

Mercer Master Trust (the “Scheme”)

Annual Implementation Statement

Scheme Year to 31 March 2023





Introduction

This statement has been prepared by the Trustees of the Mercer Master Trust (“the Scheme”) to set out how, and the extent to which, the Statement of Investment Principles (“SIP”) has been followed during the year to 31 March 2023 (the “Scheme year”). This statement should be read in conjunction with the SIP¹ and has been prepared in accordance with the Pensions Act 1995 along with the guidance published by the Pensions Regulator.

This statement also includes a summary of the voting activity that was carried out on behalf of the Trustees over the Scheme year by the investment managers.

¹ Available at the following webpage:
https://www.mercer.com/assets/uk/en_gb/shared-assets/local/attachments/pdf-uk-mercero-master-trust-statement-of-investment-principles.pdf





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Statement of Investment Principles

2.1. Investment Objectives of the Scheme

The main objective of the Scheme, as stated in the SIP, is to meet the obligations to members of the Scheme by:

- Offering members access to lifestyle strategies, should they wish to use them, in which investments are managed over the course of their working life.
- Ensuring that the investment strategy options allow members to plan for retirement.
- Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Scheme members – both before and after retirement.
- Providing general guidance as to the purpose of each investment option.
- Encouraging members to seek independent financial advice from an appropriate person in determining the more suitable option.
- Making available independent financial advice to members as they approach retirement and making available investment products and solutions that are aligned to their needs.

2.2. Review of the SIP

During the year, the Trustees formally reviewed and amended the Scheme's SIP on two occasions, after taking formal advice from their investment consultant ("Mercer").

The SIP was updated in September 2022 and January 2023 and included the following revisions:

- Details of the amended Target Drawdown Path default lifestyle strategy, for members retiring from 2026 onwards.
- Additional explanation provided on the aims and objectives for each of the default lifestyle strategies in the relevant Appendix, alongside the existing objectives for the underlying funds.
- Addition of new technical default arrangements in the relevant Appendix.
- Amendments to objectives of some technical defaults and funds used within the lifestyle strategies to reflect benchmark changes.
- New appendix which covers Bespoke Default Investment Arrangements.

For the avoidance of doubt, this statement refers to all versions of the SIP in place during the Scheme year to 31 March 2023.

2.3. Assessment of how the policies in the SIP have been followed for the Scheme year to 31 March 2023

The information provided in the following section highlights the work undertaken by the Trustees during the Scheme year to 31 March 2023 and sets out how this work followed the Trustees' policies in the SIP.

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





Strategic Asset Allocation

Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
<p>1</p> <p>Kind of investments to be held and the balance between different kinds of investments</p>	<p>Sections 4 and 5</p>	<p>The Trustees continue to hold investments within the Scheme that are consistent with the policies in the SIP.</p> <p>The default investment strategies are designed after taking into consideration the membership demographic and other relevant characteristics in order to offer a suitable approach in so far as is practical, to the needs of the Scheme's members. The Trustees undertake an annual review to ensure whether the default retirement destination for each section remains suitable based on the latest available industry data and aggregate membership profile for each individual section. The Trustees considered the results of this review at their 28 September 2022 meeting.</p> <p>The Trustees carry out regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership. The Trustees recognise that the default investment strategies will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative lifestyle strategy arrangements and a range of self-select funds.</p> <p>As part of the annual investment strategy review considered prior to the start of the Scheme year, at the Trustees' 28 March 2022 meeting, changes were proposed to the strategic asset allocation of the multi-asset funds, some of which are used within the Scheme's default investment strategies. The key changes included the introduction of new allocations to global inflation-linked government bonds and gold to improve diversification and portfolio resilience. The changes were implemented between late July and early August 2022. The Trustees received advice from their investment consultant that the proposed strategic asset allocations were suitable. The advice considered the impact of the allocation changes within the default lifestyle strategies, including analysis of the impact on member outcomes and it considered that all proposed changes were consistent with their aims and objectives.</p> <p>Another agreed change from the previous Scheme year's (March 2022) annual investment strategy review was to reduce the final cash allocation from 25% to 10% in the Target Drawdown Path. This change was implemented during January 2023, with members receiving appropriate communications in December 2022 - January 2023. This change is being implemented gradually, for all members retiring from 2026 onwards, in order to ensure that only the future allocations to cash will change. This was agreed on the basis that members retiring before the end of 2025 already have an allocation to cash in the Target Drawdown investments and therefore should not have their investments being switched into higher risk assets when they are closer to retirement.</p> <p>The previous Scheme year's (March 2022) annual investment strategy review also considered the full fund range available to members. Within the post retirement fund range, the Trustees agreed a change to the aim and benchmark of the Mercer Dynamic Retirement Fund or Mercer Drawdown Dynamic Retirement Fund. This reflected a change to the underlying investment mix of the Fund, in order to invest in assets with a slightly higher target level of return over the long term, while reducing the ongoing fund charges of the fund. This change was implemented in September 2022.</p>

Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
		<p>Additionally, the Trustees agreed to add a passively-managed, low volatility equity and a high yield bond fund to the fund range. The addition of these funds to the range will take place after the 31 March 2023 Scheme year end due to operational reasons.</p> <p>During the Scheme year a new passive global real estate investment trusts (REITs) fund was made available to members as a self-select option. The addition of this fund had been previously approved by the Trustees.</p> <p>Shortly after the Scheme year end, at their 5 April 2023 meeting, the Trustees reviewed changes to the strategic asset allocations of the multi-asset funds and approved the introduction of a short duration bond fund as a self-select option. More details will be provided in next year's implementation statement regarding the short duration bond fund launch.</p>
2	<p>Risks, including the ways in which risks are to be measured and managed</p>	<p>Section 6</p> <p>The Trustees recognise 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. The Trustees consider both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of fund managers / funds / asset classes.</p> <p>Some of the main risks, identified in the SIP, are considered as part of the Trustees' regular quarterly investment performance monitoring, and through Mercer fund and Environmental, Social and Governance ("ESG") ratings provided in the investment performance report. The ESG ratings are also monitored through the Scheme's Annual ESG Report, the Trustees reviewing any improvement of ESG ratings over the year and reviewing ESG ratings relative to the relevant Mercer fund universe. This annual report was considered at the Trustees' 30 June 2022 meeting.</p> <p>Further to the above, the main risks are considered for the multi-asset funds annually by the Delegated Investment Manager and these feed into the annual investment strategy review. The Trustees also consider the full fund range and ensure that members have a broad enough selection in order to manage the identified risks to suitable levels for their risk appetite and tolerance.</p> <p>The Trustees maintain and review a risk register, which includes the consideration of investment risks. This register rates the impact and likelihood of risks and identifies mitigating factors and additional actions taken. No changes were made to the investment elements of the risk register during the current Scheme year, and the risk register in place at the Scheme year end had its investment elements last reviewed in the previous Scheme year (year ending 31 March 2022) where climate risk was added. The next review of the investment elements within the risk register took place shortly after the end of the Scheme year at the Trustees' 5 April 2023 meeting to incorporate additional governance activities and reviews that the Trustees undertake during the Scheme year that mitigate the risks identified.</p>



Investment mandates

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
			<p>As a target for managing climate change risks, the Trustees have committed to net-zero absolute carbon emissions by 2050 in regard to the multi-asset funds (which comprise the key funds used within the default lifestyle strategies). There is also an interim target of reducing portfolio carbon emissions, as measured by Weighted Average Carbon Intensity ("WACI") by 45% relative to 2019 baseline levels by 2030. Progress towards this target is monitored regularly, with a 36% reduction in WACI on the Mercer Growth fund and a 43% reduction for the Mercer Diversified Retirement fund based on relevant data as at 31 December 2022. This commitment is aligned with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions and the Trustees believe is in the best interest of members with regards to managing climate risk. Monitoring of this target is provided in the Scheme's Annual ESG Report and in the annual climate change governance report.</p>
3	Expected Return on Investments	Section 7	<p>As noted in the SIP, the Trustees have regard to the relative investment return, net of fees, that each fund is expected to provide. The annual value for member's assessment, which was tabled at the 30 June 2022 Trustees meeting, explicitly considers performance net of fees. This highlighted that the Scheme represents good value for members with charges being competitive relative to peers and other investment platforms, across the majority of funds.</p> <p>As part of the annual investment strategy review, the Trustees monitor the expected return for each of the multi-asset funds used within the Scheme. This is to ensure that the asset mix is considered suitable for delivering the stated objective of each fund using the most up-to-date expected return assumptions. The changes approved to the strategic asset allocations of the multi-asset funds were in line with the investment objectives of the funds. No changes were made to the investment objectives for any of the funds as a result of this review.</p> <p>Investment performance across the investment options made available in the fund range was impacted by high market volatility, resulting from high inflation, the ongoing conflict between Russia and Ukraine as well as significant global interest rate increases. The Trustees monitor all investment options on a regular basis against their stated investment objectives and their expected return on investments and any concerns in terms of funds meeting their expected return on investment are discussed and addressed as appropriate. Core beliefs within the Trustees' investment strategy such as diversification helped to provide downside protection to member pension savings against sharp drops in value, when compared with a basket of global equities, during turbulent market conditions throughout the Scheme year.</p>
4	Securing compliance with the legal requirements about choosing investments	Sections 2	<p>The Scheme's investment consultants attended all Trustees' investment meetings during the year. The investment consultant provided updates on fund performance and, where required, appropriateness of the funds used, as well as advice on asset allocation and investment risks. Investment advice on the default retirement destination for new participating employers or sections is also provided before new participating employers or sections are implemented.</p>

