

MMC UK Pension Fund

Statement of Investment Principles (DC Section)

1. Introduction

1. MMC UK Pension Fund Trustee Limited ("the Trustee"), the corporate trustee of the MMC UK Pension Fund ("the Fund"), has drawn up this Statement of Investment Principles ("the Statement") in order to record the Fund's investment arrangements and the rationale behind them for the defined contribution assets. The investment arrangements for the defined benefit assets are contained in a separate statement.
2. This Statement is designed to comply with the requirements of the Pensions Act 1995 ("the Act") as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, as amended from time to time. It also aims to meet the requirements of the Pension Regulator's General Code.
3. As required under the Act, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited as its investment consultant. In preparing this Statement, the Trustee has also consulted Marsh & McLennan Companies UK Limited ("the Company") as Principal Employer of the Fund.
4. The Trustee has established an Investment Committee ("the Committee") and delegated to it certain functions, which are contained in its terms of reference and include responsibility for assessing (in conjunction with advisers) the performance delivered by the delegated investment arrangements and their ongoing suitability for the Fund's membership. The Trustee receives minutes of the meetings of the Committee.
5. The day-to-day management of the investments is delegated to Mercer Limited (the "Delegated Investment Manager"). The Delegated Investment Manager in turn delegates responsibility for the investment of assets to a range of underlying investment managers. Mercer Workplace Savings ("MWS") provides investment governance services in relation to the arrangements with the Delegated Investment Manager.
6. The Trustee has contracted with MWS and Scottish Widows Limited ("Scottish Widows"), to deliver investment management services through its investment platform. The Trustee has delegated the day-to-day monitoring and management of the underlying investment managers, including asset allocation and manager selection decisions, in which the Fund's assets are invested. The Fund's investment platform is provided under contract with Scottish Widows and MWS, both of whom are regulated by the Financial Conduct Authority (the "FCA").
7. This Statement documents the general principles underlying the Fund's investment policy. Details of how this policy has been implemented are set out in a separate Investment Implementation Policy Document ("IIPD"), which is not part of this Statement. The Statement of Investment Principles is publicly available at the following web address www.pensions.uk.mmc.com
8. The Trustee does not expect to revise this Statement frequently because it covers broad principles rather than their

implementation. The Trustee will review it at least annually, and without delay if there are relevant, material changes to the Fund and/or the Company. The IIPD will be reviewed regularly and updated to reflect any amendments to the investment arrangements, and any changes will be agreed by the Trustee.

9. The Trustee will monitor compliance with this Statement a minimum of once every three years. In addition, the Trustee will review this Statement in response to any material changes to any aspects of the Fund and the attitude to risk of the Trustee and the Company which the Trustee judges to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Company.
10. Assets in respect of members' Additional Voluntary Contributions ("AVCs") are invested in a range of investment funds. With the assistance of Mercer, the AVC arrangements are reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members. More information on the AVC providers is detailed in the DB IIPD.

Signed for and on behalf of MMC UK Pension Trustee Limited, as Trustee of the MMC UK Pension Fund:

Bruce Rigby

June 2024

2. Investment Objectives

11. The following encapsulates the Trustee's objectives in respect of the Fund:
 - A. To establish a default investment arrangement which will offer a high quality solution appropriate for the majority of members saving into the Fund.

- B. Alongside the default investment arrangement, provide a range of self-select funds to meet the diversity of member needs throughout their working lives.
- C. To offer funds that enable members to plan appropriately for their retirement.
- D. To make available an appropriate range of funds to avoid unnecessarily complicating members' investment decisions.
- E. To implement and deliver an attractive and compelling communication and engagement strategy that reflects the needs of members, specifically taking into account the nature of the Fund and the investment arrangements that are provided.
- F. To put in place the necessary governance framework that will allow the ongoing suitability of the Fund, including the suitability of the investment arrangements, to be monitored over time.

3. Choosing Investments

12. The Trustee has selected a number of lifestyle strategies and funds for the self-select range that is offered to members. The Trustee regularly monitors the suitability of the funds provided. From time to time the Trustee may change the investment options if deemed appropriate based on advice received.
13. The Delegated Investment Manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying investment managers in Mercer funds. The underlying investment managers have full discretion to buy and sell investments on behalf of the Trustee.
14. The Act distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

15. The policy of the Trustee is to review its direct investments and to obtain written advice about them at regular intervals.
16. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s) if this is appropriate. The advice received and arrangements implemented are, in the Trustee's opinion consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
22. Alternative lifestyle strategies are available to members that reflect the different ways in which members might take their benefits at retirement (Mercer SmartPath Target Cash and Mercer SmartPath Target Annuity). Details of these strategies are contained in Appendices B and C respectively.
23. In addition to the above lifestyle strategies, there is a self-select range for members that want to build their own strategy. Details of all fund options and lifestyle strategies are set out in the IIPD.

4. The kinds of investments to be held

17. The Trustee is permitted to invest in a wide range of assets including equities, bonds, property, subject to complying with relevant legislation.
18. The Trustee makes available a range of funds and lifestyle strategy options for the members of the Fund which the Trustee believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons.

5. The balance between different kinds of investments

19. Members have the ability to determine the fund(s) in which they choose to invest.
20. Members who do not indicate a preference are invested in the Fund's default investment arrangement - the Mercer SmartPath Target Drawdown strategy - which targets income drawdown at retirement. More information on the default investment arrangement is included in Appendix A.
21. Due to historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements. More information on the additional default investment arrangements is set out in Appendices B to T.

24. The Trustee, with support from their investment consultant, when necessary, can select externally managed funds managed by specialist investment managers. These investment managers are responsible for buying and selling investments on behalf of the Trustee.
25. The Trustee is satisfied that the structure of the lifestyle options and the self-select range provide members with the ability to invest or build a suitably diversified investment strategy. The Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager.

6. Expected return on investments

26. When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.
27. The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The day-to-day selection of the investments is delegated to the underlying investment managers.

7. Realisation of investments

28. In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.
29. The Trustee has delegated the responsibility for buying and selling securities within the funds to the underlying investment managers. This role includes considering the liquidity of the investments.

8. Investment risk

30. The Trustee has considered risk from a number of perspectives, and these risks have been considered in the building and reviewing of the overall investment arrangements.
31. The Trustee has put in place a structure to both monitor these risks and take action where the Trustee believes it appropriate to do so.
32. The list overleaf is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

MMC Pension Fund – DC Section: Statement of Investment Principles

Risk	Description	Mitigation
Inflation Risk	The real value (i.e. post inflation) value of members' accounts decreases	<p>The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).</p> <p>The growth phase of the lifestyle strategies are designed to provide returns that are expected to exceed inflation.</p>
Pension Conversion Risk	Member's investments do not match how they would like to use their pots in retirement.	<p>The lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These lifestyling strategies increase the proportion of assets that more closely match the chosen retirement destination as members approach retirement.</p> <p>The Trustee makes available three lifestyle (SmartPath) strategies for members, targeting either cash, drawdown or annuity.</p>
Retirement Benefit Risk	The risk that investment market movements as members approach retirement lead to a substantial reduction in the anticipated level of retirement benefits	The lifestyle strategies made available look to de-risk member's savings as they approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.
Market Risk	The value of securities, including equities and interest bearing assets, can go down as well as up.	<p>The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p> <p>The investment managers are expected to invest in properly diversified portfolios and to spread assets across a number of individual shares and securities.</p>
Credit Risk	Counterparty party to a financial instrument, either an underlying holding or pooled arrangement, cannot meet its obligation.	<p>The Trustee undertakes an assessment of the security of assets. The investment consultant provides advice on the suitability of the investment arrangements.</p> <p>In some cases of insolvency, the Trustee Directors may be able to claim up to 100% of the value of the policy from the Financial Services Compensation Scheme ("FSCS").</p> <p>Within the pooled arrangements the consideration of this risk is delegated to the Delegated Investment Managers, and in turn the underlying investment managers.</p>
Currency Risk	The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	<p>The Trustee considers the movements in foreign currencies relative to pound sterling. This risk is monitored by the Delegated Investment Manager.</p> <p>The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies.</p>
Operational Risk	A lack of robust internal processes, people and systems.	<p>Strategies held within Mercer funds are reviewed by Mercer Sentinel from an operational risk perspective (Operational Risk Assessments) on a periodic basis.</p> <p>MWS report to the Trustee at regular intervals on such reviews completed on the funds.</p> <p>MWS review Scottish Widows' operational performance against Service Level Agreements on an ongoing basis and they report on this annually to the Trustee.</p>

