DS Smith Group Pension Scheme (“the Scheme”)

Annual Implementation Statement for the Year Ended 30 April 2023

1. INTRODUCTION

This Implementation Statement (the “Statement”) sets out the Trustee’s assessment of how, and the extent to which, it has followed its Statement of Investment Principles (“SIP”), including its engagement policy and its policy with regard to the exercise of rights (including voting rights) attaching to the Scheme’s investments during the one-year period to 30 April 2023 (the “Scheme Year”). The Trustee’s policies are set out in their Statement of Investment Principles (“SIP”) which is available online and this statement should be read in conjunction with the SIP. The SIP was updated in September 2022.

This Statement has been produced in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018* and the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* along with guidance published by the Pensions Regulator.

The Trustee invests the Defined Benefit (DB) assets of the Scheme in a fiduciary arrangement with Mercer Limited (“Mercer”). Under this arrangement Mercer are appointed to provide consulting services, discretionary investment manager services and day-today management of the Scheme’s assets by investment in a range of specialist pooled funds (the “Mercer Funds”). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited (“MGIE”) and Mercer Alternatives (Luxembourg) S.à r.l. (PIP VI). MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund’s assets. The Trustee has also appointed an external investment consultant, Barnett Waddingham, to provide ongoing oversight and advice around Mercer’s role as the Fiduciary Manager.

The Trustee invests the Defined Contribution (DC) and Additional Voluntary Contribution (“AVC”) assets with Utmost Life and Pensions and Scottish Friendly Assurance Society who are also responsible for appointing the third party managers.

The publicly available Sustainability Policy sets out how Mercer addresses sustainability risks and opportunities and considers Environmental, Social and Corporate Governance (ESG) factors in decision making across the investment process. The Stewardship Policy provides more detail on Mercer’s beliefs and implementation on stewardship specifically. Under these arrangements, the Trustee accepts that where multi-client funds are used they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds. However, the Scheme does use a bespoke multi-asset fund and the Trustee has made Mercer aware that they expect Mercer to manage its assets in a manner, as far as is practicably possible, that is consistent with the Trustee’s engagement policy and their policy with regard to the exercising of rights attaching to the Scheme’s investments. The Trustee reviews regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented.

Section 2 of this Statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the Scheme Year.

Sections 3 to 6 of this Statement also sets out how, and the extent to which, the policies in the Trustee’s SIP for the Scheme have been followed.

Sections 7 and 8 include information on the engagement and key voting activities of the underlying asset managers within the Scheme.

Taking the analysis included in Sections 2 to 8 together, it is the Trustee's belief that their policies in the SIP have been successfully followed during the Scheme Year.

2. STATEMENT OF INVESTMENT PRINCIPLES

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives it has set.

DB Assets

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. To guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustee has considered its objectives and adopted the following objectives:

- The need to protect the security of members' accrued rights
- The desire to control the costs of benefits by preserving the Scheme's wealth
- A desire to limit volatility in the contribution rate as a result of any failure of the investment strategy
- To target the Scheme being fully funded on a gilts +0.25% p.a. funding basis (the "lower risk basis") by 2035. In conjunction with the 30 April 2022 Actuarial Valuation the Trustee is considering making a change to this target to reflect the change in the Long Term Funding Target agreed as part of the Valuation.

The SIP was updated in September 2022, but there was no change in the Trustee's overarching DB investment objectives.

DC Assets and AVCs

The Trustee's primary objective is to act in the best interest of its members and ensure that the members have a suitable range of funds available for investment. The investment profile of the funds available should be consistent with the needs of the members and are reviewed on a regular basis. The addition of dedicated DC references in the SIP was made in September 2022.

Assessment of how the Trustee's policies in the SIP have been followed during the Scheme Year

In summary, it is the Trustee's view that the policies in the SIP (which was in place during the Scheme Year) have been followed during the Scheme Year.

3. INVESTMENT MANDATES

Realisation of investments

DB Assets

Policy

The Trustee's policy is that there should be sufficient liquidity within the Scheme's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Scheme's overall investment policy. Further details are set out in the following sections of the SIP:

- Realisation of Investments (SIP Section 6)
- Cash Flow Management and Rebalancing (SIP Section 7)

How has this policy been met over the Scheme Year?

