

Annual Implementation Statement (to 30 September 2023)

Ernst & Young Retirement Benefits Plan

1. Introduction

This Implementation Statement ('the Statement') sets out how, and the extent to which, the Statements of Investment Principles ('SIP') produced by the Trustee for both the Final Salary Section ('FSS') and Money Purchase Section ('MPS') of the Ernst & Young Retirement Benefits Plan (the 'Plan'), have been followed during the year to 30 September 2023 (the 'Plan Year').

Summarised below are the actions taken by the Trustee to meet the policies in the Plan's SIP. Section 4 of this Statement sets out how, and the extent to which, this has been done in more detail.

Within the following Sections, references to the "Delegated Investment Manager" refer to Mercer Limited ('Mercer').

This statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Scheme year by the underlying investment managers. Section 5 includes the definition of what is deemed by each investment managers as a significant vote as well as some examples of the most significant votes undertaken by them over the year to 30 September 2023.

2. Review of the SIP

During the Scheme year, the Trustee reviewed the Scheme's SIP for MPS to include the changes made to the long-term Strategic Asset Allocation of the Mercer Workplace Savings (MWS) multi-asset funds and also to the glidepath of Mercer SmartPath Targeting Drawdown Lifestyle, with the revised SIP for MPS becoming effective in January 2023. There were no changes to the Plan's SIP for the FSS during the Plan Year, although revisions will be made following the MPS-integration and the Plan will move to a defined benefits only rather than hybrid scheme. The latest SIP are available online [here](#).

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Plan Year.

The SIP are subject to review at least triennially, but in practice are reviewed on a more frequent basis.

3. Policy on ESG, Stewardship and Climate Change

The Plan's SIP include the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed during September and December 2021 for the FSS and MPS respectively.

Both the 2022 MPS Triennial Investment Strategy and MWS Investment Strategy reviews discussed at the 18 May 2022 IC meeting and 18 November 2022 Trustee meeting included specific discussions around ESG integration and in particular the targets for the MWS funds part of the default strategy.

The Trustee receives regular training on relevant areas of ESG in order to establish and review their beliefs on ESG and climate change. Additionally, training was provided to the Trustee concerning the changes to the definition of significant votes at the April 2023 and May 2023 IC meetings, and the June 2023 Trustee meeting. Following these sessions, the Trustee agreed to adopt Mercer's definition of significant votes into future Engagement Policy Implementation Statements.

The Trustee expects Mercer to provide reporting on ESG matters on a periodic basis (at the very least annually) in order for the Trustee to monitor ESG factors and keep its policies under regular review. ESG metrics are provided for both the FSS and MPS on a quarterly basis in the respective Quarterly Investment Reports.

Mercer provided the Trustee with Mercer annual sustainability report in June 2023. This report contained an overview of the ESG reporting metrics produced by Mercer Global Investments Europe Limited ('MGIE'). This report also set out the carbon intensity and ESG ratings of the Mercer equity funds held within both the FSS and MPS, how they compared to their universe as well as the progression of these metrics over time. Slides containing information from the report were included in the meeting packs for the April 2023 and May 2023 IC meetings, and the June 2023 Trustee meeting.

Additionally, Mercer has provided the Trustee with paper titled "TCFD Planning and Metrics" outlining the work undertaken by Mercer in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) Report scheduled to be submitted in Q2 2024. This paper was presented to the Trustee at the April and May IC meetings as well as the June Trustee meeting.

In addition to the above, the following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year for both the **FSS** and **MPS**.

- The Trustee has continued to engage with Mercer to act as discretionary investment manager in respect of the Plan's **FSS** and **MPS** assets, which are invested in a range of Mercer Funds managed by MGIE.
- The Trustee has considered how ESG, stewardship and climate change is integrated within Mercer's, MGIE's and MWS investment processes and those of the underlying asset managers in the monitoring process. Mercer, MGIE and MWS have provided reporting to the Trustee on a regular basis on ESG integration progress, stewardship monitoring results, and climate-related metrics. ESG considerations were regularly discussed at Trustee meetings over the Plan Year.
- The Trustee has reviewed the ESG ratings assigned by Mercer's (and its affiliates') global manager research team, which are included in the investment performance reports produced by Mercer on a quarterly basis. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. Comparisons are also made with the appropriate universe of strategies in Mercer's global investment manager database.
- Climate-related metrics such as carbon foot-printing for equities and/or climate scenario analysis for diversified portfolios are also reviewed at least annually by Mercer and MGIE.

- A detailed standalone sustainability monitoring report is produced for the Sustainable Global Equity active fund on an annual basis and is available to the Trustee. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the Sustainable Development Goals ('SDGs')).

4. Assessment for how the policies in the SIP have been followed for the year to 30 September 2023

Final Salary Section ('FSS')

(Section numbers in brackets are in relation to the FSS SIP which is included as an Appendix)

Process for Choosing Investments (Section 2)

- Mercer continues to act as discretionary investment manager to implement the Trustee's strategy whereby the level of investment risk reduces as the Plan's funding level improves. The Trustee continues to be advised by Mercer employees who are sufficiently experienced and FCA regulated to provide advice that is consistent with the requirements of Section 36 of the Pension Act 1995 (as amended).
- The Trustee, under advice from Mercer, undertakes a full review of the investment strategy triennially upon completion of the actuarial valuation. On 29 April 2022 the Plan reached its final de-risking trigger meaning there are none remaining in the current schedule.
- Mercer presented a paper setting out investment strategy proposals for the Plan's strategy post the MPS transition in the April 2023 IC meeting. Following the meeting, the Trustee agreed to retain the 25% growth allocation and to invest the proceeds from the MPS transition to the Growth Portfolio. The Side Letter to the Investment Management Agreement (IMA) affirming this decision was signed by the Trustee in May 2023.
- A paper outlining future investment strategy considerations was presented to the Trustees at the October 2023 Trustee meeting. This paper detailed end-game scenarios for the Plan now that the final trigger had been reached and the MPS transition had been concluded.
- Mercer has also advised the Trustee on the ongoing suitability and allocation to the External Assets. After the year-end a reduction in these assets for rebalancing purposes was proposed and subsequently agreed to by the Trustee. The trades for the redemptions were placed in April 2023 and subsequently invested into the Mercer assets.

Regulatory Requirements covered:

- *Securing compliance with the legal requirements about choosing investments*
- *Kinds of investments to be held*

Evidence:

- *Investment Strategy Considerations (presented at the 25 April 2023 IC meeting and was implemented through a side letter to the IMA which was signed in M).*
- *Investment Strategy Future Considerations (presented at the 3 October Trustee Meeting).*

- *Quarterly Strategy Reports provided to the Trustee report the progression of the Plan's de-risking strategy and supplementary Quarterly Investment Reports covering performance and characteristics of the underlying asset managers.*
- *Email to the Trustee on 21 April 2023 detailing the transition summary of the MAC redemptions.*

Investment Objectives (Section 3) and Investment Strategy (Section 5)

- The Trustee sets the overall strategy and de-risking trigger framework with advice from Mercer. Thereafter, the Trustee has delegated the underlying asset allocation within the growth and matching portfolio to Mercer - subject to given restrictions, including a specified fund list within the Investment Guidelines of the Investment Management Agreement.
- In June 2023, the Trustee with advice from Mercer transitioned c. £185m of assets from the MPS to the FSS through a combination of re-registration and cash transfer. As part of the transition, liabilities of the MPS assets were incorporated into the FSS section. Mercer recalibrated the Plan's liabilities in July 2023 assessing the impact of the MPS integration which saw a fall in the funding level of c. 4.7% due to the MPS liabilities being valued on a weaker basis. This was communicated to the Trustee in July 2023.
- The Trustee will continue to review the suitability of the investment objectives and strategy on an annual basis, seeking the advice of their Delegated Fiduciary Manager.

Regulatory Requirements covered:

- *The balance between different kinds of investments*
- *Expected return on investments*

Evidence:

- *Investment Strategy Considerations (presented at the 25 April 2023 IC meeting and was implemented through a side letter to the IMA which was signed in M).*
- *Investment Strategy Future Considerations (presented at the 3 October Trustee Meeting).*
- *Quarterly Strategy Reports provided to the Trustee report the progression of the Plan's de-risking strategy and supplementary Quarterly Investment Reports covering performance and characteristics of the underlying asset managers.*
- *Recalibration update summary email (Email from Jacob Rubin sent on the 12 July 2023).*

Risk Management and Measurement (Section 4)

- Mercer has continued to act under its delegated authority to manage the Plan's assets with the major risks in mind as detailed in the SIP policy for all decisions taken on the Trustee's behalf. These include but are not limited to the mismatch between assets and liabilities, diversification of

assets, manager specific risk, illiquidity, currency risk and ESG factors. Mercer provides regular reporting to the Trustee on performance and risk at least monthly with quarterly reporting reviewed by the Trustee or members of the IC at regular meetings.

- The annual reviews of the investment strategy provide the Trustee with an opportunity to consider their long-term objectives and assess the Value at Risk (“VaR”) – i.e. how much the deficit could increase by, or more, in a 1 in 20 downside event for the Plan – which is a primary measure for assessing the mismatch between the Plan’s assets and liabilities and the Firm’s ability to support it.
- In order to largely protect against the mismatch between the interest rate and inflation sensitivities of the Plan’s assets and liabilities, the Trustee has set a fixed target funded liability hedge ratio of 100% which Mercer manages to.
- In order to reduce risk within the liability hedging profile of the Plan’s liabilities Mercer implement quarterly recalibrations on receipt of updated liability data from Hymans Robertson. This was historically done on an annual basis.

Regulatory Requirements covered:

- *Risks, including the ways in which risks are to be measured and managed.*

Evidence:

- *Investment Strategy Update September 2023 includes an assessment of the VaR (presented at the 3 October 2023 Trustee meeting.*
- *27 June 2023 Investment Update included an overview of risk management within LDI leverage monitoring.*
- *Quarterly Strategy Reports provided to the Trustee report, amongst other risk metrics, the progression of the Plan’s funding level risk and supplementary Quarterly Investment Reports covering performance and characteristics of the underlying asset managers.*
- *The impact of quarterly recalibrations were explicitly discussed at applicable Investment Update presentations at all Trustee meetings once integrated. Summary overviews were provided via email shortly after each implementation.*

Realisation of Investments (Section 6) and Cashflow Management (Section 7)

- The majority of the Plan’s assets are invested in daily dealt pooled fund investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets, these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustee demand. Where disinvestments were arranged during the year, the policies stipulated within the relevant appointment documentation have been followed.

Regulatory Requirements covered:

- *Realisation of investments*

Evidence:

- *Monthly risk reporting provided to the EY Pension Team and UK Independence Team covering liquidity and independence risks.*

Rebalancing (Section 8)

- The Trustee continues to delegate responsibility for the monitoring and rebalancing of the Plan's asset allocation to Mercer.
- As a result of de-risking and a reduction in the Plan's assets from rising Gilt yields, the Multi-Asset Credit fund allocations had become overweight. Mercer advised the Trustee on the redemption required to revert to target allocation. The trades for the redemptions were placed in April 2023 and subsequently invested into the Mercer assets.

Evidence:

- *Email to the Trustee on 21 April 2023 detailing the transition summary of the MAC redemptions.*

Corporate Governance and Socially Responsible Investment (Section 9) is covered in Section 3 of this Statement.

Regulatory Requirements covered:

- *The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.*
- *Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstance under which, Trustee would monitor and engage with relevant persons about relevant matters).*

Evidence:

- *Mercer provided the Trustee with the Mercer Annual Sustainability Report in June 2023 which outlines Mercer's approach to integrate ESG considerations throughout its portfolios.*
- *ESG considerations were explicitly discussed in the Investment Update presentations at all Trustee meetings over the Plan Year.*
- *Quarterly Investment Reports covering performance and characteristics of the underlying asset managers along with relevant ESG metrics.*

Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs (Section 10)

- The Trustee's investment strategy is based on the advice from Mercer which is predicated on a de-risking framework which is seeking to meet the Trustee's key objectives as defined within the SIP and therefore intrinsically aligns Mercer with said policies.

- Where underlying asset managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers. This has led to a number of changes to the underlying asset managers within the Mercer funds over the year including within the Mercer Global Small Cap Equity Fund, MGI Eurozone Equity Fund, MGI Emerging Markets Equity Fund, MGI Emerging Markets Debt Fund, Mercer Low Volatility Equity Fund, MGI UK Equity Fund and Mercer Short Duration Bond Fund 1.
- Over the year, Mercer has continued to monitor the underlying asset managers, provided reporting to the Trustee on their continued suitability, and renegotiate underlying asset manager fees on new appointments as well as existing ones.
- The Trustee has delegated the implementation of their investment strategy to Mercer. Mercer's management of the Plan's assets, and any investment decisions taken, is cognisant of portfolio transaction costs and performance is reported on a net of fees basis. The Trustee receives the costs incurred by the Plan's investment arrangements with Mercer on a quarterly basis as well as receiving the annual costs and charges statements required by both MiFID II and more recently the CMA.
- The Trustee commissions a third-party evaluator (EY Pensions Advisory Team) to carry out an annual, independent review of the Plan's arrangements with Mercer.

Regulatory Requirements covered:

- *How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies.*
- *How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.*
- *How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies.*

Evidence:

- *Quarterly Strategy Reports provided to the Trustee and supplementary Quarterly Investment Reports covering performance and characteristics of the underlying asset managers.*
- *Annual Cost & Charges Statement provide to the EY Pension Team for both CMA and MiFID II.*

Money Purchase Section ('MPS')

(Section numbers in brackets are in relation to the MPS SIP which is available via the following link <https://epa.towerswatson.com/doc/ENY/pdf/ernst-young-statement-of-investment-principles---.pdf>)

Introduction (Section 1), Defined Contribution Arrangement (Sections 2) and Day to Day Management of the Assets (Section 7)

- The Trustee has continued to be advised by Mercer over the Plan year, who are sufficiently experienced and FCA regulated to provide advice that is consistent with the requirements of Section 36 of the Pension Act 1995 (as amended). The default investment strategy and glidepath design has been delegated to Mercer (the Delegated Investment Manager). After Plan year end, Mercer has continued to provide advice for the MPS and assist with key governance documentation. Once this advice has been completed, Mercer will cease to provide advice to MPS.
- There have been no new investments added to the Plan's investment arrangements over the period.
- The most recent triennial investment review was carried out during the previous Plan year and presented to the Trustee at the 18 May 2022 meeting.
- A review of the underlying MWS investment strategy took place during 2022, with a number of changes to the strategic asset allocation implemented over July and August 2022 and further changes to the drawdown glidepath implemented in January 2023.
- The Trustee, in consultation with Mercer as the Investment Consultant, made the decision to transfer assets from the MPS to the FSS, effective in June 2023. This transfer was carried out through a combination of re-registration and cash transfer. The remaining defined contribution assets were transferred from Scottish Widows Limited to the Legal & General WorkSave Mastertrust, effective in December 2023, also with consultation with Mercer as the Investment Consultant.

