

# SPIRIT AEROSYSTEMS (EUROPE) LIMITED PENSION SCHEME ANNUAL IMPLEMENTATION STATEMENT

## Annual Implementation Statement for the Year Ended 5<sup>th</sup> April 2021

### 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 6<sup>th</sup> April 2020 to 5<sup>th</sup> April 2021 (the “**Scheme 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.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place for the Scheme Year, which were the SIP dated September 2019 (covering the period to May 2020, the SIP dated May 2020 (covering the period from May 2020 to September 2020) and the SIP dated September 2020 (covering the period between May 2020 and April 2021).

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the Scheme Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit (“DB”) Section and Defined Contribution (“DC”) Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Scheme Year.**

 A copy of the SIP is available at <https://vfm.aviva.co.uk/spirit-aerosystems-limited/>.

Sections 3 includes information on the engagement and key voting activities of the underlying investment managers within each Section of the Scheme.

### 2. Statement of Investment Principles

#### 2.1. Investment Objectives of the Scheme

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

The Trustee’s primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met.

 The Trustee’s funding objective, as outlined in the Statement of Funding Principles, is that the Scheme has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions). In addition, the Trustee has adopted the following:

To achieve a full funding position for the Scheme on a “gilts minus 0.35% p.a.” basis (as a proxy for buyout) by the end of 2027 with a probability of around 50%. The buyout funding basis is more conservative than the current technical provisions basis.



The main objective of the Trustee is to make sure that obligations to the members of the Scheme can be met. This is achieved by the following:

- Ensuring there are appropriate investment options available to allow members to plan for retirement.
- Providing general guidance to members as appropriate as to the purpose of each investment option.
- Encouraging members to seek independent financial advice from an appropriate person in determining the profile of their own investments.

The objectives in relation to the default investment option are:

- The default option's growth phase structure, which invests in equities and other growth-seeking assets, should provide growth with some downside protection and some protection against inflation erosion.
- The default option should seek to reduce investment risk as members approach retirement.
- The retirement destination of the default option should reflect how the majority of the Scheme's membership are expected to take their benefits when they retire from the Scheme.

## 2.2. Review of the SIP



During the year, the Trustee reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant, Mercer Limited ("Mercer"). A revised SIP was signed on September 2020 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to outline the Trustee's arrangements with its asset managers including:

- How the arrangements with the asset managers incentivise them to align their investment strategies and decisions with the Trustee's investment policies.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration of asset managers are in line with the Trustee's investment policies.
- How the Trustee monitors "portfolio turnover costs" incurred by the asset managers.
- The duration of the arrangements with the asset managers.

## 2.3. Assessment of how the policies in the SIP have been followed for the Scheme 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 followed the Trustee's policies in the SIP (dated September 2020), relating to the DB Section and DC Section of the Scheme.



**In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme 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 1 (Introduction) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

Mercer continues to act as discretionary investment manager to implement the Trustee's strategy whereby the level of investment risk reduces as the Scheme's funding level improves. The Trustee continues to be advised by Mercer employees who are sufficiently experienced and FCA regulated to provide advice that is consistent with the requirements of Section 36 of the Pension Act 1995 (as amended).

The Trustee, under advice from Mercer, undertakes a full review of the investment strategy on an annual basis. This was undertaken in March 2020, with the recalibration implemented in April 2020.



#### How has this policy been met over the Scheme Year?

There were no changes to the range of funds made available to members over the year.

Although not over the year, the Trustee obtained advice from its Investment Consultant in relation to the changes implemented following the last triennial investment strategy review, carried out in June 2018. The Trustee's next triennial strategy review in April 2021.

Elements of the investment governance of the Scheme have been delegated to Mercer Workplace Savings ('MWS'). This includes strategic and tactical asset allocations along with manager selection. In addition to the Trustee's triennial review, on an annual basis MWS review the continued appropriateness and suitability of the investment solutions underlying the Scheme. The most recent review took place in April 2021, and will be discussed by the Trustee alongside their scheme specific investment strategy review at the April 2021 Trustee meeting.



