 **Number of resolutions on which manager was eligible to vote:** 25,715 **Percentage of eligible votes cast:** 100.0% **Percentage of votes with management:** 80.0% **Percentage of votes against management:** 19.6% **Percentage of votes abstained from:** 0.4% **Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:** 7.6%

Significant Voting

The Trustee recognises that some votes will be more significant than others, based on various considerations determined by the Trustee. These include:

- A matter relating to assets of significant importance to the Scheme's investment strategy.
- Shareholder resolutions on climate related policies and activities that would result in significant detriment to the climate or significant biodiversity loss.
- Company proposals that would be at odds with the expectations of the appropriate stewardship and governance compliance frameworks in relevant markets. This includes, but is not limited to, matters of excessive or inappropriate executive remuneration; issues relating to board make up (including DEI, lack of term limits, and lack of chair independence) and ineffective audits.

LGIM's own criteria for defining significant votes has evolved from previously providing what

the manager deemed as "material votes" to now take into account the guidance provided by the Pensions & Lifetime Savings Association (PLSA). This includes, but is not limited to:

- The inclusion of high-profile votes, with such a degree of controversy that there is high client and/or public scrutiny;
- Votes with significant client interest;
- Sanction votes as a result of direct or collaborative engagement;
- Votes linked to an LGIM engagement campaign, in line with LGIM's Investment Stewardship's 5-year ESG priority engagement fees.

Where LGIM vote against company management, LGIM publicly communicates its vote instructions with the rationale for all votes applicable in these circumstances. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. Following voting activity, LGIM continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress against each of the resolutions.

Based on the information provided by the manager, the Trustee has applied its significant voting policy, outlined above, to filter what it deems most significant, and therefore included in the table. Given the Scheme was only invested with LGIM for part of the year, the significant votes selected are based on the relevant period.

Significant vote	Coverage
Company Name: Almarai Co. Ltd. **Date of vote:** 11 April 2023 **Size of the fund's holding at date of vote:** 0.3% **Why most significant:** LGIM considers this vote to be significant as it is applied under their engagement program on deforestation, targeting companies in high-risk sectors. **Resolution:** Approve Discharge of Directors for FY 2022 **How LGIM voted:** Against **Summary:** A vote against is applied as the company is deemed to not meet minimum standards with regard to LGIM's deforestation policy.	LGIM Future World Emerging Markets Equity Index Fund

Company Name: Zhejiang Juhua Co., Ltd. **Date of vote: 7** April 2023 **Size of the fund's holding at date of vote:** 0.1% **Why most significant:** LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf. **Resolution:** Elect Zhou Liyang as Director **How LGIM voted:** Against **Summary:** A vote against has been applied because LGIM expects the Committee to comprise independent directors. LGIM expects a company to have a diverse board, including at least one woman. We expect companies to increase female participation both on the board and in leadership positions over time.	LGIM Future World Emerging Markets Equity Index Fund,

Section 4: Conclusion

As highlighted throughout this statement, the Trustee has undertaken a large number of activities over the year in order to build on their approach towards engagement and is proud of the progress made thus far. The Trustee believes that the Scheme's stewardship policy as outlined in the SIP has been adhered to over the year, going above and beyond in a number of areas, and strives to further improve practice in the future.

Following monitoring of the Scheme's investment managers over the year, the Trustee is satisfied that its managers are acting in the Scheme members' best interests and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis in order to ensure that the Scheme's investment strategy and Trustee decision-making consistently aligns with the Trustee's investment beliefs and contributes towards achieving the Trustee's mission statement to provide long-term value and security to the Scheme's members.