Engagement Policy Implementation Statement for the Year Ended 30 June 2025

The SMMI Pension Scheme ("the Scheme")

1. INTRODUCTION

The Engagement Policy Implementation Statement (known as the Statement) presents the Trustee's assessment of their adherence to their engagement policy and their policy concerning the exercise of rights (including voting rights) attaching to the Scheme's investments throughout the one-year period ending 30 June 2025 (the "Scheme Year"). The Trustee's policies are outlined in their Statement of Investment Principles (SIP). The SIP was last reviewed in September 2024 in order to reflect changes following the Scheme's investment strategy recalibration. A copy of the Trustee's SIP is available here.

This Statement has been prepared in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* and the guidance published by the Department for Work and Pensions.

The Trustee has appointed Mercer Limited (Mercer) as the discretionary investment manager and the Scheme's assets are invested in a diverse range of specialised pooled funds (known as the Mercer Funds). The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, namely Mercer Global Investments Europe Limited (MGIE)

The relevant Mercer affiliate is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for the assets of each Mercer Fund.

Under these arrangements, the Trustee acknowledges that they do not possess direct authority over the engagement or voting policies and arrangements of the Mercer Funds' managers. Mercer's publicly available Sustainability Policy outlines Mercer's investment philosophy and approach to managing sustainability risks and opportunities. The Stewardship Policy provides further details on Mercer's stewardship practices.

Mercer's triennial Client Engagement Survey seeks to incorporate the Trustee's perspectives by assessing the alignment between Mercer's engagement priorities and those of the Trustee. The most recent survey, conducted in 2023, identified key focus areas important to the Trustee. The Trustee also regularly reviews Mercer's reports on stewardship activities, including engagement and voting, to ensure these align with their own expectations.

Section 2 of this Statement outlines the Trustee's engagement policy and evaluates the extent to which it has been followed during the Scheme Year.

Section 3 sets out the Trustee's policy regarding the exercising of rights (including voting rights) attached to the Scheme's investments. This Section also provides detailed information on the voting activities undertaken by third-party investment managers appointed within the Mercer Funds during the Scheme Year.

Considering the analysis presented in Sections 2 to 3, the Trustee believes that their policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year.

2. TRUSTEE'S POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

Policy Summary

The Trustee's ESG policy is outlined in Section 9 of the Scheme's SIP.

The Trustee periodically reviews Stewardship and Sustainability policies as noted above. If the Trustee find that the relevant policies of Mercer, MGIE or the third-party asset managers do not align with their own beliefs they will notify Mercer. Engagement to seek alignment will be prioritised, then they may consider disinvesting some or all the assets held in the Mercer Funds. They may also seek to renegotiate commercial terms with Mercer.

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustee's policy on sustainability integration, including the climate transition and effective stewardship.

Policy Updates	Climate Change Reporting and Carbon Foot printing	Mercer ESG Framework
The **Trustee** regularly **reviews** how sustainability considerations including the climate transition and effective stewardship are integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers within the Mercer Funds, in their monitoring process. Mercer, and MGIE, provide reporting to the Trustees on a regular basis. The Mercer **Sustainability Policy** and **Stewardship Policy** are reviewed regularly. The policies now include nature and biodiversity as key themes and include expanded details on Mercer's Investment Philosophy.	Mercer's global investment philosophy, which the Trustee has reviewed, recognises that: • Portfolio resilience can be enhanced by integrating financially material sustainability, transition, and socioeconomic risks into investment decision-making. • Investing to solve long-term systemic issues may provide opportunities to improve risk-adjusted returns. • Effective stewardship can improve investment outcomes.	Mercer's new ESG relevance highlights to what degree ESG factors have the potential to influence Mercer's view of strategies in that asset class, based on the typical impact of ESG Factors on the underlying securities as well as risk return drivers in a portfolio. Each relevant strategy has a binary ESG Indication. A strategy is considered Integrated if Mercer believes there is consistency and repeatability in the manager's approach to identifying and assessing material financial ESG risks into their due diligence and investment decisions.

