

Annual Engagement Policy Implementation Statement (to 5 April 2022)

Prosper De Mulder Senior Executive Fund

1. Introduction

This Engagement Policy Implementation Statement ('the Statement') sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 5 April 2022. 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 subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, which transposes the EU Shareholder Rights Directive (SRD II) into UK law.

Section 2 of this Statement provides detail of the actions taken by the Trustees to meet the Fund's engagement policies set out in the SIP over the year. Section 3 describes the voting behaviour on behalf of the Trustees along with the relevant statistics over the year.

The Fund's monies are invested in Mercer Funds, which are collective investment vehicles managed by Mercer Global Investments Europe Limited (MGIE), and in buy-in policies with Legal & General Assurance Society Limited (Legal & General).

2. Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

As noted in the SIP, the Trustees believe that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The asset managers appointed to manage the Mercer Funds are expected where applicable to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees recognise that they have no direct power in respect of the buy-in policies with Legal & General. That said, it is noted that Legal & General has an extensive range of Responsible Investment policies, independently rates securities for their ESG contribution and are a signatory to the Principles of Responsible Investment. Investment decisions are based on ESG factors as well as financial performance.

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Policy Updates

- Mercer have provided reporting to the Trustees on a regular basis on how ESG, climate change and stewardship are integrated within Mercer's investment processes and those of the underlying managers.
- The Mercer [Sustainability Policy](#) is reviewed regularly. 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 carbon footprint analysis on the Tailored Credit Fund on a regular basis.

ESG Rating Review

- ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. 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. The Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.

Update to Exclusions

- As an overarching principle, Mercer prefer an approach of positive engagement rather than negative divestment. However, Mercer 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.
- In addition, Mercer monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

3. Voting Activity

The Trustees consider how ESG, climate change and stewardship are integrated within MGIE's (as asset manager to the funds) investment processes and those of the underlying asset managers in the monitoring process. However, the nature of the Fund's investments means that there are no voting rights to exercise.

Legal & General (with whom the Fund has a buy-in policy) use their voting rights to firmly engage with companies around material ESG risks and opportunities. They aim to use their influence and voting right to drive positive change and generate strong performance over the long-term.