Liquidity Risk	Assets may not be readily marketable when required.	The Trustee accesses daily dealt and daily priced pooled funds through a contract with Scottish Widows.
Valuation Risk	The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	Some funds may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment managers. The majority of investment managers invest solely in liquid quoted assets. The Trustee monitors performance of funds on a quarterly basis and delegates the monitoring of valuation risk to the Delegated Investment Manager.
Environmental, Social and Governance ("ESG") Risk	ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events, poor governance.	The Trustee delegates the monitoring of the investment managers' policies in relation to ESG factors to the Delegated Investment Manager who in turn delegate this to the underlying investment managers. The Trustee's policy on monitoring ESG risks is set out in Section 9 of this Statement.
Investment manager risk	Investment managers may not meet expectations, leading to lower than expected returns to members.	Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective. MWS provide performance information for the Trustee to monitor this risk. For the actively managed funds made available, the Delegated Investment Manager invests exclusively in underlying actively managed funds that are highly rated by Mercer Limited, based on forward-looking expectations of meeting objectives. The Delegated Investment Manager is responsible for the selection, appointment, removal and monitoring of these underlying investment managers.

9. Financially material considerations and engagement policy

33. In addition to those items detailed in section 8, the Trustee believes that good stewardship and environmental, social and corporate governance ("ESG") factors can have an impact on investment risk and return outcomes. The Trustee believes that having a broader perspective with regards to investment policy can improve risk management and lead to new opportunities. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.
34. The Trustee has taken into account the expected time horizon of the Fund when considering how to integrate ESG and all financially material considerations into the investment decision making process.
35. The Trustee believes that active stewardship can create and preserve value for companies and markets as a whole.
36. The Trustee has given the Delegated Investment Manager full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments.
37. Investment managers are expected to exercise their voting rights in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance

Code and UK Stewardship Code. Managers' engagement policies are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

38. The Investment Committee consider the ESG manager ratings, as provided by MWS, on a quarterly basis. These ESG ratings are taken into account by the Delegated Investment Manager during the selection, retention and realisation of managers. ESG ratings are also considered by the Trustee when undertaking a review of the investment arrangements made available to members of the Fund.
39. The Delegated Investment Manager approaches responsible investment and corporate governance through a four pillar framework: integration, stewardship, thematic investment and screening, and the Mercer funds incorporate these four pillars as far as is practical. The Delegated Investment Manager reviews the investment managers and funds in line with this framework on an annual basis.
40. The Trustee reviews an Annual Stewardship Monitoring report which reviews voting and engagement activities of the underlying investment managers appointed by the Delegated Investment Manager. The Trustee also reviews the Annual UK Stewardship Code Review report, which reviews the policies of the underlying investment managers appointed by the Delegated Investment Manager against the UK Stewardship Code. These are reviewed annually by the Trustee.
41. The Trustee has developed a Sustainable Investment Policy, which includes the Trustee's beliefs in relation to sustainable investment and climate change. This Policy also considers how the Delegated Investment Manager's own policies are incorporated into the Fund's investment strategy and monitored on an ongoing basis. . The Trustee will review the Policy triennially or following any material changes to the investment strategy of the Fund, which it judges to have a bearing on the stated Sustainable Investment Policy.

10. Arrangements with asset managers

42. The Delegated Investment Manager appoints underlying investment managers and the Trustee appoints investment managers of any externally managed funds based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustee invests in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.
43. The Trustee, MWS and the Delegated Investment Manager expect investment managers to incorporate the consideration of longer term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Delegated Investment Manager engages with investment managers on this activity and if dissatisfied will look to replace the manager.
44. 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 reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustee also

relies upon Mercer's manager research capabilities. The remuneration for investment managers used by the Fund 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 performance is not satisfactory, the Trustee will ask the Delegated Investment Manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.

45. Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members' assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessments. Importantly, performance is reviewed net of portfolio turnover costs.
46. 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 is responsible for the selection, appointment and removal of any externally managed funds. The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.

11. Non-financial matters

47. Member views have not explicitly been taken into account in the selection, retention and realisation of investments, however, when expressed, member views are taken into consideration relating to all financial and non-financial matters. The Trustee will take account of members' views on non-financial matters where it has good reason to believe that a significant number of members share those views and where doing so will have no significant financial detriment to the Fund.

Appendix A – Default Investment Arrangement

For members who do not wish to take an active role in investment decisions, the Trustee offers a default investment arrangement which gradually switches investments to an asset allocation designed to be appropriate for a member that wishes to access their benefits through drawdown at retirement.

Aims and objectives

The aims of the default investment arrangement, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy whilst managing downside risk.

The growth phase structure invests in equities and other growth-seeking assets through a diversified range of assets. These investments aim to provide growth with some downside protection and some protection against inflation erosion. The diversification provided by the range of assets, which range from commodities to global high yield bonds, is expected to provide some downside protection from equity market falls. The asset allocation and asset classes that the “growth” phase invests in may change from one period to another subject to the delegated investment manager’s views. In addition, the fund used in the growth phase uses dynamic asset allocation to tilt the portfolio in different market environments, aiming to improve return as well as increase downside protection.

- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default investment arrangement that seeks to reduce investment risk as a member approaches retirement is appropriate.

This is achieved via the SmartPath target date funds, which de-risk a member as they approach retirement. Hence, eight years before their target retirement date (or normal retirement date, if no target is specified), members in the default investment arrangement will have their holdings transferred into a target date fund (“Target Drawdown Retirement 20XY Fund”, based on the expected date of retirement in year 20XY). These target date funds aim to gradually move investments from higher-risk growth-seeking assets to assets aiming for income and less volatile growth, along with an allowance for tax-free cash benefits through an allocation to money market investments.

- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as drawdown at retirement, allowing for a 25% cash lump sum (which is likely to be tax-free in the majority of cases).

By the start of the year of their expected retirement, members’ accumulated savings in the default investment arrangement will be moved to the Target Drawdown Retirement Fund. For members retiring by 31 December 2025, this allocation aims to broadly match these benefits through investment of 25% of the portfolio in a mix of high quality short-term sterling denominated money market instruments and 75% in a Diversified Retirement Fund, which aims to generate income and maintain the purchasing power of members’ savings until they retire from the Fund. For members retiring on/after 1 January 2026, this allocation aims to broadly match these benefits through investment of 10% of the portfolio in a mix of high quality short-term sterling denominated money market instruments and 90% in a Diversified Retirement Fund, which aims to generate income and maintain the purchasing power of members’ savings until they retire from the Fund. The assets in this multi-asset fund include equities, bonds and alternative assets.

