

Trustee's Report – Implementation Statement

Scheme Year End – 31 December 2023

The purpose of the Implementation Statement is for us, the Trustee of the EE Pension Scheme, to explain what we have done during the year ending 31 December 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services

Our conclusion

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

In our view, most of the Scheme's fiduciary manager and the material underlying investment managers were able to disclose adequate evidence of voting and/or engagement activity, and this activity was in line with our expectations. Several of the underlying managers, as outlined below, did not provide the requested engagement information, and the information provided by others was limited. This is something that the Scheme's new fiduciary manager will prioritise improving in the year ahead.

Changes to the SIP during the year

The Scheme's latest SIP can be found here:

[EE Pension Scheme \(aon.com\)](https://www.aon.com)

During December 2023 the SIP was updated. The changes made primarily relate to the replacement of Aon in May 2023 as investment advisor, by Brightwell as investment advisor and fiduciary manager. Brightwell will review the SIP going forward. Where this statement references future activity, we have replaced Aon with "The investment advisor". The SIP was also updated to bring forward the planned increases to the Scheme's interest rate and inflation hedge ratio's, as detailed on page 16. There were no other significant changes to the SIP.

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Trustee's Report – Implementation Statement (continued)

What is stewardship?

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

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

Investment Objective	<p><i>The overall return objective has been determined by the Trustee after an assessment of the Defined Benefit section's liabilities and associated risks of the Defined Benefit section of the Scheme and consultation with the Employer and is, based on the Actuarial Valuation date of 31 December 2021, as follows:</i></p> <p><i>"To implement an investment strategy which targets an expected return over fixed interest gilts of at least 2.0% per annum (net of fees) until 31 December 2030, declining to 0.5% ahead of fixed interest gilts at 31 December 2040"</i></p> <p><i>The Trustee recognises that targeting outperformance of the Defined Benefit section's liabilities requires the adoption of an asset mix that will perform differently from the liabilities. This implies that the funding level will be subject to volatility. The Trustee will measure and monitor this volatility using Value at Risk (VaR). The Trustee will aim to keep the VaR within an acceptable range determined by the Trustee after consultation with the Employer.</i></p> <p>Through its quarterly investment monitoring report the Trustee receives updates on the funding level of the Scheme, the performance of the Scheme's assets and how future expected returns and risk (VaR) compared to those stated in the investment objective.</p>
Strategy	<p><i>When choosing the Defined Benefit section's asset allocation strategy the Trustee considered written advice from its investment advisers and fiduciary manager, and, in doing so, addressed the following:</i></p> <ul style="list-style-type: none"><i>• The need to consider a full range of asset classes.</i><i>• The risks and rewards of a range of alternative asset allocation strategies.</i><i>• The suitability of each asset class.</i><i>• The need for appropriate diversification.</i> <p>The current investment strategy set out in the SIP was set following a detailed review and advice from the Trustee's investment adviser at the time, Aon, and following consultation with the Employer.</p> <ul style="list-style-type: none">▪ During the year the Trustee approved bringing forward the planned increases to the Scheme's interest rate and inflation hedge ratio's. This follows the improvements to Scheme funding and will reduce the future volatility of funding, effectively locking in the improvements.▪ In May, Brightwell were appointed Fiduciary Manager of EEPS, taking over from Aon who were the previous investment advisor to the Scheme.▪ There was significantly less portfolio activity during 2023 than was experienced during late 2022 which was characterised by the gilt crisis. Other than changes to the interest rate and inflation hedge ratios outlined above, the overall risk complexion of the Scheme's portfolio remained consistent through the year. The most notable evolution was with the illiquid alternatives allocation where there was a modest reduction in property exposure and offsetting increase in infrastructure.



Trustee's Report – Implementation Statement (continued)

Risk

Due to the complex and interrelated nature of these (the Scheme's) risks, the Trustee considers the majority of risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks quarterly.

Please refer to "Investment Objective" and "Implementation" for further details on how risks within the Scheme are monitored and reported. In addition to the regular monitoring, the Trustee reviews the risk within the investment strategy as part of the investment strategy review carried out triennially alongside the actuarial valuation.

Implementation

The Trustee has delegated all day-to-day decisions about the Defined Benefit section investments to its fiduciary manager Brightwell.

