

The Thomson-Leng Provident Fund ('the Fund')

Annual Implementation Statement for the Year Ended 31 March 2023

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 April 2022 to 31 March 2023 (the "**Fund Year**"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

This statement covers both the defined benefit section ("the DB Section") and the defined contribution section ("the DC Section") of the Fund and should be read in conjunction with the Fund's SIP for each Section.

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Fund and any changes which have been made to the SIPs during the Fund Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the SIPs for each section have been followed. **The Trustee can confirm that all policies in the SIPs have been followed in the Fund Year.**



The latest SIPs are publically available and can be accessed using this link: <https://www.dcthomson.co.uk/pension-fund-statement-of-investment-principles/>

DWP released a set of Implementation Statement requirements on 17 June 2022, "*Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance*" to be adopted in all Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;
- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

Sections 3 and 4 include information on the engagement and significant voting activities of the underlying investment managers within each Section of the Fund.



2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

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



The Trustee's objective for the DB Section of the Fund is to meet their obligations to the beneficiaries.



The Trustee recognises that DC Section members have differing investment needs and that these may change during the course of a member's working life. 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.

In order to encompass these factors the Trustee has agreed the following objectives:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
- To offer funds which allow diversification of risk and long term capital growth.
- To provide a default investment option for members who do not make their own investment decisions.

Mercer Workplace Savings ("MWS") offers funds via the Scottish Widows platform to provide a range of investment options for members to invest their contributions. Mercer, as the delegated investment manager, is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying investment managers.



2.2. Review of the SIP



The SIPs for both Sections of the Fund were last reviewed at the Trustee meeting in September 2022 and subsequently approved. The DB Section SIP was updated to show the appointment of Multrees Investor Limited as custodian of the Fund's assets and to reflect Wm Thomson's comments in Section 10 (Engagement with the Investment Manager) and Section 11 (Member Views). There were no changes or updates required to the DC Section SIP.



The Trustee consulted with the Sponsoring Employer in finalising the SIPs.

A further review of the DB Section SIP was carried out in September 2023 to cover the introduction of a liability hedging strategy in the Fund's investment strategy. This will be covered in greater detail in next year's Annual Implementation Statement.



2.3. Assessment of how the policies in the SIPs have been followed for the Fund Year



The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work adhered to the Trustee's policies in the SIPs, relating to the Fund as a whole and the default investment arrangement.



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



Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 12 of the DB Section SIP and Sections 1 and 8 of the DC Section SIP.



How has this policy been met over the Fund Year?

The Trustee last reviewed the Fund's DB Section SIP in September 2022 and no changes were made.

For the DB Section, the Trustee is satisfied this policy has been followed over the Fund year.

As noted above, a further review of the Fund's DB Section SIP was carried out in September 2023 to cover the introduction of a liability hedging strategy in the Fund's investment strategy. The liability hedging strategy was introduced through the purchase of physical fixed and inflation-linked UK government bonds to hedge c.48% of the liability exposure to interest rates and inflation at the point of implementation. This was based on market conditions as at 31 May 2022 and a Gilts Flat liability basis. Interest rate and inflation risk are two of the main risks the Fund is exposed to. The bonds within the liability hedging portfolio will partially offset the impact of movements in interest rates and inflation on the value of the liabilities by responding in a similar way to interest rate and inflation changes, thereby reducing funding level volatility.



How has this policy been met over the Fund Year?

The Trustee decided to add the Mercer Shariah Fund to the self-select range in April 2023. Appropriate advice was provided by the Investment Consultant in relation to this investment at the Trustee meetings September 2022.

For the DC Section, the Trustee is satisfied this policy has been followed over the Fund Year.



Investment Mandates

Realisation of Investments

Policy

The Trustee's policy is that there should be sufficient liquidity within the Fund's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Fund's overall investment policy.



Policy

Further details are set out in the following sections of the SIP:

- Realisation of Investments (DB SIP Section 8)
- Day-to-Day Management of Assets (DB SIP Section 6)

How has this policy been met over the Fund Year?

The Trustee monitors the Fund's cashflow position on a regular basis to ensure there is sufficient liquidity within the Fund to allow for the pay-out of approved member benefit requests and market drawdowns.

