Firth Rixson Retirement Benefit Plan (the “Scheme”) – DC Section Annual Implementation Statement

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 to 5th April 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator. The table later in the document sets out how, and the extent to which, the policies in the SIP relevant to the DC Section have been followed.

During the year the Trustee reviewed the Scheme’s SIP. A revised SIP was agreed in September 2019 in order to reflect the requirements which came into force on 1 October 2019. Following year end, the Trustee reviewed and updated the SIP again to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the arrangements with the asset managers incentivise them to align what is required of them with regards to the investment strategy and decisions with the Trustee’s policies in the SIP.
- How the 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 asset managers’ performance and the remuneration for asset management services are in line with the Trustee’s policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset managers and how those managers define and monitor this.
- The duration of the arrangement with the asset managers.

The Scheme underwent a significant restructure following 5 April 2020 and changed their SIP accordingly. This statement refers to the SIP in place as at 5 April 2020.

The Trustee’s policy relating to the above is included in section 6 of the SIP dated September 2020.

Investment Objectives of the Scheme

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

~ The Trustee recognises that members of the Plan have differing investment needs, that these may change during the course of their working lives and that they may have differing attitudes to risk. The Trustee believes that members should generally make their own investment decisions based on their individual circumstances. The Trustee regards their primary objective as making available a range of investment funds which enable members to tailor the strategy for their assets to their own needs.

~ The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee makes available a default investment option.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme. Detail on the Trustee's objectives with respect to the default investment option, the alternative lifestyle approaches and the freestyle fund range are outlined in the SIP.

Explanation of changes made to the SIP in the year to Scheme year-end

The Firth Rixson Pension Plan (the "Plan") was established by Trust Deed in December 2019 and consists of two parts, a Defined Benefit ("DB") section and a Defined Contribution ("DC") section. In May and June 2020, the majority of assets and liabilities corresponding to both sections were assigned / transferred into the Plan from the Firth Rixson Retirement Benefit Plan.

During the year to 5 April 2020, the Trustee reviewed the Scheme's SIP. A revised SIP was agreed in September 2019 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- The Trustee's policies in relation to taking account of financially material considerations including risk, and matters arising from Environmental, Social and Governance ("ESG") considerations including climate change
- The Trustee's policies in relation to the stewardship of investments
- The extent to which the Trustee's take into account non-financial matters

Investment Strategy Review

The default investment option & SIP is reviewed at least triennially as part of the Trustee's investment strategy review. There was no formal triennial review in the scheme year to which this statement relates. During 2017 (March to November), the Trustee considered the DC investment arrangements and agreed a number of changes. This was the last formal triennial review. The main change was the agreement to move the Scheme's existing pension arrangement with Aviva to the Mercer Workplace Savings ("MWS") SmathPath Solution.
This approach provides the Trustee and members with direct access to Mercer's intellectual capital and incorporates Mercer's current best ideas, with Mercer responsible for selecting managers and monitoring the assets within each fund.

The smartpath Target Cash strategy was selected as the default investment option, based on the Scheme and industry trends suggesting that members' preferred approach to accessing their savings in retirement will be in the form of withdrawing cash.

The smartpath investment strategy is structured as follows, to ensure a balance between member choice and complexity, while offering a range of target retirement, risk profiled and asset class options:

- "Do it for me" – Default Investment Strategy – Target Cash
- "Help me do it" – Alternative Target Retirement Funds – Target Annuity or Target Drawdown.
- "Leave me to it" – A range of Mercer building block funds and Mercer's risk profiled funds.

As part of that change, the existing fund line up was mapped across to the MWS platform. Additionally, the Trustee extended the fund range through the provision of self-select funds.
As part of that change, Mercer provided advice with regards to mapping the current fund line up to the MWS Platform without members' consent. Any bulk transfers and fund mapping which were undertaken without member consent since 6 April 2015 created new default funds. Therefore, there are currently a number of defaults.

In 2019 (covering the scheme year to which this statement relates), the MWS team conducted its annual investment strategy review. During this review, the following changes were made:

- The structure of the Mercer Growth fund was reviewed.
- Whilst there were no changes to the Mercer Growth fund's objectives, an open architecture nature is now adopted by the MWS team. This means that fund changes can be implemented much more efficiently.