Arrangements with the fiduciary manager

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the fiduciary manager are aligned with the Trustee's policies.

The Trustee monitors its fiduciary manager through regular quarterly updates and reporting provided to the EEPS F&ISC. This typically includes updates from the fiduciary manager on various items, including the investment strategy, assessment of fund managers, performance and longer-term positioning of the portfolio.

Investment performance monitoring

The Trustee receives, typically on a quarterly basis, monitoring reports from its fiduciary manager outlining the valuation of all investments held, the performance of these investments and any significant activity made during the quarter. Investment returns are compared against appropriate performance objectives. The asset allocation is also monitored and compared to the strategic asset allocation for the Scheme.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

The fiduciary manager will share the SIP with future underlying Scheme's asset managers for their awareness of the Scheme's expectations.



Trustee's Report – Implementation Statement (continued)

Stewardship – Voting and Engagement

As part of its delegated responsibilities, the Trustee expects the Scheme's fiduciary manager and in-turn their selected investment managers to:

- Where appropriate, engage with relevant parties, such as investee companies; and*
- Exercise the Trustee's voting rights in relation to the Scheme's assets, with an aim to protect and enhance the long-term value of Scheme assets.*

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The fiduciary manager collates annual stewardship reports containing details of activities of each relevant manager. These voting records are outlined below in the Voting and Engagement section.

Cost and Transparency

The Trustee is aware of the importance of monitoring its total investment costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by the fiduciary manager and underlying asset manager that can increase the overall cost incurred by their investments.

The Trustee along with its advisors and fiduciary manager will continue to gather cost data for the Scheme's asset managers, including turnover costs, annually.



Trustee's Report – Implementation Statement (continued)

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

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

In prior years we have provided statistics on the voting activity of the Scheme's equity managers however there are currently no allocations to listed equities in the portfolio following the divestments in 2022. As such, listed share voting activity is no longer relevant but should the Scheme invest in the asset class going forward, the manager's voting activity will be detailed.

Why is voting important?

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

Source: UN PRI

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Trustee's Report – Implementation Statement (continued)

Our managers' engagement activity

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

The table below shows some of the engagement activity carried out by the Scheme's material managers over the year. Some of the engagement information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme

Funds	Number of engagements		Key themes engaged on at a firm-level
	Fund specific	Firm level	
PIMCO Diversified Income Fund (UK DB PLD) (V) ¹	>4000	1370 (2022)	Air Pollution, Greenhouse Gas Emissions, Waste, Water, Land Use, Biodiversity, Physical risks, Governance, Social issues, Human labour rights, Product Innovation, Human Capital Management
Insight High Grade ABS Fund (formerly LIBOR Plus)	40	1178 (2022)	Climate change, Natural resource use/impact (e.g. water, biodiversity), Human capital management (e.g. inclusion & diversity, employee terms, safety), Board effectiveness - Independence or Oversight, Board effectiveness – Other, Leadership - Chair/CEO, Capital allocation, Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks) and others
UBS Global Asset Management Triton	0	373 (2023)	Climate change, Pollution, Waste, Human and labour rights (e.g. supply chain rights, community relations), Physical risk exposure and mitigation, Transition plans, Human capital management (e.g. inclusion & diversity, employee terms, safety), Remuneration, and others
Basalt Infrastructure Partners III	Not provided	120	Climate change, Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Diversity Strategy, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy, Risk management (e.g. operational risks, cyber/information security, product risks) and others
KKR Global Infrastructure Partners	Not tracked	>4	Energy transition, Climate risk and action, Supply chain resilience, Education
Aviva Investors - REaLM Multi Sector Fund	Not provided	>500	Not provided
M&G Investments - UK Residential Property Fund	Not provided	Not provided	Climate, Diversity & Inclusion, Biodiversity
Hayfin Direct Lending Fund II & Fund III	Not provided	Not provided	Not provided
Chorus Capital Credit Fund IV	Not provided	Not provided	Not provided
I Squared Capital - Global Infrastructure Fund III	Not provided	Not provided	Not provided

Source: Manager(s)

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Trustee's Report – Implementation Statement (continued)

Data limitations

At the time of writing, the following manager(s) did not provide all the information we requested:

- Aviva Investors, M&G Investments, Hayfin Capital Management, Chorus Capital, and I Squared Capital did not provide any requested engagement information as of the time of writing.
- PIMCO noted that they would provide engagement information for the requested period but have not provided this as of the time of writing.
- LGIM and KKR did provide fund level engagement reporting but not in the ICSWG industry standard.
- LGIM did not provide firm level engagement information.
- UBS and Basalt did not provide fund specific engagement information.