The majority of the Scheme's assets are invested in daily-dealt pooled fund investment arrangements many of which distribute cashflows on a regular basis. 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's demand.

Where more illiquid assets are used, their size is carefully considered as a proportion of total assets. The Trustee continues to delegate responsibility for the monitoring and rebalancing of the Scheme's asset allocation to Mercer. Where investments or disinvestments were arranged during the year, the policies stipulated within the relevant appointment documentation have been followed.

DC Assets and AVC Assets

The majority of the assets are invested in daily dealt funds (with the exception of the With-Profit policies) which can also be realised easily if required by a member.

4. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Financial and non-financial material considerations and how those considerations are taken into account in the selection, retention and realisation of investments

DB Assets Policy Summary

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('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.

In order to establish the Trustee's beliefs and produce the policy in the SIP, the Trustee has previously undertaken training provided by its investment consultant, Mercer, on responsible investment which covered ESG factors, stewardship, climate change and the approach taken by Mercer. These beliefs were re-confirmed during the year as the Trustee received training on climate change risks including scenario analysis in preparation for the Task Force on Climate-Related Financial Disclosures (TCFD) that it will need to make in 2023 and also carried out a Responsible Investment Total Evaluation (RITE) in late 2022. In practice, a formal documented review of Mercer's approach to sustainability is undertaken at least annually.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer, MGIE and Mercer Alternatives (Luxembourg) S.à r.l. make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship.

The Trustee is willing to hear from the members on their views on the selection, retention and realisation of investments from an ESG and climate change perspective.

Over the year the Section's equity investments (which included a sustainability-themed global equity fund) changed from a physical basis to a synthetic basis (via equity futures on various regional equity markets) as part of implementing improvements to the Scheme's collateral management framework and its efficiency, with respect to the Scheme's risk-reducing liability hedging strategy. Whilst beneficial to collateral management, the change however allows the Trustee to exercise less control over the equity managers from a stewardship perspective (such as voting and engagement) as synthetic equity exposure does not provide any associated equity shareholder voting rights. Given the limited size of the allocation and the likely future de-risking which will involve selling this asset, the Trustee see this as suitable.

Towards the end of the year, a large bespoke corporate bond mandate was transferred to a new investment manager. This change served multiple purposes, one of which was that the mandate explicitly integrates ESG and sustainability-related considerations, investment restrictions and targets, such as the aim of achieving "net zero" by 2050, as part of the Scheme's wider ESG considerations.

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the Scheme Year.

Policy Updates

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, provide reporting to the Trustee on a regular basis.

The Mercer Sustainability Policy is reviewed regularly.. In August 2022 the policy was updated to reflect enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.

In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Stewardship Policy to specifically address the requirements of the directive. This Policy was also updated in August 2022 to reflect enhancements made to Mercer's stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a Client engagement survey.

UN Principles of Responsible Investing scores for 2021 (based on 2020 activity) were issued over Q3 2022. Mercer were awarded top marks for overarching Investment and Stewardship Policy section, underpinned by strong individual asset class results.

Climate Change Reporting and Carbon Foot-printing

Mercer and the Trustee believe climate change poses a systemic risk and recognise that limiting global average temperature increases this century to "well below two degrees Celsius", as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. To achieve this, Mercer plans across its fund range to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. This decision was supported by insights gained from Mercer's Investing in a Time of Climate Change (2015 and 2019) reports, Mercer's Analytics for Climate Transition (ACT) tool and advice framework, and through undertaking climate scenario analysis and stress testing modelling.

Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's TCFD, including the Mercer Investment Solutions Europe - Investment Approach to Climate Change 2022 Status Report. The Trustee is in the process of setting its own climate reduction target and this will be included in the inaugural TCFD report.

Mercer have during the year undertaken climate scenario modelling and stress testing on the Scheme's assets, in line with the TCFD recommendations. The Trustee, through carbon footprinting, has already considered at a high level the exposure.

ESG Rating Review

Where available, ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee. 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 and compares the Mercer funds overall ESG rating with the appropriate universe of strategies in Mercer's Global Investment Manager Database (GIMD). Engagements are prioritised with managers where their strategy's ESG rating is behind that of their peer universe.