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
5	Realisation of Investments	Section 8	<p>The Trustees invest the assets of the Scheme in pooled funds which comply with their respective local market regulations and safeguards. The investment managers have discretion over the investment of the assets.</p> <p>There were no other changes during the year to the liquidity of the funds used by the Scheme.</p>
6	Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments	Sections 9 and 11	<p>The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes, including authorised master trusts, to have effective governance in place with respect to the effects of climate change. As a result, the Trustees are required to identify, assess and manage climate-related risks and opportunities in a proportionate way and report on what they have done from 1 October 2021. These reporting requirements align with the recommendations of the Task Force on Climate-related Disclosures (“TCFD”) framework. The Trustees’ inaugural report was published in August 2022.</p> <p>During the scheme year, at the September 2022 meeting, the Trustees received training on portfolio construction and a particular investment allocation, known as systematic macro, utilised in some of the Scheme’s options. Further to this, during the December 2022 meeting the Trustees received training that focused on stewardship matters such as the investment managers’ engagement process and the FRC’s 2020 UK Stewardship Code. Throughout the year the Trustees also received further training on illiquids e.g. private markets.</p> <p>The Trustees have set out their key engagement priorities which are outlined in the Trustees Responsible Investment and Voting Policy² with further details provided in the next section of this report.</p> <p>The Trustees will also be reviewing and monitoring certain climate-related metrics including absolute carbon emissions, carbon footprint, Weighted Average Carbon Intensity (“WACI”) and Implied Temperature Rise in line with TCFD reporting.</p> <p>The Trustees and the Delegated Investment Manager use Mercer’s manager research ratings when making decisions around selection, retention and realisation of manager appointments. This includes manager/strategy level ratings and a specific ESG rating. The focus is on the medium and long-term financial and non-financial performance. The investment adviser or Delegated Investment Manager will put a manager ‘on watch’ if there are concerns regarding the investment manager’s fund, taken as having experienced a downgrade in terms of its Mercer manager research rating. As at 31 March 2023, none of the Scheme’s funds were ‘on watch’.</p> <p>During the year, the Delegated Investment Manager implemented some dynamic asset allocation tilts relative to the strategic asset allocation within the multi-asset funds to account for prevailing market conditions and manage potential risks. These tilts included changes such as increased exposure to Asian assets through allocations to Asia high yield bonds and Japanese equities to take advantage of attractive valuations and the re-opening of the Asian economy post COVID-19. The funds also retained their underweight to longer maturity fixed income assets such as investment grade corporate bonds and government bonds.</p>

² https://www.mercer.com/assets/uk/en_gb/shared-assets/local/attachments/pdf-uk-merceroresponsibleinvestmentandvotingpolicy.pdf

Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
		<p>This helped to reduce the interest rate sensitivity in the funds in an environment where interest rate rises caused significant declines in bond prices. The funds also increased their allocation to equities following equity market falls in the aftermath of the Silicon Valley Bank collapse. This is based upon the view that these issues were idiosyncratic and the Trustees expect the banking sector to remain resilient.</p> <p>Member views were received over the year and the Trustees responded and took additional action as required. This included making information available to members on investment options in different formats, such as video. The Trustees made a video presentation available to members providing information on the Scheme's default investment option. This is the first video in a series that is planned for the next Scheme year aimed at providing greater information to members regarding the investment options available, as well as education on topics such as ESG and responsible investment.</p>





Monitoring the investment managers

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
7	Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies	Section 10	<p>If an investment manager is not meeting performance objectives or targets, or the investment objectives for a mandate have changed, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. Throughout the scheme year no funds were closed.</p> <p>The Trustees have set out their key engagement priorities which are outlined in the Trustees Responsible Investment and Voting Policy. These engagement priorities are communicated to the Scheme's investment managers who are expected to vote and engage with companies in line with these. The Delegated Investment Manager conducts an annual engagement survey to review how underlying third party investment managers are voting and engaging with companies in line with these priorities. The survey results are shared with the Trustees and also included in their Annual ESG Report.</p>
8	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	Section 10	<p>The assessments of the medium to long-term financial and non-financial performance of an issuer are made by the investment managers (both the underlying third-party investment managers appointed by the Delegated Investment Manager and the external managers). The Trustees' view is that these managers are in a position to engage directly with such issuers in order to improve performance in the medium to long term.</p> <p>Over the year, the Trustees monitored how each asset manager embeds ESG into their investment processes and how the managers' responsible investment philosophy aligns with the Trustees' own beliefs via any changes or updates to the ESG ratings assigned by Mercer. In particular the Trustees' review confirmed that one of their investment managers received a high ESG rating for passive fixed income strategies, an area where manager are generally not rated. This rating was applied as the manager's initiatives regarding ESG integration as a firm had increased markedly over the past couple of years.</p> <p>In drafting this statement, the Trustees have also received and considered key voting and engagement information from their investment managers, which is summarised in the Voting and Engagement Activity section that follows.</p>

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
9	Evaluation of the investment manager's performance and the remuneration for asset management services	Section 10	<p>To evaluate performance in respect of the investment managers, the Trustees received and discussed investment performance reports on a quarterly basis covering both default investment lifestyle strategies and self-select investment options. Such reports contain information covering fund performance for the previous 3 months, 1 year, 3 years, 5 years and since inception for the investment managers against their respective objectives/benchmarks, providing both short and long term performance metrics for review.</p> <p>In addition, the Trustees monitored the investment and ESG ratings assigned to each manager by Mercer on a quarterly basis.</p> <p>The value for members' assessment, discussed during the 30 June 2022 Trustees' investment meeting, assessed the annual management charge of each fund against the charges of a comparable peer group made up of investment funds made available across a number of Defined Contribution investment platforms. The Trustees use the results of this assessment to negotiate lower fees for any mandate which has fee levels above the peer group median. The value for members' assessment identified that a small number of funds were flagged as delivering performance below their performance targets and/ or having investment fees and transaction costs that were higher than expected. These were all actively managed funds that had experienced lower investment performance compared to their benchmarks over the 12 month period to 31 March 2022, a period where market performance was largely driven by a narrow set of investment styles and stock concentration. For these funds, to help ensure they are providing good value for members going forwards, the Trustees have obtained detail from the investment managers on the reasons for underperformance and actions being taken to revert this situation. The Trustees were satisfied that the funds flagged as delivering performance below their targets and/ or having transaction costs that were higher than expected over the period to 31 March 2022 are in a good position to revert the situation and that there are no concerns with the funds' ability to achieve their performance target over the long term. Additionally, these funds remain highly rated from Mercer's perspective, and therefore the Trustees would not expect any underperformance or higher than expected transaction costs to continue. Where investment fees were deemed higher than expected, the Trustees negotiated fee reductions with the relevant investment managers, which were implemented in March 2023.</p>
10	Monitoring portfolio turnover costs	Section 10	<p>The Trustees consider investment manager portfolio turnover costs as part of the Chair's Statement, taken as the costs incurred as a result of the buying, selling, lending or borrowing of investments. These are also considered in the annual value for members' assessment which was reviewed at the 30 June 2022 Trustees' investment meeting. Where a fund is underperforming their objective the Trustees assess whether fees and transaction costs are significantly contributing to the underperformance.</p>