Risks

In designing the default investment arrangement, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In particular, when reviewing the investment strategy of the default investment arrangement, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment arrangement.

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	During the growth phase of the default investment arrangement the Trustee invests in a diversified range of assets which are expected to grow in real terms. MWS consider inflation when building and modelling their portfolios.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation. MWS provide performance information for the Trustee to monitor this risk.
Pension Conversion Risk Member's investments do not match how they would like to use their pots in retirement.	The default investment arrangement SmartPath strategy which targets flexible access income drawdown as a retirement destination. The Trustee believes that a strategy targeting drawdown minimises the overall pension conversion risk for the relevant members accessing pots in a different manner (annuity or drawdown).	Considering the returns of the funds used within the switching phase of the SmartPath strategy both in absolute terms as well as relative to inflation (the retirement destination). As part of the triennial default investment arrangement review, the Trustee ensures the default destination remains appropriate. The Trustee has delegated to MWS the monitoring and selection of the underlying components funds and allocations within the SmartPath strategies.

Risk	How it is managed	How it is measured
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The default investment arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p> <p>For the diversified growth funds which are targetting non-market benchmarks this is delegated to investment managers.</p>	<p>Monitoring the performance of the default investment arrangement on a quarterly basis.</p> <p>MWS provide performance information for the Trustee to monitor this risk.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>In line with the main DC section.</p>	<p>In line with the main DC section..</p>
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>The equity allocation of the default investment arrangement is invested in a fund with a currency hedging overlay. Within the diversified growth funds the currency risk management is delegated to investment managers.</p> <p>Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p> <p>Considers the movements in foreign currencies relative to pound sterling.</p> <p>This risk is monitored by MWS as part of the portfolio management process.</p>
<p>Operational Risk</p> <p>A lack of robust internal processes, people and systems.</p>	<p>In line with the main DC Section.</p>	<p>In line with the main DC Section.</p>
<p>Liquidity Risk</p> <p>Assets may not be readily marketable when required.</p>	<p>In line with the main DC Section.</p>	<p>In line with the main DC Section.</p>

Risk	How it is managed	How it is measured
Valuation Risk The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	In line with the main DC Section.	In line with the main DC Section.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events, poor governance.	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 9 of this Statement.	In line with the main DC Section. The Trustee's policy on monitoring ESG risks is set out in Section 9 of this Statement.
Manager Skill / Alpha Risk Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	In line with the main DC Section. The default investment arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	In line with the main DC Section.

The above listed items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon over which to assess these considerations should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age. It is partly for this reason that the default investment arrangement is a lifestyle strategy.

When expressed, member views are taken into consideration relating to all financial and non-financial matters. In particular, members are asked to express opinions in the annual newsletter.

Members' Best Interests

Taking into account the demographics of the Fund's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the default investment arrangement outlined in this document is appropriate.

In order to ensure this remains appropriate the Trustee will undertake a review of the default investment arrangement, at least triennially, or after significant changes to the Fund's demographic, if sooner.

Investment Strategy

The Mercer SmartPath Target Drawdown strategy is implemented using a range of MWS pooled funds. The strategic asset allocation of the default investment arrangement and selection of underlying investment

strategies is delegated to MWS. Any investment in derivative instruments (either directly or within the underlying pooled funds) contributes to risk reduction, or efficient portfolio management.

The Mercer SmartPath Target Drawdown strategy adopts a target retirement fund approach to manage risk throughout a member's lifetime in the Fund. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that it is appropriate to utilise a lifestyle approach to reduce investment risk relative to a member accessing their pension pot through drawdown at retirement as the member approaches retirement. The reduction of investment risk in the run up to retirement is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement (on the assumption that members are taking their benefits through drawdown).

Illiquid assets policy

The Trustee considers illiquid assets as those which cannot easily or quickly be sold or exchanged for cash at a reasonable value. Illiquid assets are not publicly traded and can also include physical assets like infrastructure or real estate. Illiquid assets can also be held indirectly as a component of readily tradable fund with reasonable liquidity terms.

The default investment arrangement invests in the Mercer Growth Fund and Mercer Diversified Retirement Fund, which do not invest either directly or indirectly in illiquid assets.

The Trustee understands the potential for higher returns and the diversification benefits that illiquid assets can offer relative to more traditional asset classes (such as bonds or equities). While these benefits are recognised by the Trustee, it is also aware of the risks associated with these investments, for example illiquidity and active manager risk. In addition to these risks, the Trustee also understands that there are operational and cost barriers in accessing illiquid assets within defined contribution schemes which need to be overcome.

In selecting investments for the default investment arrangement, the Trustee uses modelling to consider the expected combined effects of current versus alternative strategic allocations. The Trustee carefully considers whether the investment is expected to provide value for members when taking account of the potential returns and associated risks. The Trustee carries out a formal review of the default investment arrangement on a triennial basis, while MWS reviews this on an annual basis.

The Trustee acknowledges that illiquid asset investment is a developing area for defined contribution pensions, and expects its advisors in conjunction with MWS to monitor the position closely and continue to evaluate the suitability of such an investment.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for the default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix B – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer SmartPath Target Cash

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- **Mercer Target Cash**
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the "SmartPath Mercer Target Cash" strategy, details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the SmartPath Mercer Target Cash, and the ways in which the Trustee seek to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk.

The default investment arrangement's growth phase structure invests in equities and other growth-seeking assets through diversified growth funds. These are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default investment arrangement that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.

- To offer members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as an annuity.

As the member approaches their selected retirement date, all assets will be invested in cash. The Trustee believes this suitable for a member who will take their savings as cash at retirement.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	<p>The SmartPath Mercer Target Cash invests in a diversified range of securities which are considered likely to grow in excess of inflation.</p> <p>MWS consider inflation when building and modelling their portfolios.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p> <p>MWS provide performance information for the Trustee to monitor this risk.</p>
Pension Conversion Risk	<p>The SmartPath Mercer Target Cash strategy is a life styling strategy which targets 100% cash at retirement.</p>	<p>The Trustee makes available funds that would be appropriate for different retirement choices at retirement.</p> <p>The Trustee has delegated to MWS the monitoring and selection of the underlying components funds and allocations within the SmartPath strategies.</p>
Market Risk	In line with the main DC Section.	In line with the main DC Section.
Counterparty Risk	In line with the main DC section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling. This risk is monitored by MWS as part of the portfolio management process.
Operational Risk	In line with the main DC Section.	In line with the main DC Section.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 9 of this Statement.	In line with the main DC Section. The Trustee's policy on monitoring ESG risks is set out in Section 9 of this Statement.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

Members' Interests

The SmartPath Target Cash strategy is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix C – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – SmartPath Mercer Target Annuity

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- **Mercer Target Annuity**
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the “SmartPath Mercer Target Annuity” strategy, details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the SmartPath Mercer Target Annuity, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy whilst managing downside risk.

The defaults strategy's growth phase structure invests in equities and other growth-seeking assets through diversified growth funds. These are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default investment arrangement that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.

- To offer members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as an annuity.