## Investment Mandates

### Realisation of Investments

#### Policy

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



#### Policy

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

- Realisation of Investments (SIP Section 6)
- Cash Flow Management and Rebalancing Policy (SIP Section 2.6)

#### How has this policy been met over the Scheme Year?

The Scheme's assets are largely invested in daily-dealt pooled fund investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets, these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustee's demand.

**Where disinvestments were arranged during the year, the policies stipulated within the relevant appointment documentation have been followed.**



#### Policy

Assets in the DC Section, including the default option, are invested in a long-term insurance contract. The assets underlying the insurance contract are invested in daily traded pooled funds which hold highly liquid assets, and therefore should be realisable at short notice based on either Trustee's or member demand.

#### How has this policy been met over the Scheme Year?

All funds are daily dealt pooled investment vehicles, accessed through an insurance contract.

There were no changes during the year to the liquidity of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.

The Trustee receives administration reports on a quarterly basis to ensure that core financial transactions are processed within service level agreements and regulatory timelines. As confirmed in the Chair's Statement, the Trustee are satisfied that all requirements were met throughout the 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 Scheme’s SIP outlines the Trustee’s beliefs on ESG factors (including climate change). Further details are included in Section 8 of the SIP, which applies to the DB and DC Sections of the Scheme. The Trustee keeps the policy under regular review.

#### How has this policy been met over the Scheme Year?



#### Policy Updates

- The Trustee considers how ESG, climate change and stewardship is integrated within Mercer’s, and MGIE’s, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, have provided reporting to the Trustee on a regular basis.
- The Mercer Sustainability Policy is reviewed regularly. In August 2020 the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021 there was a further update in relation to sustainability-related disclosures in the financial services sector (“SFDR”) implementation.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Engagement Policy to specifically address the requirements of the directive.

#### Climate Change Reporting and Carbon Foot-printing

- Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Scheme on an annual basis, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations, with the latest review as at 31 March 2020. The results of the climate scenario modelling and carbon footprinting are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.
- Carbon Footprint analysis of all equity funds is completed on a six monthly basis. From 31 December 2019 the approach was enhanced to include the top 5 carbon emitters and the top 5 contributors to the Weighted Average Carbon Intensity (WACI) to give the Mercer and MGIE investment teams additional information to drive engagement with managers.

#### ESG Rating Review

- ESG ratings assigned by Mercer (and its affiliates’) global manager research team, are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. Since Q3 2020 the quarterly performance report has included the Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer’s global investment manager database.
- As at 31 December 2020 the Trustee noted that 95% of Mercer Funds now have an ESG rating equal to or above their asset class universe, a 10% improvement on 2019.

### Update to Exclusions

- As an overarching principle, Mercer and MGIE, as the Trustee's discretionary investment manager, prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.
- Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds. From 1 October 2020, the controversial weapons screen was extended to passive equity funds. The Mercer sustainable themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

### Sustainably themed investments

- A detailed standalone report sustainability monitoring report is produced for the Sustainable Global Equity fund on a semi-annual basis, including a more granular breakdown of the fund against ESG metrics, for example the UN Sustainability Development Goals.

### Diversity

- From 31 December 2020 Gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader investment policy.



## 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 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 Scheme's investments to the investment managers. Further details are set out in Section 9. ESG, Stewardship and Climate Change Section. This section of the SIP, applies to the DB and DC Sections of the Scheme. In addition, it is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

### How has this policy been met over the Scheme Year?



The Scheme's investments take the form of shares or units in the Mercer Funds.

Within both the DB and DC sections, any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by Mercer. Mercer accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustee do not use the direct services of a proxy voter.

We have set out a summary of voting activity for the year to 31 March 2021 relating to the Mercer Funds relevant to the Scheme in section 3.