For the DB Section, the Trustee is satisfied this policy has been followed over the Fund Year in order to meet benefit payments.



Policy

Further details are set out in the following section of the SIP:

- Day-to-Day Management of Assets (DC SIP Section 5)

How has this policy been met over the Fund Year?

The Trustee received a quarterly administration update at each Trustee meeting to ensure that core financial transactions are processed within SLAs and regulatory timelines.

Over the Fund Year, the Trustee undertook regular monitoring of the Fund's investment options and were not aware of any liquidity issues arising in respect of those options.

For the DC Section, the Trustee is satisfied this policy has been followed over the Fund Year and that SLA targets requirements were generally met. The Trustee notes that the SLA score has improved since the previous Fund Year.



Environmental, Social and Governance (“ESG”)

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

Policy

The Fund’s SIPs outlines the Trustee’s beliefs on ESG factors (including climate change). Further details are included in Section 9 of the DB Section SIP and Section 6 of the DC Section SIP. The Trustee keeps policies under regular review.

How has this policy been met over the Fund Year?



The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure there is effective governance with respect to the effects of climate change.

In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by the investment consultant on responsible investment. The training covered ESG factors, stewardship, climate change and ethical investing. This training was provided at the December 2020 Trustee meeting. At this meeting, the Trustee’s investment beliefs were discussed with the investment consultant and investment manager to assist the Trustee with establishing their policy in this area. Following the discussions at the Trustee meeting, the updated policies were incorporated into the SIP agreed in September 2020. The Trustees keep policies under regular review with the SIP subject to review at least triennially. At the June 2023 Trustee meeting, the Trustee agreed that it would be helpful to start to consider what, as a group, their ESG and climate change views and beliefs are to help them develop a Trustee Board policy on ESG and climate change. The Trustee agreed to work in conjunction with Mercer to circulate an ESG belief questionnaire to the Trustee Directors and Wm Thomson to collate the Trustee Board’s views and objectives on ESG issues.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their appointed investment manager and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (“UNPRI”) (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.



As set out in the DB Section SIP, the Trustees have given the appointed investment manager full discretion in evaluating how ESG factors, including climate change considerations are taken into account in selecting and retaining the Fund’s investments. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in September 2020 and the Trustee is satisfied that this policy has been followed over the Fund Year.



ESG ratings are monitored as part of the annual Value for Members Assessment in respect of the DC Section. The investment performance report is reviewed by the Trustee on a quarterly basis – this also includes ratings (both general and ESG) of the pooled funds in which the DC Section invests. In general, most of the funds remained well rated during the Fund Year.

MWS also considers ESG considerations as an important factor in the overall design of the investment strategy and the selection and retention of investment managers.



Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Fund's directly held investments to the appointed investment manager, William Thomson & Sons ("Wm Thomson").

Further details are set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 6 (Responsible Investment and Corporate Governance (Voting and Engagement)) of the DC Section SIP. The Trustee, primarily through the Investment Committee, can review the voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best performance over the medium to long-term.

How has this policy been met over the Fund Year?



Since October 2022 trustees are required to identify their key stewardship themes and priorities and report on significant votes linked to these themes/priorities. The Trustee consider a significant vote as any vote in material investment funds (holds more than 5% of DC Section assets at Fund year-end) relating to holdings in a company representing at least 1% of the year-end market capitalisation of the fund, in three key stewardship priorities for the Fund relating to:

- Climate change – including low carbon transition and physical damages resilience;
- Human rights – including modern slavery, pay and safety in the workforce and supply chains; and
- Diversity, Equity and Inclusion – including inclusive and diverse decision making.

Section 3 of this statement includes engagement and voting activity undertaken by the Fund's investment managers with investments in equities, and section 4 sets out a summary of voting activity and the most significant votes cast on behalf of the Trustee by these investment managers. The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. MWS' underlying managers are signatories to the Code.