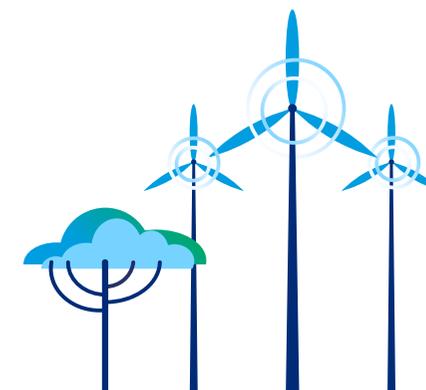
	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
11	The duration of the arrangement with the investment manager	Section 10	<p>Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage.</p> <p>The Scheme is a long term investor and all investments are in open-ended funds. There is no set duration for the manager appointments.</p>





ESG Stewardship and climate change

Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
<p>12</p> <p>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)</p>	<p>Section 9</p>	<p>The Trustees' approach to voting and engagement is set out in their Responsible Investment & Voting Policy, included with the SIP and is also published online.</p> <p>In summary, the Trustees expect investment managers' engagement policies to include all relevant matters, as defined in the investment regulations. The Trustees review the voting and engagement activities (where applicable) on an annual basis as part of the implementation statement process and Annual ESG Report.</p> <p>The Trustees are comfortable that active ownership (voting and engagement) is a priority for the Delegated Investment Manager. The Delegated Investment Manager does an annual survey of underlying investment managers on their engagement approach and outcomes. This report is used by the Delegated Investment Manager to engage with underlying investment managers on their stewardship approaches, with a view to positively influencing these over time. At their 12 December 2022 meeting the Trustees received training on stewardship as well as in relation to the Delegated Investment Manager's engagement framework which included a discussion on recent improvements made to this framework.</p> <p>The Trustees monitor the investment and ESG ratings assigned to each manager by Mercer on a quarterly basis via the investment reports which are considered at their quarterly meetings. A review of ESG ratings also forms part of the Annual ESG Report where the Trustees see a comparison versus the position last year and against the wider asset class universe covered by Mercer's manager research team. The ESG ratings of the vast majority of the funds offered by the Scheme remained in line with or ahead of the comparable universe rating. Over the year, the Trustees also monitor the ESG ratings of each individual manager.</p> <p>The Trustees have a plan that covers ESG, climate change and stewardship actions. At the start of the year, this plan existed as part of an ESG Roadmap document but later in the year it was incorporated in the investment section of the Trustees' annual calendar. Progress against this roadmap was reviewed at each quarterly Trustee meeting. Following the Scheme year end, at the 5 April 2023 meeting, the Trustees identified a number topics in which they wished to receive training during 2023, including biodiversity and impact investing.</p>





Voting disclosures

Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
<p>The exercise of the rights (including voting rights) attaching to the investments</p>	<p>Section 9</p>	<p>The Trustees' approach to voting and engagement is set out in their Responsible Investment & Voting Policy. This document is included with the SIP and is also published online. The investment funds used by the Scheme are multi-client pooled mandates accessed via insurance platforms. The Trustees do not have the legal right to cast underlying votes in the existing investment structure. This limits their ability to influence the investment managers' voting approach.</p> <p>The Trustees require managers to vote on all actions, unless to do so would be detrimental to the Scheme, and to report any exceptions. Investment managers are expected to exercise voting rights and stewardship obligations in line with current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. Annual assessments against the UK Stewardship Code of all investment managers by the Delegated Investment Manager are to be undertaken. During the Scheme year, consideration of how the investment managers incorporate the UK Stewardship Code were included as part of the reviews provided in the ESG annual report.</p> <p>The Trustees have delegated their voting rights to the investment managers and also expect their investment managers to engage with the investee companies on their behalf.</p> <p>New guidance in this area from the Department of Work and Pensions (DWP) came into effect for pension schemes preparing Implementation Statements in respect of scheme year end dates post 1 October 2022, noting that "to the extent this Guidance is non-statutory, trustees are encouraged to consider this Guidance from the date of publication". This guidance requires specific details around why trustees consider votes to be significant, size of the holdings and next steps on developing well-informed and precise objectives for engagement.</p> <p>As set out in the next section, the Trustees have requested key voting activities from their managers during the Scheme year to reflect this new guidance. In particular, focus has been given to the engagement priorities identified by the Trustees and detailed in the Responsible Investment & Voting Policy. The information received is summarised in the voting section that follows.</p> <p>The Trustees are comfortable that active ownership (voting and engagement) is a priority for the Delegated Investment Manager. The Delegated Investment Manager does an annual survey of underlying investment managers on their voting activity and practices. This report is used by the Delegated Investment Manager to engage with underlying investment managers on their stewardship approaches, with a view to positively influencing these over time. At their 12 December 2022 meeting the Trustees received training on stewardship as well as in relation to the Delegated Investment Manager's engagement framework which included a discussion on recent improvements made to this framework.</p> <p>The Trustees review an Annual ESG Report in order to actively monitor the Scheme's investment funds' activities and progress within ESG topics. During their 28 September 2022 meeting the Trustees approved amendments to their Responsible Investment & Voting Policy to reflect the information included within their latest annual climate change governance report and annual ESG report.</p>

Responsible investment activity by the Trustees during the Scheme Year

Climate risk disclosures

The Delegated Investment Manager and the Trustees have enhanced the level of climate risk monitoring and disclosures for the Scheme's assets. Their overall approach to climate-related financial risks and opportunities is consistent with the TCFD framework. Selected investment managers are expected to make disclosures consistent with the TCFD recommendations and the Trustees published their inaugural TCFD report³ in August 2022.

As noted above, the Mercer Master Trust's multi-asset funds have committed to a target of net-zero absolute carbon emissions by 2050. We expect that portfolio carbon emissions will be reduced by 45% relative to 2019 baseline levels by 2030 and considerable progress towards these targets has already been achieved at the time of writing. This commitment is aligned with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions.

Responsible Investment & Voting Policy

The Trustees publish their Responsible Investment & Voting Policy, this document sets out their ESG investment beliefs, approach to responsible investment and policies for monitoring progress and activities against these. In particular, it highlights the Trustees' engagement priorities.

Annual ESG Report

The Trustees produced a new Annual ESG Report providing a single source for all ESG monitoring and activities undertaken during the 12 month period to 31 December 2021. This report was considered by the Trustees at the 30 June 2022 meeting. This report ties the policies and investment approach set out within the Trustees Responsible Investment and Voting Policy covering the following 4 pillars:

- **Integration** – a review of the ESG ratings of all investment managers and changes over the year and their rating relative to the wider asset class universe covered by Mercer's manager research team;
- **Stewardship** – a summary of voting activity and key manager engagements with companies aligned with the Trustees' engagement priorities;
- **Investment** – analysis of the carbon intensity of holdings within the multi-asset and equity funds measured as the Weighted Average Carbon Intensity and how this has changed over the period;
- **Screening** – a review of the exclusions applied across fund range and consideration of future intention.

³ Available at the following webpage:

https://www.mercer.com/assets/uk/en_gb/shared-assets/local/attachments/pdf-mercero-master-trust-tcdf-report.pdf



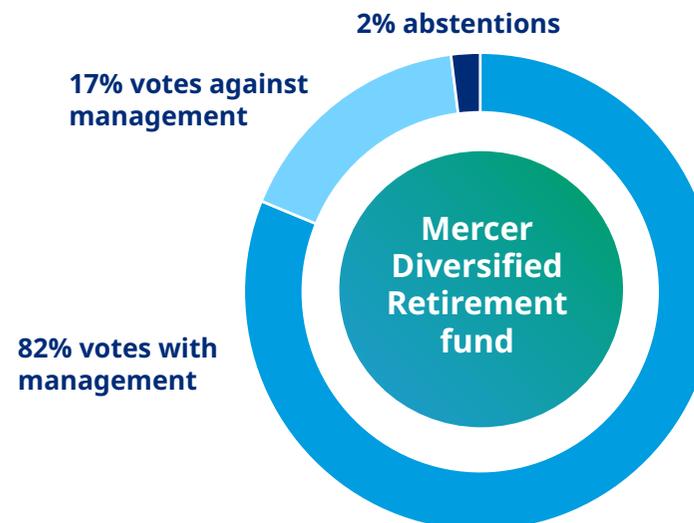
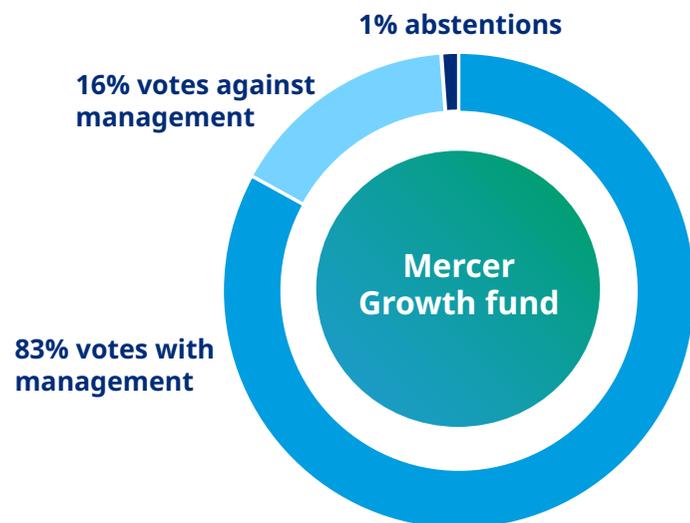
Voting and engagement activity

Voting activity during the Scheme year

The Trustees regard investment governance and active ownership to be of particular importance in serving the long-term interests of the Scheme's members.

A summary of the voting activity for the Scheme's Mercer Growth and Mercer Diversified Retirement funds for the year to 31 March 2023 is provided in the charts below. These multi-asset funds are utilised within the Scheme's default lifestyle strategies, the Diversified Retirement fund features in the Target Drawdown Path. As at 31 March 2023, over 83% of the Scheme's assets were held in these two funds.

Over the prior 12 months, the Trustees are comfortable with the voting activity of the Delegated Investment Manager and Investment managers of each of the funds. The Trustees do not use the direct services of a proxy voter. The Trustees have been engaging with the Delegated Investment Manager to improve the transparency of voting data for future purposes.



Figures may not sum to 100% due to rounding.

“Votes for / against management” assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities.

The table below shows a summary of voting activity for the Scheme's most material funds containing equities, these have been defined as funds in which more than 1% of the Scheme's assets are invested. We have also included our two ESG-focussed funds - the Mercer Passive Sustainable Global Equity fund and the Mercer Sustainable Global Equity fund.

Fund	Proportion of AUM as at 31/03/2023	Resolutions	% voted on	% With Mgmt	% Against Mgmt	% Abstained
Mercer Growth	72.6%	119,851	99.8%	82.9%	16.1%	1.0%
Mercer Diversified Retirement	10.7%	69,990	99.9%	81.8%	16.6%	1.5%
Mercer Passive Overseas Equity*	3.3%	25,196	95.2%	93.1%	6.9%	0.5%
Mercer Passive Global Equity	1.4%	21,475	99.9%	90.2%	9.2%	0.6%
Mercer High Growth	1.3%	119,851	99.8%	82.9%	16.1%	1.0%
Mercer Passive Sustainable Global Equity	0.6%	16,150	99.9%	77.2%	22.3%	0.5%
Mercer Sustainable Global Equity	0.1%	6,130	99.9%	87.3%	11.9%	0.8%

*Please note that figures may not total 100% due to a variety of reasons such as lack of management recommendation or scenarios where an agenda has been split voted.

The Mercer Growth and the Mercer Diversified Retirement funds are used both as component funds of the lifestyle strategies and as self-select investment options. The total proportion of AUM shown relates to the total in the funds across both uses.

Sample of significant votes

The sample of significant votes highlighted in the next table are for the Mercer Growth fund, the largest fund within the Scheme which accounts for over 72% of the Scheme's assets. Many of the underlying constituent funds within the Mercer Growth fund are used within the Mercer Diversified Retirement fund and other multi-asset funds like the Mercer High Growth fund also and so represent an even greater proportion of Scheme assets. A vote is classified as a significant vote if it meets one or more of the following conditions:

- It involves shareholder proposals or contentious votes relating to any of the top 20 holdings within the Mercer Growth fund (which as previously described is the largest fund within the Scheme and accounts for over 72% of the Scheme's total assets as at 31 March 2023);
- It involves shareholder proposals or contentious votes related to the Trustees' engagement priorities, which are detailed in the table below.

Engagement priorities

01

Environmental sustainability

Climate change;

- Low-carbon transition (mitigation) and physical damages resilience (adaptation)

Pollution and natural resource degradation;

- Water (rivers and oceans), air, land (forests, biodiversity and soils)

02

Social sustainability

Human rights;

- Modern slavery, pay & safety in workforce and supply chains, abuses in conflict zones

Addictive products;

- Tobacco, opioids, gambling, alcohol, sugar

03

Governance and strategy

- Aligned remuneration and incentives
- Inclusive, diverse decision-making
- Transparent disclosure of material ESG factors



Shareholder proposals are important because this is when a specific course of action is recommended or requested by a shareholder (or group of shareholders). It is often the case that a vote in support of a shareholder proposal is a vote against management, as is demonstrated in the table of significant votes.

The 'Vote by Management' (i.e. management of the issue Company) and the 'Vote by Manager' (i.e. asset manager) highlights whether the company management team and the relevant investment manager voted for (✓) or against (✗) the sample proposals shown below.

In addition to the information shown below, the Trustees also requested that the investment managers confirm whether they communicated their intent to vote against management to the company ahead of the vote, as well as next steps taken by the investment managers following the vote. This information was not made available by investment managers at the time of writing, but the Trustees have received confirmation that it will become available for reporting of significant votes from Q2 2023 onwards.

Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
UBS Asset Management (UK) Ltd	0.044%	Amazon.com Inc.	25/05/2022	Shareholder Proposal Regarding Report on Freedom of Association	✓	Given Amazon's significant controversies related to working conditions and treatment of workers, and the perceived lack of awareness of Amazon's Board and leadership on ongoing concerns relative to the Company's industrial relations management, the manager believes that a report such as the one requested is in investors' interest.	Not approved	The Trustees view Human Rights as an engagement priority.
Irish Life Investment Managers Limited	0.028%	Standard Bank Group Ltd.	31/05/2022	Shareholder Proposal Regarding Disclosure of GHG Emissions	✓	Support for all climate-related shareholder proposals at Standard Bank Group's 2022 AGM is considered warranted in light of the benefits of progressive disclosure on the company's financed emissions and climate strategy, noting that the company considering to put the proposals to vote is a positive development.	Approved	The Trustees view Climate Change as an engagement priority.

Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
Irish Life Investment Managers Limited	0.028%	Standard Bank Group Ltd.	31/05/2022	Shareholder Proposal Regarding GHG Reduction Targets	✓	Support for all climate-related shareholder proposals at Standard Bank Group's 2022 AGM is considered warranted in light of the benefits of progressive disclosure on the company's financed emissions and climate strategy, noting that the company considering to put the proposals to vote is a positive development.	Approved	The Trustees view Climate Change as an engagement priority.
Legal & General Investment Management Limited	0.096%	Alphabet Inc.	01/06/2022	Shareholder Proposal Regarding Report on Board Diversity	✓	A vote in favour is applied because the manager believes that a well governed and diverse board is more likely to perform over the long term.	Not approved	The Trustees view Diversity in decision making as an engagement priority.
Irish Life Investment Managers Limited	0.149%	Samsung SDI	15/03/2023	Management Proposal Regarding Election of Inside Director	✗	A vote Against the non-independent board chair. The manager believes that, in order to fulfill 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.	Approved	The Trustees view Diversity in decision making as an engagement priority.

Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
Legal & General Investment Management Limited	0.074%	Firstenergy Corp.	17/05/2022	Shareholder Proposal Regarding Child Labor Linked To Electric Vehicles	✘	A vote Against this proposal is warranted as it is unclear how the requested report would benefit shareholders given that the production of electric vehicle batteries is not within the company's supply chain.	Not approved	The Trustees view Human Rights as an engagement priority.
Legal & General Investment Management Limited	0.372%	NextEra Energy Inc.	19/05/2022	Shareholder Proposal Regarding Disclosure of a Board Diversity and Skills Matrix	✔	A vote in favour is applied because the manager believes that a well governed and diverse board is more likely to perform over the long term.	Not approved	The Trustees view Diversity in decision making as an engagement priority.
Legal & General Investment Management Limited	0.372%	NextEra Energy Inc.	19/05/2022	Shareholder Proposal Regarding Employee Diversity Data Reporting	✔	A vote in favour is applied as the manager believes that having to disclose the level of information contained in the EEO report may lead to reduced inequality.	Not approved	The Trustees view Diversity in decision making as an engagement priority.

Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
Legal & General Investment Management Limited	0.431%	Prologis	04/05/2022	Management Proposal Regarding the Election of Executive Committee Members	✘	Votes against were related to joint CEO/ chair, diversity, and independence. A vote against is applied as the manager expects companies to separate the roles of Chair and CEO due to risk management and oversight. Also, the company has an all-male Executive Committee. Finally, the manager expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Approved	The Trustees view Diversity in decision making as an engagement priority.
Legal & General Investment Management Limited	0.287%	Equinix, Inc.	25/05/2022	Shareholder Proposal Regarding Right to Call Special Meetings	✔	Shareholder rights: A vote in favour is applied as the resolution is seeking to reduce the threshold below 25%.	Not approved	The holding is one of the top 20 holdings within the Mercer Growth fund.
Legal & General Investment Management Limited	0.157%	VICI Properties Inc.	27/04/2022	Management Proposal Regarding the Election of Directors	✘	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.	Approved	The Trustees view Climate Change as an engagement priority.

Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
UBS Asset Management (UK) Ltd	0.007%	Skechers USA, Inc.	26/05/2022	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	✓	The company lacks meaningful targets, strategy and actions in regards to climate change, the manager therefore supported the proposal, which received 75% of votes cast. The manager shall be reviewing next steps from the company.	Approved	The Trustees view Climate Change as an engagement priority.
UBS Asset Management (UK) Ltd	0.004%	Electric Power Development	28/06/2022	Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement	✓	In light of the company's already high GHG emissions and the lack of a concrete plan to retire old coal power facilities, it is in shareholders' interest to better understand how the company intends to remain viable in the long term, with the help of critical climate information which would be ensured with the proposed change. Finally, the proposed contents do not appear to be unduly burdensome or overly prescriptive.	Not approved	The Trustees view Climate Change as an engagement priority.

Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
UBS Asset Management (UK) Ltd	0.003%	Badger Meter Inc.	29/04/2022	Shareholder Proposal Regarding Board Diversity Report	✓	The company has shown responsiveness since the majority-supported proposal in 2021 and the company's progress towards on-going and long-term Board diversification efforts are noted. However, the request for additional reporting is reasonable, and would enable shareholders to have a better understanding of the company's approach.	Not approved	The Trustees view Diversity in decision making as an engagement priority.



Investment Manager	Approximate Size of Holding at date of the vote*	Company	Date of Vote	Resolution	Vote by manager	Rationale for voting decision	Outcome	Why Vote is Significant for the Trustees
UBS Asset Management (UK) Ltd / Legal & General Investment Management Limited	0.567%	Microsoft Corporation	13/12/2022	Shareholder Proposal Regarding Managing Climate Risk in Employee Retirement Options	✘	Managers who voted against this proposal felt this was not a material risk for the company given the current investment options available to employees. As a result, they were generally concerned that additional reporting on the Company's retirement plan options in the manner suggested by this proposal were unlikely to be a prudent use of company resources. Supporting this sentiment, proxy providers such as GlassLewis voiced concern around the proponent's case, noting a lack of articulation around any meaningful risks that the Company faces on account of its retirement plan options. However, the proposal earned an 11.2% vote at Microsoft's annual general meeting, achieving the threshold needed to continue dialog with the company and resubmit the resolution next year, if necessary.	Not approved	The Trustees view Climate Change as an engagement priority.

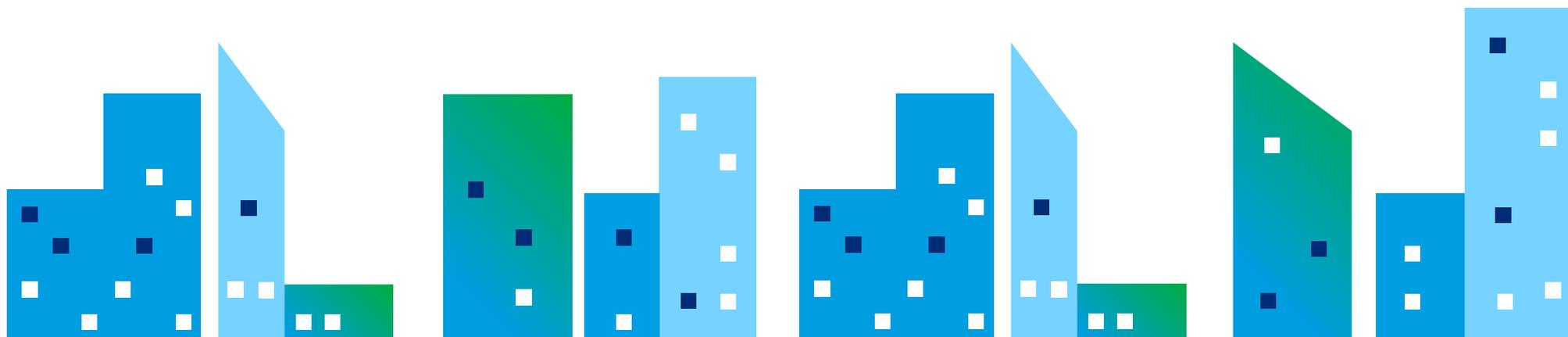
*This is calculated as a percentage that the holding represented over the Mercer Growth total assets under management at the date of the vote.

Engagement Examples

An annual survey on engagement is conducted by the Delegated Investment Manager and reported back to the Trustees, which allows them to gather information from all underlying (sub) investment managers on how they are engaging with investee companies on meaningful issues. We have provided an excerpt of engagements below, aligned with the Trustees' engagement priorities of economic sustainability, social sustainability and governance and strategy.

	Issuer name	Issue	Action Taken	Outcome
E	Link Real Estate Investment Trust	The operation of buildings (from energy used to heat, cool and light buildings) is responsible for 28% of all carbon emissions in the world. 11% comes from the embodied carbon associated with the materials and construction process throughout the whole building lifecycle.	As identified, as recently as 2021, Link didn't even have a 2050 commitment – the sub investment manager undertook significant engagement with the company on disclosure of Scope 3 emissions from leased assets; operational emissions targets; life cycle assessment; climate change strategy and targets; improved disclosures; and governance and resources.	In the 2022 AGM season, the sub investment manager was satisfied with the substantial progress the Company had made since the previous year and felt comfortable in supporting all resolutions. The sub investment manager will continue engagement with Link REIT through climate and ESG-targeted calls; will continue to monitor sector-specific emissions targets and progress on climate risk management strategy.
S	Teleperformance (TEP)	The company faced complaints from employees in different countries over working conditions amid the COVID-19 outbreak. Further, TEP employees reported that they received threats from management about salary reductions and absences marked as leave if they refused to work on-site. As a result, the company faced a review by the OECD's French National Contact Point (NCP).	The sub investment manager held joint engagements with the company regarding these human capital-related issues. Specifically, they sought to better understand TEP's approach to revamping their employment practices to reflect the NCP's findings and recommendations.	The company acknowledged the existence of the controversy in its 2020 and 2021 annual report and provided details of its resolution. In 2021, the Board focused on a number of priorities including human capital management and the pandemic's impact on the company's workforce. TEP also addressed the OECD NCP's recommendations, and in December 2022 the OECD NCP published a press release where it noted that the measures put in place by TEP met its recommendations; therefore, the NCP decided to end the proceedings. TEP also established a Health and Safety Committee in the Philippines and India to monitor workplace safety issues more closely and prevent similar events from occurring in the future. Finally, TEP publicly committed to comply with the working conditions standards from the UN Global Compact, the Universal Declaration of Human Rights, ILO conventions and OECD guidelines. The sub investment manager were encouraged by the company's response and will continue to engage with TEP on human capital-related issues.

	Issuer name	Issue	Action Taken	Outcome
G	Union Pacific Corporation	The sub investment manager identified the need for better workforce diversity information and formally began calling on their portfolio companies in the United States to publicly disclose their Equal Employment Opportunity (EEO-1) data.	<p>The sub investment manager engaged with senior management and board members of Union Pacific to discuss diversity and inclusion.</p> <p>During the call the sub investment manager explained the need for EEO-1 data and that they would be supporting the proposal in advance of their forthcoming proxy voting policy which would take effect during the 2022 proxy season.</p>	As a result of the sub investment manager's engagement and proxy voting, Union Pacific made a number of changes to its diversity disclosure, all which addressed our recommendations:1) Union Pacific published its first EEO-1 Report in August 2021. 2) They now provide quarterly workforce reports which are published on their public website 3) The company's 2022 proxy now includes new language around diversity and explicit oversight at the board level; the Compensation and Benefits Committee "reviews and discusses with management the Company's human capital management activities and diversity and inclusion initiatives". The sub investment manager was also invited to attend and present at a portion of Union Pacific's quarterly board meeting to build upon meaningful engagement discussions they had with the company in the past. As a result of their multi-year engagement efforts, at the 2022 annual meeting, the sub investment manager was fully aligned with the recommendations of management and as such did not have to apply their EEO-1 director voting policy. The company also made a firm commitment to enhance its diversity disclosure.



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