Kentucky Fried Chicken (GB) Ltd Pension & Life Assurance Plan ("the Plan")

Annual Implementation Statement for the Year Ended 31 March 2023

1. Introduction

This statement sets out the Trustee's assessment of how, and the extent to which, they have followed the policies set out in the Statement of Investment Principles ("SIP") during the one-year period to 31 March 2023 (the "Plan Year"). This Statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 along with guidance published by the Department of Work and Pensions.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place over the Plan Year, dated 21 December 2020.

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

A copy of the most recent SIP is available on the Trustee's website here.

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

1.1. DC Section

The Trustee notes that, with the exception of the Additional Voluntary Contributions ("AVCs") the DC Section of the Plan's assets are notional in nature and the value of these benefits are directly linked to the performance of the DB assets. Specifically, the DC Section comprises of:

- AVCs, which are invested with BlackRock and Prudential;

- A DC underpin to the DB benefits based on a notional number of units (derived from member contributions for service after a specific date) whose value is linked to the performance of the DB assets;

- Transfers-in granted on a DC basis. These are held amongst the main DB assets of the Plan and the value of these benefits are based on a notional number of units purchased at the point of transfer whose value is linked to the performance of the DB assets. Some of these transferred-in benefits also included Guaranteed Minimum Pension.

Under the terms of the trust deed the Trustee is responsible for the investment of any AVCs paid by members. The Trustee reviews the investment performance of the chosen providers as appropriate and takes advice as to the providers' continued suitability. A full review of the AVC investments is carried by Mercer on a triennial basis. The last review was conducted in Q3 2021.

The remainder of this statement focusses on the DB Section of the Plan. However, the Trustee notes that given the nature of the DC underpin benefits the investment principles, and implementation of these principles, that relate to the DB assets also relate to the DC underpin benefits.

2. Statement of Investment Principles

2.1 Investment Objectives of the Plan

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 for the DB Section of the Plan is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Plan can be met. In meeting this objective, the Trustee's further objectives are to:

- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Plan to a position of being fully funded on a de-risked funding basis (gilts +0.0% p.a.) with an objective of achieving this by 2035 to 2040.

- In doing so, to opportunistically reduce the degree of risk in the Plan's investment arrangements, thereby helping to protect the Plan's improving funding position.

2.2 Review of the SIP

During the year no amendments were made to the SIP by the Trustee. The SIP was reviewed following the annual investment strategy review in December 2022 and it was determined that no updates were required.

2.3 Assessment of how the policies in the SIP have been followed for the Plan Year

The information provided in this section highlights the work undertaken by the Trustee during the Plan Year, and longer-term where relevant, and sets out how this work followed the Trustee's policies in the SIPs in-force over the period, relating to the DB Section and DC Section of the Plan

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

2.3.1. Process for Choosing Investments (Section 2)

Mercer continues to act as discretionary investment manager to implement the Trustee's strategy whereby the level of investment risk reduces as the Plan'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).

Given the fiduciary arrangement, much of the day-to-day management of the Plan's investments is delegated to Mercer. This includes, but is not limited to, setting the strategic and dynamic asset allocation, carrying out portfolio rebalancing and managing the level of interest rate and inflation sensitivity of the liability-hedging portion of the Plan's assets (the "**Matching Portfolio**").

The Trustee remains informed of the actions taken by Mercer with respect to the Plan's investments, and monitors Mercer's performance against the Trustee CMA strategic objectives, through monthly and quarterly reports as well as verbal updates from Mercer at each quarterly Trustee meeting.

In December 2022, the Trustee, under advice from Mercer, undertook a review of the investment strategy that served to monitor progress of the de-risking strategy over the year, and to refresh the liability benchmark for recent member experience. The result of the review was that the Plan was to make a minor refinement to the de-risking strategy but adjusting the level and number of de-risking triggers in place. This was carried out to ensure they remained best placed to achieve the Trustee's funding objectives. The revised framework was put in place on 20 February 2023.

2.3.2. Investment Objectives (Section 3) and Investment Strategy (Section 5)

The Trustee sets the overall objectives, strategy and de-risking trigger framework with advice from Mercer. Thereafter, the Trustee has delegated the day-to-day management of the Plan's investments, including the underlying asset allocation within the Growth and Matching Portfolio to Mercer.