We will engage with the managers above to encourage improvements in reporting.

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

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Trustee's Report – Implementation Statement (continued)

Annual Statement of Investment Principles Implementation Statement

EE Pension Scheme ('the Scheme') – DC Section

Introduction

This statement, prepared by the Trustee of the Scheme ("the Trustee"), sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 31 December 2023 ("the Scheme year"). This statement covers the DC Section of the Scheme and should be read in conjunction with the Defined Contribution Section of the Scheme's SIP.

This statement also describes any reviews and changes to the SIP during the Scheme year and sets out details of voting behaviour that has been carried out, on behalf of the Trustee, by the investment managers during the Scheme year.

Investment objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objective of the Scheme included in the DC Section of the SIP is as follows:

"The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's objective is therefore to make available a range of investment options for this purpose."

*For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** ("Do it for me") which includes lifestyle arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. More details regarding the default options are available in Appendix B (DC Members) and Appendix C (AVCs) of this Statement."*

Investment Structure

The DC Section of the Scheme has a delegated investment arrangement in place. The DC Section invests in a range of funds on the Scottish Widows insurance platform. These funds are made available through the Trustee's arrangement with Mercer Workplace Savings ("MWS"). Members are able to access funds managed by Mercer Global Investments Europe Limited ("MGIE"), BlackRock, BMO, LGIM and HSBC. MGIE operates on a 'manager of managers' basis, appointing underlying fund managers to its funds under management. MGIE has discretion on the allocations to the underlying fund managers and the selection of those managers.

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Trustee's Report – Implementation Statement (continued)

Investment Structure (continued)

The Trustee has ultimate oversight responsibility of this delegated arrangement and monitors this arrangement regularly and the performance of the funds on a quarterly basis.

Review of the SIP

The Trustee reviewed the Scheme's SIP during the Scheme year but no changes were made. The latest SIP can be found at: <https://pensioninformation.aon.com/ee>

Assessment of how the policies in the SIP have been followed for the year to 31 December 2023

The information provided in the following table highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP. The SIP sets out the policies referenced below.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 December 2023.

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Trustee's Report – Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
1	Securing compliance with the legal requirements about choosing investments	DC Section 2. Investment Policies	<p>The Trustee has established a Funding & Investment Committee which meets regularly to monitor the controls and processes in place in connection with the Scheme's investments. The Scheme's investment advisors attended all Funding & Investment Committee Meetings during the year and provided updates on Scheme performance.</p> <p>Over the year to 31 December 2023, the following investment changes were made following the MWS annual review of the Mercer funds being discussed at the September 2022 meeting:</p> <ul style="list-style-type: none"> - 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. This change was implemented in late March 2023. - Mercer Diversified Retirement Fund (used within the default investment strategy): The multi-factor 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. This change was implemented over H1 2023.

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Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
		<p>Over the year to 31 December 2023, the following investment changes were agreed following the MWS annual review of the Mercer funds being discussed at the September 2023 meeting:</p> <ul style="list-style-type: none"> - For the Cash glidepath only, it was agreed that the allocation the BlackRock All Stocks Corporate Bond Fund would be replaced with the Mercer Diversified Retirement Fund in the final 8 years to retirement for greater diversification and less interest rate sensitivity. This change is expected to happen in 2024. <p>In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitably qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).</p>
2 Kinds of investments to be <u>held</u>	DC Section 2. Investment Policies	<p>There were no changes to this policy over the Scheme Year.</p> <p>The arrangements in place are consistent with the policies in the SIP and these policies were considered and adhered to as part of the investment strategy changes made.</p>
3 The balance between different kinds of investments	DC Section 2. Investment Policies	<p>The default investment option was reviewed in September 2022 to consider whether it remains appropriate for members invested in the DC Section.</p> <p>The Trustee agreed to amend at-retirement position changing from 75% Mercer Diversified Return Fund (DRF)/25% Cash Fund to 90% Mercer DRF/10% Cash Fund. These changes were implemented during the Scheme year.</p> <p>The next review is due to be completed by September 2025.</p> <p>The MWS arrangement in place is a delegated investment arrangement. MWS regularly monitors the arrangements in place and produces a more formal review</p>