As the member approaches their selected retirement date, 75% of their assets will be invested in the LGIM Pre-Retirement fund and 25% will be invested in cash. The Trustee believes this suitable for a member who will take their savings as an annuity at retirement.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	<p>The SmartPath Mercer Target Annuity invests in a diversified range of securities which are considered likely to grow in excess of inflation.</p> <p>MWS consider inflation when building and modelling their portfolios.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p> <p>MWS provide performance information for the Trustee to monitor this risk.</p>
Pension Conversion Risk	<p>The SmartPath Mercer Target Annuity strategy is a life styling strategy which targets 25% cash with the remaining benefits taken as an annuity at retirement.</p>	<p>The Trustee makes available funds that would be appropriate for different retirement choices at retirement.</p> <p>The Trustee has delegated to MWS the monitoring and selection of the underlying components funds and allocations within the SmartPath strategies.</p>
Market Risk	In line with the main DC Section.	In line with the main DC Section.
Counterparty Risk	In line with the main DC section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling. This risk is monitored by MWS as part of the portfolio management process.
Operational Risk	In line with the main DC Section.	In line with the main DC Section.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 9 of this Statement.	In line with the main DC Section. The Trustee's policy on monitoring ESG risks is set out in Section 9 of this Statement.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

Members' Interests

The SmartPath Target Annuity strategy is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of

MMC Pension Fund – DC Section: Statement of Investment Principles

evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix D – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer High Growth Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- **Mercer High Growth Fund**
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the “Mercer High Growth Fund”, details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer High Growth Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Mercer High Growth Fund invests primarily in a global portfolio of equity securities issued by companies. The strategy invests generally in shares of companies domiciled in, or exercising a significant part of their economic activity in, developed markets. The Fund has flexibility to invest outside of the asset class and sector, including in developing markets.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer High Growth Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix E – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer Moderate Growth Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- **Mercer Moderate Growth Fund**
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the “Mercer Moderate Growth Fund”, details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Moderate Growth Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Mercer Moderate Growth Fund invests primarily in a global portfolio of equity securities issued by companies. The strategy invests generally in shares of companies domiciled in, or exercising a significant part of their economic activity in, developed markets. The Fund has flexibility to invest outside of the asset class and sector, including in developing markets.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer High Growth Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix F – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer Overseas Equity Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- **Mercer Overseas Equity Fund**
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the "Mercer Overseas Equity Fund", details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Overseas Equity Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Mercer Overseas Equity Fund invests primarily in a global portfolio of equity securities issued by companies. The strategy invests generally in shares of companies domiciled in, or exercising a significant part of their economic activity in, developed markets. The Fund has flexibility to invest outside of the asset class and sector, including in developing markets.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Overseas Equity Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix G – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer Active Global Equity Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- **Mercer Active Global Equity Fund**
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the “Mercer Active Global Equity Fund”, details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Active Global Equity Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Mercer Active Global Equity Fund invests primarily in a global portfolio of equity securities issued by companies. The strategy invests generally in shares of companies domiciled in, or exercising a significant part of their economic activity in, developed markets. The Fund has flexibility to invest outside of the asset class and sector, including in developing markets.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Active Global Equity Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix H – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer Diversified Growth Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- **Mercer Diversified Growth Fund**
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

One of these defaults is known as the “Mercer Diversified Growth Fund”, details of this default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Diversified Growth Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Mercer Diversified Growth Fund invests in a range of asset classes. As at 30 June 2019 these asset classes were multi-factor equities, low volatility equities, small cap equities, emerging market equities, emerging market bonds, property REITs, listed infrastructure, commodities, investment grade bonds, high yield bonds and absolute return fixed income. The asset allocation in the Mercer Diversified Growth Fund is dynamically managed by Mercer's Asset Allocation Committee in order to exploit any medium term opportunities in the markets and to enhance the risk and return profile of the funds. The Fund aims to achieve returns of Cash + 3.5% p.a. over the long term with reduced volatility when compared to global equity markets.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Diversified Growth Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix I – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer Cash Fund

In March 2020, the Mercer UK Active Property Fund was suspended and no assets could be in/disinvested from/into the Fund. Consistent with investment and legal advice, it was decided that all ongoing contributions into the Mercer UK Active Property Fund would be invested in the Mercer Cash Fund until the suspension of the Mercer UK Active Property Fund was lifted. As a result of this, plus the Mercer Cash Fund being used in a 2021 mapping exercise, an additional default investment arrangement was created with monies being invested in the Mercer Cash Fund without members' consent.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- **Mercer Cash Fund**
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Cash Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Cash Fund, and the ways in which the Trustee seek to achieve these aims, are detailed below:

- To provide members with a fund that is a suitable replacement, having considered expected risk and return, for one that has been removed previously on a temporary basis.
- The fund aims to provide members with capital preservation, noting this is not guaranteed.

The fund aims to achieve an investment that is in line with wholesale money market short-term interest rates. Specifically, the fund will aim to better the return of 7 Day LIBID before fees.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Cash Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix J – Statement of Investment Principles – Additional Default Investment Arrangement in the DC Section – Mercer Passive Sustainable Global Equity Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- **Mercer Passive Sustainable Global Equity Fund**
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the "Mercer Passive Sustainable Global Equity Fund" default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Passive Sustainable Global Equity Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth, while investing in securities that demonstrate strong environmental, social and governance (ESG) practices.

The Mercer Passive Sustainable Global Equity Fund invests in line with the Solactive Sustainable Global Developed Equity Index within an acceptable tolerance range. The key investment constraint is to invest in securities that demonstrate strong ESG practices. Companies that fail to meet the manager's minimum standards in low carbon transition and corporate governance may be excluded from the fund. Shares issued by manufacturers of controversial weapons are also excluded.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Passive Sustainable Global Equity Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix K – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Index Linked Gilts Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. As such, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- **Mercer Index Linked Gilts Fund**
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Index Linked Gilts Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Index Linked Gilts Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve stable returns.

The Mercer Index Linked Gilts Fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The Mercer Index Linked Gilts Fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Index Linked Gilts Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix L – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Passive Emerging Markets Equity Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. As such, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- **Mercer Passive Emerging Markets Equity Fund**
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Passive Emerging Markets Equity Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Passive Emerging Markets Equity Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long term capital growth.

The Mercer Passive Emerging Markets Equity Fund aims to achieve a return consistent with the MSCI Emerging Markets Index.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the

default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Passive Emerging Markets Equity Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix M – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Growth Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- **Mercer Growth Fund**
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the "Mercer Growth Fund" default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Growth Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve medium to high capital growth over the long-term with medium to high risk by investing predominantly in a diversified mix of bonds, shares and other asset types.

The Mercer Growth Fund aims to achieve a return consistent with the FTSE 1-Month UK Sterling Eurodeposit + 4%

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Growth Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix N – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Diversified Retirement Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- **Mercer Diversified Retirement Fund**
- Mercer Passive Emerging Markets Equity
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Growth Fund
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Diversified Retirement Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Diversified Retirement Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To growth over the long term of around 0.5% above the cash rate.

The Mercer Diversified Retirement Fund aims to achieve a return consistent with the FTSE 1-Month UK Sterling Eurodeposit + 1.5%

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Diversified Retirement Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix O – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Passive UK Corporate Bond Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- **Mercer Passive UK Corporate Bond**
- Mercer Pre-Retirement
- Mercer Growth Fund
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Passive UK Corporate Bond Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Passive UK Corporate Bond Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve a return consistent with the iBoxx £ Non-Gilts Index.

This index covers the broad spectrum of investment grade corporate bonds in issue

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Passive UK Corporate Bond Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix P – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Pre-Retirement Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- **Mercer Pre-Retirement**
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Pre-Retirement Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Pre-Retirement Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve a return consistent with the level annuity prices by investing in a passively-managed underlying fund that invest in UK Government and Corporate bonds.

