

Mercury Provident Pension Scheme

Implementation Statement

31 December 2020

Glossary

Baillie Gifford	Baillie Gifford & Co Limited
ESG	Environmental, Social and Governance
Invesco	Invesco International Limited
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Mercury Provident Pension Scheme
Scheme Year	1 January 2020 to 31 December 2020
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

The Trustee has reviewed the extent to which their policy from the SIP relating to the exercise of rights (including voting rights) attaching to the investments was followed over the Scheme Year and this statement confirms the outcome of that review.

In addition, the statement summarises the voting record of the Scheme's investment managers and provides information on the significant votes made in respect of the Trustee's equity holdings. Information is also provided on the how the Scheme's investment managers make use of the services of proxy voting advisers.

Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- Baillie Gifford Multi-Asset Growth Fund
- Invesco Global Targeted Returns Fund
- LGIM Future World Developed (ex-UK) Equity Index Fund
- LGIM Future World Developed (ex-UK) Equity Index Fund – GBP Hedged
- LGIM Future World UK Equity Index Fund

The Trustees' Policy Relating to the Exercise of Rights

Summary of the Policy

The Trustees' policy in relation to the exercise of the rights (including voting rights) attaching to the investments is set out in the SIP. A new SIP was provided during the Scheme Year, complying with new legislation which required additional information to be stated about the nature of the arrangements in place with investment managers. Part of the new wording provided a more detailed explanation of your policy relating to the exercise of rights.

A summary of the Trustees' policy is as follows:

- The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustees wish to encourage best practice in terms of stewardship.
- The Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.
- When selecting a pooled fund, the Trustees consider, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies, the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their investment adviser to raise the Trustees' concerns with the investment manager.

Was the Policy Followed During the Scheme Year?

The Trustee's opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustees' belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.
- In March 2020 the Trustee selected LGIM Future World Equity Funds (Implemented in June 2020). ESG considerations were discussed as part of this decision in the paper entitled "Recommendation to use LGIM Future World Funds" dated 20 November 2019.
- Whilst the Trustees did not consider the voting records of the investment managers during the Scheme Year, that analysis has now been undertaken. As part of the work required to prepare this Implementation Statement, the Trustees, in conjunction with their investment adviser, have considered the voting record over the Scheme Year of the investment managers over the Scheme Year.

A summary of the key findings from that analysis is provided below.

- All investment managers used by the Scheme are UNPRI signatories.

The Investment Managers' Voting Record

A summary of the investment managers' voting records.

Investment Manager	Number of votes	Split of votes:		
		For	Against	Did not vote/ abstained
Baillie Gifford	13,603	95.3%	2.9%	1.8%
Invesco	45,623	89.0%	9.8%	1.2%
LGIM	66,242	81.8%	17.4%	0.7%

Notes

Split of votes may not sum to 100% due to rounding.

These voting statistics are based on each manager's full voting record over the 12 months to 31 December 2020 rather than votes related solely to the funds held by the Scheme.

Use of Proxy Investment Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
Baillie Gifford	No Proxy Voting Adviser	All done in-house, Manager aims to participate in all votes
Invesco	ISS, Glass Lewis and IVIS	Proxy advisers provide information but voting is determined by Invesco
LGIM	ISS and IVIS	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

Our fund managers’ voting behaviour

We have reviewed the voting behaviour of our fund managers by considering the following:

- broad statistics of their voting record such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. “with management” or “against management”);
- the votes they cast to in the year to 31 December 2020 on the most contested proposals in eight categories across the UK, the US and Europe; and
- our fund manager’s policies and statements on the subjects of stewardship, corporate governance and voting.

We have also compared the voting behaviour of our fund managers with their peers over the same period.

Our key observations are below along with actions we have taken as a result of our review of the fund managers’ voting behaviour.

Voting in Significant Votes

Based on information provided by the Trustee's investment adviser, the Trustee has identified significant votes in eight separate categories. The Trustee considers votes to be more significant if they are closely contested, i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustee considered each investment managers' overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

LGIM

Relative to their peers LGIM, show a high tendency to vote against Director's proposals. They have also shown strong support for shareholders proposals aimed to tackle a broad range of Environmental and Social issues.