As at 31 December 2022, in the Annual Sustainability Report provided by Mercer, the Trustee noted over 20% of Mercer's funds have seen an improved ESG rating over the year and the vast majority have a rating ahead of the wider universe. Due to the nature of certain strategies, they do not have an ESG rating (i.e. are N rated) and are therefore excluded from this review.

Approach to Exclusions

As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.

Controversial weapons are excluded from active equity and fixed income funds, and passive equity funds. In addition tobacco companies (based on revenue) are excluded from active equity and fixed income funds. The Mercer sustainability-themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.

Mercer expanded exclusions to further promote environmental and social characteristics across the majority of the multi-client building block funds over the second half of 2022, in line with EU SFDR Article 8 classification, as well as aligning Mercer's existing active and passive exclusions across their fund range.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.

The Trustee has considered but not set any of its own specific investment restrictions to particular products or activities for ESG reasons, but will continue to keep this under review. However, it is supportive of Mercer's decision to exclude any holdings in controversial weapons and tobacco from the Mercer Funds and of Mercer taking responsibility in this area.

Sustainability-themed investments

An allocation to the Private Market Partners VI Sustainable Opportunities Fund is directly made by the Scheme.

Diversity

From 31 December 2020, gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.

Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 31 December 2022, 36% of the Key Decision Makers (KDM's) within Mercer IS team are non-male, and Mercer's long term target is 50%.

Within the Fixed Income universe the average fund has 8% non-male KDM's and within the EMEA Active Equity universe the average is 12%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead at 9% and 13%.

In Q3 2022 MGIE was confirmed as a signatory of the UK Chapter of the 30% Club.

Within the DC and AVC assets, the assets are invested with underlying managers which are selected by Utmost and Scottish Friendly, ESG is a consideration which is taken into account in their selection of the managers.

5. MONITORING THE INVESTMENT MANAGERS

DB Policy

The Trustee's policy for the DB Section managers is set out in Section 12 of the SIP.

How has this policy been met over the Scheme Year?

The Trustee receives regular reports and information from Mercer on their monitoring and the managers' compliance. This includes but is not limited to Mercer's Manager Research ESG ratings for the underlying investment managers, analysis of the carbon footprint and voting and engagement activity.

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

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. The Quarterly Strategy Report, is reviewed by the Trustee on a quarterly basis and includes the Scheme's funding level progression. The Trustee also uses Barnet Waddingham on a quarterly basis to assist it with reviewing Mercer's alignment with the Trustee's policies. The underlying investment managers are set specific targets which are designed to collectively ensure the Scheme is on track for its de-risking framework. If managers are not performing as intended they will be replaced.

The duration of the arrangements with asset managers

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Mercer has been appointed as a fiduciary management partner to assist the Trustee in achieving the Scheme's long-term objectives. In that role, there is an expectation of a longer-term relationship until the journey is completed. This will be reviewed periodically. The Trustee employs a third party evaluator (Barnett Waddingham) to review Mercer's capacity to deliver the service it was appointed to, on a quarterly basis.

Evaluation of asset managers' performance and remuneration for asset management services

The quarterly reports and ad-hoc investment updates were reviewed by the Trustee and discussed at investment committee meetings. The reports include financial metrics and Mercer Manager Research Ratings for the underlying asset managers that comprise the Mercer Funds over the medium and longer term. The Mercer Research Rating includes a Manager Rating which indicates Mercer's view on the likelihood of a manager to achieve their performance objective and an ESG Rating which gives an indication of the extent to which ESG considerations are incorporated into the managers' investment process. Where underlying asset managers are not meeting expectations, Mercer is expected to engage with these managers. This has led to changes to the underlying asset managers within the Mercer funds over the year. Over the year, the Trustee has continued to receive reporting from Mercer on the underlying asset managers and their continued suitability. Furthermore, the Trustee relies on Mercer to renegotiate underlying asset manager fees on new and existing appointments.

Monitoring portfolio turnover costs

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs incurred by the Scheme. Investment manager performance is reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers are incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

Mercer provide ongoing oversight of all underlying asset managers and will ensure the asset managers' continued appropriateness. As such there is no set duration for manager appointments.

The Trustee also receives from Mercer and reviews the annual MiFID II cost & charges statement and CMA cost and charges statements which provides the detail of costs incurred by the Scheme's assets including the transaction costs.