The Mercer Passive Emerging Markets Equity Fund aims to achieve a return consistent with the LGIM Pre-Retirement Benchmark (Midday).

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Pre-Retirement Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix Q – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Passive UK Equity Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- **Mercer Passive UK Equity**
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Passive UK Equity Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Passive UK Equity Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve a return that is consistent with the return of the FTSE All-Share Index.

This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in the UK.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Passive UK Equity Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix R – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Passive Overseas Equity Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- **Mercer Passive Overseas Equity**
- Mercer Passive Fixed Interest Gilts
- Mercer Active UK Property

Details of the “Mercer Passive Overseas Equity Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Passive Overseas Equity Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns consistent with those of each country's primary share market.

The Mercer Passive Overseas Equity Fund aims to achieve a return consistent with the FTSE All-World Developed Ex UK.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Passive Overseas Equity Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix S – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Passive Fixed Interest Gilts Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- **Mercer Passive Fixed Interest Gilts**
- Mercer Active UK Property

Details of the “Mercer Passive Fixed Interest Gilts Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Passive Fixed Interest Gilts Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve a return consistent with the FTSE UK Gilts Over 15 Years Index.

The FTSE UK Gilts Over 15 Years Index is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK gilt market.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks are managed. The main risks relevant to the self-select funds are monitored and managed in line with

Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Passive Fixed Interest Gilts Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

Appendix T – Statement of Investment Principles – Additional Default Investment Arrangements in the DC Section – Mercer Active UK Property Fund

Due to a number of historical exercises involving the transition of assets without members' consent, the Fund has multiple additional default investment arrangements as outlined below. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default.

- Mercer Target Cash
- Mercer Target Annuity
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Overseas Equity Fund
- Mercer Active Global Equity Fund
- Mercer Diversified Growth Fund
- Mercer Cash Fund
- Mercer Passive Sustainable Global Equity Fund
- Mercer Index Linked Gilts Fund
- Mercer Passive Emerging Markets Equity Fund
- Mercer Growth Fund
- Mercer Diversified Retirement Fund
- Mercer Passive UK Corporate Bond
- Mercer Pre-Retirement
- Mercer Passive UK Equity
- Mercer Passive Overseas Equity
- Mercer Passive Fixed Interest Gilts
- **Mercer Active UK Property**

Details of the “Mercer Active UK Property Fund” default investment arrangement are set out in this Appendix.

Aims, Objectives and Policies

The aims of the Mercer Active UK Property Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate total returns (from income and capital appreciation) above its benchmark over rolling 3 year periods.

The Mercer Active UK Property Fund aims to achieve a return consistent with the MSCI /AREF UK All Balanced Quarterly Property Fund.

Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. Section 8 of the main DC Section SIP sets out the main risks that the Trustee considers when monitoring the Fund's investments and how those risks

are managed. The main risks relevant to the self-select funds are monitored and managed in line with Section 8 of the main DC Section SIP. Furthermore, the appropriateness of this particular fund for the default members invested was subject to appropriate investment suitability advice at the time of mapping members to this fund.

Members' Interests

The Mercer Active UK Property Fund is designed to meet its objective as outlined above. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic profile, if sooner.

Voting and engagement policy

The Trustee's policy in relation to voting and engagement is in line with Section 9 of the main DC Section Statement.

Arrangements with investment managers

The Trustee's policies in relation to arrangements with investment managers for this default investment arrangement, including how managers are incentivised to align with the Trustee's policies, the method of evaluation of manager's performance, how turnover costs are monitored and the duration of arrangements, are in line with Section 10 of the main DC Section Statement.

MMC UK Pension Fund ("the Fund") – Defined Contribution ("DC") Section

Annual Implementation Statement – 31 December 2023

1. Introduction

This statement, prepared by the Trustee of the Fund ("the Trustee"), sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 31 December 2023 ("the Fund year"). This statement covers the DC Section of the Fund and should be read in conjunction with the DC Section SIP¹. A separate statement has been prepared for the Defined Benefit section.

This statement also includes a summary of the voting and engagement activity that was carried out on behalf of the Trustee over the Fund year by the investment managers.

2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

The objectives of the Fund included in the DC Section SIP are as follows:

- *To establish a default strategy which will offer a high quality solution appropriate for the majority of members saving into the Fund.*

- *Alongside the default strategy, provide a range of self-select funds to meet the diversity of member needs throughout their working lives.*
- *To offer funds that enable members to plan appropriately for their retirement.*
- *To make available an appropriate range of funds to avoid unnecessarily complicating members' investment decisions.*
- *To implement and deliver an attractive and compelling communication and engagement strategy that reflects the needs of members, specifically taking into account the nature of the Fund and the investment arrangements that are provided.*
- *To put in place the necessary governance framework that will allow the ongoing suitability of the Fund, including the suitability of the investment arrangements, to be monitored over time.*

2.2. Investment structure

The DC Section of the Fund has a delegated investment arrangement in place with Mercer Workplace Savings ("MWS"). Through this arrangement, the Fund uses funds managed by Mercer Global Investments Europe Limited ("MGIE").

The Trustee has ultimate oversight responsibility of this delegated arrangement and monitors this arrangement regularly and the performance of the funds on a quarterly basis.

¹Available on the Fund website:
<https://pensions.uk.mmc.com/index.html>

2.3. Review of the SIP

During the year, the Trustee reviewed and amended the Fund's SIP, taking formal advice from the investment consultant in doing so. The amendments were as a result of changes being made to the Mercer SmartPath Target Drawdown strategy. A summary of the changes are as follows:

- For members retiring by 31 December 2025, assets will be invested 25% in a mix of high quality short-term sterling denominated money market instruments and 75% in the Diversified Retirement Fund at retirement.
- For members retiring on/after 1 January 2026, assets will be invested 10% in a mix of high quality short-term sterling denominated money market instruments and 90% in the Diversified Retirement Fund at retirement.

The revised SIP was adopted by the Trustee in September 2023.

2.4. Assessment of how the policies in the SIP have been followed for the Fund year

The information provided in the following section highlights the work undertaken by the Trustee during the Fund year and sets out how this work followed the Trustee's policies in the SIP.

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



Strategic Asset Allocation

Policy	Location in SIP	How the policy has been met over the Fund year
1 Kind of investments to be held and the balance between different kinds of investments	Sections 4 and 5	<p>As mentioned in section 2.3 of this statement, changes were made to the Mercer SmartPath Target Drawdown strategy for members retiring on/after 1 January 2026. The SIP was updated to take account of this change, where relevant, and as such, the Trustee continues to hold investments within the Fund that are consistent with the policies in the SIP.</p> <p>In terms of the underlying DC fund options, MWS regularly monitors the arrangements in place and produces a formal investment strategy review annually. This review was covered at the Investment Committee (“IC”) meeting in September 2023. The Trustee noted the delegated investment manager’s decision to:</p> <ul style="list-style-type: none"> • Reduce the cash allocation within the multi-asset funds in favour of short duration bonds. • Reduce the equity allocation within the Mercer Diversified Retirement Fund in favour of high yield bonds. • Within the Mercer SmartPath Targeting Cash strategy, replace the corporate bond allocation with the Mercer Diversified Retirement Fund for greater diversification and less interest rate sensitivity. <p>The changes to the fund allocations were implemented in the first quarter of 2023, while the changes to the Mercer SmartPath Targeting Cash strategy were made after the end of the Fund year. No updates to the SIP were required in respect of these changes within the Fund year.</p> <p>In August 2022, the Trustee received advice from its investment consultant on the Additional Voluntary Contributions (“AVCs”) held with Prudential, Utmost and Aegon. As a result, the Trustee decided to transfer AVCs held with these providers to the funds used for investing the Fund’s DC assets, held with Scottish Widows, in order to provide members with a greater range of funds and competitive charges. Communications were issued to members in December 2022 and the transfer was completed in January 2023.</p> <p>The Trustee also carries out a formal review of the DC Section investment strategy every three years, with this last having been carried out in September 2021.</p>