Under this arrangement, Mercer monitors the Plan’s funding level on a daily basis against the de-risking trigger framework and takes pre-agreed de-risking steps when a funding level trigger is achieved. Over the course of the Plan Year, no such triggers were achieved and therefore the target allocation to the Growth Portfolio remained at 34.7% of total assets. The Trustee was updated on the funding level progression of the Plan through monthly and quarterly reporting provided by Mercer as well as updates provided at each quarterly Trustee meetings.

The Trustee, under the advice of Mercer, reviewed the investment objectives and strategy in December 2022. The outcome of this review is described in Section 2.3.1, above.

2.3.3. Risk Management and Measurement (Section 4)

Mercer has continued to act under its delegated authority to manage the Plan’s assets with the major risks in mind, as detailed in the SIP, for all decisions taken on the Trustee’s behalf. These include, but are not limited to, the mismatch between assets and liabilities, diversification of assets, manager specific risk, illiquidity, currency risk and ESG factors. Mercer provides regular reporting to the Trustee on performance and risk at least monthly with quarterly reporting reviewed by the Trustee at regular meetings. An Integrated Risk Management dashboard is maintained by the Trustee and reviewed at each quarterly Trustee meeting. This dashboard considers the key risks to the Plan and provides a series of triggers designed to identify risks as they emerge so that the Trustee can take action as it sees appropriate.

The annual reviews of the investment strategy provides the Trustee with an opportunity to consider their long-term objectives and assess the deficit Value at Risk (“**VaR**”) – i.e. how much the deficit could increase by, or more, in a 1 in 20 downside event for the Plan – which is a primary measure for assessing the mismatch between the Plan’s assets and liabilities and the Sponsor’s ability to support it. The Trustee considered this VaR measure at the December 2022 annual strategy review and noted that, given the de-risking carried out since adopting the de-risking strategy the deficit VaR had reduced by nealry 50%.

In particular, following the events of the UK Gilts Crisis in September 2022 the Trustee has considered the level of leverage risk being taken with then Plan’s Matching Portfolio. The Trustee has been provided with updates from Mercer on enhancements made to the policies and processes used to manage this risk at the Trustee meetings in December 2022 and February 2023. Following these discussions the Trustee is comfortable with the level of leverage risk being taken and the steps being taken to manage this risk.

2.3.4. Realisation of Investments (Section 6) Cash and flow and cash flow management (Section 7)

The majority of the Plan’s assets are invested in daily-dealt pooled fund investment arrangements (c. 89% as at the Plan’s year-end). 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 demand. Where disinvestments were arranged during the year, the policies stipulated within the relevant appointment documentation have been followed.

The Trustee has put in place a process whereby any disinvestments of the Plan's assets above £300,000 are to be approved by the Trustee. This process has been followed throughout the Plan Year.

In addition, a number of Mercer Funds invested in by the Plan can distribute regular (Monthly/Quarterly) income. At present this facility is not required to meet the Plan's cash flow needs however, the Trustee and Mercer keep this under regular review.

2.3.5. Rebalancing (Section 8)

The Trustee continues to delegate responsibility for the monitoring and rebalancing of the Plan's asset allocation to Mercer.

During the Plan Year, Mercer took action to mitigate the impact of the UK Gilt crisis. The Flexible LDI funds were deleveraged and trades were placed to re-model the Matching Portfolio in response. Mercer continue to review the collateral management framework and regularly report on developments at quarterly Trustee meetings.

2.3.6. Environmental, social and corporate governance, Stewardship, and Climate Change (Section 9)

Policy Summary

Mercer and the Trustee believe stewardship plays an important role in managing sustainability risks and other ESG factors, and helps the realisation of long-term value by providing investors with an opportunity to enhance the value of companies and markets consistent with long-term investor timeframes. Consequently, an approach that integrates effective stewardship is in the best interests of the Plan. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities, including non-financial performance that require the Trustee's explicit consideration.

