

Engagement Policy Implementation Statement

MSD Pension Scheme

The purpose of this Engagement Policy Implementation Statement (“EPIS”) is for us, the Trustee of The MSD Pension Scheme (the “Scheme”), to explain what we have done during the year ended 31 December 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). The EPIS has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator. It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

The SIP in place at year end is dated September 2023; during the year ended 31 December 2024 the SIP was updated to reflect the updated stewardship guidance published by the Department of Work and Pensions.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, Legal and General Investment Management (“LGIM”) was able to disclose good evidence of voting and engagement activity, and the activities completed by LGIM align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme’s investment manager, LGIM, which is in line with the policies set out in our SIP. We reviewed the stewardship activity of the material investment manager carried out over the Scheme year and in our view, LGIM was able to disclose good evidence of voting and engagement activity. More information on the stewardship activity carried out by the Scheme’s investment manager can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme’s investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited (“Aon”). In particular, we received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available.

Throughout the year, and as a result of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Climate Change Governance and Reporting regulations”), the Trustee has been preparing its disclosures report in relation to the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD establishes a set of clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the Climate Change Governance and Reporting regulations is intended to lead to decision-useful information and therefore more informed decision-making on climate-related financial risks. Our 2024 Climate change report was published during the year, in line with the TCFD

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance (“ESG”) issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

recommendations for the year ended 31 December 2024.

Each year, we review the voting and engagement policies of the Scheme’s investment manager to ensure they align with our own policies for the Scheme and help us to achieve them.

This stewardship policy can be found in the SIP by clicking [here](#).

Our manager’s voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company’s stock. We believe that good stewardship is in the members’ best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders’ interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme’s investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme’s equity-owning investment manager to responsibly exercise its voting rights.

Voting statistics

The table below shows the voting statistics for the Scheme’s material fund with voting rights for the year to 31-Dec-2024.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM Developed Balanced Factor Equity Index Fund	11,565	99.6%	20.8%	0.4%

Source: Manager. Please note that the ‘abstain’ votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser’s recommendations.

The table below describes how the Scheme’s manager uses proxy voting advisers.

Managers	Description of use of proxy voting adviser(s) (in the manager’s own words)
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 we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Manager

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.
Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Significant voting example

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager to provide a selection of what it considers to be the most significant votes in relation to the Scheme's fund. An example of a significant vote can be found in the appendix.

Our manager's engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material manager. The manager has provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
LGIM Developed Balanced Factor Equity Index Fund	682	Not provided	Environment - Climate Impact Pledge Social - Human Rights Governance - Capital Management; Remuneration Other - Corporate Strategy

Source: Manager

Data limitations

At the time of writing, LGIM has provided a complete list of engagements for the invested fund, however did not include as much detail as recommended in the best practice industry standard Investment Consultants Sustainability Working Group ("ICSWG") reporting guide. LGIM will provide further engagement information, in line with the ICSWG reporting guide, after it publishes its annual stewardship report. LGIM's firm-level engagement information will be available when its annual report is published.

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Example

In the table below is an example of a significant vote as provided by the Scheme's investment manager, in its own words. We consider a significant vote to be one which the manager considers significant.

LGIM Developed Balanced Factor Equity Index Fund	Company name	Wells Fargo & Company
	Date of vote	30 April 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.5
	Summary of the resolution	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Labour rights: A vote in favour is applied as LGIM supports proposals that are set to improve human rights standards and employee policies because LGIM considers this issue to be a material risk to companies.
	Outcome of the vote	Fail
	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 will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Source: Manager