## Monitoring the Investment Managers

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

#### Policy

The Trustee's policy is set out in Section 9. (Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

In the year to 5 April 2021, the Trustee has reviewed its continued appointment of Mercer as part of a Competition & Markets Authority (CMA) retender exercise. Following a market review, the Trustee agreed to continue to appoint Mercer, who are deemed to have a contractual arrangement in place which continues to incentivise them to make decisions based on medium to long-term considerations.

The investment strategy report or a summarised version was reviewed by the Trustee on a quarterly basis – this includes a comparison of how the Scheme's funding level is progressing versus the projections of the Scheme's funding level from the latest investment strategy review in order to assess whether the Trustee is on track to meet their objective.



#### How has this policy been met over the Scheme Year?

The Trustee considered the extent to which the investment options and benefits offered by the Scheme represent value for members, compared with other options available in the market. In July 2020, the Trustee undertook a Value for Member's (VfM) assessment. The Trustee concluded that the Scheme's overall benefits and options represent good value for money in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- The fees paid by members were reasonable, and would be improved by a reduction of 4 basis points that had been negotiated with Aviva.
- Transaction costs seem reasonable;
- The funds used by the Scheme are highly rated by Mercer as having good prospects of achieving their risk and return objectives.

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

#### Policy

The Trustee's policy is set out in Section 9. (Implementation and Engagement Policy) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

The quarterly investment reporting and ad-hoc investment updates were reviewed by the Trustee on a quarterly basis, which includes financial metrics and Mercer Manager Research Ratings for the underlying asset managers that comprise the Mercer Funds.

The Mercer Research Rating includes a Manager Rating which gives an indication of Mercer's view on the likelihood of a manager to achieve their performance objective and an ESG Rating which gives an indication of the extent to which ESG considerations are incorporated into the managers' investment process.



#### How has this policy been met over the Scheme Year?

The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviewed both absolute and relative performance of the investment funds through investment performance reports provided on a quarterly basis.

The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees was reviewed July 2020 as part of the annual VfM assessment.

If not satisfied that value is being achieved, the Trustee may request further action be taken, including a review of fees.



# Monitoring the Investment Managers

## Monitoring portfolio turnover costs

### Policy

The Trustee's policy is set out in Section 9 of the SIP, which applies to the DB and DC Sections of the Scheme.



### How has this policy been met over the Scheme Year?

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Scheme. 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 Scheme Year?

Transaction costs were reviewed by the Trustee as part of the Scheme's VfM Assessment and were also disclosed in the annual Chair's Statement. The transaction 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's policy is set out in Section 9. (Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs) of the SIP, which applies to the DB and DC Sections of the Scheme.



### How has this policy been met over the Scheme Year?

Mercer has been appointed as a fiduciary management partner to assist the Trustee in achieving the Scheme's long-term objectives. In that role, there is an expectation of a longer term relationship until the journey is completed. This will be reviewed periodically. As noted earlier, the Trustee conducted a market review of their fiduciary partner during the year and agreed to retain Mercer.

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



### How has this policy been met over the Scheme Year?

The Trustee is a long-term investor, all funds are open-ended and therefore there is no set duration for manager appointments.

The delegated investment manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers.

The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate. The fund range is formally reviewed on at least a triennial basis.

During the year, no funds were added or removed by the Trustee, the next triennial strategy review is in 2021.



## Strategic Asset Allocation

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



#### Policy

The Trustee 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:

- Objectives and Policy (SIP Section 2.2)
- Investment Strategy (SIP Section 2.4)

#### How has this policy been met over the Scheme Year?

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

The Trustee considers the way in which investment risk should be reduced and has delegated the monitoring of the de-risking triggers to Mercer who review the funding level on a daily basis. During the year, the Scheme achieved two de-risking triggers and the target Growth allocation was reduced from 20.0% to 17.4%.

MGIE constructs portfolios of investments that are expected to maximise the return (net of all costs) given the targeted level of risk and the investment objectives over the lifetime of the Scheme.



#### 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:

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

- Investment Objectives (SIP Section 3.2.)
- The Default Option (SIP Section 3.4.1.)