Strategic Asset Allocation

Policy	Location in SIP	How the policy has been met over the Fund year
2 Risks, including the ways in which risks are to be measured and managed	Section 8	<p>The Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of investment manager / funds / asset classes.</p> <p>The Trustee meets regularly to monitor the performance delivered by the investment arrangements and their ongoing suitability for the Fund's membership.</p>
3 Expected Return on Investments	Section 6	<p>The investment performance was reviewed by the Trustee on a quarterly basis.</p> <p>As noted under item 1, MWS carried out a formal investment strategy review, which was discussed at the IC meeting in September 2023. This review included an analysis of the current default and self-select range funds' performance against their objectives.</p> <p>Investment performance was also assessed as part as the annual Value for Member's assessment during the year.</p>



Investment Mandates

	Policy	Location in SIP	How the policy has been met over the Fund year
4	Securing compliance with the legal requirements about choosing investments	Section 1	The Fund's investment consultant attended all Trustee meetings during the year. The investment consultant provided updates on fund performance and, where required, appropriateness of the funds used, as well as advice on asset allocation and investment risks.
5	Realisation of Investments	Section 7	Under normal circumstances, all assets under management consist of daily-priced and daily-dealt pooled investment arrangements, mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.
6	Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments	Section 9 and 11	<p>The Trustee has identified key investment risks in the SIP. The majority of these risks are monitored on a quarterly basis by the Trustee through the quarterly performance reporting provided by the Fund's investment consultant. All of the risks identified are also considered as part of the formal strategic review process undertaken by the Trustee at least every 3 years and as part of the annual formal investment reviews undertaken by MWS.</p> <p>The Trustee has also identified environmental, social and corporate governance ('ESG') factors as financially material considerations in the SIP. The Trustee has an ESG Implementation Plan, which sets out a structured plan for the Trustee to cover ESG, climate change and stewardship actions. The Trustee reviewed progress against this plan on a quarterly basis.</p> <p>In September 2023, the Trustee approved a Sustainable Investment Policy for the Fund, which covers the following areas:</p> <ul style="list-style-type: none"> • The Trustee's beliefs in relation to sustainable investment and climate change. • The framework for how ESG related matters are integrated in investment beliefs and how ESG matters are monitored. • Climate change analytics. • Stewardship, including engagement priorities. <p>The policy is available at: https://pensions.uk.mmc.com/docs/MMC_UK_PF_Sustainable_Investment_Policy.pdf.</p> <p>Member views are not taken into account in the selection, retention or realisation of investments.</p>



Monitoring the Investment Managers

	Policy	Location in SIP	How the policy has been met over the Fund year
7	Incentivising investment managers to align their investment strategies and decisions with the Trustee's policies	Section 10 (item 41)	The Trustee has agreed appropriate investment mandates to align with its overall investment strategy. The arrangements in place are reviewed regularly, either as part of MWS's formal investment strategy reviews or the Trustee's quarterly monitoring of investment performance. As noted under item 1, the SIP was updated to reflect the changes made to the Mercer SmartPath Target Drawdown strategy.
8	Incentivising 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	Section 10 (item 42)	The Trustee has assessed the arrangement with MWS and is happy that the contractual arrangement in place continues to incentivise the investment managers to make decisions based on medium to long term financial and non-financial performance.



Monitoring the Investment Managers

Policy	Location in SIP	How the policy has been met over the Fund year
9 Evaluation of the investment manager's performance and the remuneration for asset management services	Section 10 (item 43)	<p>To evaluate performance in respect of the investment managers, the Trustee received and discussed investment performance reports on a quarterly basis. The reports presented information and commentary in respect of the investment performance of the DC fund options on a short-term (quarterly) and a longer-term (annually and 3 yearly) basis.</p> <p>At the IC meeting on 1 March 2023, a framework for assessing underperformance of active equity funds offered to members through the Fund was proposed. The framework provides an expansion of the IC's ongoing fund monitoring, when required and clarity in both the criteria to be assessed and the action to be taken. In June 2023, following approval of the framework, the IC placed the following two funds 'On Watch' and issued a communication to members invested in the funds:</p> <ul style="list-style-type: none"> • Mercer Sustainable Global Equity Fund • Mercer Active Emerging Markets Equity Fund <p>Since being placed 'On Watch', the Trustee did not see material improvement in the performance of these funds against a range of agreed performance measures and at the November 2023 IC meeting, the IC decided to remove these funds from the self-select range available within the Fund. A communication was issued to members informing them of the change and the options available to them, following the end of the Scheme year. In March 2024, these two funds were removed and any members who remained invested in the funds were switched to broadly equivalent passively managed funds.</p> <p>The Mercer Active Global Equity Fund was also placed 'On Watch' in September 2023 and remained so at the end of the Fund year.</p> <p>In addition, the Trustee monitored the investment and Environmental, Social and Governance ("ESG") ratings assigned to each manager by the investment consultant on a quarterly basis.</p> <p>The investment management fees paid by members of the Fund are benchmarked by the Fund investment consultant on an annual basis as part of the annual Value for Members' assessment.</p>



Monitoring the Investment Managers

Policy	Location in SIP	How the policy has been met over the Fund year
10 Monitoring portfolio turnover costs	Section 10 (item 44)	<p>The Trustee reviewed transaction costs, where available, as part of the Value for Members' assessment carried out during 2023.</p> <p>While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Fund invests in, there is not as yet any "industry standard" benchmark or universe to compare these to. The Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.</p>
11 The duration of the arrangement with the investment manager	Section 10 (item 45)	<p>Investment managers are aware that their continued appointment is based on their success in delivering in line with objectives of the mandate for which they have been appointed.</p> <p>There remains no set durations for the funds used by the Fund and there is no set duration for the arrangement the Trustee holds with MWS.</p> <p>As mentioned under item 1 of this Statement, the Trustee decided to transfer AVC assets held with Prudential, Utmost and Aegon to the funds used for investing the Fund's DC assets, held with Scottish Widows, in order to provide members with a greater range of funds and competitive charges. Communications were issued to members in December 2022 and the transfer was completed in January 2023.</p> <p>As mentioned under item 9, the Trustee implemented a framework in Q2 2023 to closely monitor the performance of the active equity funds. As a result, the Trustee decided to remove the Mercer Sustainable Global Equity and Mercer Active Emerging Markets Equity Funds as options available within the Fund, with effect from March 2024.</p>



ESG Stewardship and Climate Change

Policy	Location in SIP	How the policy has been met over the Fund year
<p>12 Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustee would monitor and engage with relevant persons about relevant matters)</p>	<p>Section 9 (items 37 and 40)</p>	<p>In summary, the Trustee expects manager's engagement policies to include all relevant matters, as defined in the investment regulations. The Trustee receives investment managers' policies and voting and engagement activities (where applicable) on an annual basis.</p> <p>The Trustee monitored the investment and ESG ratings assigned to each manager by the investment consultant on a quarterly basis via the investment reports and in its meetings.</p> <p>In addition, the investment consultant informs the Trustee of any changes to the investment or ESG ratings for the Fund's managers as and when changes occur.</p> <p>The Trustee has an ESG Implementation Plan, which provides a structured approach to determining and delivering its ESG, climate change and stewardship goals. Progress against this plan was reviewed at each quarterly Trustee meeting.</p> <p>MWS produce an annual ESG report with the 2023 version provided to the Trustee in September 2023. The report provided the Trustee with a good overview on MWS' progress on various ESG issues and how they are being integrated and taken account of in the MWS investment arrangements.</p> <p>As noted under item 6, a Sustainable Investment Policy was approved by the Trustee in September 2023. This policy covers the Trustee's beliefs in relation to sustainable investment and climate change as well as the framework for how ESG related matters are monitored and integrated in investment beliefs, climate change analytics and stewardship.</p> <p>In addition to the above, the Trustee successfully completed its second annual TCFD report and published it online, as required, ahead of its 31 July 2023 deadline. This report represented the culmination of a significant amount of work completed by the Trustee and various other stakeholders and is evidence of the good progress the Fund continues to make in determining how climate related factors are considered on behalf of members in the Fund. This report also incorporated an updated approach to climate scenario modelling, which was presented to the IC in February 2023 and was updated to incorporate new requirements since the first report was published.</p>



Voting Disclosures

Policy	Location in SIP	How the policy has been met over the Fund year
13 The exercise of the rights (including voting rights) attaching to the investments	Section 9 (items 36 and 37)	<p>The Trustee has delegated its voting rights to the investment managers and also expect its investment managers to engage with the investee companies on its behalf.</p> <p>Guidance in this area from the Department of Work and Pensions (DWP) came into effect for pension schemes with year ends post 1 October 2022, noting that “to the extent this Guidance is non-statutory, trustees are encouraged to consider this Guidance from the date of publication”. This guidance requires specific details around why trustees consider votes to be significant, size of the holdings and next steps on developing well-informed and precise objectives for engagement. The Trustee has requested key voting activities from its managers during the Fund year to reflect this guidance. In particular, focus has been given on the stewardship priorities which are set out below that the Trustee believes constitutes a “significant” vote. These stewardship priorities were set in June 2023 and were applied within the Annual Implementation Statement for the previous Fund year and remain unchanged. The information received is summarised in the voting section that follows.</p>

Responsible Investment Activity by the Trustee during the Fund year



TCFD Reporting – Climate Scenario Analysis

Mercer (as investment consultant) evaluated the sensitivity of the two main funds used within the DC Section's Default investment arrangement (Mercer Growth Fund and Mercer Diversified Retirement Fund) to various climate scenarios. There is considerable uncertainty regarding what the actual future warming pathway will be but the sensitivity analysis carried out helped the Trustee to consider the expected impact on performance under three warming scenarios: rapid transition (1.5°C), orderly transition (2°C) and failed transition (4°C).

In summary, transition risks have the greatest impact on returns over the short term, with these impacts most pronounced under a rapid transition scenario where there may be rapid market re pricing relating to climate transition. Over the medium term, the risks and expected impacts associated with transitioning to a low carbon economy gradually give way to the physical impacts associated with climate change, with the expected negative impact from a failed transition particularly evident in the latter stages of the medium term. Over the long term, physical impacts become increasingly significant, with the failed transition resulting in significant falls in asset value relative to the baseline.

Further information on the outcome of this analysis has been included in the Trustee's second TCFD report, which was published ahead of its July 2023 deadline and is available online. The Trustee will continue to update and reassess this analysis to monitor how the projections evolve over time.



MWS Annual ESG Report

MWS produce an annual ESG report with the 2023 version provided to the Trustee in September 2023. This report reviewed the ESG manager research ratings, as assigned by Mercer (the investment consultant), and compared them to other funds in the same asset class categorisation. It also provided a review of progress on ESG ratings over the last year.

In addition, the report covered Carbon Metrics, which showed Carbon Intensity Analysis of the underlying funds used in the Mercer Growth and Mercer Diversified Retirement Funds (including progress versus the funds' climate intensity target), environmental and social impact analysis, voting and engagement analysis, an overview of the screening implemented in the MWS funds and Gender Diversity Metrics for the Fund's investments.

The report provided the Trustee with a good overview on MWS' progress on various ESG issues and how they are being integrated and taken account of in the MWS investment arrangements.



Sustainable Investment Policy

Over the course of the Fund year, the Trustee worked with its investment consultant to produce the Fund's Sustainable Investment Policy, which covers the following areas:

- The Trustee's beliefs in relation to sustainable investment and climate change.
- The framework for how ESG related matters are integrated in investment beliefs and how ESG matters are monitored.
- Climate change analytics.
- Stewardship, including engagement priorities.

The full policy is available at: https://pensions.uk.mmc.com/docs/MMC_UK_PF_Sustainable_Investment_Policy.pdf.

Voting and Engagement Activity

The Trustee has delegated its voting rights to the investment managers. The SIP states *"The Trustee has given the Delegated Investment Manager and the investment manager of each externally managed fund full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments."*

Guidance on reporting on stewardship from the Department of Work and Pensions (DWP) came into effect for schemes with year ends post 1 October 2022, which requires trustees to define what they consider to be a significant vote and report on all the most significant votes each year. The Trustee has requested key voting activities from its managers during the Fund year. In particular, focus has been given on the stewardship priorities that the Trustee believes constitutes a "significant" vote. These stewardship priorities were set in June 2023 and were applied within the Annual Implementation Statement for the previous Fund year and remain unchanged. These have been set out below.

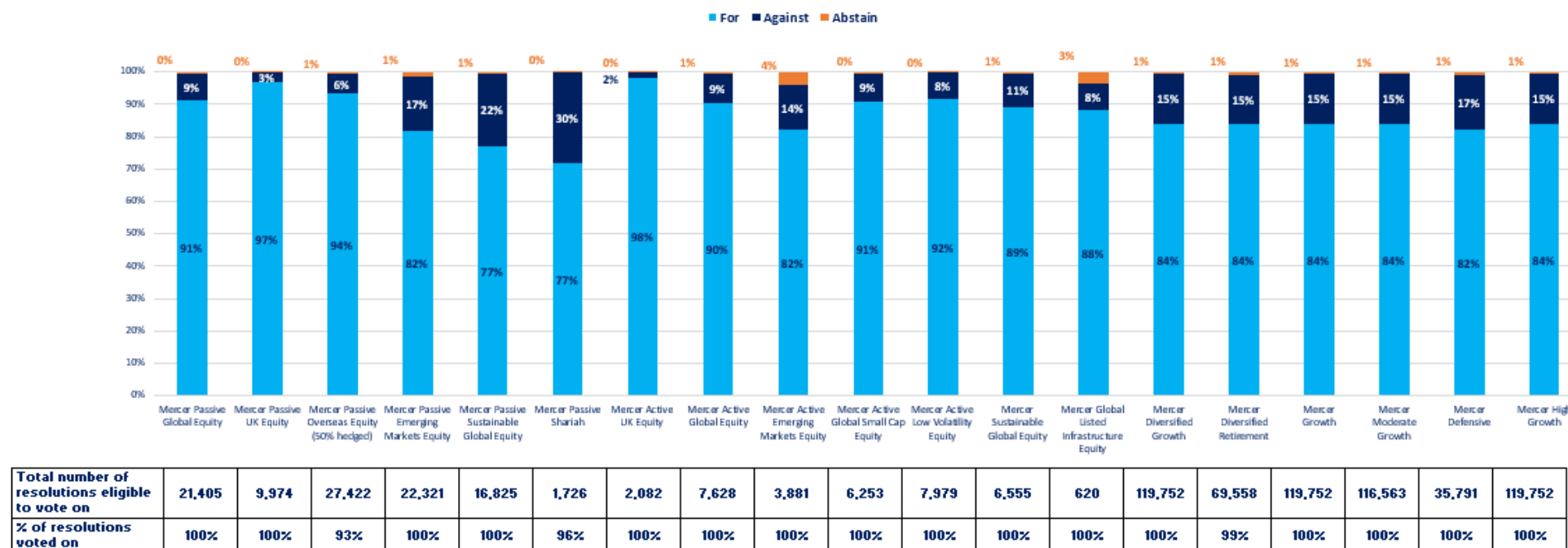
It is the Trustee's view that the policy has been followed during the Fund year. The MWS Statement with regards to Climate change management reporting, including stewardship policy, is available at: <https://investment-solutions.mercer.com/content/dam/mercero-solutions/CorporatePolicies/Mercer%20DSE%20Sustainable%20Investment%20Policy.pdf>. The Sustainable Investment Policy, discussed and approved in September 2023, including engagement priorities, is available at: https://pensions.uk.mmc.com/docs/MMC_UK_PF_Sustainable_Investment_Policy.pdf.