The Fund's investment manager within the DC Section is a signatory to the current UK Stewardship Code. However, the Fund's investment manager within the DB Section, Wm Thomson & Sons, is not a signatory to the current UK Stewardship Code. The Trustee does not directly use a proxy vote advisor



Monitoring the Investment Managers

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

Policy

The Trustee's policy is set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

The Investment Committee meet with the investment manager on a regular basis to review and evaluate ongoing performance of the Fund. The Trustee's focus is on long-term performance but they engage with the investment manager if there are short-term performance concerns.



How has this policy been met over the Fund Year?

As the Trustee invests in pooled or multi-client investment vehicles they accept that they have limited ability to influence the Investment Managers to align their decisions with the Trustee's policies set out in the DC Section SIP. However, appropriate mandates can be selected to align with the overall investment strategy.

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

Policy

The Trustee's policy is set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

Over the year to 31 March 2023, the Investment Committee received monthly investment reports. These were then discussed on a quarterly basis at each of the Trustee meetings.

The Trustee will agree the remuneration with the investment manager on an annual basis.



How has this policy been met over the Fund Year?

The performance of each of the DC Section's funds, including those used in the Lifestyle arrangements, were reviewed by the Trustee at each of its quarterly meetings. This included fund performance against the benchmark over both short-term and longer-term periods.

The charges paid to the investment managers for their services were analysed as part of the annual Value for Members assessment for the DC Section, which was conducted by the Fund's Investment Consultant after the Fund year end in July 2023. The assessment concluded that the DC Section continued to provide good value for members in relation to member borne deductions, with additional member resources paid for by the Fund enhancing this value further.



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

The Trustee does not currently monitor portfolio turnover costs but may look to do this in the future. As part of the monthly reporting pack Trustees receive data on portfolio turnover. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



How has this policy been met over the Fund Year?

Portfolio turnover costs for each of the funds in the DC Section are reviewed by the Trustee on an annual basis as part of the annual Value for Members assessment and are also disclosed in the annual Chair's Statement. The Portfolio turnover costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.

The duration of the arrangements with asset managers

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

There is no set duration for the investment manager appointment. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustee are dissatisfied with the managers' ongoing ability to deliver the mandate promised or because of a change of investment strategy by the Trustee.



How has this policy been met over the Fund Year?

All the funds within the DC Section are open-ended and therefore there is no set duration for manager appointments. The fund range is formally reviewed by the Trustee on at least a triennial basis as part of the investment strategy review. The latest investment strategy review was carried out in June 2023, after the Fund year end. The investment proposition, including manager appointments and funds available for the Trustee to offer to its members, are also reviewed by MWS on an annual basis as part of their annual strategy review.

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



Policy

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

- Portfolio Construction (SIP Section 4)
- Investment Strategy (SIP Section 5)

How has this policy been met over the Fund Year?

Over the Fund Year, the Trustee continued its review of the Fund's investment strategy, with particular focus on alternative investments that provided an element of de-risking and hedging within the investment portfolio. The Trustees received training on liability hedging investments at the December 2022 Trustee meeting, given the overall objective to reduce funding level volatility and partially mitigate the Fund's exposure to interest rate and inflation risk (two of the main risks the Fund is exposed to).

Post Fund year end, July 2023, the Trustee, in consultation with the Sponsoring Employer and Wm Thomson, agreed to implement a liability hedging strategy through the purchase of physical fixed and inflation-linked UK government bonds to hedge 48% of the liability exposure to interest rates and inflation. This was based on market conditions as at 31 May 2022 and a Gilts Flat liability basis.

The Trustee will review the continued appropriateness of the liability hedging strategy on a regular basis and after each formal actuarial valuation to allow for any changes in the membership profile or following any significant membership changes (such as transfers out) or significant changes in market conditions.



Policy

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

- Investment Objectives (SIP Section 2)
- Investment Strategy (SIP Section 4)

How has this policy been met over the Fund Year?