Mercer also regularly reviews its approach to integrating climate considerations into its investment decision-making process as documented in its **Task Force on Climate Related Financial Disclosures (TCFD) report**.

The most recent UN Principles of Responsible Investment results (based on 2022 activity) awarded Mercer with 4 out of 5 stars for Policy Governance and Strategy.

Mercer is a member of the TNFD working group and a founding signatory of Nature Action 100. The Financial Reporting Council confirmed in February 2025 that MGIE will remain a signatory to the UK Stewardship Code, based on its application of the 12 principles, which is seen to represent best practice in stewardship.

Mercer applies each of these three lenses when considering the climate transition, a widely recognised systemic risk. Mercer considers the transition to a low carbon economy, and the physical damages associated with global temperature increases, through its Climate Transition (ACT) framework. This framework assesses portfolio alignment with low-carbon goals and monitors various climate-related metrics.

Mercer has a target of net-zero absolute portfolio carbon emissions by 2050 for UK, European and Asian discretionary portfolios, and relevant multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer has set a target to reduce portfolio carbon intensity by 45% from 2019 levels and is on track to meet this goal.
Mercer's climate risk management is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), as described in Mercer's latest Task Force on Climate Related Financial Disclosures Status **Report**.

As of 30 June 2025, Mercer's in-scope portfolios are on track to meet their long-term net zero portfolio carbon emissions reduction targets, with an average of -55% since baseline. (Data Source: MSCI Barra)

Stewardship continues to form an important part of Mercer's ESG framework, applied during the manager research process.

From Q2 2025 onwards this new integration framework is included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee.

Approach to Exclusions

Mercer and MGIE prioritize integration and stewardship but may exclude certain investments based on Mercer's Exclusions Frameworks. Controversial weapons and civilian firearms are excluded from all multi-client funds, while tobacco and nuclear weapons are excluded from active equity and fixed income funds. Additional exclusions are detailed in fund disclosures on Mercer's website.

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

Sustainability-themed investments

An allocation to MGIE's Mercer Global Select Equity Fund is included within the Scheme portfolio of Growth assets, with the allocation accounting for c.6.9% of the Growth Portfolio.

The actively managed Mercer Global Select Equity Fund seeks to combine strategies that embed various environmental and/or social considerations[(1)] in their investment processes. This fund also applies a negative screen to exclude companies involved in certain sectors.

[(1)] Environmental considerations may include greenhouse gas reduction, renewable energy, waste reduction, clean water provision, biodiversity or the circular economy. Social considerations may include the reduction of inequality, encouraging social cohesion, fair labour practices, investments in human capital or investments in socially disadvantaged communities.

Diversity

Mercer and the Trustee believes that diverse teams enhance decision-making. As a result, they have implemented several measures to promote diversity within Mercer's portfolio management team, the appointed managers, and across portfolio holdings.

Participation in collaborative initiatives can also support raising awareness and contributing to initiatives across the broader industry.

Mercer Limited is a member of The Diversity Project, which seeks to accelerate progress towards a more inclusive culture in the investment and savings profession.

Mercer is also a member of the 30% Club – UK Investor Chapter and Irish Investor Chapter, which are investor-led initiatives focused on increasing gender diversity on corporate boards and in senior leadership roles.

While Mercer considers various forms of diversity in decision-making, it currently reports specifically on gender diversity.

Engagement

Engagement is an important aspect of Mercer's stewardship activities on behalf of the Trustee. **The 2024 Sustainability & Stewardship Report** outlines the engagement objectives, provides examples of engagement activities, and describes the escalation process. Additionally, Mercer actively participates in collaborative initiatives related to stewardship.