Their voting policy is also detailed and includes clear rationales and rules for when they will vote against Directors recommendations on a proposal.

LGIM have opposed 15% of the recommendations of Directors proposals of the year and whilst this is significantly higher than many of their peers we do not view this as being excessive. Rather, this suggests that LGIM are taking their stewardship responsibilities seriously and would be one of the first investors to oppose a proposal worthy of opposition.

Baillie Gifford

Baillie Gifford tends to support Director Proposals, but this is consistent with their active management style – they have chosen to invest in companies, so it is unsurprising they wish to support management.

Although Baillie Gifford tends to support management in Director Proposals, over the course of 2020, the investment manager has demonstrated a willingness to vote in favour of Shareholder Proposals (which typically means voting against management).

Invesco

Invesco tend not to vote consistently and instead give fund managers discretions as to how to vote on each portfolio. Arguably this can dilute the influence the Invesco can have on companies. However, the fact that we do observe some split votes does show that fund managers are giving the votes enough consideration to deviate from a standard approach.

Invesco generally support shareholder resolutions designed to tackle ESG issues.

The Trustee will keep the voting actions of the investment managers under review.

.....Kim Nash..... Date:21/05/2021.....

Signed on behalf of the Trustee of the Mercury Provident Pension Scheme

Significant Votes

The table below records how the Scheme's investment managers voted in the most significant votes identified by the Trustee.