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Trustee's Report – Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
4	Risks, including the ways in which risks are to be measured and managed	DC Section Section 3. Risk Management and Measurement	<p>annually. A review was produced in September 2023 that considered the ongoing suitability of the strategies and funds used.</p> <p>There were no changes to this policy during the Scheme year.</p> <p>As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of delegated investment manager / fund managers / funds / asset classes.</p> <p>Environmental, Social and Governance ("ESG") risk was also managed throughout the year, with considerations given to the climate-related disclosures as requested by the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations. During the Scheme year, analysis was carried out for the TCFD report for the Scheme with the year ending 31 December 2023.</p> <p>The Trustee also reviews the quarterly investment reports, which monitor the volatility of the investment strategy.</p> <p>The Trustee has delegated to the Funding & Investment Committee responsibility for assessing (in conjunction with the investment advisor) the performance delivered by the delegated investment arrangements and their ongoing suitability for the Scheme's membership. The Committee reviewed the measurement of these risks on a quarterly basis during the year as part of their regular investment performance monitoring. The investment performance monitoring reports were provided by the Scheme's investment advisor. Any issues identified / discussed with the Committee were raised and discussed with the Trustee, however no issues warranted a change in investments / managers.</p> <p>The Trustee is comfortable with the manager ratings applied by the investment advisor and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.</p>

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Trustee's Report – Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
5	Expected return on investments	DC Section 2. Investment Policies	In member-facing communications, the Trustee highlights a number of risks that a member may face as a result of investing in any particular funds. There was no change to this policy during the Scheme year. The investment performance was reviewed by the Funding & Investment Committee on a quarterly basis. Any issues identified / discussed with the Committee were raised and discussed, however no issues warranted a change in investments / managers.
6	Realisation of investments	DC Section 7. Implementation and Engagement Policy	There were no changes during the year to the liquidity of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice in response to member demand. The funds used by the Scheme are accessed via an investment platform and are held through a long-term insurance policy issued by Scottish Widows. The investment funds are blended investment vehicles that are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are managed by the respective investment managers in line with the mandates of the funds. There were no liquidity issues over the year.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	DC Section 3. Risk Management and Measurement	There were no updates to this policy during the year. The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. All of the managers remained highly rated during the year. The investment performance report also includes detail on how each investment manager is delivering against their specific mandates.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	DC Section 2. Investment Policies	No changes were made to this policy during the Scheme year and the policy reflects current practice. Non-financial matters, such as member and beneficiary ethical views, views in relation to social and environmental impact, and their present and future quality of life, are not explicitly taken into account in the selection, retention and realisation of

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Trustee's Report – Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
9	The exercise of the rights (including voting rights) attaching to the investments	DC Section 7. Implementation and Engagement Policy	<p>investments. However, the Trustee does make available an Ethical Fund and a Shariah Fund, which consider the views of members and their non-financial concerns.</p> <p>The Trustee does not use the direct services of a proxy voter. The delegated investment manager and underlying fund managers have discretion over exercising voting rights and stewardship obligations. The delegated investment manager has a responsible investment framework in place and reviews the underlying investment managers and funds in line with this framework on an annual basis.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustee would monitor and engage with relevant persons about relevant matters)	DC Section 7. Implementation and Engagement Policy	<p>The Trustee has requested key voting activities from MWS during the Scheme year in order to consider this, and the information received is summarised in the Engagement Policy Statement that follows.</p> <p>There we no changes made to the stewardship policies over the Scheme year.</p> <p>The voting records of the investment managers are summarised in the voting activity summary that follows. No direct action was needed or taken in relation to challenging managers on their voting activity.</p> <p>Following the 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.</p> <p>The updated guidance requires trustees 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.</p>

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Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
		<p>The Trustee has considered what the Scheme's stewardship priorities should be as a result of the new requirements introduced this year in relation to 'significant votes' and has decided the following ESG factors should have most focus:</p> <ul style="list-style-type: none"> - Environmental: Climate change with a focus on low carbon transition and physical damages resilience. - Governance: Diversity, equity and inclusion in terms of governance and decision making.
<p>11 How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee's policies</p>	<p>DC Section 7. Implementation and Engagement Policy</p>	<p>As the Trustee invests in pooled investment vehicles it accepts it has very limited ability to influence the delegated investment manager and investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates are selected to align with the overall investment strategy.</p> <p>The Trustee reviewed the performance of the Plan's funds quarterly. There were no concerns over 2023.</p>
<p>12 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</p>	<p>DC Section 7. Implementation and Engagement Policy</p>	<p>At regular monitoring meetings, the Trustee receives information on investment decisions taken over the recent period.</p>
<p>13 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</p>	<p>DC Section 7. Implementation and Engagement Policy</p>	<p>The Trustee has reviewed both short term and longer term investment performance on a quarterly basis during the year and informally intra-meeting. </p> <p>Growth phase returns are reviewed against price inflation and volatility of growth phase returns is reviewed against that of global equity markets.</p> <p>Over the 1 year period to 31 December 2023, the Mercer Growth fund underperformed its target, having returned 7.4% p.a., net of investment fees, against</p>

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Trustee's Report – Implementation Statement (continued)

Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
		its cash plus 8.9% p.a. target. However we note that the fund has outperformed over 5 years and since inception (Oct 2012). The fund achieved these returns with substantially lower levels of volatility compared to global equities as measured by the MSCI World Index.
14 How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range	DC Section 7. Implementation and Engagement Policy	<p>The Trustee continues to monitor the fund on an ongoing basis.</p> <p>The Trustee considers the level of transaction costs as part of its annual Value for Members assessment, last carried out as at 31 December 2023 and by publishing this information as part of the costs and charges disclosures mandated by regulations governing the Chair's Statement.</p> <p>As the Scheme invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, it will engage with an underlying investment manager if portfolio turnover is higher than expected.</p> <p>No managers were challenged over the year regarding transaction costs.</p>
15 The duration of the arrangement with the asset manager	DC Section 7. Implementation and Engagement Policy	The Trustee reviewed the performance of the Scheme's funds quarterly. There were no concerns over 2023.

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Trustee's Report – Implementation Statement (continued)

Engagement Policy Statement

Section 4 of the DC Section of the SIP sets out the Trustee's policy on Environmental, Social, and Governance ("ESG") factors, stewardship and climate change. The Trustee believes that ESG factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's (MWS) investment processes and those of the underlying managers in the monitoring process.

Voting Activity during the Scheme year

The Trustee has delegated its voting rights to the investment managers. The SIP states:

"The Trustee and the Delegated Investment Manager expect investment managers to incorporate the consideration of medium to long term financial performance longer term factors, such as ESG factors, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments, undertaken by the Delegated Investment Manager. Voting and engagement activity should be used by investment managers to discuss and improve the medium to long term performance of an issuer of debt or equity."

It is the Trustee's view that the policy has been followed during the Scheme year. The MWS Statement with regards to Climate change management reporting, including stewardship policy, is available at: <https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Mercer%20Workplace%20Savings%20-%20TCFD%20Statement%20-%20April%202020.pdf>

Over the prior 12 months, the Trustee has not actively challenged the delegated investment manager or the investment manager of the externally managed fund on their voting activity. The Trustee does not use the direct services of a proxy voter.

The majority of voting activity will arise in public equity funds, though voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. For the purposes of this statement, the Trustee has reported voting information with respect to all funds that hold equity and reported on the significant votes with respect to the main investment options used by the Scheme.