- Members received a fee reduction when the structural change to the Growth fund was implemented.
- The underlying vehicle of the Mercer Growth fund is now known as; Mercer Multi-Asset Growth Fund
- Changes to the asset allocation of the Mercer Growth Fund, including the following: inclusion of listed infrastructure, fundamental Indexation replaced Global Equity, addition of Liquid Alternatives and Sustainable Global Equity.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2020

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, relating to the Scheme as a whole and the default Lifestyle investment arrangement. The SIP is attached as an Appendix and sets out the policies referenced below.

	Requirement	Policy	In the year to 5 April 2020
1	Securing compliance with the legal requirements about choosing investments	*Trustee obtain advice from their investment adviser, who can provide expert advice enabling the Trustee to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustee's opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.*	The default investment option is reviewed at least triennially as part of the Trustee's investment strategy review. During 2017, the Trustee considered the DC investment arrangement and agreed a number of changes. The main change was the agreement to move the Scheme's existing pension arrangement with Aviva to the Mercer Workplace Savings ("MWS") Platform. Whilst this review was outside of the observable period, this is evidence that the Trustee has complied with the need to review its investment strategy. This advice was issued in line with Section 36 (3) of Pensions Act 1995 which requires the Trustee to obtain and consider proper advice on the question of whether the investment is satisfactory. As part of that change, the existing fund line up was mapped across to the MWS platform. Additionally, the Trustee extended the fund range, through the provision of self-select funds. In 2019, the MWS team conducted its annual strategy review, during this review, the following changes were made: – The structure of the Mercer Growth fund was reviewed. – Whilst there were no changes to the Mercer Growth fund's objectives, an open architecture nature is now adopted by the MWS team. This means, that fund changes can be implemented much more efficiently. – Members received fee reductions when the structural change was implemented. – The underlying vehicle is now known as; Mercer Multi-Asset Growth Fund – Changes to the asset allocations of the Mercer

			Growth Fund, includes the following: inclusion of listed infrastructure, fundamental Indexation replaced Global Equity, addition of Liquid Alternatives and Sustainable Global Equity. The Trustee obtained advice from their investment adviser in relation to the suitability and implementation of the Mercer smartpath investment strategy. It was concluded that the Growth fund considers the trade-off between risk and expected return and adopts an approach which utilses risk management to manage volatility in line with the Trustee's requirements.
2	Kinds of investments to be held	*A range of asset classes are included within the default investment option (within the blended funds used), including: developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds. It is the Trustee's policy to utilise both active and passive management within the default investment option, depending on the asset class.* *The Trustee has made available a range of individual self-select fund options for investment in addition to the default investment option. A range of asset classes has been made available, including: equities, diversified growth funds, money market investments, gilts, index-linked gilts, corporate bonds and pre-retirement funds. It is the Trustee's policy to offer both active and passive management options to members where appropriate, depending on asset class.*	The default investment option was subject to its formal triennial review during 2017. Although no review was undertaken in the scheme year to which this statement relates, following the completion of the transfer of the Scheme's assets to the Firth Rixson Pension Plan, the Trustee has agreed to undertake a full investment strategy review in 2021. This represents an important exercise for the Trustee that covers the majority of the investment policies the Trustee has in place. The investments (fund type, management style and asset allocations) used in the default strategy were reviewed as part of the 2017 exercise and included all of the asset types listed in the policy column. The investment strategy put in place made use of passive funds and dynamic asset allocation. This was to increase efficiency and diversification of the portfolio without reducing the expected return. The default investment strategy utilises a glide path, which, where possible, de-risks out of the riskiest assets first. The switching period is close enough to retirement to engage growth, but far enough to allow appropriate de-risking. Based on the investment adviser's experience, increasing evidence across the industry has highlighted

			that cash withdrawal and income drawdown tend to be members' preferred approach to accessing their savings in retirement. There has been a movement away from annuity purchase. Average pot sizes are relatively small and therefore at a level where members are unlikely to be able to purchase an adequate income via annuities. However, as pot sizes grow in size members are likely to embrace their at retirement flexibilities. No additions outside of the range of asset classes mentioned in the SIP were made. However, the Trustee agreed to add the Mercer Passive Global Equity fund range to the MWS self-select fund range. The Trustee felt this filled a gap in the range of passive funds available, which previously only provided overseas and UK equity exposure separately.
3	The balance between different kinds of investments	*Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards, and tolerance of risk. Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.*	Underlying structural changes were applied to the Mercer Growth fund (as part of the default investment strategy). This structural change was an enhancement in implementation only and there were no changes made to the underlying strategic asset class allocations. The Delegated Investment Manager confirmed that all changes were made with the consideration of the risk-adjusted returns. Returns have remained at a similar level required for the long-term objective to be met following the structural changes. The Trustee receives a quarterly investment performance report and this monitors the risk and return of options within the Scheme. This has led the Trustee to conclude that the balance of investments is working well for members and in compliance with the policy within the Scheme. As part of the self-select fund range the Trustee considers the spread of assets across both growth and defensive assets. The range offers options across the risk and return spectrum, allowing members to build their own diversified portfolio