As members are able to make their own investment decisions the balance between the different kinds of investments can be their decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance. In addition, the Trustee has made three target date fund retirement strategies available to members, each strategy targeting a different retirement outcome (i.e. income drawdown, annuity purchase and cash). Maintaining an appropriate balance between different types of investments within the retirement strategies has been delegated to Mercer.

#### How has this policy been met over the Scheme Year?

The Scheme's investment funds and strategy, including the default investment option, is reviewed by the Trustee on a triennial basis. The next review of the default investment option is due to take place in 2021.

The Trustee monitors the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis. The performance report also includes changes to the Investment Consultant's manager research rating and notes any other relevant developments at the underlying investment managers. Part of the rating process is to consider risk management.



## Strategic Asset Allocation

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



#### **Policy**

The Trustee recognises a number of risks involved in the investment of the assets of the DB 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 2.3)

#### **How has this policy been met over the Scheme Year?**

As detailed in Section 2.3 of the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies and evaluating Mercer and MGIE's actions relating to the strategic asset allocation, dynamic asset allocation and choice of sub investment- managers and asset classes.

The investment strategy report is reviewed by the Trustee on a quarterly basis – this includes the overall funding level risk and as appropriate comments on the other risks to which the Scheme is exposed.



#### **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 and Measurement (SIP Section 3.3.)

In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

#### **How has this policy been met over the Scheme Year?**

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

The Trustee also maintains a Risk Register that sets out risks that the Scheme is exposed to, and ways to mitigate those risk.

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. Voting Activity during the Scheme Year

Fund	Total Proposals	Voted 'For'	Voted 'Against'	Abstained from voting	Unvoted	Other	For Management	Against Management	Use of Proxy Advisor
Mercer Fundamental Indexation CCF	<b>2,316</b>	85%	8%	0%	5%	2%	87%	13%	Yes
Mercer Global Listed Infrastructure	<b>680</b>	89%	9%	2%	0%	0%	89%	11%	Yes
Mercer Global Small Cap Equity	<b>8,990</b>	91%	6%	1%	1%	1%	92%	8%	Yes*
Mercer Low Volatility Equity	<b>8,402</b>	92%	5%	0%	1%	1%	93%	7%	Yes
Mercer Sustainable Global Equity	<b>5,622</b>	89%	9%	1%	0%	1%	90%	10%	Yes
Mercer Emerging Market Equity	<b>16,563</b>	78%	12%	3%	7%	0%	97%	3%	Yes
Mercer Eurozone Equity	<b>4,810</b>	83%	13%	2%	1%	0%	85%	15%	Yes*
Mercer Global Equity	<b>6,530</b>	91%	7%	2%	0%	1%	58%	42%	Yes*
Mercer UK Equity	<b>1000</b>	97%	2%	1%	0%	0%	98%	2%	Yes
Mercer Passive Emerging Market Equity	<b>49,136</b>	84%	12%	2%	1%	0%	87%	13%	Yes
Mercer Passive Global REITs	<b>2,892</b>	83%	13%	0%	0%	4%	83%	17%	Yes