The default investment strategies are designed after careful analysis of the membership characteristics in order to offer an appropriate approach for the needs of the Fund's members. Performance of the default investment strategies is reviewed quarterly at Trustee meetings through the presentation of the quarterly investment report. The Trustee carries out regular assessments of the design of the default investment strategies to ensure they continue to remain appropriate for the membership. Changes were made to the strategic asset allocation of the Target Drawdown default strategy in January 2023 for members retiring from 2026 onwards. Namely, introducing cash two years from retirement rather than three years before and reducing the cash allocation at retirement to 10% rather than 25%. The Trustee believes this will reduce the cash drag on returns and improve the expected return whilst continuing to offer protection to the capital value of a member's pension savings. The Trustee believes this change maintains an appropriate balance between risk and return in line with their stated objectives whilst reflecting member portfolios remaining invested beyond retirement to generate a retirement income.

The Trustee recognises 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 arrangements and a range of self-select funds.

The Trustee was satisfied with the performance of the funds over the Fund Year, especially when considering the unprecedented market volatility seen throughout 2022.



Strategic Asset Allocation

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



Policy

The Trustee's policy on the management and measurement of risks involved in the investment of the assets of the DB Section can be found under the following section of the SIP:

- Risk Management and Measurement (SIP Section 3)

The Trustee considers the Fund's anticipated lifetime when considering risk management and concentrates on the risk of a deterioration in the funding level over the long-term when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and asset managers.

Arrangements are in place to monitor the investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments.

How has this policy been met over the Fund Year?

During the year, the Trustee received quarterly updates from the Scheme Actuary on the development of the funding position. In addition to this, the Investment Committee met monthly and the Trustee received regular reports from the investment manager.

There was no material change in the Fund's circumstances and the funding position improved over the Fund Year therefore no strategic changes were made to the investment strategy.



The Trustee maintains a register of key risks, including investment risks, which is reviewed bi-annually by the Trustee or more frequently if new risks are identified. 'Top' risks are also reviewed quarterly. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken.



Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management (SIP Section 3)

The Trustee recognises that there are a number of risks facing members of the DC Section and have taken these into consideration when determining the range of funds to offer to members. As detailed in the risk table in the DC Section SIP, the Trustee considers risk from a number of perspectives, including market risks, Environmental, Social and Governance risks, investment manager risk and liquidity risk.

How has this policy been met over the Fund Year?

The Trustee received quarterly administration reports which were reviewed by the Trustee to ensure that core financial transactions were processed within agreed service levels and regulatory timelines.

The Trustee also received updates from the Investment Consultant on developments concerning the investment manager. None of these updates resulted in any recommended changes to the DC arrangements.

3. Examples of Engagement Activity by the Fund's Equity Investment Managers

Set out below is an example of engagement activity undertaken by one of the Fund's Equity investment managers in the DB section. We have shown engagement activity undertaken by Baillie Gifford as the largest allocation to an individual investment manager in the Fund is held in Scottish Mortgage Investment Trust PLC, an investment trust run and managed by Baillie Gifford. We have also set out engagement information within the DC section.



Baillie Gifford engaged with Tesla to understand the board's perspective on issues of racial discrimination, supply chain management, ongoing governance changes and Chief Executive Officer Elon Musk's bid to acquire Twitter

Discussion: Baillie Gifford spoke to chair Robyn Denholm and non-executive director Ira Ehrenpreis. Their conversations covered a broad range of subjects. Baillie Gifford asked about harassment and racial discrimination allegations and ongoing lawsuits. Denholm and Ehrenpreis outlined the increasing investment that Tesla is dedicating to human capital management and the board's process for monitoring employee grievances. They were restricted in the information they were able to discuss but gave clear zero-tolerance commitments for harassment and discrimination while highlighting that minorities make up the majority of Tesla's workforce. Regarding CEO Musk's bid for Twitter, the board is not concerned that it will serve as a distraction. It is confident that Tesla remains a priority. Baillie Gifford commended the company on its excellent execution in building its Texas, German and Shanghai facilities, which are progressing well. This work has been supported by robust supply chain operations, which are largely vertically integrated and have positioned Tesla well relative to its peers in response to the demands of the pandemic. Finally, Baillie Gifford discussed planned changes to Tesla's corporate governance which include partial declassification of the board and elimination of supermajority voting requirements.

Outcome: Baillie Gifford were reassured that the company takes accusations of harassment and discrimination seriously and that the board is taking appropriate steps to develop Tesla's human capital management. Baillie Gifford believe the board is acting as a responsible steward in how it manages and develops the company's broader corporate governance.