DC & AVC Assets Policy

The underlying investment managers within the DC and AVC assets are monitored by Scottish Friendly and Utmost. The Trustee then receives advice from Mercer on an ad-hoc basis reviewing Scottish Friendly and Utmost.

6. STRATEGIC ASSET ALLOCATION

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments

DB Assets

Policy

The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Roles and Responsibilities (SIP Section 2)
- Investment Objectives (SIP Section 3)

Further granular detail can be found in the Investment Policy Implementation Document (IPID) to the SIP.

How has this policy been met over the Scheme Year?

The Trustee has decided to delegate the implementation of the desired investment strategy to Mercer, with pre-agreed funding level de-risking triggers agreed which prompt action being taken by Mercer to progressively de-risk the Scheme's investment strategy.

The Trustee considers the way in which investment risk should be reduced and have delegated the monitoring of the de-risking triggers to Mercer who review the funding level on a daily basis. During the year, the Scheme has made continued progress against its long-term objective of being fully funded on a gilts + 0.25% p.a. basis by 2035. Mercer constructs portfolios of investments that are expected to maximise the return (net of all costs) given the targeted level of risk and the investment objectives over the lifetime of the Scheme.

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

Policy

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under Section 5 (Policy on Risk) of the SIP.

How has this policy been met over the Scheme Year?

As detailed in Section 5 of the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies and evaluating Mercer's actions relating to the strategic asset allocation, dynamic asset allocation and choice of sub-investment managers and asset classes.

The strategy report is reviewed by the Trustee on a quarterly basis – this includes the overall funding level risk and as appropriate comments on the other risks to which the Scheme is exposed. The annual reviews of the investment strategy provides 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 Scheme – which is a primary measure for assessing the mismatch between the Scheme's assets and liabilities and the Company's ability to support it.

DC & AVC Assets

The Trustee makes available a range of funds for the DC and AVC benefits which are reviewed to ensure they are suitable.

7. VOTING AND ENGAGEMENT DISCLOSURES

The Trustee's investments take the form of shares or units in the Mercer Funds, for the main DB assets and funds with Utmost Life and Scottish Friendly for the DC & AVC assets.

Within these funds, any voting rights that do apply with respect to the underlying investments are, ultimately, delegated to the third party investment managers appointed by Mercer, Scottish Friendly and Utmost. Mercer's view is that the managers have more detailed knowledge of both the governance and the operations of the investee companies and has therefore enables managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustee does not use the direct services of a proxy voter, but the underlying managers are likely to.

Please note that, since the DC & AVC assets represent a very small and therefore immaterial proportion of the total assets of the Scheme (approximately less than 0.5% of total Scheme assets), the voting and engagement disclosures provided below relate to the DB assets only.

Voting: As part of the monitoring of managers' approaches to voting, Mercer assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). Mercer portfolio managers will use these results to inform their engagements with managers on their voting activities.

Set out below is a summary of voting activity for the one-year period ending 31 March 2023 for a range of Funds that the Scheme's assets are invested in. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics set out in the table below for the Mercer funds are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation by Mercer is for all shares to be voted.

DB Assets

The Scheme was invested in the pooled equity funds shown below until mid-October 2022 when they were fully redeemed as part of investment strategy changes. Following this change to the nature of the DB Section's strategy, the bulk majority of the underlying assets subsequently had no exercisable voting rights to report, although it is noted that a small portion of the Mercer Multi-Asset Credit Fund invests in equity linked securities.

Fund	Total Proposals		Vote Decision					For/Against Mgmt	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against
Mercer Multi-Asset Credit Fund (1)	11	11	91%	9%	0%	0%	0%	91%	9%
Mercer Passive Emerging Markets Equity Fund (2)	26,187	25,405	80%	17%	3%	0%	0%	82%	18%
Mercer Passive Fundamental Indexation Global Equity UCITS CCF (2)	2,558	2,524	85%	13%	0%	1%	0%	84%	16%
Mercer Passive Low Volatility Equity UCITS CCF (2)	3,852	3,766	84%	14%	0%	2%	0%	83%	17%
Mercer Passive Sustainable Global Equity UCITS CCF (2)	16,150	15,689	78%	19%	0%	2%	0%	78%	22%

(1) Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund's underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period

(2) The Scheme fully redeemed its holding in the equity funds in mid-October 2022 as part of investment strategy changes. As such the votes in this table reflect the votes for the full year to 31 March 2023 and not the Scheme's shorter partial year holding period.