			should they choose to. The Mercer Passive Global Equity fund was added. The Trustee monitors the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each Trustee meeting. The performance report also includes changes to the investment adviser'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. During the year, the Trustee was satisfied with performance achieved by the funds.
4	Risks, including the ways in which risks are to be measured and managed	*The Trustee recognises risk (both investment and operational) from a number of perspectives in relation to the self-select funds and the default investment option.*	As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. The Trustee also utilises its quarterly investment reports in order to monitor the volatility of the SmathPath investment strategy. The Trustee reviewed and assessed risk throughout the statement period and concluded that risks are being adequately measured and monitored.
5	Expected return on investments	*The funds available are expected to provide an investment return commensurate with the level of risk being taken.* *In designing the default, the Trustee has explicitly considered the trade-off between risk and expected returns. The default should generate returns in excess of inflation during the growth phase and de-risk towards the retirement date*	The Trustee monitors the performance of the funds against their stated benchmarks. This is carried out on a quarterly basis, with an investment performance report presented at each meeting. The performance report also includes changes to the investment adviser's manager research rating. Highly rated active managers are considered to have an above average prospect of outperformance.

		to match how a member will draw their benefits.	The selection of the underlying investment managers is the responsibility of the MWS investment team. The performance of the growth phase of the lifestyle strategies (including the main default investment strategies) is reviewed against inflation and also against equity volatility and the de-risking phase of the cash lifestyle is reviewed against inflation as a means of assessing the impact relative to member buying power. The quarterly investment report also documents the risk / return overview of the default fund. Measuring the drawdown and volatility characteristics of the growth fund versus market indices. The default lifestyle option invests in assets that are expected to grow in excess of inflation for the majority of a typical member's membership in the Plan. The Trustee considered trade-off between risk and expected returns throughout the statement period and concluded that risks are being adequately measured and monitored.
6	Realisation of investments	*The Trustee's administrators will realise assets following member requests on retirement or earlier where required.* *The Trustee considers the liquidity of the investment in the context of the likely needs of members.* *The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in the Statement of Investment Principles.* *The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses. The*	The Trustee receives administration reports on a quarterly basis to ensure that core financial transactions are processed within service level agreements and regulatory timelines. During the period, Aviva adopted a number of processes to ensure that core transactions were carried out promptly and accurately. These includes: − Daily monitoring of bank accounts, − A dedicated contribution processing team, and − Two individuals checking all investment and banking transactions. <u>Over the reporting period, the monthly member contributions were received, processed and invested in line with agreed SLAs and there were no disclosure breaches.</u> Additional disclosures are also required in respect of any transactions and benefit processing activity that have not been

		Trustee decides (with the advice from its Investment Managers and/or Investment Consultant) on how investments should be realised for cash to meet Scheme expenses.	completed within the agreed timescales including the cause of the delay, the extent to which agreed timescales were breached and the proposed remedial measures. It is noted that over the period covered by this statement, Aviva did not meet its target during Q2 2019 for payments out, which include transfers out, payment of tax free cash lump sums, UFPLS payments, and drawdown payments. This SLA was also missed in September 2019 and November 2019 with 80.0% and 85.7% service levels respectively. This SLA also did not reach its target service level throughout Q1 2020. The Trustee noted the fall and challenged the administrator. Since these cases were identified new checking procedures were introduced by the administrator to ensure that the breach does not occur again. Additional staff training was also carried out. The Trustee is satisfied with these measures. All funds are daily dealt pooled investment vehicles, accessed through an insurance contract. In March 2020, the underlying investment managers of the Mercer Active UK Property Fund (LGIM and Threadneedle) suspended dealing due to valuation uncertainty caused by the COVID-19 crisis. As there are currently no regular contributions being made into the Property Fund, there is no impact on payments into the fund, although members were not be able to switch investments into the fund during the suspension. Payments out to members such as surrenders, switches, transfers, or partial redemptions were deferred / suspended. However, Aviva honoured payments out when there is a contractual obligation to do so, i.e. death or a retirement payment. The restriction on payments out was effective from 23 March 2020 and will continue until further notice.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the	*The Trustee considers financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such*	The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings for the investments (both general and ESG specific) from the investment advisers. All of the

