

# Engagement Policy Implementation Statement for the Year Ended 5 April 2022

## Doosan UK Pension Scheme (“the Scheme”)

### 1. INTRODUCTION

This Engagement Policy Implementation Statement (the “Statement”) sets out the Trustee’s assessment of how, and the extent to which, it has followed the engagement policy and policy with regard to the exercise of rights (including voting rights) attaching to the Scheme’s investments during the one-year period to 5 April 2022 (the “Scheme Year”). The Trustee’s policies are set out in the Statement of Investment Principles (“SIP”). A copy of the Trustee’s SIP is available at <https://pipartnershipgroup.co.uk/client-regulatory-documents/>

This Statement has been produced in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018* and the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* along with guidance published by the Pensions Regulator.

The Trustee invests the assets of the Scheme in a fiduciary arrangement with Mercer Limited (“Mercer”). Under this arrangement Mercer are appointed as a discretionary investment manager and day-to-day management of the Scheme’s assets is by investment in a range of specialist pooled funds (the “Mercer Funds”). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited (“MGIE”). MGIE is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for each Mercer Fund’s assets.

Under these arrangements, the Trustee accepts that they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds, However, the Trustee has made Mercer aware that it expects MGIE to manage assets in a manner that, as far as is practicably possible, is consistent with the Trustee’s engagement policy and its policy with regard to the exercise of rights attaching to the Scheme’s investments. The Trustee reviews regular reports from Mercer with regard to the engagement and voting undertaken on its behalf in order to consider whether its policies are being properly implemented.

Section 2 of this Statement sets out the Trustee’s engagement policy and assesses the extent to which it has been followed over the Scheme Year.

Section 3 sets out the Trustee’s policy with regards to the exercising of rights (including voting rights) attaching to the Scheme’s investments and considers how, and the extent to which this policy has been followed during the Scheme Year. This Section also provides detail on voting activity undertaken by the Scheme’s third party investment managers during the Scheme Year.

**Taking the analysis included in Sections 2 and 3 together, it is the Trustee’s belief that its policies with regard to engagement and the exercise of rights attaching to investments has 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 believes that good stewardship and the incorporation of ESG factors into their investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme's assets over the medium and longer term. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustee's explicit consideration.

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

Should the Trustee consider that Mercer, MGIE or the third party asset managers have failed to align their own engagement policies with those of the Trustee, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

### 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 ESG factors, stewardship and climate change.

<b>Policy Updates</b>	<b>Climate Change Reporting and Carbon Foot-printing</b>	<b>ESG Rating Review</b>
<p>The Trustee considers how ESG, climate change and stewardship are integrated within the investment processes of Mercer and MGIE, as well as those of the underlying asset managers. Mercer and MGIE provide reporting to the Trustee on a regular basis.</p> <p>The Mercer <a href="#">Sustainability Policy</a> (see full website link at the bottom of this document) is reviewed regularly. In March 2021, there was an update in relation to Sustainable Finance Disclosure Regulation ("SFDR") implementation.</p> <p>In line with the requirements of the EU Shareholder Rights Directive II, Mercer have</p>	<p>Mercer undertake climate scenario modelling and stress testing on the Mercer multi-sector funds used by the Scheme, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant <a href="#">Climate Change Management Report</a>. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.</p>	<p>ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee. ESG ratings are reviewed by MGIE during its quarterly monitoring processes, with a more comprehensive review performed annually, which seeks evidence of positive momentum on ESG integration. The overall ESG rating for each Mercer fund is compared to the appropriate universe of strategies in Mercer's global investment manager database.</p> <p>As at 31 December 2021, in the Annual ESG review provided by Mercer, 88% of Mercer Funds now have an ESG rating equal to or above their</p>

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implemented a standalone Engagement Policy to specifically address the requirements of the directive.

The headline Weighted Average Carbon Intensity (“WACI”) metric for all equity funds is reporting in the Quarterly Investment Reports, whilst an in-depth analysis of the top 5 carbon emitters, the top 5 contributors to the WACI, and the trends over time, is completed on an annual basis. The latest in-depth analysis is as at 30 June 2021 and is used by the Mercer and MGIE investment teams to drive engagement with the underlying managers.

asset class universe. This compares to 97% at the end of 2020 but it should be noted that the scope of the review expanded in 2021 to include all liquid multi-client Mercer Funds.

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### Approach to Exclusions

As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However, Mercer and MGIE recognise that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.

Controversial and / or civilian weapons, as well as tobacco, are excluded from active equity and fixed income funds, and passive equity funds. The Mercer sustainability-themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.

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

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### Sustainability-themed investments

Within the Diversified Growth Fund, the Scheme has exposure to a Sustainable Global Equity fund.

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

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### Diversity

From 31 December 2020, gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer’s established Diversity Charter.

### 3. TRUSTEE’S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO FUND INVESTMENTS

#### Policy

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

This is because any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. In delegating these rights, MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and so permits the managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such, the Trustee does not use the direct services of a proxy voter.

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

Set out below is a summary of voting activity for the year to 31 March 2022 for a range of Mercer Funds that the Scheme’s assets are invested in. The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer’s custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted.