- "Eligible Proposals" reflect all proposals of which managers were eligible to vote on over the period
- "Proposals Voted On" reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the "Other" category)"
- "No Action" reflects instances where managers have not actioned a vote. MGIE may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully
- "Other" refers to proposals in which the decision is frequency related (e.g. 1 year or 3 year votes regarding the frequency of future say-on-pay).

Significant Votes: The Trustee has based the definition of significant votes on Mercer's Beliefs, Materiality and Impact (BMI) Framework. Reported below are the *most* significant proposals over the period. Significant proposals are determined using the following criteria:

1. The proposal topic relates to an Engagement Priority (climate change, human/labour rights, and diversity). This is classified in the "Proposal Description" column below, referenced as Environmental, Social, and Governance respectively.

2. The most significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

Most Significant Votes

None of the votes within the Mercer Multi-Asset Credit Fund related to Engagement Priority topics and thus did not constitute significant votes to be reported. The significant votes shown below for the equity funds are for the full year to 31 March 2023. As the Scheme fully redeemed its equity fund holdings in mid-October 2022, not all of the below are relevant to the Scheme's holding period specifically.

Fund	Proposal Description	Company	Holding Weight in Mercer Fund (%) (2)	Meeting Date	Manager Vote Decision (1)	Vote Outcome (% Shareholder Support)
Mercer Passive Fundamental Indexation Global Equity UCITS CCF	Governance: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	7%	10-Mar-23	For	33%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	2%	13-Dec-22	Against	11%
	Environmental: Approval of Climate Action Plan	Rio Tinto plc	1%	8-Apr-22	For	82%
Mercer Passive Low Volatility Equity UCITS CCF	Governance: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	1%	10-Mar-23	For	33%
	Social: Shareholder Proposal Regarding Human Rights Reporting	Kroger Co.	1%	23-Jun-22	For	21%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	1%	13-Dec-22	Against	11%
Mercer Passive Sustainable Global Equity UCITS CCF	Social: Shareholder Proposal Regarding Human Rights Impact Assessment Report	Alphabet Inc	2%	1-Jun-22	For	23%
	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement				For	19%
	Environmental: Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%
	Governance: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	8%	10-Mar-23	For	33%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	5%	13-Dec-22	Against	11%

(1) “Mixed” refers to occasions were 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, two managers voted “For” and two managers voted “Against” the proposal.
(2) Approximate size of the holding in the Fund as at the date of the vote. Size at the end of the relevant quarter.

8. EXAMPLES OF ENGAGEMENT ACTIVITY BY THE SCHEME'S THIRD PARTY INVESTMENT MANAGERS

The following are examples of engagement activity undertaken by the Scheme's investment managers.

Fund	Issue	Action Taken	Outcome
Royal London Asset Management	Governance – Remuneration policy	The company (BP) reached out to RLAM to seek views on the remuneration report and its remuneration policy, which is due to be renewed at this year's annual general meeting (AGM).	In its letter, BP outlined decisions made by the remuneration committee in respect of annual bonus and long-term incentive plan outcomes. RLAM has been paying close attention to BP's pay decisions, as at last year's AGM, we noted that no downward discretion was applied to bonus outcomes notwithstanding the fatalities that occurred. This resulted in RLAM voting to abstain on the remuneration report, as we would generally expect a significant amount of discretion to be exercised, in case of fatalities. With this year's AGM just around the corner, the letter sent by BP did allude to more workforce fatalities suffered during the year, however, it was unclear whether this would result in an adequate level of downward discretion. In our response to the company, we clarified our stance around the treatment of safety metrics and enquired how the committee intend to reflect the fatalities in variable incentive pay-outs. The company responded, thanking us for the feedback and referred us to the published annual report, which included more details around the safety components.
Royal London Asset Management	Climate – Net Zero targets	As part of the Net Zero Asset Managers initiative (NZAM), our primary engagement objective is to evaluate and influence companies, which represent at least 70% of RLAM's financed emissions by 2030, to adopt emissions reduction targets and climate transition plans that are reinforced by credible science-based methodologies. We have developed 12 indicators to help assess companies' climate transition plans. Through this approach, we expect to influence real-economy decarbonisation that will in turn support RLAM's target of a 50% reduction in emissions by 2030.	As part of the Net Zero Engagement Initiative (NZEI), a collaborative engagement initiative by the Institutional Investor Group on Climate Change (IIGCC), RLAM sent letters to 107 companies. The letters asked companies to have credible net zero transition plans. This is in line with the Net Zero Investment Framework and RLAM's own 12 indicator approach. The key transition plan requests set out in the letter were: 1) a comprehensive net zero commitment; 2) aligned GHG targets; 3) emissions performance tracked; and 4) credible decarbonisation strategy. Companies have until 28 April 2023 to respond to the letter and the response will inform subsequent engagement steps.

Royal London Asset Management	Environment – Water Utilities engagement project	Engagement for change to encourage the water industry to focus on issues in relation to climate adaptation, antimicrobial resistance, biodiversity, customers, and community.	We have initiated Phase two of the water utilities engagement project, with a selected number of clients, to agree the purpose of the engagement and investor expectations. The objective of this engagement is to identify best practices on environmental and social issues to ensure that the water sector continues to meet its regulatory requirements whilst considering the communities they serve. Once the investor expectations are finalised, we will be writing to the water utilities to organise meetings to be held in the next quarter.
Royal London Asset Management	Social – Social Housing	To encourage transparency and improve disclosures around the governance structures and processes in place to tackle damp and mould in properties managed by housing associations.	We have received 26 responses to the letters we sent to numerous housing associations, with many sharing the responses provided to the Regulator of Social Housing on damp and mould. We have been able to identify examples of best practice across governance, risk assessments, repairs etc. This will be shared with our fixed income investment teams to assess the investment risk of these borrowers and determine whether further engagement on this topic is required.
Insight Investment Management	Environmental – Engaging with the UK's largest water company (Thames Water) on water scarcity and pollution	We held three engagements with the issuer between September 2022 and January 2023 centred on the issuer's environmental and governance policies. In particular we engaged on Thames Water's water management, biodiversity and land use, and executive remuneration policies. During our first engagement, we focussed on water scarcity and pollution stemming from leakages and untreated overflows respectively, which are both major risks from an environmental perspective. On leakages, the issuer provided detail on the operational challenges in detecting and fixing leaks when they occur. For example, adverse weather conditions can create difficulties in meeting leakage targets. Thames Water revealed it has dedicated part of an £11.5bn business plan to improve leakage and river health. At our third engagement, Thames Water revealed it would not meet its leakage targets for 2023, with the network still suffering from the summer drought, given a 38% increase in mains bursts, despite fixing over 30,700 leaks. We also touched on executive	We will continue to monitor Thames Water's progress on pollution, its adherence to its biodiversity targets and executive remuneration. We are paying close attention to the progress of water utilities on water leakages and whether they meet future targets.

		remuneration after news reports. Thames Water stated it follows best practices and has an independent remuneration committee. It also pointed out that it has not paid a dividend in some time, which it feels shows restraint. Thames Water also revealed its goals for 2023 to 2025, which are to invest £1.2bn in sewage treatment works. Increase its biodiversity by 5% at over 250 key sites and generate more of its own energy. It also revealed it doesn't current have any science based targets, and viewed the cost as prohibitive.	
Mercer Absolute Return Fixed Income	UN Global Compact Red Flag engagement - PG&E is an American company providing natural gas and electric service. It has been implicated in safety issues, the most serious of which include a gas pipeline explosion in 2010 and, more recently, ignitions of massive wildfires in California. Liabilities from these events pushed the company into bankruptcy. In 2020, PG&E emerged from bankruptcy with a new and highly experienced management team, intent on bringing a new culture of safety to the business. We saw this as an opportunity for the company to materially improve its risk profile and safety record.	We initiated an engagement with the following objectives: Continued use of power shutdowns, where relevant, to manage short term wildfire risk Provision of clearly defined undergrounding strategy within wildfire mitigation plan Improve data transparency and disclosure around wildfire safety statistics Provision of a solution to the Fire Victims Trust shareholding overhang	The CEO and wider team have been receptive. The company has now secured a wildfire safety certificate from the regulator and is working.
Mercer Multi-Asset Credit (Beach Point)	Environment & Climate - Pollution, Biodiversity Loss & Natural Resource Degradation; Transparent Disclosure of Material ESG Factors. The objective of the engagement was (1) to gain greater insight into the midstream company's impact on natural resources and biodiversity—material considerations for the issuer and the midstream sector, overall,—	Direct contact with C Level Executives; In this investment, we believe we have operated from a position to potentially have greater influence over the company's environmental, social, and/or governance outcomes as we have maintained a relationship with EPIC Y's management team and financial sponsor (having been invested in the name) and we also structured a unique financing solution in Q1 2021 to help address the company's near-term liquidity needs. As part of these financing discussions, we emphasized our focus on ESG issues and conducted an	We learned through our engagement that EPIC Y performed extensive environmental siting studies prior to construction in an effort to avoid any ecological impacts from the construction and operation of their pipelines system. These efforts helped mitigate risks to rare, threatened, or endangered species around the pipeline. We are also encouraged by their increased disclosure on their environmental impact as an outcome to our ESG engagement efforts. In August 2022, the company released their first sustainability report, which

	and (2) to encourage better disclosure and future performance on ESG goals, with particular focus on carbon emissions reporting as a high-impact business.	engagement call with EPIC Y, our investment analyst, and our Head of ESG to discuss material environmental, social, and governance considerations.	include reporting Scope 1 and 2 GhG emissions. We remain investors in EPIC Y.
Mercer Multi-Asset Credit (CQS)	Labour/Human rights) - Staffing issues following COVID. Understand future staffing plans and any initiatives undertaken to improve staff morale and engagement (such as engagement surveys, wellbeing initiatives and wider social engagements)	We have spoken with Lufthansa on multiple occasions regarding this issue, as well as seeking Science-Based Targets verification of their interim targets (which happened last summer). Lufthansa confirmed that they would continue with their planned staff reduction, resulting in a total headcount of 100,000 at the end of 2022. However, there have since been industry-wide staffing challenges as consumer demand has rebounded strongly. Employee engagement initiatives are best practice with annual all-employee surveys that are analysed by senior management by team and location. Anonymity is retained via the requirement of a minimum of 5 responses for analysis, instilling employee confidence in the process. Results are presented to the Supervisory Board and Group Executive Board and managers must demonstrate progress against the issues raised.	We are impressed by their employee engagement initiatives but continue to monitor their future staffing plans and the impact this may have on staff morale.
Mercer Insight Secured Finance	Climate - Decarbonisiation approach. Morgan Stanley (MS) is included within the Counterparty engagement programme and scored poorly on the ESG questionnaire we sent. We organised this engagement to get more detail on the company's ESG approach in order to provide detailed and informed recommendations	MS was one of the only banks which was not a signatory to the Principles of Responsible Banking or Equator principles, it is therefore not clear how it is assessing environmental and social risk in project financing activities. MS is in the top proportion of banks for fossil fuel financing according to RAN report (offshore oil and gas, and fracking financing) - Coal power policy: Whilst MS prohibits direct financing for new coal power plants or refinancing of existing coal plants, potential exceptions can be made for plants that use CCUS technology, which makes the exclusion weaker than some other banks. There does not appear to be a coal power phase out date agreed	We held a follow up meeting to discuss outstanding Environmental (and other ESG) concerns. Formal written feedback has been shared.
Mercer Tailored Credit Fund	Diversity practices - At Toyota, we have identified their key issues to be: i) capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure,	We originally started our engagement with Toyota in September 2021, alongside fellow shareholders. Our second meeting was held earlier this year to discuss climate change, board composition and capital allocation. We spoke with TMC's Chief Sustainability Officer. Throughout these meetings, which were	In September 2022, we spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors add value to the board and the quality of board discussions. Given a recent controversy at one of Toyota's group companies (Hino), we will continue to engage with the company on

	and ii) board independence, diversity and effectiveness.	attended by Toyota's investor relations team and chief sustainability officer, we expressed our concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence.	corporate governance issues and push for better practices in terms of corporate governance.