Mercer conducts an annual survey on sustainability and stewardship topics. The survey was distributed to over 200 managers appointed in the Mercer Funds. The survey gathers information on managers' broad approach to stewardship as part of their investment integration. It also seeks insights and examples of voting and engagement activities. The results from the survey serve as an important source of information for tracking and measuring managers' stewardship efforts, assessing effectiveness, and identifying potential areas for improvement.

3. TRUSTEE'S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

The Trustee's policy is as follows:

Delegation of Investment Management:

- The Trustee delegates responsibility for the discretionary investment management of Scheme assets to Mercer. The Scheme assets are invested in a range of Mercer Funds for which MGIE or relevant Mercer affiliate acts as investment manager.

Reporting of Engagement and Voting activities

- For the Trustee to fulfil their obligations regarding voting and engagement, they require reporting on the engagement and voting activities undertaken within the Mercer Funds. This reporting helps the Trustee assess whether the policies align with their own delegation of voting rights.
- Voting rights that apply to the underlying investments attached to the Mercer Funds are delegated to the third-party investment managers appointed by MGIE. MGIE accepts that these managers are typically best placed to exercise voting rights and prioritise particular engagement topics, given their detailed knowledge of the governance and operations of the investee companies. However, Mercer plays a pivotal role in monitoring the stewardship activities of those managers and promoting more effective stewardship practices, including attention to more strategic themes and topics.

Proxy Voting Responsibility:

- Proxy voting responsibility is given to listed equity investment managers with the expectation that all shares are voted[2] in a timely manner and in a manner deemed most likely to protect and enhance long-term value.
- Mercer and MGIE carefully evaluate each investment manager's stewardship capabilities (engagement and voting activities) as part of the selection process, ensuring alignment with Mercer's commitment to good governance and the integration of sustainability considerations. Managers are expected to take account of current best practice such as the UK Stewardship Code, to which Mercer is a signatory. As such the Trustees do not use the direct services of a proxy voter.

A summary of the voting activity for a range of Mercer Funds in which the Scheme assets are invested in is provided for the year ending 30 June 2025. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics are drawn from the Glass Lewis system (via the custodian of the Mercer Funds). Glass Lewis is a leading provider of governance and proxy voting services.

Fund	Total Proposals		Vote Decision					For/Against Mgmt		Meetings	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against	No.	Against
Mercer Multi-Asset Credit Fund[1]	34	34	100%	0%	0%	0%	0%	100%	0%	4	0%
Mercer Global Small Cap Equity Fund	9,199	8,932	90%	7%	1%	2%	0%	92%	8%	785	37%
Mercer Fundamental Indexation Global Equity CCF	3,341	3,056	76%	16%	0%	8%	0%	81%	19%	233	71%
Mercer Passive Emerging Markets Equity Fund	20,112	18,737	75%	18%	3%	4%	0%	80%	20%	2407	48%
Mercer Low Volatility Equity Fund	7,114	6,942	89%	9%	0%	2%	0%	94%	6%	410	38%
Mercer Global Select Equity Fund	6,159	6,090	88%	10%	1%	0%	0%	91%	9%	355	48%

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

(2) There are a number of limited circumstances where voting rights may not be exercised relating to, for example, conflicts of interest, share-blocking markets, power of attorney (POA) markets etc.

– "Eligible Proposals" reflect all proposals of which managers were eligible to vote on over the period
– "Proposals Voted On" reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the "Other" category)"
– Vote Decision may not sum to 100 due to rounding. "No Action" reflects instances where managers have not actioned a vote. MGIE may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully
– "Other" refers to proposals in which the decision is frequency related (e.g. 1 year or 3-year votes regarding the frequency of future say-on-pay).
– "Meetings No." refers to the number of meetings the managers were eligible to vote at.
– "Meetings Against" refers to the no. of meetings where the managers voted at least once against management, reported as a % of the total eligible meetings.

Significant Votes: The Trustee has based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer's engagement priority themes, The *most* significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals), while considering Mercer's engagement priority themes.

Where available, information on next steps and plans to escalate are included in the following table.

Most Significant Votes

Fund	Company *(Holding Weight)*	Meeting Date: Proposal Text *(Significance Category)*	Manager Vote Decision *(Intention to vote against management communicated – Rationale, if available*	Proposal Outcome *(Next steps to report, if any)*
Mercer Fundamental Indexation Global Equity CCF	**Apple Inc (7.1%)**	25/2/2025: Shareholder Proposal Regarding Abolishing Inclusion and Diversity Program and Policies (Social)	Against (No - While the proponent argues that the company's diversity, equity, and inclusion (DEI) initiatives present litigation risks assessing disclosures it is evident that Apple has strong compliance measures and effective oversight of legal and regulatory risks. Additionally, the company maintains clear non-discrimination policies and aligns its oversight with market standards and there are no known controversies regarding employee discrimination linked to Apple's DEI efforts at the time of the AGM. Manager therefore did not support this proposal.)	2.3% Support Proposal did not pass. (While DEI remains a contentious topic this proxy season, other companies that scaled back their initiatives still received related resolutions. As a responsible investment manager, the Manager will continue developing its Global Proxy Voting Guidelines based on key sustainability priorities and exercise voting rights to manage risk and promote long-term sustainability.)
	Meta Platforms Inc (4.8%)	28/5/2025: Shareholder Proposal Regarding Transition Plan and Renewable Energy (Environmental)	For (No - The manager voted in favour of this resolution as enhanced disclosure would provide shareholders with greater clarity in assessing the effectiveness of its policies and strategies for climate related-risks.)	3.2% Support Proposal did not pass. (The manager is trying to engage with the company in a collaborative manner, but the company is currently unresponsive. However, manager will keep monitoring the company's climate transition plans and seek engagement opportunities as they arise.)
	Netflix Inc. (3.2%)	05/06/2025: Shareholder Proposal Regarding Climate Transition Plan (Environmental)	For (No - A vote for this resolution is warranted, as enhanced disclosure would provide shareholders with greater clarity in assessing the effectiveness of its policies and strategies for climate related-risks.)	10.4% Support Proposal did not pass. (Netflix has remained unresponsive to engagement requests. The manager will keep monitoring the company's climate transition plans and seek engagement opportunities as they arise.)

	Netflix Inc. (3.2%)	05/06/2025: Shareholder Proposal Regarding Amending Code of Ethics (Social)	For (No - The manager voted for this proposal as amending the company's Code of Ethics to address key employee fairness provisions would enhance the company's ability to manage related controversies and risks and would enable shareholders to better assess the effectiveness of the company's efforts to create an inclusive workplace.)	5.5% Support Proposal did not pass. (Netflix has remained unresponsive to engagement requests. The manager will continue to monitor the company's disclosures and policies and remain open to dialogue.)
	Netflix Inc. (3.2%)	05/06/2025: Shareholder Proposal Regarding Report on Affirmative Action Risks (Social)	Against (No - The manager voted against this proposal as there is no indication that the company employs illegal hiring or recruiting practices.)	0.5% Support Proposal did not pass. (While DEI has become a contentious topic this proxy season it is important to note that other companies who have scaled back their initiatives have continued to receive resolutions relating to their initiatives. Netflix remains unresponsive to direct engagement requests from the manager. The manager will continue to monitor disclosures while exploring different channels to engage with Netflix.)
Mercer Low Volatility Equity Fund	**Alphabet Inc (1.9%)**	06/06/2025: Shareholder Proposal Regarding Disclosure Related to 2030 Climate Goals (Environment)	Against (No – A vote against this proposal is warranted. Alphabet discloses in detail its reduction strategies and initiatives for Scope 1, 2, and 3 emissions and year-over-year emissions data. In addition, the company discusses the challenges in reducing emissions in the short term, including those associated with the impact of AI and related increases in technical infrastructure investment. While incorporating certain aspects of the proponents' request into the company's current disclosures may be beneficial to interested shareholders, full implementation of the proposal does not appear necessary at this time. However, continued monitoring of the company's emissions is warranted.)	8.2% Support Proposal did not pass. (The manager will not take any specific steps in response to the outcome.)