Over the prior 12 months, the Trustee has not actively challenged the investment managers on their voting activity. The Trustee does not use the direct services of a proxy voter. The primary investment manager, MGIE, undertakes an annual survey on their engagement approach which allows them to gather information from all underlying investment managers on how they are engaging with investee companies on meaningful issues. An excerpt of engagements setting out the issue, action taken, and final outcome was shared with the IC. These engagements aligned with each of the IC's engagement priorities of economic sustainability, social sustainability and governance & strategy.

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. However, **the Trustee has reported voting information with respect to all funds that hold equity and reported on the significant votes with respect to the main investment options used by the Fund.**

Voting Activity during the Fund year

A summary of the voting activity for the Fund's equity investments is set out below. Over the prior 12 months, the Trustee has not actively challenged the delegated investment manager or the investment manager of each externally managed fund on their voting activity. The Trustee does not use the direct services of a proxy voter.



Figures may not sum due to rounding.



Fund Structure and Voting

A number of the funds used in the Fund operate on a ‘fund of funds’ structure (such as Mercer Growth and Mercer Diversified Funds). Each of these funds invests in a number of underlying funds, managed by different fund managers. This may mean that there are different voting outcomes for the same vote resolution, due to the differing views of the underlying fund managers, and that it is not possible to aggregate all of the fund holdings in each company.



Examples of Significant Votes

The Trustee considers significant votes on the underlying holdings of the Fund on an annual basis. The Trustee has decided to consider votes focussing on shareholder resolutions relating to priority engagement themes, while taking into account the size of holding across funds. These votes are deemed significant by the Trustee. In curating the significant votes for the Fund, the Trustee therefore screens by the following criteria:




1. Shareholder resolutions;
2. Its three priority engagement themes of Climate change, Human rights and labour practices, and DE&I; and
3. Funds used in the default strategy, where the majority of members’ assets are invested (Mercer Growth and Mercer Diversified Retirement).

The Trustee also considers those votes where the Fund has a larger holding in the company being voted on as the most significant. Due to the ‘fund of funds’ structure and voting approach, described above, it is not possible to aggregate all of the fund holdings in each company. Therefore, the Trustee has chosen to disclose three votes which represent the highest % of the applicable fund’s assets at the point of the vote, avoiding repetition of votes across funds.

On the page that follows, the ‘Vote’ highlights whether the investment manager voted for (✓) or against (✗) the sample proposals shown. Where the investment manager voted differently to the company management team, a rationale for their decision is included where this was provided by the investment manager. The resolution passing is represented by a (✓) in the “Outcome” column or is represented by a (✗) if the resolution did not pass.

Fund	Underlying fund	Underlying fund manager	Issuer / Size of holding in the manager's fund*	Date	Why the vote is considered to be significant	Proposal	Vote	Management recommendation	Rationale	Outcome	Next steps
Mercer Growth	Mercer Passive Sustainable Global Equity	LGIM	Apple Inc. / 0.560%	10 Mar 2023	DE&I	Shareholder Proposal regarding median gender and racial pay equity report	<input checked="" type="checkbox"/>	<input type="checkbox"/>	A vote in favour was applied as the investment manager expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.		The investment manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The investment manager has engaged with Apple a number of times in recent years, and will monitor their response to shareholder concerns on these issues.
Mercer Growth	Mercer Passive Sustainable Global Equity	LGIM	Microsoft Corporation / 0.573%	7 Dec 2023	Human Rights	Shareholder Proposal regarding report on siting in countries of significant human rights concern	<input checked="" type="checkbox"/>	<input type="checkbox"/>	A vote for this proposal is warranted. Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.		The investment manager shall monitor the response from the company given the high level of support for this proposal.

Fund	Underlying fund	Underlying fund manager	Issuer / Size of holding in the manager's fund*	Date	Why the vote is considered to be significant	Proposal	Vote	Management recommendation	Rationale	Outcome	Next steps
Mercer Growth	Mercer Passive Sustainable Global Equity	LGIM	Microsoft Corporation / 0.573%	7 Dec 2023	Climate Change	Shareholder Proposal regarding report on climate risk in employee retirement options	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	A vote against this resolution is warranted. The company's retirement plan is managed by a management-level committee and employees who are looking for more climate-risk-free investments are offered a self-directed option.	<input checked="" type="checkbox"/>	None to report.
Mercer Diversified Retirement	Mercer Passive Sustainable Global Equity	LGIM	Microsoft Corporation / 0.419%	7 Dec 2023	DE&I	Shareholder Proposal regarding EEO Policy Risk Report	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	A vote against this proposal is warranted, as the company appears to be taking appropriate steps to protect itself against risks related to discrimination based on political ideology or viewpoint.	<input checked="" type="checkbox"/>	None to report.

Fund	Underlying fund	Underlying fund manager	Issuer / Size of holding in the manager's fund*	Date	Why the vote is considered to be significant	Proposal	Vote	Management recommendation	Rationale	Outcome	Next steps
Mercer Diversified Retirement	Mercer Passive Global REITS	LGIM	Public Storage / 0.135%	2 May 2023	Climate Change	Shareholder Proposal regarding GHG targets and alignment with Paris Agreement			A vote in favour is applied as the investment manager 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.		The investment manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The investment manager will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across ESG factors.

Fund	Underlying fund	Underlying fund manager	Issuer / Size of holding in the manager's fund*	Date	Why the vote is considered to be significant	Proposal	Vote	Management recommendation	Rationale	Outcome	Next steps
Mercer Diversified Retirement	Mercer Passive Low Volatility Equity	UBS Asset Management UK Ltd	PepsiCo Inc. / 0.150%	3 May 2023	Climate Change	Shareholder Proposal Regarding Congruency Report on Net-Zero Emissions Policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	The investment manager voted against this proposal, noting that the company have existing disclosures in place that meet the requirements of this reporting. In particular, the company publishes its GHG emissions targets, and its emissions generated from employee travel. This information allows shareholders to assess the company's congruence between its publicly stated goals, and its policies and expenditures on employee travel.	<input checked="" type="checkbox"/>	None to report.

* The approximate size of the holding as at the date of the vote is relative to the respective underlying fund manager in the multi asset fund.