It is the Trustee's policy that the third party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), report in line with established best practice such as the UK Stewardship Code 2021, to which Mercer is a signatory, including public disclosure of compliance via an external website, when managing the Plan's assets. Further, in appointing the third party asset managers, the Trustee expects MGIE to select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party investment managers' compliance with this expectation, the Trustee considers regular reports from Mercer that include an assessment of each third party manager's engagement activity.

Should the Trustee consider that Mercer, MGIE or the third party asset managers, have failed to align their own engagement policies with those of the Trustee, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer. The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change.

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, provide reporting to the Trustee on a regular basis.

The Mercer Sustainability Policy is reviewed regularly. In March 2021 there was an update in relation to the Sustainable Finance Disclosure Regulation (SFDR) implementation. In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.

In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Stewardship Policy to specifically address the requirements of the directive. This Policy was also updated in August 2022 to reflect enhancements made to Mercer's stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a Client engagement survey.

UN Principles of Responsible Investing scores for 2021 (based on 2020 activity) were issued over Q3 2022. Mercer were awarded top marks for over-the arching Investment and Stewardship Policy section, underpinned by strong individual asset class results.

Climate Change Reporting and Carbon Footprinting

Mercer and the Trustee believe climate change poses a systemic risk and recognise that limiting global average temperature increases this century to "well below two degrees Celsius", as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. Mercer supports this end goal and is committed to achieving net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios, and for the majority of its multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer plans to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. This pledge covers the Plan's Growth Portfolio. The decision was supported by insights gained from Mercer's Investing in a Time of Climate Change (2015 and 2019) reports, Mercer's Analytics for Climate Transition (ACT) tool and advice framework, and through undertaking climate scenario analysis and stress testing modelling.

Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), including the Mercer Investment Solutions Europe - Investment Approach to Climate Change 2022 Status Report. As at 31 December 2022 Mercer are on track to reach our long-term net zero portfolio carbon emissions target. There has been a notable 16% reduction over the 3 years since 2019 baseline levels, resulting in the 45% baseline-relative reduction by 2030 being within range.

ESG Ratings Review

Where available, ESG ratings assigned by Mercer 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 and compares the Mercer funds overall ESG rating with the appropriate universe of strategies in Mercer's Global Investment Manager Database (GIMD). Engagements are prioritised with managers where their strategy's ESG rating is behind that of their peer universe.

As at 31 December 2022, in the Annual Sustainability Report provided by Mercer, the Trustee noted over 20% of Mercer's funds have seen an improved ESG rating over the year and the vast majority have a rating ahead of the wider universe. Due to the nature of certain strategies, they do not have an ESG rating (i.e. are N rated) and are therefore excluded from this review. Please see Mercer's Guide to ESG Ratings for more information https://www.mercer.com/our-thinking/mercer-esg-ratings.html

Approach to Exclusions

As an overarching principle, Mercer and MGIE 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 weapons are excluded from active equity and fixed income funds, and passive equity funds. In addition tobacco companies (based on revenue) are excluded from active equity and fixed income funds. The Mercer sustainability-themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.

Mercer expanded exclusions to further promote environmental and social characteristics across the majority of the multi-client building block funds over the second half of 2022, in line with EU SFDR Article 8 classification, as well as aligning Mercer's existing active and passive exclusions across their fund range.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.

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 Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.

Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 31 December 2022, 36% of the Key Decision Makers (KDM's) within Mercer IS team are non-male, and Mercer's long term target is 50%.

Within the Fixed Income universe the average fund has 8% non-male KDM's and within the EMEA Active Equity universe the average is 12%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead at 9% and 13%.

In Q3 2022 MGIE was confirmed as a signatory of the UK Chapter of the 30% Club.

Sustainably-themed investments

An allocation to Sustainable Equities and Sustainable Opportunities (private markets) is included within the Plan's portfolio of Growth assets, with the strategic allocation to Sustainable Equities now accounting for c.2% of the Growth Portfolio.

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

The actively managed Mercer Sustainable Global Equity Fund includes an impact investing strategy employing fundamental analysis to target companies that aim to achieve a positive Environmental and Social Impact. The strategy is diversified across multiple themes including health and sanitation, affordable housing, education and cyber security.