		06/06/2025: Shareholder Proposal Regarding Human Rights Impact Assessment of AI-Driven Targeted Advertising (Social)	Mixed For (2) - (No – A vote for this proposal is warranted because an independent human rights assessment on the impacts would help shareholders better evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.) Against (1) - (N/A – The manager voted against this proposal as it's overly burdensome and complex.)	14.3% Support Proposal did not pass. (One of the managers who voted for stated that this proposal addressed the implications of AI. Given its early-stage adoption across society, it is difficult to define clear next steps. For now, the manager believes that any company involved in AI products or services must carefully consider the associated risks and ensure they are keeping pace with emerging developments, adjusting their offerings and approach as broader understanding evolves. The manager who voted against stated that while they monitor the voting outcomes, they use their own issuer-specific assessment to inform their engagement plan and strategy, and it is this which determines their future steps.)
		06/06/2025: Shareholder Proposal Regarding Third-Party Report on Due Diligence in Conflict-Affected and High-Risk Areas (Social)	Against (No – A vote against the proposal is warranted. The company appears to provide sufficient disclosures to allow shareholders to assess how it manages human rights risks.)	4.5% Support Proposal did not pass. (The manager will not take any specific steps in response to the outcome.)
	Microsoft Corporation (3.0%)	10/12/2024: Shareholder Proposal Regarding Report on Risks of Providing AI to Facilitate New Oil and Gas Development and Production (Environmental)	Against (No - A vote against this resolution is warranted. The company has set climate goals for its emissions, and it is not likely that the emissions of its customers are likely to pose significant risk to shareholders at this time.)	9.7% Support Proposal did not pass. (N/A)

	Visa Inc (2.3%)	28/01/2025: Shareholder Proposal Regarding Report on Benefits and Health Program Gaps (Social)	Against (No - A vote against this resolution is warranted as the company appears to provide competitive health benefits, and there is no evidence that the company is offering health care in a discriminatory manner.)	0.8% Support Proposal did not pass. (None to report)
Mercer Global Select Equity Fund	**Microsoft Corporation (4.6%)**	10/12/2024: Shareholder Proposal Regarding Report on Risks of Providing AI to Facilitate New Oil and Gas Development and Production (Environmental)	Mixed For (1) - (N/A - The manager voted in favor of this resolution because it seeks to enhance transparency regarding Microsoft's exposure to end-user industries with harmful impacts on the environment, such as the oil and gas industry, from which a rapid phase-out is necessary to achieve a Net-Zero world. With the rapid adoption of Artificial Intelligence (AI) across various industries, companies like Microsoft, which are supporting the development of advanced foundation models and operating large-scale data centers, are positioned at the intersection of both risks and opportunities associated with AI. Therefore, the manager believes that increasing transparency around Microsoft's AI services and their end-users is a crucial initial step in mitigating potential negative effects and enabling investors to make informed decisions that support the development of sustainable AI.) Against (3) - (N/A - Managers voted against this resolution, as the company has set leading climate goals for its emissions, and it is not likely that the emissions of its customers will pose a material risk to shareholders at this time.)	9.7% Support Proposal did not pass. (The manager who voted for stated that this vote is one step in their long-term engagement with the company. The managers who voted Against the resolution emphasized that they will continue to monitor the company's policies and processes for managing the risks associated with AI, along with its related disclosures.)

Note – The funds, namely the **Mercer Global Small Cap Equity Fund, Mercer Multi-Asset Credit Fund, and Mercer Passive Emerging Markets Equity Fund,** do not have any votes deemed to be significant based on our definition of significant votes. Our definition specifically focuses on Mercer's Global Engagement Priority Themes.