The Scheme invests in the daily dealt and daily priced pooled funds detailed below. The funds highlighted in bold hold equities:

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Trustee's Report – Implementation Statement (continued)

Investment option	Investment Strategy	Fund Name
Default	Growth Phase	Mercer Growth Fund
Default	Mercer SmartPath Drawdown	Target Drawdown 2024 Fund Target Drawdown 2025 Fund Target Drawdown 2026 Fund Target Drawdown 2027 Fund Target Drawdown 2028 Fund Target Drawdown 2029 Fund Target Drawdown 2030 Fund Target Drawdown 2031 Fund Drawdown Retirement Fund
Lifestyle	Growth Phase	Mercer Growth Fund
Lifestyle	Mercer SmartPath Annuity	Target Annuity 2024 Fund Target Annuity 2025 Fund Target Annuity 2026 Fund Target Annuity 2027 Fund Target Annuity 2028 Fund Target Annuity 2029 Fund Target Annuity 2030 Fund Target Annuity 2031 Fund Annuity Retirement Fund
Lifestyle	Mercer SmartPath Cash	Target Cash 2024 Fund Target Cash 2025 Fund Target Cash 2026 Fund Target Cash 2027 Fund Target Cash 2028 Fund Target Cash 2029 Fund Target Cash 2030 Fund Target Cash 2031 Fund Cash Retirement Fund

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Trustee's Report – Implementation Statement (continued)

Investment option	Investment Strategy	Fund Name
Self-Select Funds		Defensive Fund
		Diversified Retirement Fund
		Growth Fund
		High Growth Fund
		Moderate Growth Fund
		Cash and Money Market Fund
		Diversified Growth Fund
		Emerging Markets Equity Fund
		Ethical Fund
		European ex-UK Equity Fund
		Fixed Interest Gilt Fund
		Global Equity (60/40) Fund
		Index-Linked Gilt Fund
		Japanese Equity Fund
		Overseas Equity Fund
		Pacific Rim ex-Japan Equity Fund
		Pre-Retirement Fund
		Property Fund
		Shariah Fund
		UK Corporate Bond Fund
		UK Equity Fund
		US Equity Fund

Overview of MGIE approach to voting and engagement

MGIE's policy on consulting with clients before voting

The legal right to vote belongs to the relevant fund, as the owner of the securities. The voting activity is delegated to the external underlying investment managers as appointed by MGIE, as the investment manager for the investment vehicles in which clients are invested. MGIE expects underlying investment managers to comply with its Engagement Policy and will seek to ensure that obligations under this Engagement Policy are discharged by the underlying investment managers. The Engagement Policy is available here: <https://investment-solutions.mercer.com/global/all/en/investment-solutions-home/corporate-policies.html>

MGIE's process for deciding how to vote

MGIE has developed adequate and effective strategies for determining when and how any voting rights in funds are to be exercised, to the exclusive benefit of the fund and its investors. MGIE has put in place a policy covering each fund to ensure the exercise of voting rights are in accordance with the investment objective and policy of the fund. Mercer will provide a report on an annual basis which provides an overview of underlying investment manager engagement processes, significant votes, use of proxy advisers and engagement examples.

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MGIE's proxy voting services

An overview on the use of any proxy voting services by underlying investment managers will be provided by Mercer on an annual basis going forward.

MGIE's policy with respect to conflicts of interest

MGIE applies an effective written conflicts of interest policy and has put in place procedures and measures for the prevention or management of conflicts of interest including where such conflicts may arise due to how it engages with the companies it invests in. A conflicts of interest policy is published here: <https://investment-solutions.mercer.com/global/all/en/investment-solutions-home/corporate-policies.html>

MGIE operates on a manager of managers basis, appointing underlying investment managers to its funds under management, and does not hold only securities directly on behalf of clients. The underlying investment managers manage the voting processes, therefore there is no conflict of interest involving MGIE as the investment manager.

MGIE's additional comments with respect to voting activities or processes

MGIE accepts that underlying investment managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled underlying investment managers to vote based on their own proxy-voting execution policy.

Source: MWS

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Trustee's Report – Implementation Statement (continued)

Voting activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Scheme. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below.

Fund	Mercer Defensive	Mercer Moderate Growth	Mercer Growth	Mercer High Growth	Overseas Equity Fund	UK Equity	Global Equity (60:40)	US Equity
Total DC Scheme Allocation at 31 December 2023	0.2%	0.1%	69.0%	0.3%	4.0%	3.4%	1.7%	0.4%
Number of meetings eligible to vote at over year to 31 December 2023	3,961	10,642	10,865	10,865	1,615	642	2,431	572
Number of resolutions eligible to vote on over year to 31 December 2023	35,791	116,563	119,752	119,752	18,755	9,974	33,484	7,564
Of the resolutions voted on, percentage voted with management	82.1%	84.0%	84.0%	84.0%	81.1%	97.1%	95.0%	97.3%
Of the resolutions voted on, percentage voted against management	16.7%	15.4%	15.3%	15.3%	18.9%	2.9%	5.0%	2.7%
Of the resolutions voted on, percentage abstained	1.2%	0.6%	0.6%	0.6%	0%	0%	0%	0%

Source: MWS, BlackRock. Figures may not sum due to rounding.

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Fund	Japanese Equity	Emerging Markets Equity	Ethical Fund	European (ex-UK) Equity	Asia Pacific (ex-Japan) Equity	Shariah Fund	Diversified Growth	Diversified Retirement
Total DC Scheme Allocation at 31 December 2023	0.2%	0.2%	0.7%	0.2%	0.5%	0.3%	0.8%	0.0%
Number of meetings eligible to vote at over year to 31 December 2023	501	2,809	5,080	457	455	107	10,865	6,148
Number of resolutions eligible to vote on over year to 31 December 2023	5,880	22,321	52,639	8,581	3,107	1,726	119,752	69,558
Of the resolutions voted on, percentage voted with management	96.3%	81.7%	80.3%	89.0%	89.7%	76.8%	84.0%	83.8%
Of the resolutions voted on, percentage voted against management	3.7%	16.9%	19.3%	10.0%	10.3%	23.2%	15.3%	15.3%
Of the resolutions voted on, percentage abstained	0%	1.5%	0.4%	1.0%	0%	0%	0.6%	0.9%

Source: MWS and BlackRock as at 31 December 2023. Figures may not sum due to rounding.

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Trustee's Report – Implementation Statement (continued)

Sample of significant votes undertaken in the MGIE funds for the 12 months to 31 December 2023

Examples of Significant Votes

To ensure voting behaviour is consistent with the Schemes' investment objectives and stewardship priorities, the Trustee has classified 'significant votes' as those which consider any one of the following factors with relevant (but not exhaustive) examples:

- Environmental – climate change, low carbon transition & physical damage resilience
- Governance – Inclusive, diverse decision making etc.

The Trustee has reviewed voting records from the managers in each of their priorities listed above.

The information in this section has been provided directly by the investment managers. The Trustee has considered this information and disclosed the votes that they deem to be most significant. A "significant vote" is defined as one that is linked to the Plan's stewardship priorities/themes, as set out above.

The Trustee has weighted this analysis towards the funds used in the default strategy, where the majority of members' assets are invested and companies that have the largest holdings within those funds (i.e. significant holdings). Particular focus is placed on the Mercer Growth Fund as it represents c.69% of total Scheme assets (as at 31 December 2023).

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Mercer Growth Fund and Mercer Diversified Retirement Fund

Company:	Apple Inc	Microsoft Corporation	Shell Plc	Public Storage
Date:	10/03/2023	07/12/2023	23/05/2023	02/05/2023
Approx. size of Fund holding at date of vote	Growth: 0.42% DRF: 0.34%	Growth: 0.57% DRF: 0.42%	Growth: 0.24% DRF: 0.12%	Growth: 0.25% DRF: 0.14%
Resolutions:	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder Proposal Regarding Report on Climate Risk In Employee Retirement Options	Approval of Energy Transition Progress	Shareholder Proposal Regarding GHG Targets and Alignment with Paris Agreement
Manager Vote: (Manager name)	For (MGIE)	Against (MGIE)	FOR (MGIE)	For (MGIE)
Rationale:	A vote FOR is applied as the manager's policy dictates they will support proposals that seek the disclosure of the median pay gap.	A vote AGAINST this resolution is warranted. The company's retirement plan is managed by a management-level committee and employees who are looking for more climate-risk-free investments are offered a self-directed option.	A vote FOR is applied in recognition of the delivery to date against the Company's Energy Transition Strategy.	A vote FOR 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.
Outcome:	Not passed	Not passed	Not passed	Not passed
Priority Area	Governance - diversity	Environmental - climate change	Environmental - climate change	Environmental - climate change

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