## Sample of the most significant votes (1/3)



Fund	Shareholder Proposal ("SHP")	Issuer	Vote Decision
<b>Mercer Fundamental Indexation Global Equity CCF</b>	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Intel Corp.	For
	Shareholder Proposal Regarding Climate Change Proxy Voting Practices	T. Rowe Price Assoc Inc.	For
	Shareholder Proposal Regarding Climate Risk Report	iA Financial Corp	For
<b>Mercer Global Listed Infrastructure</b>	Shareholder Proposal Regarding Environmental Impact Report	iA Financial Corp	For
	Shareholder Proposal Regarding Restriction on Investment in the Japan Atomic Power Company	Chubu Electric Power Co Inc	Against
	Shareholder Proposal Regarding Health Risks of Tobacco Sales During COVID-19	Walgreens Boots Alliance Inc	For
	Shareholder Proposal Regarding Amending the Byelaws Concerning the Presentation of Climate Transition Reporting	Aena S.M.E. S.A.	Split*
	Shareholder Proposal Regarding Presentation of Climate Transition Plan	Aena S.M.E. S.A.	Split*
<b>Mercer Global Small Cap Equity</b>	Shareholder Proposal Regarding Deforestation and GHG Emissions Report	Bloomin Brands Inc	For
	Shareholder Proposal Regarding Promotion of Renewable Energy and LNG with Low Carbon Emissions	Hokkaido Electric Power Co. Inc	Against
	Shareholder Proposal Regarding Environmentally Friendly Technology	Hokkaido Electric Power Co. Inc	Against
	Shareholder Proposal Regarding Management Diversity Report	IPG Photonics Corp	For
	Shareholder Proposal Regarding Report on Risk of Discrimination in Vehicle Lending	Santander Consumer USA Holdings Inc	For
<b>Mercer Low Volatility Equity</b>	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Bank Of New York Mellon Corp	Against
	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Alphabet Inc	For
	Shareholder Proposal Regarding Aligning Investments with The Paris Agreement	Mizuho Financial Group, Inc.	For
	Shareholder Proposal Regarding Amending the Byelaws Concerning the Presentation of Climate Transition Reporting	Aena S.M.E. S.A.	For
	Shareholder Proposal Regarding Deforestation and Climate Impact Report	Yum Brands Inc.	For
	Shareholder Proposal Regarding Report on Sugar and Public Health	McDonald`s Corp & Pepsico Inc.	Against
	Shareholder Proposal Regarding Health Risks of Tobacco Sales During COVID-19	Walgreens Boots Alliance Inc	Against

\* In instances where significant shareholder proposals were not available over the period, management proposals were selected considering holding size and proposal matter.

## Sample of the most significant votes (2/3)



Fund	Shareholder Proposal ("SHP")	Issuer	Vote Decision
<b>Mercer Sustainable Global Equity</b>	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Alphabet Inc	For
	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Adobe Inc & Intel Corp.	Split*
	Shareholder Proposal Regarding Deforestation Report	Procter & Gamble Co.	For
	Shareholder Proposal Regarding Diversity and Inclusion Report	Procter & Gamble Co.	Against
	Shareholder Proposal Regarding Report on Sugar and Public Health	McDonald`s Corp	Against
	* 1 manager voted against & 1 voted for the proposal		
<b>Mercer Emerging Market Equity**</b>	<b>Management Proposal</b> Reporting on the Company's Approach to Climate-Related Risks	Absa Group Limited	For
	<b>Management Proposal</b> Reporting on the Company's Approach to Climate-Related Risks	Nedbank Group Ltd.	For
	<b>Management Proposal</b> Authority to Issue Singapore Green Financial Bonds	Chongqing Rural Commercial Bank Co Ltd	For
	<b>Management Proposal</b> Approval of the Authorization the General Manager Office of the Company to Handle Matters with the Issuance of Green Corporate Bonds	Tianjin Capital Environmental Protection Group Co., Ltd.	For
<b>Mercer Eurozone Equity</b>	Shareholder Proposal Regarding Amendments to Articles	Bank Polska Kasa Opieki SA	For
	Additional or Amended Shareholder Proposals	Nestle SA	Against
	Shareholder Proposal Regarding Board Composition	Nokia Corp	For
	Shareholder Proposal Regarding Charitable Donations	Volvo AB	For
<b>UK Equity Fund</b>	Shareholder Proposal Regarding Facilitating Nonbinding Proposals	BHP Group Plc	Against
	Shareholder Proposal Regarding Cultural Heritage Protection	BHP Group Plc	Against
	Shareholder Proposal Regarding Industry Association COVID-19 Advocacy Activities	BHP Group Plc	Against

\* In instances where significant shareholder proposals were not available over the period, management proposals were selected considering holding size and proposal matter.