“Unvoted” reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned. “Other” reflects instances where managers have withheld votes in Power of Attorney markets, share blocking markets or where conflicts of interest may be present. “Mixed” refers to occasions where underlying managers have voted differently for the same proposal. Vote decisions of this nature are monitored and fed into the wider engagement process with manager.

Please note that the Scheme allocates to the Mercer Diversified Growth Fund (“DGF”), which is intended to provide the Scheme with broad exposure to a number of growth-focussed asset classes. Within the DGF are a number of underlying building blocks in the form of a variety of other Mercer Funds. As such, the tables below reflect the underlying Mercer Funds held within the DGF, in addition to the Scheme’s standalone allocation to the Mercer Passive Fundamental Indexation Global Equity CCF.

Fund Name	Total Proposals	Vote Decision					For/Against Mgmt	
		For	Against	Abstain	Do not vote	Others*	For	Against
Mercer Passive Emerging Markets Equity Fund	24499	83%	15%	3%	0%	0%	84%	16%
Mercer Passive Fundamental Indexation Global Equity	2511	84%	14%	0%	0%	2%	83%	17%
Mercer Passive Global Listed Infrastructure UCITS	3674	76%	19%	3%	0%	1%	79%	21%
Mercer Passive Global Small Cap Equity UCITS CCF	42976	82%	14%	0%	0%	3%	83%	17%
Mercer Passive Low Volatility Equity UCITS CCF	4209	83%	15%	0%	0%	2%	81%	19%
Mercer Passive Global REITS UCITS CCF	3108	82%	14%	0%	0%	4%	82%	18%
Mercer Passive Sustainable Global Equity UCITS CCF	15942	80%	17%	1%	0%	2%	80%	20%
MGI Eurozone Equity Fund	4410	84%	13%	3%	0%	0%	85%	15%
MGI UK Equity Fund	1066	99%	1%	0%	0%	0%	99%	1%

**Significant Votes:** Mercer has based its definition of significant votes on its Beliefs, Materiality and Impact (“BMI”) Framework. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering priority areas identified by the BMI Framework.

## Sample of the most significant votes

Fund	Shareholder Proposal (“SHP”)	Issuer	Vote Decision
<b>Mercer Passive Emerging Markets Equity Fund</b>	Management Proposal Regarding Share Issuance Authority	Tencent Holdings Ltd.	Against
	Management Proposal Regarding Election of Directors	Taiwan Semiconductor Manufacturing	For
	Management Proposal Regarding Election of Independent Director to Become Audit Committee Member: KIM Sun Uk	Samsung	Against
<b>Mercer Passive Fundamental Indexation Global Equity</b>	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Intel Corp.	For
	Shareholder Proposal Regarding Report on Racism in Company Culture	Intel Corp.	For
	Shareholder Proposal Regarding Improvements in Executive Compensation Program	Apple Inc.	Against

<b>Mercer Passive Global Listed Infrastructure UCITS</b>	Shareholder Proposal Regarding Formation of a Human Rights Risk Oversight Committee	American Tower Corp.	Against
	Shareholder Proposal Regarding Annual Shareholder Vote on Emissions Reduction Plan	Union Pacific Corp.	Against
	Shareholder Proposal Regarding Diversity and Inclusion Report	Union Pacific Corp.	For
<b>Mercer Passive Global Small Cap Equity UCITS CCF</b>	Management Proposal Regarding Advisory Vote on Executive Compensation	Builders Firstsource Inc.	For
	Management Proposal Regarding Advisory Vote on Executive Compensation	TREX Co., Inc.	Against
	Management Proposal Regarding Advisory Vote on Executive Compensation	Marathon Oil Corp.	Against
<b>Mercer Passive Low Volatility Equity UCITS CCF</b>	Shareholder Proposal Regarding Amendment to Clawback Policy	Verizon Communications Inc	For
	Shareholder Proposal Regarding Report on External Public Health Costs	PepsiCo Inc	For
	Shareholder Proposal Regarding Report on Sugar and Public Health	PepsiCo Inc	For
<b>Mercer Passive Sustainable Global Equity UCITS CCF</b>	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Microsoft Corporation	For
	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board	Alphabet Inc	For
	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Alphabet Inc	For
<b>MGI Eurozone Equity Fund</b>	Management Proposal Regarding Greenshoe	LMVH M.H.V SE	Against
	Management Proposal Regarding Election of Directors	Siemens AG	For
<b>MGI UK Equity Fund</b>	Management Proposal Regarding Approval of Climate Transition Action Plan	BHP Group plc	Against
	Shareholder Proposal Regarding Disclosure Concerning Coal, Oil and Gas Assets	BHP Group plc	Against
	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement	BHP Group plc	For

## Website links

Mercer Sustainability Policy: <https://investment-solutions.mercer.com/content/dam/merc-subdomains/delegated-solutions/CorporatePolicies/Mercer%20DSE%20Sustainable%20Investment%20Policy.pdf>

Mercer Climate Change Management Report: <https://investment-solutions.mercer.com/content/dam/merc-subdomains/delegated-solutions/CorporatePolicies/Mercer%20Delegated%20Solutions%20Europe%20-%20TCFD%20Statement%20-%20DB.pdf>

Mercer Engagement Policy: <https://investment-solutions.mercer.com/content/dam/merc-subdomains/delegated-solutions/CorporatePolicies/Engagement%20Policy%20-%20MGIE%20and%20MGIM.pdf>