Mercer appoints sub-investment managers, who are expected to adopt voting and engagement practices that include a focus on sustainability risks and other material Environmental, Social and Governance (ESG) themes and topics.

These include governance and strategy, together with relevant environmental and social topics, consistent with Mercer's Investment Beliefs

Mercer therefore identified a number of priority themes and topics for engagement. Climate Change, Diversity and Modern Slavery are the current focus areas in our engagements with sub-investment managers.



4. Voting Activity during the Fund Year

Set out below is a sample of voting activity for this reporting period and overleaf a sample of the most significant votes cast on behalf of the Trustee by the Scottish Mortgage Investment Trust PLC (the “Trust”), the DB Section’s largest collective investment vehicle holding.

Holding	Number of Proposals eligible to vote on	Vote Date	Vote Instruction
Spotify Technology SA	17	29/03/2023	For 16 proposals, 1 against. The Trust opposed a resolution which sought authority to issue equity because the potential dilution levels were not in the interests of shareholders.
Tesla Inc	14	04/08/2022	For 8 proposals, 6 against. The Trust opposed the resolution requesting a report on how the company’s corporate lobbying is aligned with the Paris Climate Agreement. Given Tesla’s core mission is to accelerate the world’s transition to sustainable energy and its entire business strategy is in alignment with the Paris Agreement, the Trust believed additional disclosures would be burdensome with no real benefit to shareholders.
Alibaba Group Holding	7	30/09/2022	For 7 proposals.
NIO Inc ADR	6	25/08/2022	For 26 proposals.
Wise Plc	19	23/09/2022	For 19 proposals.
Amazon.com	29	25/05/2022	For 17 proposals, 12 against. The Trust opposed a shareholder proposal on warehouse working conditions. They recognised the steps the company had taken recently on health and safety at work. In addition, Amazon states that the diversity and equity audit agreed to should cover any disparate racial impacts of policies, programs and practices related to injury rates.
Netflix	11	02/06/2022	For 10 proposals, 1 against. The Trust supported a shareholder resolution for a report on lobbying payments and policy as they believed enhanced disclosure on these subjects was in shareholders’ best interests.
NVIDIA	17	02/06/2022	For 17 proposals.
Zoom	6	16/06/2022	For 6 proposals.


Source: WM Thomson


Sample of the most significant votes






For the purposes of this report, a significant holding is defined as being the top three direct equities by market value at 31 March 2023. The top three direct equity holdings on 31 March 2023 were AstraZeneca plc, Shell plc and Diageo plc. The priority themes being focussed on in this slide are:

- Climate Change: including low-carbon transition and physical damages resilience,
- Human Rights: including modern slavery, pay and safety in the workforce and supply chains; and
- Diversity, Equity and Inclusion: including inclusive and diverse decision making.



 Resolution passed

 Resolution not passed

Examples of significant votes in the direct equities that fall under the priority themes identified are shown below and overleaf:

Company	Approximate size of the holding in the Fund (%)	Date of vote	How the Manager voted	Stewardship theme	Rationale of Manager vote	Final outcome following the vote
AstraZeneca plc	1.79	22/04/2022	For	Human Rights (Pay)	Wm Thomson, on behalf of the Fund, supported a resolution seeking approval for a HMRC-approved, savings-related share option plan that would enable employees to acquire the company's shares at a discount.	
AstraZeneca plc	1.79	22/04/2022	For	Diversity, Equity and Inclusion	Wm Thomson, on behalf of the Fund, supported a resolution that related to the election or re-election of directors. No issues were identified with any individual, and it was noted that 5 of the 13 proposed individuals were female, which was considered sufficiently diverse. Please note no data was available regarding the board member's ethnicity, gender identity or sexual orientation, and so these factors were not considered.	
Shell plc	1.81	24/05/2022	For	Climate Change	Wm Thomson, on behalf of the Fund, supported a resolution that sought shareholder approval for Shell's energy transition progress update, which gives details of the company's progress against its climate objectives, as set out in its 2021 Energy Transition Strategy. Some concerns were noted, however these were mitigated by the new operational targets for 2030, the fact that the plans disclosed contain short-, medium- and long-term timeframes and the fact that the company has committed to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD").	

Source: Wm Thomson

Company	Approximate size of the holding in the Fund (%)	Date of vote	How the Manager voted	Stewardship theme	Rationale of Manager vote	Final outcome following the vote
Shell plc	1.81	24/05/2022	Against	Climate Change	Wm Thomson, on behalf of the Fund, voted against a resolution that asked that Shell set and publish targets that are aligned with the goal of the Paris Climate Agreement as well as to publish the strategy used to support these aims and provide updates on progress. This resolution appeared to be part of a wider organised campaign to bring resolutions in this vein to the AGMs of multiple oil and gas producers. While Wm Thomson were cognizant of the risks of climate change and the urgency shareholders feel, the specifics of the reporting sought by this resolution are already being published in line with the existing strategy.	
Diageo plc	1.74	06/10/2022	For	Diversity, Equity and Inclusion	Wm Thomson, on behalf of the Fund, supported a resolution that related to the election or re-election of directors. No issues were identified with any individual, and it was noted that 5 of the 13 proposed individuals were female, which was considered sufficiently diverse. Please note no data was available regarding the board member's ethnicity, gender identity or sexual orientation, and so these factors were not considered.	
Diageo plc	1.74	06/10/2022	For	Human Rights (pay)	Wm Thomson, on behalf of the Fund, supported a resolution that was seeking approval for an amendment to the share plan that allowed Ireland domiciled employees to purchase shares in the company using their pre-tax salary and/or all or part of their annual bonus. No concerns were noted.	

Source: Wm Thomson

Voting Activity during the Fund 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 Fund. Investment funds where voting is not applicable (i.e. non-equity funds) are not included in the list below. All DC investments are managed by Mercer Global Investments Europe Limited.

Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote with management?	Of the resolutions on which you voted, what % did you vote against management?	Of the resolutions on which you voted, what % did you abstain from voting?
Defensive	46,929	99.8	82.7	15.4	1.9
Growth	119,851	99.8	82.9	16.1	1.0
Moderate Growth	117,293	99.8	82.9	16.1	1.0
High Growth	119,851	99.8	82.9	16.1	1.0
Diversified Growth	119,851	99.8	82.9	16.1	1.0
Active Global Equity	5,968	99.9	91.3	7.8	0.9
Active Sustainable Global Equity	6,130	99.9	87.3	11.9	0.8
Passive Sustainable Global Equity Hedged	16,150	99.9	77.2	22.3	0.5

Source: Mercer



Sample of significant votes (noting no company represented at least 1% of a material fund)



Resolution not passed



Resolution passed

Fund	Company	Approximate size of the holding in the Fund (%)	Date of vote	Topic and how the Manager voted	Why vote is considered significant	Rationale of Manager vote	Final outcome following the vote
Mercer Growth	Microsoft Corporation	0.57	13/12/2022	Shareholder Proposal Regarding Managing Climate Risk in Employee Retirement Options Against	A vote to support the climate change engagement priority	A vote against this resolution is warranted. The company offers an option to employees that want to invest more responsibly, and the Department of Labor is finalising rules on how ESG factors should be considered by fiduciaries.	
	Prologis	0.43	04/05/2022	Management Proposal Regarding the Election of Executive Committee Members Against	A vote to support Diversity, Equity and Inclusion	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.	
	NextEra Energies Inc.	0.37	19/05/2022	Shareholder Proposal Regarding Disclosure of a Board Diversity and Skills Matrix For	A vote to support Diversity, Equity and Inclusion	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.	
	Samsung SDI	0.149	13/03/2023	Management Proposal Regarding Election of Inside Director Against	Broad governance	A vote AGAINST the non-independent board chair. The manager believes that, in order to fulfil its duties effectively, a board of directors should have independent leadership. This is because the role of the Board Chair is fundamental to the effectiveness of the board and should be undertaken by an independent nonexecutive director.	

Source: Mercer

Mercer 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 Mercer have received confirmation that it will become available for reporting of significant votes from Q2 2023 onwards.