## Voting Activity during the Scheme Year (1/3)

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

Fund	Mercer Defensive / Lower Risk	Mercer Moderate Growth / Moderate Risk	Mercer Growth / Balanced Risk	Mercer High Growth / Higher Risk	Mercer Diversified Retirement Fund	Mercer Active UK Equity
Total DC Scheme Allocation at 31 March 2021	£124,400	£37,100	£32,169,400	£663,900	£33,300	£32,200
Number of meetings eligible to vote at over year to 31 March 2021	339	9,354	9,354	9,354	10,565	60
Number of resolutions eligible to vote on over year to 31 March 2021	4,509	97,692	97,692	97,692	113,434	1,000
Percentage of resolutions voted on where eligible	96.0%	96.0%	96.0%	96.0%	96.0%	100.0%
Of the resolutions voted on, percentage voted with management	80.0%	82.0%	82.0%	82.0%	84.0%	96.7%
Of the resolutions voted on, percentage voted against management	20.0%	17.0%	17.0%	17.0%	15.0%	2.2%
Of the resolutions voted on, percentage abstained	0.0%	1.0%	1.0%	1.0%	1.0%	1.1%

Source: MGIE, Note: voting actions may not sum to 100.0% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

## Voting Activity during the Scheme Year (2/3)



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

Fund	Mercer Active Global Equity	Mercer Active Global Small Cap Equity	Mercer Active Emerging Markets Equity	Mercer Diversified Growth Fund	Mercer Passive UK Equity	Mercer Passive Overseas Equity
Total DC Scheme Allocation at 31 March 2021	£102,400	£61,400	£20,500	£700	£768,200	£554,400
Number of meetings eligible to vote at over year to 31 March 2021	468	836	1,738	9,354	1,211	2,231
Number of resolutions eligible to vote on over year to 31 March 2021	6,981	8,990	16,563	97,692	15,742	27,464
Percentage of resolutions voted on where eligible	99.8%	99.0%	92.6%	96.0%	97.2%	93.6%
Of the resolutions voted on, percentage voted with management	90.7%	91.6%	81.7%	82.0%	94.3%	93.7%
Of the resolutions voted on, percentage voted against management	7.6%	7.6%	15.1%	17.0%	5.8%	6.3%
Of the resolutions voted on, percentage abstained	1.7%	0.8%	3.2%	1.0%	1.9%	0.5%

Source: MGIE, Note: voting actions may not sum to 100.0% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

## Voting Activity during the Scheme Year (3/3)



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

Fund	Mercer Passive Emerging Markets Equity	Mercer Passive Shariah
Total DC Scheme Allocation at 31 March 2021	£17,600	£95,800
Number of meetings eligible to vote at over year to 31 March 2021	2,564	109
Number of resolutions eligible to vote on over year to 31 March 2021	23,958	1,597
Percentage of resolutions voted on where eligible	97.4%	91.6%
Of the resolutions voted on, percentage voted with management	86.9%	87.8%
Of the resolutions voted on, percentage voted against management	10.4%	12.2%
Of the resolutions voted on, percentage abstained	2.7%	0.0%

*Source: MGIE, Note: voting actions may not sum to 100.0% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*



## Sample of the most significant votes



Resolution not passed



Resolution passed

Fund	Company	Date of vote	How the Manager voted	What was the vote on?	Final outcome following the vote
Mercer Growth	RIO Tinto Ltd.	21 April 2020	For Shareholders, Against Management	Shareholder proposal regarding aligning greenhouse gas emissions to Paris-Aligned greenhouse gas emissions reduction targets	
Mercer High Growth	Walmart Inc.	22 May 2020	For Shareholders, Against Management	Shareholder proposal regarding reporting on single-use plastic shopping bags	
Mercer Moderate Growth	Procter & Gamble Co.	22 May 2020	For Shareholders, Against Management	Shareholder proposal regarding the request of a deforestation report	
Mercer Shariah	Abbott Laboratories	24 April 2020	For Shareholders, Against Management	To reduce supermajority vote requirement	
Mercer Shariah	Eli Lilly and Company	4 May 2020	For Shareholders, Against Management	Linking executive pay to social criteria	

Source: MGIE