2.3.7. Trustee policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs (Section 10)

The Trustee's investment strategy is based on the advice from Mercer which is predicated on a de-risking framework which is seeking to meet the Trustee's key objectives as defined within the SIP and therefore intrinsically aligns Mercer with said policies.

Where underlying asset managers are not meeting expectations, Mercer is expected to engage with these managers. This has led to a number of changes to the underlying asset managers within the Mercer funds over the Plan Year including within the Mercer Global Small Cap Equity Fund, MGI UK Equity Fund, Mercer Emerging Markets Equity Fund, Mercer Emerging Market Debt Fund, Mercer UCITS Alternatives Strategies Fund, Mercer Synthetic Equity Linked Dynamic Bond Fund and Mercer Diversifying Alternatives Strategies Fund.

Over the Plan Year, Mercer has continued to monitor the underlying asset managers, provided reporting to the Trustee on their continued suitability, and renegotiate underlying asset manager fees on new appointments as well as existing ones.

The Trustee has delegated the implementation of their investment strategy to Mercer. Mercer's management of the Plan's assets, and any investment decisions taken, is cognisant of portfolio transaction costs and performance is reported on a net of fees basis. The Trustee receives the costs incurred by the Plan's investment arrangements with Mercer on a quarterly basis as well as receiving the annual costs and charges statements required by both MiFID II and more recently the CMA.

3. Voting and Engagement Disclosures

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the third party investment managers appointed by Mercer on the Trustee' behalf.

This is because 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 MGIE. In delegating these rights, MGIE accepts that managers are typically best placed to exercise voting rights and prioritise particular engagement topics by security, given they are expected to have detailed knowledge of both the governance and the operations of the companies and issuers they invest in. However, Mercer has a pivotal role in monitoring their stewardship activities and promoting more effective stewardship practices, including ensuring attention is given to more strategic themes and topics. As such, proxy voting responsibility is given to listed equity investment managers with an expectation that all shares are to be voted in a timely manner and a manner deemed most likely to protect and enhance long-term value. Mercer and MGIE carefully evaluates each sub-investment manager's capability in ESG engagement and proxy voting, as part of the selection process to ensure it is representing Mercer's commitment to good governance, integration of sustainability considerations . Managers are expected to take account of current best practice such as the UK Stewardship Code 2021, to which Mercer is a signatory. As such the Trustee does not use the direct services of a proxy voter.

3.1 Voting Activity Summary over the Plan Year

Voting: As part of the monitoring of managers' approaches to voting, MGIE assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.

Set out below is a summary of voting activity for the year to 31 March 2023 for a range of Mercer Funds that the Plan's assets are invested in. This may include information in relation to funds that the Plan's assets were no longer invested in at the year end. The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted.

"Unvoted" reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned.

“Other” reflects instances where managers have withheld votes in Power of Attorney markets, share blocking markets or where conflicts of interest may be present.

“Mixed” refers to occasions were underlying managers have voted differently for the same proposal. Vote decisions of this nature are monitored and fed into the wider engagement process with manager.

Fund	Total Proposals		Vote Decision					For/Against Mgmt	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against
Mercer Global Listed Infrastructure Fund	535	497	81%	11%	7%	1%	0%	85%	15%
Mercer Global Small Cap Equity Fund	6,342	6,201	91%	6%	1%	2%	0%	92%	8%
Mercer Low Volatility Equity Fund	8,239	8,083	91%	7%	0%	1%	0%	92%	8%
Mercer Multi-Asset Credit Fund (1)	11	11	91%	9%	0%	0%	0%	91%	9%
Mercer Sustainable Global Equity Fund	6,130	6,001	86%	11%	1%	1%	0%	88%	12%
MGI Emerging Markets Equity Fund	7,793	7,527	82%	14%	3%	0%	0%	84%	16%
MGI Eurozone Equity Fund	4,721	4,610	85%	12%	2%	0%	0%	86%	14%
Mercer Passive Global REITS UCITS CCF	3,117	2,982	79%	16%	0%	4%	0%	79%	21%
MGI UK Equity Fund	1,082	1,081	99%	1%	0%	0%	0%	99%	1%
Mercer China Equity Fund	547	544	94%	6%	1%	0%	0%	94%	6%

(1) Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund’s underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period

- “Eligible Proposals” reflect all proposals of which managers were eligible to vote on over the period
- “Proposals Voted On” reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the “Other” category)”
- “No Action” reflects instances where managers have not actioned a vote. MGIE may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully
- “Other” refers to proposals in which the decision is frequency related (e.g. 1 year or 3 year votes regarding the frequency of future say-on-pay).

3.2 Example Summary of Significant Votes over the Plan Year

Significant Votes: The Trustee has based the definition of significant votes on Mercer's Beliefs, Materiality and Impact (BMI) Framework. Reported below are the *most* significant proposals over the period. Significant proposals are determined using the following criteria:

1. The proposal topic relates to an Engagement Priority (climate change, human/labour rights, and diversity). This is classified in the "Proposal Description" column below, referenced as Environmental, Social, and Governance respectively.

2. The *most* significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

Most Significant Votes

Fund	Proposal Description	Company	Holding Weight in Mercer Fund [2]	Meeting Date	Manager Vote Decision	Vote Outcome (Shareholder Support)	Vote rational
Mercer Global Listed Infrastructure Fund	Environmental: Shareholder Proposal Regarding Medium-Term Targets For Scope 3 GHG Emissions	Dominion Energy Inc	5%	11-May-22	Against	16%	In December 2021 the manager engaged with Dominion Energy's management on Scope 3 emissions targets. During this meeting, the company confirmed that they were looking into the next steps on how Scope 3 emissions targets could be set. Given the complexity of this topic, and as the manager was already in active discussion with the company on it, they felt it was reasonable to allow the company time to set meaningful targets rather than supporting this Proposal.
	Environmental: Shareholder Proposal Regarding Report on Stranded Asset Risk				For	75%	This Proposal involved consolidating information that was already being provided by the company into a single report, making it more easily accessible. The manager believed that this request was reasonable, and therefore voted in favour of the Proposal.

Fund	Proposal Description	Company	Holding Weight in Mercer Fund [2]	Meeting Date	Manager Vote Decision	Vote Outcome (Shareholder Support)	Vote rational
Mercer Global Small Cap Equity Fund	Environmental: Approval of Net Zero Transition Report	SSE Plc.	3%	21-Jul-22	For	98%	In general, the manager believes that proposals seeking approval of a company's climate strategy challenge the basic premise of corporate governance, which dictates that shareholders should elect the board and the board should oversee management and the execution of the company's strategy. However in this case, the managers had a positive view of the climate change-related measures taken by SSE, and of the disclosure provided by the company on this topic. SSE has committed to Net Zero across all its operations by 2050 at the latest, covering scope 1, 2 and 3 GHG emissions. These ambitions are supported by a series of interim targets approved by the Science Based Targets Initiative (SBTi). The manager also noted that in the event of a significant vote against this proposal, the company intends to undertake a process of shareholder outreach, inform shareholders of the results of that process, and announce intended measures to take those reservations into account.
	Environmental: Advisory vote on Climate Transition Plan	Centrica plc	<1%	7-Jun-22	For	79%	The main reasons for support are: • Although a complete schedule of comprehensive short, medium and long-term emissions reduction targets has not been provided, there are a range of timelines and targets, and the Company made a public commitment to get near-term targets approved by the Science Based Targets Initiative (SBTi) • Other positive aspects include the commitment to the TCFD recommendations and the intention to regularly (every three years) provide shareholders with an advisory vote on climate at future AGMs.
	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement	Tesla Inc	<1%	4-Aug-22	Against	34%	Manager opposed the resolution, noting Tesla's core mission is to accelerate the world's transition to sustainable energy and its business strategy is in alignment with the Paris Agreement. The manager felt additional disclosures would be a burdensome with no real benefit to shareholders.
	Social: Shareholder Proposal Regarding Policy on Freedom of Association				Against	32%	Manager opposed the resolution, noting these rights are enshrined in the National Labor Relations Act and felt, like any US company, Tesla must comply with the law and this is not a matter for company policy.