	selection, retention and realisation of investments	*factors, including environmental, social and governance factors, is delegated to the investment manager.* *Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.*	managers remained generally highly rated during the year. The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. This training was provided in May 2019. The Trustee keeps its policies under regular review with the SIP subject to review at least annual. Where managers may not be highly rated from an ESG perspective the Trustee continues to monitor within the quarterly investment performance reports that are reviewed. When implementing a new manager the Trustee would consider the ESG rating of the manager. The Trustee acknowledges that managers in fixed income do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt. The investment performance report includes how each investment manager is delivering against their specific mandates (including incorporation of ESG issues where appropriate). The investment performance report is reviewed on a quarterly basis and includes ratings (general and ESG) from the investment advisers. The Trustee considers that the investment managers have incorporated ESG factors where it is appropriate to do so.

8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*Non-financial matters, such as member views, are not taken into consideration.*	No member views relating to investments were received during the Scheme year, in line with the SIP.
9	The exercise of the rights (including voting rights) attaching to the investments	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.*	The exercising of voting rights is delegated to the Delegated Investment Manager. The following funds contain an allocation to equity: • Mercer Growth • Mercer Diversified Retirement Fund • Mercer Target Annuity Retirement Path 2021-2028 • Mercer Target Cash Retirement Path 2021-2028 • Mercer Target Drawdown Retirement Path 2021-2028 • Mercer Passive Emerging Market Equity • Mercer Passive Global Equity (30:70) (GBP Hedged) • Mercer Ethical UK Equity The Trustee reviewed a Stewardship Report produced by the Delegated Investment Manager. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. The report covered the year to 30 June 2019. Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers. The Delegated Investment Manager will also take action on behalf of the Trustee when managers do not align with their voting policies. This has not been necessary this scheme year, as investment managers have generally met expectations and the Trustee is comfortable with the Delegated Manager's approach in this area.

			See below for further information on voting activity for the scheme year.
10	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)	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.* *Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.*	The Trustee reviewed a Stewardship Report produced by the Delegated Investment Manager. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. The report covered the year to 30 June 2019. The Trustee concluded that it was comfortable with the equity managers' levels of engagement on relevant matters such as ESG and that managers exercised voting rights and stewardship obligations over the Scheme year. Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers. This has not been necessary in this Scheme year. No additional engagement activity occurs outside of this relationship.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies.	*In line with section 4 of the SIP, managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.* *As the Trustee invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.*	The Trustee discussed its selected managers during the strategy review that took place in 2017 and were happy that the contractual arrangements in place with managers through Mercer smartpath continue to incentivise the managers to make decisions that align the investment strategy with the Trustee's policies. The incentive arrangements are reviewed by the delegated team on a quarterly basis.
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage	*The Trustee regularly reviews the decisions made by its managers and can challenge such decisions to try to ensure the best long term performance over the medium to long term.* *Managers are aware that their continued appointment is based on their success in*	In the year to April 2020, the Trustee discussed their selected managers through the Mercer SmarthPath as part of quarterly reviews and was happy that the contractual arrangement in place continues to incentivise the manager to make decisions based on medium to long-term financial and non-financial performance. On

	with issuers of debt or equity in order to improve their performance in the medium to long-term.	*delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.*	that basis, it has not been necessary to replace any managers due to dissatisfaction, as per the SIP policy.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies.	*The Trustee recognises it has a long term time horizon as set out in policy 15 of the SIP. As such, managers are assumed to be held for a suitably long time Managers' performance net of fees is therefore reviewed over both short and long time horizons. Remuneration is agreed upon prior to manager appointment and is reviewed on a regular basis* *The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. It is for this reason that the Trustee has made available a number of Retirement Strategies to members, including the default option*	The Trustee implemented the Scheme's investment strategy, Mercer smartpath, in 2018, and includes the "Since Inception" performance metric, which illustrates how well the fund has performance since it became available to investors, in quarterly performance reports. Over the year, the Trustee concluded that the Scheme's investment strategy performed within tolerance ranges of benchmarks or in line with performance expectations. The remuneration for Investment Managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If the Investment Managers' performance is not satisfactory, the Trustee will request an explanation of performance and process from the relevant investment manager. If not satisfied with this, the Trustee may request further action be taken, including a review of fees. As a result of the annual review in the year to April 2020, it was decided that asset managers' performance and remuneration were in line with the policy in the SIP, and it was not necessary to take further action.
14	How the trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*The Trustee policy in relation to the monitoring of portfolio turnover costs is set out in section 4 of the SIP.*	In the year to 5th April 2020, the Trustee received a value for members report from their investment consultant Mercer, confirming portfolio turnover costs. The Trustee considers portfolio turnover costs by way of considering transactions costs and the associated disclosures. Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are 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. An investment manager can also factor in anti-dilution mechanisms into the total transaction costs. The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs: • No industry-wide benchmarks for transaction costs exist • The methodology leads to some curious results, most notably “negative” transaction costs • Explicit elements of the overall transaction costs are already taken into account when investment returns are reported, so any assessment must also be mindful of the return side of the costs As noted in the most recent Chair’s Statement, dated 5th April 2020 there is little flexibility for the Trustee to impact transaction costs as it invests in pooled funds. While the transaction costs provided appear to the Trustee to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any “industry standard” or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. However, the Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.
15	The duration of the arrangement with the asset manager	*There is no set duration for the manager appointment. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustee is dissatisfied with the managers’ ongoing ability to deliver the mandate promised or because of a*	There were no changes to manager appointments over the year to 5 April 2020.

		change of investment strategy by the Trustee.	

Voting Activity

The Trustee has delegated its voting rights to Mercer who in turn delegates this to external investment managers. The Trustee does not use the direct services of a proxy voter. The following funds contained an allocation to equity during the year:

- Mercer Growth
- Mercer Diversified Retirement Fund
- Mercer Target Annuity Retirement Path 2021-2028
- Mercer Target Cash Retirement Path 2021-2028
- Mercer Target Drawdown Retirement Path 2021-2028
- Mercer Passive Emerging Market Equity
- Mercer Passive Global Equity (30:70) (GBP Hedged)
- Mercer Ethical UK Equity

The voting policy was not amended during the scheme year.

Mercer includes stewardship within their Sustainable Investment Policy. In particular, Mercer expects all shares to be voted on by external investment managers in a manner deemed most likely to protect and enhance long-term value for investors.

Voting and engagement activities of external investment managers are reviewed regularly, this includes: voting execution, voting rationale and engagement examples. A report is provided to the Trustee in the form of an annual Stewardship Monitoring Report. The Trustee received the Stewardship Monitoring Report in June 2020. The report summarises and comments on the stewardship activities and disclosure of the external investment managers appointed within the freestyle fund range and within the Mercer Growth fund, for the period 1 July 2018 to 30 June 2019.

The Stewardship Monitoring Report provides voting statistics, together with commentary, based on manager disclosed information. It covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

Whilst the Trustee has found that for the 2019 reporting cycle, vote reporting, and in particular details of individual votes cast, is not well developed, it is expected that for the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, explanations of the most significant votes taken, information on the use, if any, of the services of proxy advisors, and information on how votes have been cast in the general meetings of companies in which the external investment managers hold shares across equity portfolios. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.

2019 Summary

The overall results for this reporting period are summarised below.

Vote execution:

- Vote execution continues to be good overall (i.e. >90% of available votes). Where votes have not been cast the vast majority of managers provide a rationale (typically this relates to market-specific barriers or restrictions).

Vote disclosure:

- The level of disclosure continues to vary considerably across managers. While in some cases managers have improved in not only disclosing voting rationale at a resolution level, but including summary reporting across categories (e.g. board-related, compensation-related, environmental etc.) there are managers who have not disclosed rationale across all resolutions. It is likely that managers do have this information but have not proactively disclosed it and Mercer is following-up with these managers to confirm. Managers disclose this information to Mercer on a periodic basis.

Engagement:

- The results on engagement activities has been relatively consistent and Mercer noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- Mercer found that there is still room for improvement on engagement from quantitative managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. Mercer also noted an improvement from a number of quantitative managers in this regard since the previous review.
- Mercer will follow up with all external investment managers where improvements are expected in future.

The Trustee has reviewed the above voting activity by reviewing the annual Stewardship Monitoring Report. The Trustee concluded that it is generally comfortable with the voting activity carried out, whilst noting that reporting of voting activity is a new requirement and, therefore, the standard of reporting should improve over time. The Trustee intends to monitor how voting activity and reporting develops over the 2020 reporting cycle.