Regulatory Requirements covered:

- *Securing compliance with the legal requirements about choosing investments*

Evidence:

- *Triennial Investment Strategy Review, (Discussed at the 18 May 2022 IC meeting)*
- *2022 MWS Investment Strategy Review, (Discussed at the 18 May 2022 IC meeting and 18 November 2022 Trustee meeting).*

Investment Objectives (Section 3) and Investment Strategy (Section 4)

- The default investment option was subject to its formal triennial review during the Plan year. The investments (fund type, management style and asset allocations) used in the default investment strategy were reviewed as part of this exercise.
- The Trustee, in consultation with Mercer as the Investment Consultant, made the decision to transfer assets from the MPS to the FSS, effective in June 2023. This transfer was carried out through a combination of re-registration and cash transfer. The remaining defined contribution assets were transferred from Scottish Widows Limited to the Legal & General WorkSave Mastertrust, effective in December 2023, also with consultation with Mercer as the Investment Consultant.

- The current default arrangement continues to meet the needs of the vast majority of members, and is cost effective for members. The investment strategy review was discussed at the May 2022 IC meeting and the Trustee decided to maintain the current default investment arrangements, both for the growth phase and at retirement, remaining consistent with the policy in the SIP.
- The MWS annual review of the Mercer Funds and lifestyle structures were discussed at both the May 2022 IC and November 2022 Trustee meetings in the previous Plan year. Some underlying changes were made to the glidepath of the Mercer SmartPath targeting drawdown and the long-term strategic asset allocation of the MWS multi-asset funds as detailed below:
 - a. Drawdown glidepath (used within the default investment strategy) – The glidepath allocation changed to target 90% Mercer Diversified Retirement and 10% Mercer Cash Retirement at retirement, compared to the previous 75% Mercer Diversified Retirement and 25% Mercer Cash Retirement target. This change was implemented to the Target Drawdown funds that will mature from 2026 onwards. This change was implemented over Q1 2023.
Mercer Growth fund (used within the default investment strategy) - the exposure to credit, multi-factor and low volatility equity was reduced, while the allocation to inflation sensitive assets increased. Additionally, within the defensive asset allocation, a small allocation to cash, global index linked government bonds and gold was added to the fund.
 - b. Mercer Diversified Retirement Fund (used within the default investment strategy) - the multifactor equity allocation was removed and reallocated to low volatility and sustainable global equity with a small reduction in the overall equity allocation. Credit exposure was reduced and replaced with a higher allocation in cash and bonds. The allocation to inflation sensitive assets was increased.
- The Delegated Investment Manager confirmed that all changes were made with the consideration of the risk-adjusted returns.
- As part of the self-select fund range the Trustee considers the spread of assets across both growth and defensive assets. The range offers options across the risk and return spectrum, allowing members to build their own diversified portfolio should they choose to.
- The Trustee monitors the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each Investment Committee meeting.

Regulatory Requirements covered:

- *Kinds of investments to be held*
- *The balance between different kinds of investments*

Evidence:

- *Triennial Investment Strategy Review (discussed at the 18 May 2022 IC meeting)*
- *2022 MWS Investment Strategy Review, (discussed at the 18 May 2022 IC meeting and the 18 November 2022nTrustee meeting)*

- *MWS Quarterly Investment Reports and Quarterly Monitoring Reports provided to the Trustee (Discussed at 21 March 2023 Trustee meeting, 27 June 2023 Trustee meeting, 3 October 2023 Trustee meeting, 7 December 2023 Trustee meeting).*
- *The Q2 Performance Dashboard provided to the Trustee (Discussed at 3 October 2023 Trustee meeting).*

Risk Management (Section 3)

- Mercer has continued to act under its delegated authority to manage the Plan's assets with the major risks in mind as detailed in the SIP policy for all decisions taken on the Trustee's behalf. These include but are not limited to diversification of assets, manager specific risk, liquidity, currency risk and ESG factors. Mercer provides regular reporting to the Trustee on performance and risk, the quarterly report is reviewed by the Trustee or members of the Investment Committee at regular meetings.
- The Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.
- All monitoring activity detailed in the SIP was undertaken, and there were no issues to report back.

Regulatory Requirements covered:

- *Risks, including the ways in which risks are to be measured and managed.*

Evidence:

- *The Quarterly Investment Reports provided to the Trustee report the volatility of the Growth portfolio and compares its risk characteristics to a pure equity market portfolio. The Investment Reports also cover performance and characteristics of the underlying asset managers.*

Default Investment Option (Section 5) and Additional Default Arrangements (Section 6)

- The performance of the growth phase of the lifestyle strategies (including the main default investment strategies) is reviewed against inflation and also against equity volatility. The de-risking phase of the drawdown lifestyle is reviewed against inflation as a means of assessing the impact relative to member buying power.
- The Mercer performance report includes changes to the Mercer manager research rating. Highly rated active managers are considered to have an above average prospect of outperformance.
- The selection, appointment, removal and monitoring of the underlying investment managers is the responsibility of the Delegated Investment Manager.

As noted in the sections above the MPS default investment option was subject to its formal triennial review during the previous Plan year. The investments (fund type, management style and asset allocations) used in the Default Investment Strategy as well as in the Additional Default Arrangements were reviewed as part of this exercise, being concluded that the current arrangements continue to meet the needs of the vast majority of members, is cost effective for members, and has delivered good long-term performance.

- As also noted above the 2022 MWS annual review of the Mercer Funds and lifestyle structures resulted in some underlying changes made to the glidepath of the Mercer SmartPath targeting drawdown and the long-term strategic asset allocation of the MWS multi-asset funds. These changes were implemented during the Plan year-end end to 30 September 2023.

Regulatory Requirements covered:

- *Expected return on investments*

Evidence:

- *2022 MWS Investment Strategy Review, (discussed at the 18 May 2022 IC meeting and the 18 November 2022 Trustee meeting)*
- *MWS Quarterly Investment Reports and Quarterly Monitoring Reports provided to the Trustee (Discussed at 21 March 2023 Trustee meeting, 27 June 2023 Trustee meeting, 3 October 2023 Trustee meeting, 7 December 2023 Trustee meeting).*

Realisation of Investments (Section 8)

- All funds, including those in the default strategy, are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets.
- Where pooled investment arrangements do not invest assets in regulated markets these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustee demand.

Regulatory Requirements covered:

- *Realisation of investments*
- *Evidence: Quarterly reporting provided to the E&Y UK Independence Team to determine whether the underlying investments in the Plan remain independent and whether there is any reason for assets to be realised.*

Environmental, Social, Governance (“ESG”), Stewardship and Climate Change considerations (Section 9) is covered in Section 3 of this Statement.

- Member views have not explicitly been taken into account with regards to non-financial matters in the selection, retention and realisation of investments.
- The Trustee wishes to encourage best practice in terms of corporate activism. It therefore encourages the investment managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes.
- Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers.

Regulatory Requirements covered:

- *The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.*
- *Monitor and engage with Investment managers on engagement activities such as, exercising voting rights, stewardship obligations and climate change considerations attached to the investments in line with the Trustee's own corporate governance policies and current best practice.*

Evidence:

- *ESG considerations were discussed in the "Investment Update" presentations at Trustee meetings over the Plan Year.*
- *MWS Quarterly Investment Reports covering performance and characteristics of the underlying asset managers, including detailed ESG metrics by strategy.*
- *In the previous Plan year, the 2022 MPS Triennial Investment Strategy review was discussed at the 18 May 2022 IC meeting with the MWS Investment Strategy review being discussed at the 18 November 2022 Trustee meeting. Both of these included specific discussions around ESG integration and in particular the targets for the MWS funds part of the default strategy.*

Arrangements with Asset Managers (Section 10)

- *In the year to 30 September 2023, the Trustee has discussed their continued appointment of the investment managers and are confident that the contractual arrangement in place continues to incentivise the manager to make decisions based on medium to long term financial and nonfinancial performance.*
- *The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons.*
- *The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for member assessment to ensure they continue to represent value for members.*

Regulatory Requirements covered:

- *How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies*
- *How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.*
- *How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies.*

Evidence:

- *MWS Quarterly Investment Reports provided to the Trustee (Discussed at 21 March 2023 Trustee meeting, 27 June 2023 Trustee meeting, 3 October 2023 Trustee meeting, 7 December 2023 Trustee meeting).*
- *2023 Annual Value for Members assessment dated February 2024.*

5. Voting Activity.

The Trustee has delegated their voting rights to the investment managers (either the Delegated Investment Manager or externally appointed managers). The Trustee does not use the direct services of a proxy voter. All voting rights are exercised by the Plan's investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Following the Department for Work and Pensions' (DWP's) consultation response and outcome regarding Implementation Statements on 17 June 2022 updated guidance was produced which is effective for all scheme year ends on or after 1 October 2022.

The updated guidance requires the Trustee to include a description of what they believe to be a significant vote within the Implementation Statement. The voting information should also include details explaining why each vote has been categorised as most significant, what the vote was, and why the manager voted in the way it did. The Trustee agreed the below areas of focus for the Plan:

1. The proposal topic relates to an Engagement Priority (climate change, human/labour rights, and diversity). This is classified in the "Priority Theme" column below.
2. The *most* significant proposals reported below relate to the relevant companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies managed by the Delegated Investment Manager for the **MPS** and **FSS**. The Trustee, with support from their investment adviser, will continue to request voting activity data from the externally appointed managers and update this section of the implementation statement as required.

Fund	Investment Manager	Scheme Section	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what %		
					did you vote with management?	did you vote against management?	did you abstain from voting?
Mercer Passive UK Equity	Blackrock	MPS	6,859	99.0%	79.0%	20.0%	0.0%
Mercer Passive Overseas (Hedged) Equity	Blackrock	MPS	27,382	92.0%	93.0%	6.0%	0.0%
Mercer Passive Overseas Equity	Blackrock	MPS	18,715	99.0%	80.0%	19.0%	0.0%

Mercer Shariah Fund	HSBC	MPS	1,677	94.0%	76.0%	23.0%	0.0%
Mercer Active UK Equity	MGIE	MPS, FSS	2,094	100.0%	98.2%	1.6%	0.2%
Mercer Active Global Equity	MGIE	MPS	7,447	99.9%	90.2%	9.2%	0.6%
Mercer Diversified Growth Fund	MGIE	MPS	117,727	99.6%	82.7%	16.5%	0.7%
Mercer Active Emerging Markets Equity	MGIE	MPS, FSS	4,131	95.0%	81.0%	13.0%	4.0%
Mercer Sustainable Global Equity	MGIE	MPS, FSS	6,430	98.0%	85.0%	11.0%	0.0%
Mercer Diversified Retirement Fund ¹	MGIE	MPS	67,329	99.4%	81.5%	17.5%	1.1%
Mercer Growth ¹	MGIE	MPS	117,727	99.6%	82.7%	16.5%	0.7%
Mercer Moderate Growth ¹	MGIE	MPS	114,479	99.6%	82.7%	16.6%	0.7%
Mercer Defensive ¹	MGIE	MPS	36,777	99.9%	82.4%	16.2%	1.4%
Mercer High Growth ¹	MGIE	MPS	117,727	99.6%	82.7%	16.5%	0.7%
Mercer Passive Fundamental Indexation Global Equity	MGIE	FSS	3,262	99.0%	83.0%	13.0%	0.0%
Mercer Passive Global REITs	MGIE	FSS	3,218	95.0%	74.0%	19.0%	0.0%
Mercer Active Low Volatility Fund	MGIE	FSS	8,161	94.0%	84.0%	7.0%	0.0%
Mercer Active Small Cap Equity	MGIE	FSS	6,358	95.0%	85.0%	7.0%	1.0%
Mercer Active Global Listed Infrastructure	MGIE	FSS	706	95.0%	76.0%	9.0%	3.0%
Mercer Active Eurozone Equity	MGIE	FSS	4,333	97.4%	84.0%	13.0%	1.0%

Examples of Significant Votes

[BlackRock's process for deciding how to vote](#)

BlackRock Investment Stewardship (“BIS”) team prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the

¹ The voting data for the 12-month period to reporting period, for multi-asset funds is an aggregate of the underlying equity funds used for SAA. Source: Investment managers, data may not sum due to rounding.

companies in which BlackRock invests on behalf of their clients. BlackRock year-round engagements with clients to understand their focus areas and expectations, as well as BlackRock's active participation in market-wide policy debates, help inform these priorities. The themes identified are reflected in the Global Principles, market-specific voting guidelines and engagement priorities, which underpin their stewardship activities and form the benchmark against which the sustainable long-term financial performance of investee companies is looked at.

Significant votes undertaken by BlackRock for the 12 months to 30 September 2023 were provided for the Mercer Passive UK Equity, Mercer Passive Overseas (Hedged) Equity and Mercer Passive Overseas Equity, for which we show a sample of the most significant votes.

Due to BlackRock not disclosing company level holdings information, 'most significant votes' were classed as the most relevant votes, selected subjectively, from a wide range of votes cast by the manager, to best match the engagement priorities of the Trustee.

Mercer Global Investments Europe Limited ("MGIE")

MGIE determine significant votes based on its Engagement Priorities, as set out in the Beliefs, Materiality and Impact (BMI) Framework in the MGIE Sustainable Investment Policy, which is available at: <https://investment-solutions.mercer.com/europe/uk/en/our-funds/responsible-investment.html>

The significant votes outlined below are votes relating to shareholder resolutions and are deemed significant based on 1) the holding's size within the Mercer funds and 2) the alignment of the vote with MGIE engagement priority themes and topics set by the Mercer ISE. In particular, Climate Change, Diversity and Human and Labour Rights are the current focus areas in engagements with subinvestment managers.

Significant votes undertaken by MGIE for the 12 months to 30 September 2023 were provided, for which we show a sample of the most significant votes. When funds share the same largest holdings, we have selected the subsequent largest holding.

MPS

Fund	Manager	Company	Size of Holding (%)	Date of Vote	Trustee Priority Theme	How manager voted	Summary of Resolution	Outcome	Rationale for the voting decision
Mercer Passive UK Equity	BlackRock	Shell Plc	n/a	23-May-23	Climate Change	For	Approve the Shell Energy Transition Progress	Fail	The manager supported this proposal in recognition of the delivery to date against the Company's Energy Transition Strategy.
Mercer Passive Overseas (Hedged) Equity	BlackRock	Yum! Brands, Inc.	n/a	18-May-23	Human / Labour Rights	Against	Report on Civil Rights and Non-Discrimination Audit	Withdrawn	The manager does not consider this to be in the best interest of shareholders, as Yum!'s existing disclosures already provide sufficient transparency on the company's practices.
Mercer Passive Overseas Equity	BlackRock	Chevron Corporation	n/a	31-May-23	Climate Change	Against	Report on Social Impact From Plant Closure or Energy Transition	Fail	The manager believes that the Company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.
Mercer Growth	MGIE	Apple Inc.	0.56	10-Mar-23	Diversity	For	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Fail	The manager expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.
Mercer Diversified Growth Fund	MGIE	Microsoft Corporation	0.36	13-Dec-22	Human / Labour Rights	For	Shareholder Proposal Regarding Report on Hiring Practices	Fail	The manager felt a vote against this resolution was warranted, as the Company has implemented the main requests of the Fair Chance Business Pledge and is disclosing sufficient information for shareholders to be able to assess the impact of its various diversity and inclusion initiatives.
Mercer Defensive	MGIE	Microsoft Corporation	0.10	13-Dec-22	Climate Change	Against	Shareholder Proposal Regarding Managing Climate Risk in Employee Retirement Options	Fail	The manager noted that the company offers an option to employees that want to invest more responsibly, and that the Department of Labour is finalising rules on how ESG factors should be considered by fiduciaries.
Mercer Moderate Growth	MGIE	Samsung SDI	0.12	15-Mar-23	Diversity	Against	Management Proposal Regarding Election of Inside Director	Pass	The manager believes that, in order to fulfil its duties effectively, a board of directors should have independent leadership. This is because the role of the Board Chair is fundamental to the effectiveness of the board and should be undertaken by an independent nonexecutive director.
Mercer High Growth	MGIE	Fedex Corp	0.11	21-Sep-23	Human / Labour Rights	For	Shareholder Proposal Regarding Paid Sick Leave	Fail	The manager voted in favour of this proposal, and are supportive of the company putting policies in place and making them more publicly accessible to stakeholders and investors seeking to assess key social issues in companies
Mercer Shariah	MGIE	Linde Plc	1.00	24-July-23	Diversity	Against	Elect Director Jose Kaeser	Pass	The manager voted against the nominee as they have concerns about the insufficient gender diversity of the board.

FSS

Fund	Manager	Company	Date of Vote	Trustee Priority Theme	How manager voted	Summary of Resolution	Rationale for the voting decision
Mercer Active UK Equity	MGIE	BP plc	27-Apr-23	Climate Change	Against	Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions	Manager voted against as there were concerns that shareholder-mandated revisions of the company's Scope 3 emissions reduction targets would not be in the best interest of shareholders.
		Legal & General Group plc	18-May-23		For	Approval of Climate Transition Plan	The Company has adopted a net zero ambition and has set reduction targets for its Scope 1, 2, and 3 emissions. The Company also provides reporting aligned with the TCFD, information concerning its scenario analysis, and has received third-party assurance on its GHG emissions. Overall, we believe its disclosure is sufficient to allow shareholders to understand and evaluate how the Company intends, at this time, to meet its climate objectives

		Shell plc	23-May-23		For	Approval of Energy Transition Progress	Given the totality of circumstances, including the recent energy crisis, the manager acknowledge the potential of utilizing this proposal to express concerns about the ambition of the Company's climate plan, such as its lack of absolute Scope 3 targets. However, on balance, particularly in consideration of the Company's engagement with shareholders on this matter and its robust disclosures, the manager did not believe it was warranted to oppose this proposal.
			25-May-23		Against	Shareholder Proposal Regarding Scope	Given the Company's existing GHG reduction goals, and its extensive disclosure on the steps it is taking to mitigate its environmental impact, the manager did not believe that
Mercer Sustainable Global Equity	MGIE	American Water Works Co. Inc.	10-May-23	Human Rights / Labour Rights	For	Shareholder Proposal Regarding Racial Equity Audit	Managers who voted FOR this proposal were supportive of the Company disclosing medium- and long-term GHG targets aligned with the Paris Agreement.
					Against		Managers who voted against felt this proposal did not merit support as the company's disclosure and/or practices pertaining to the item are already reasonable.)
		Microsoft Corporation	13-Dec-22	Social	For	Shareholder Proposal Regarding Report on Hiring Practices	Managers who voted FOR this proposal were supportive of seeing this issue further addressed in the company's forthcoming racial equity audit (results due in 2023).
		Schneider Electric SE	04-May-23	Environmental	For	Opinion on Climate Strategy Strategy	Managers voted to approve the company's climate strategy, however it was noted that there was room for improvement, particularly with regards to the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Mercer Passive Fundamental Indexation Global Equity	MGIE	Apple Inc	10-Mar-23	Governance	For	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Manager's policy dictates they will support proposals that seek the disclosure of the median pay gap
		Microsoft Corporation	13-Dec-22	Social	Against	Shareholder Proposal Regarding Report on Hiring Practices	Manager did not support this proposal as they felt the company provides existing reporting covering the majority of the information requested
		Fedex Corp	21-Sep-23	Environmental	For	Shareholder Proposal Regarding Paid Sick Leave	The manager voted in favour of this proposal, and are supportive of the company putting policies in place and making them more publicly accessible to stakeholders and investors seeking to assess key social issues in companies
					For	Shareholder Proposal Regarding Just Transition Reporting	While the company is making good progress (for example the new electric vehicle fleet and its long term effect on GHG emissions), the manager supported this proposal as they felt it would further enable shareholders to determine the strength of company policy, strategy and actions in regards to climate change
			For	Shareholder Proposal Regarding Report on Climate Risk In Employee Retirement Default Options	The manager supported this proposal, given the information requested in the report would allow plan members and shareholders to better evaluate the company's strategies and management of related risks		
Mercer Active Low Volatility Fund	MGIE	Alphabet Inc.	02-Jun-23	Social	For	Shareholder Proposal Regarding Human Rights Impact Assessment	Managers who voted FOR this proposal were supportive, as additional reporting on the company's direct and indirect lobbying practices, policies, and expenditures would benefit shareholders in assessing its management of related risks

				Environmental	Against	Shareholder Proposal Regarding Lobbying Activity Alignment with Climate Commitments and the Paris Agreement	The manager who voted against felt this proposal did not merit support as the company's disclosures pertaining to the item are already reasonable
		Microsoft Corporation	13-Dec-22	Social	Against	Shareholder Proposal Regarding Report on Board Diversity	Managers voted against this resolution, noting that the company has implemented the main requests of the Fair Chance Business Pledge and is disclosing sufficient information for shareholders to be able to assess the impact of its various diversity and inclusion initiatives
		Unitedhealth Group Inc	05-Jun-23	Governance	Against	Shareholder Proposal Regarding Racial Equity Audit	Managers voted against this proposal, noting the company has taken positive steps towards racial equity. One manager also noted they have been engaging with the company on environmental topics, and raised this as part of their discussions around the company's strategy
Mercer Active Small Cap Equity	MGIE	Denny's Corp	17-May-23	Social	Against	Shareholder Proposal Regarding Paid Sick Leave	The manager voted against this proposal, supportive of company management's argument that due to its highly franchised business model, the Company's direct control over the compensation and benefits arrangements is limited to the team members employed in its 66 Company-operated
							restaurants and corporate support functions, and that dictating employment practices could expose the Company to greater liability
		Bloomin' Brands	18-Apr-23	Environmental	For	Shareholder Proposal Regarding GHG Targets and Alignment with Paris Agreement	The manager supported this proposal, as setting GHG emissions targets will help the company manage climate change- and deforestation-related risks
		Texas Roadhouse Inc	11-May-23			Shareholder Proposal Regarding GHG Targets and Alignment with the Paris Agreement	The manager supported this proposal, as setting GHG emissions targets will help the company manage climate change- and deforestation-related risks
Mercer Active Global Listed Infrastructure	MGIE	Duke Energy Corp.	04-May-23	Environmental	Against	Shareholder Proposal Regarding Formation of Decarbonization Risk Committee	The manager voted in line with their policy as the Board has oversight of decarbonisation as well as other sustainability considerations. The manager believes that it is for the Board and management to decide whether a separate division is necessary, or whether the current structure is sufficient to address these risks
		Southern Company	24-May-23			Shareholder Proposal Regarding Report on Net Zero 2050 Goal Progress	The manager did not support this proposal as they did not feel that there was a need to produce an additional report. The data required for this report could already be found in a number of existing Southern Company disclosure
		Union Pacific Corp.	18-May-23			Social	Shareholder Proposal Regarding Paid Sick Leave
Mercer Passive Global REITS UCITS CCF	MGIE	Digital Realty Trust Inc	08-Jun-23	Governance	For	Shareholder Proposal Regarding Concealment Clauses	A vote in favour is applied as the manager supports proposals related to improvement in information available in respect of diversity and inclusion policies as the manager considers these issues to be a material risk to companies. In addition, in June 2022, 45.59% percent of Digital Realty's investors supported the request of this resolution. Since this high vote, the company has not released any additional information on its use of concealment clauses, nor has it agreed to a conversation with the resolution's proponents
		Klepierre	11-May-23	Environmental		Opinion on Climate Ambitions and Objectives	The manager supported this item, given the company's sufficient disclosures and commitments. The company has committed to a net-zero carbon portfolio by 2030 and its carbon reduction targets for Scopes 1 and 2 emissions, and Scope 3 for downstream leased assets was validated by the SBTi as aligned with a 1.5°C scenario
		Public Storage	02-May-23			Shareholder Proposal Regarding GHG Targets and Alignment with Paris Agreement	A vote in favour is applied as the manager expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.)
MGI Eurozone Equity Fund	MGIE	BP plc	27-Apr-23	Environmental	Against	Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions	Given the Company's existing targets and disclosures, as well as the complexity and uncertainty in setting these targets, managers did not support this proposal

		Engie	26-Apr-23		Shareholder Proposal Regarding Annual Say on Climate and Climate Disclosure	The manager voted for the proposed amendments as they would favour additional information of shareholders without infringing on the Board's prerogatives. Despite this, the manager noted concerns raised by investors regarding the debate surrounding the use of a bylaw amendment to support the requested additional disclosure and votes on the company's climate strategy
		TotalEnergies SE	25-May-23	For	Opinion on 2023 Sustainability and Climate Progress Report	Managers supported this proposal, noting the company had made sufficient progress over the year and were responsive to engagement efforts from investors. While they felt there was still room for improvements in some areas, they were satisfied that the company committed to reduce by 30 percent scope 3 GHG emissions from oil production by 2030 and committed to disclose absolute targets for GHG emissions covering all activities as well as further information regarding their environmental impact
	26-May-23		For	Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement	The manager who voted FOR this proposal noted its adoption would help to strengthen the company's efforts to reduce its carbon footprint and align its Scope 3 emission targets with Paris Agreement goals and would allow investors to better understand how the company is managing both its transition to a low carbon economy and its climate change-related risks	
			Against		The manager that voted against felt this proposal did not merit support as they were satisfied with the existing progress and disclosures put forward by the company in its climate progress report	

DRAFT

Vote execution

- Vote execution across managers was positive, with the majority of funds submitting over 90% of available votes. Where votes have not been cast, some managers have been able to provide a rationale. This may be due to power of attorney requirements, share blocking, or market-specific barriers or restrictions.
- “Mixed” refers to occasions where underlying managers have voted differently for the same proposal. Vote decisions of this nature are monitored and fed into the wider engagement process with managers. In this case, three managers voted “For” and two managers voted “Against” the proposal.

Engagement

- The results on engagement activities has been relatively consistent and the Delegated Investment Manager noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- The Delegated Investment Manager found that there is still room for improvement on engagement from quant managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. The Delegated Investment Manager also noted an improvement from a number of quant managers in this regard since the previous review.