Fund	Proposal Description	Company	Holding Weight in Mercer Fund [2]	Meeting Date	Manager Vote Decision	Vote Outcome (Shareholder Support)	Vote rational
Mercer Low Volatility Equity Fund	Social: Shareholder Proposal Regarding Human Rights Impact Assessment Report	Alphabet Inc	2%	1-Jun-22	For	23%	Managers voted "For" this proposal as shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.
	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement				For	19%	Managers voted "For" this proposal as the company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with Paris Agreement, in light of risks to the company caused by climate change and the company's public position.
	Environmental: Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%	Managers voted "For" this proposal as shareholders would benefit from increased disclosure regarding how the company is assessing and managing climate change risks.
	Environmental: Advisory Vote on Approach to Climate Change	Canadian Pacific Kansas City Limited	1%	27-Apr-22	For	87%	CPKC has a decarbonisation target across Scope 1, 2 and 3 locomotive operations to reduce emissions intensity 38.3% by 2030. The near-term target is approved by SBTi and aligned with a temperature pathway of well-below 2°C. The manager noted that the temperature alignment is inconsistent with the 1.5°C guidance stipulated in their policy. However, the manager has reviewed the company's climate strategy and engaged with management to encourage target alignment with 1.5°C.
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	3%	13-Dec-22	Against	11%	Managers voted AGAINST this resolution, noting that the company has implemented the main requests of the Fair Chance Business Pledge and is disclosing sufficient information for shareholders to be able to assess the impact of its various diversity and inclusion initiatives.
Mercer Passive Global REITS UCITS CCF	Environmental: Approval of Climate Change Ambitions and Targets	Carmila	<1%	12-May-22	For	98%	A vote FOR is warranted as the company commits to Net Zero on Scope 1 and Scope 2 by 2030 (SBT approved) and Net Zero on all scopes by 2040 with 90% reduction of GHG emissions and 10% compensation.
	Environmental: Approval of Climate Transition and Biodiversity Preservation	Icade	<1%	22-Apr-22	For	99%	A vote FOR this proposal was warranted, as the company presented a 1.5°C trajectory Net Zero ambition with short-, medium- and long-term targets and a detailed roadmap to achieving its goals for this decade. The level of transparency and the governance structure for addressing and dealing with the climate topics appeared robust. The company notably commits to an advisory vote on this matter on a yearly basis. We will keep the company's progress in obtaining SBTi approval for its targets under review.

Fund	Proposal Description	Company	Holding Weight in Mercer Fund [2]	Meeting Date	Manager Vote Decision	Vote Outcome (Shareholder Support)	Vote rational
	Environmental: Opinion on Ambition to Fight Climate Change	Mercialys	<1%	28-Apr-22	Against	79%	Climate change: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Mercer Sustainable Global Equity Fund	Social: Shareholder Proposal Regarding Human Rights Impact Assessment Report	Alphabet Inc	2%	1-Jun-22	For	23%	The manager voted FOR this proposal as enhanced assessment would provide meaningful disclosure and potentially improve understanding of the impact of the company's operations and/or activities on compliance and protection of human rights.
	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement				For	19%	The manager voted FOR this proposal as the company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with Paris Agreement, in light of risks to the company caused by climate change and the company's public position.
	Environmental: Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%	The manager voted FOR this proposal given the company and shareholders may benefit from additional disclosure regarding the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
	Environmental: Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	American Water Works Co. Inc.	1%	11-May-22	Mixed	Withdrawn	While managers were generally supportive of the Company disclosing medium- and long-term GHG targets aligned with the Paris Agreement, the proposal was ultimately withdrawn prior to the meeting.
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	3%	13-Dec-22	Mixed	11%	For (2): Managers who voted FOR this proposal were supportive of seeing this issue further addressed in the company's forthcoming racial equity audit (results due in 2023). Against (2): Managers who voted against felt this proposal did not merit support as the company's disclosure and/or practices pertaining to the item are already reasonable.

Fund	Proposal Description	Company	Holding Weight in Mercer Fund [2]	Meeting Date	Manager Vote Decision	Vote Outcome (Shareholder Support)	Vote rational
MGI Eurozone Equity Fund	Environmental: Approval of Climate Strategy, Targets and Progress 2022	Barclays plc	1%	4-May-22	For	80%	A vote FOR this item is considered warranted, although it is not without concern for shareholders. The Company has not committed to further Say on Climate votes. The Company's approach to financed emissions has been the subject of criticism. Concerns are raised with the Company's approach to the target range in respect of power, cement and steel, given that, while the higher end of the range is in line with the IEA NZE, the lower end would not meet expectations. As flagged in last year's report, the Company's restrictive policies, especially as they relate to thermal coal and the expansion of oil and gas, require further improvement to be in line with expectations and with the Company's overarching net zero climate ambitions. The main reasons for support are the Company has a track-record of responding to shareholders on climate concerns. The decision to put a Say on Climate vote to shareholders is further proof of this. While ISS typically flags the benefit of an annual vote given the quickly evolving nature of this space, the Company's responsiveness to shareholder concerns helps to mitigate concerns that this will act as a one-off vote on the Company's climate response. The Company has made clear progress and has set clear targets in the short-to-medium term on its ambition to have net zero operations and reduce supply chain emissions. Improvements have been made on the Company's approach to financed emissions, with new IEA NZE 2050-derived targets in four key sectors, and further targets committed to in future years.
	Environmental: Opinion on Climate Transition Strategy	Engie	1%	21-Apr-22	For	86%	Managers felt a vote FOR this item was warranted although the following concerns are raised:- The company does not provide a detailed plan further than 2030;- The company does not commit to a regular shareholders' say-on-climate;- The company's greenhouse gas emissions are on the raise with no short-term commitment to overturn this trend.The main reasons for support are:- The company's ambition is Paris-Aligned on full scope by 2045, with an ambition to go beyond that;- The company provides a detailed action roadmap by 2030;- The level of transparency is in line with peers;- The governance structure for addressing and dealing with the climate topics appears robust.

Fund	Proposal Description	Company	Holding Weight in Mercer Fund [2]	Meeting Date	Manager Vote Decision	Vote Outcome (Shareholder Support)	Vote rational
	Environmental: Opinion on 2022 Sustainability and Climate Progress Report	TotalEnergies SE	2%	25-May-22	For	84%	A vote FOR this item is warranted as the following concerns are raised but it is not without any concerns for shareholders: - Considering announced increased productions and new production sites, the partial disclosure and the absence of clear absolute scope 3 reduction targets do not allow to assess whether the company's plan is robust enough to be in line with its Net Zero ambition by 2050 in line with Paris goal. Support is warranted as:- The company committed to reduce by 30 percent scope 3 GHG emissions from oil production by 2030;- The company pursues its investments in alternative sources of energy and CCS technology;- The company committed to disclose absolute targets for GHG emissions covering all activities, the evolution of the energy mix and targeted production volumes, the potential contribution of CCS technology, and the work of assessment carried out by the independent third party; and- The company committed to propose a shareholders' vote at each AGM its sustainable and climate report and progress.
MGI UK Equity Fund	Environmental: Approval of Climate Action Plan	Rio Tinto plc	4%	8-Apr-22	Against	82%	We opposed the climate action plan. We think the company can do more to address its lifecycle emissions, including setting ambitious medium and long-term scope 3 targets. We encouraged Rio Tinto to lead the mining and minerals industry by setting stretching scope 3 emissions reduction targets.
	Environmental: Endorsement of Pathway to Net Zero	Standard Chartered plc	2%	4-May-22	For	83%	After engagement with the company we believe the company's own net zero plan to be appropriate, and therefore supported the management resolution.
	Environmental: Shareholder Proposal Regarding Fossil Fuel Financing				Against	12%	We opposed a shareholder resolution to implement a revised net zero plan. After engagement with the company we believe that the company's own net zero plan to be appropriate.

Significant votes were not held with respect to the China Equity and Emerging Market Equity funds over the year. This is to be expected given the markets in which these funds invest in. Significant votes were also not cast for the Multi-Asset Credit fund which is to be expected given the low number of votes associated with this fund.

(1) “Mixed” refers to occasions were underlying managers have voted differently for the same proposal. Vote decisions of this nature are monitored and fed into the wider engagement process with managers. In this case, two managers voted “For” and two managers voted “Against” the proposal.
(2) Approximate size of the holding in the Fund as at the date of the vote. Size at the end of the relevant quarter.