Company	ISIN	Meeting Date	Proposal	Votes For (%)	Votes Against (%)	LGIM	Baillie Gifford	Invesco
Audit & Reporting								
INVESTEC PLC	GB00B17BQ050	06/08/2020	Investec Limited: Reappoint KPMG Inc as Joint Auditors of the Company	78	22	Against	Not held	Not held
WILLIAM HILL PLC	GB0031698896	15/05/2020	Re-appoint Deloitte LLP as Auditor	84	16	Not known	Not held	Not held
SARTORIUS STEDIM BIOTECH SA	FR0013154002	24/06/2020	Approve Auditors' Special Report on Related-Party Transactions	15	85	Not held	For	Not held
ASHMORE GROUP PLC	GB00B132NW22	16/10/2020	Re-appoint KPMG LLP as Auditors	86	14	Not known	Not held	Not held
MERCK KGAA	DE0006599905	28/05/2020	Appoint the Auditors	88	12	Not held	Not held	Not known
Shareholder Capital & Rights								
JUST EAT TAKEAWAY.COM N.V.	NL0012015705	14/05/2020	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment	60	40	Not held	For	Not held
JD SPORTS FASHION PLC	GB00BYX91H57	31/07/2020	Issue Shares with Pre-emption Rights	70	30	Not known	Not held	Not held
SHAFTESBURY PLC	GB0007990962	31/01/2020	Issue Shares with Pre-emption Rights	70	30	For	Not held	Not held
BRITISH AMERICAN TOBACCO PLC	GB0002875804	30/04/2020	Issue Shares with Pre-emption Rights	72	28	Not known	Not held	Not known
ENERGEAN PLC	GB00BG12Y042	21/05/2020	Issue Shares with Pre-emption Rights	74	26	Not known	Not held	Not held
Pay & Remuneration								
ALTRIA GROUP INC.	US0220951033	14/05/2020	Advisory Vote on Executive Compensation	49	50	Not held	Not held	For/Against
NCC GROUP PLC	GB00B01Q0K86	20/10/2020	Approve the Remuneration Report	48	46	Not known	Not held	Not held
VISTRY GROUP PLC	GB0001859296	20/05/2020	Approve the Remuneration Report	56	44	Not known	Not held	Not held
PLAYTECH PLC	IM008759G985	20/05/2020	Approve the Remuneration Report	32	57	Not known	Not held	Not held
ACTIVISION BUZZARD INC	US00507V1098	11/06/2020	Advisory Vote on Executive Compensation	57	43	Not held	For	Not held
Constitution of Company, Board & Advisers								
UBS GROUP AG	CH0244767585	29/04/2020	Elect Remuneration Committee Member: Dieter Wemmer	48	48	Not held	Not held	For
EASYJET PLC	GB00B7KR2P84	23/12/2020	Re-elect Julie Southern as Director	56	43	For	Not held	Not held
STANDARD LIFE ABERDEEN PLC	GB00BF8Q6K64	12/05/2020	Adopt New Articles of Association	63	37	Not known	Not held	Not held
AMAZON.COM INC.	US0231351067	27/05/2020	Right to Call Special Meeting	37	63	Not held	For	Not held
SHAFTESBURY PLC	GB0007990962	31/01/2020	Re-elect Jonathan Nicholls	67	33	Against	Not held	Not held
Merger, Acquisition, Sales & Finance								
DELIVERY HERO SE	DE000A2E4K43	18/06/2020	Approve Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds without Preemptive Rights	78	22	Not held	For	Not held
AJ BELL PLC	GB00BFZNLB60	22/01/2020	Approve Waiver on Tender-Bid Requirement Pursuant to the Grant of Options to AJ Bell Trust	79	20	For	For	Not held
MCCARTHY & STONE PLC	GB00BYNV0082	07/12/2020	Approve Acquisition	86	14	Not known	Not held	Not held
ASHMORE GROUP PLC	GB00B132NW22	16/10/2020	Approve Waiver of mandatory offer provisions set out in Rule 9 of the Takeover Code	94	6	Not known	Not held	Not held
NINETY ONE PLC	GB00BIHPLV88	03/09/2020	Ninety One Limited: Approve Financial Assistance to Related or Inter-related Company and Directors	99	1	Not known	Not held	Not held
Other Company Resolutions								
SHAFTESBURY PLC	GB0007990962	31/01/2020	Meeting Notification-related Proposal	68	32	For	Not held	Not held
TE CONNECTIVITY LTD	CH0102993182	11/03/2020	Adjourn Meeting	69	31	Not held	Not held	For/Against
UBISOFT ENTERTAINMENT SA	FR0000054470	02/07/2020	Delegate Powers to the Board to Amend Bylaws to Comply with Legal Changes	80	20	Not held	For	Not held
MCCARTHY & STONE PLC	GB00BYNV0082	07/12/2020	Approve Matters Relating to the Recommended Cash Offer for McCarthy & Stone plc by Mastiff Bidco Limited	79	20	Not known	Not held	Not held
INVESTEC PLC	GB00B17BQ050	06/08/2020	Approve Political Donations	82	18	Not known	Not held	Not held
Governance & Other Shareholder Resolutions								
CHEVRON CORPORATION	US1667641005	27/05/2020	Shareholder Resolution: Report on Lobbying Payments and Policy	49	43	Not held	Not held	For/Against
BOOKING HOLDINGS INC.	US09857L1089	04/06/2020	Shareholder Resolution: Written Consent	49	51	Not held	Not held	Not known
ANTHEM INC	US0367521038	21/05/2020	Shareholder Resolution: Right to Call Special Meetings	49	50	Not held	Not held	Not known
VERIZON COMMUNICATIONS INC	US92343V1044	07/05/2020	Shareholder Resolution: Right to Call Special Meetings	52	47	Not held	Not held	Not known
NETFLIX INC	US64110L1061	04/06/2020	Shareholder Resolution: Report on Political Contributions	42	58	Not held	For	Not held
Environmental & Socially Focussed Shareholder Resolutions								
CHEVRON CORPORATION	US1667641005	27/05/2020	Shareholder Resolution: Report on Human Rights Practices	61	30	Not held	Not held	For/Against
ALTRIA GROUP INC.	US0220951033	14/05/2020	Shareholder Proposal - Report on the Company's Underage Tobacco Prevention Policies	36	62	Not held	Not held	Not known
AMAZON.COM INC.	US0231351067	27/05/2020	Shareholder Resolution: Report on Potential Customer Misuse of Certain Technologies	32	67	Not held	Against	Not held
FACEBOOK, INC.	US30303M1027	27/05/2020	Shareholder Resolution: Report on Median Gender/Racial Pay Gap	27	73	Not held	Against	Not held
BHP GROUP PLC	GB00BH0P3291	15/10/2020	Shareholder Resolution: Approve Suspension of Memberships of Industry Associations wh	21	74	Not known	For/Against	Not known

Note

Where the voting record has not been provided at the fund level, we have based our analysis on the shares held within the Scheme's pooled funds as at 31 December 2020. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote.