Engagement Policy Implementation Statement for the Year Ended 5 April 2023

Ulster Supported Employment Retirement and Death Benefits Scheme ("the Scheme")

ANNUAL ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

1. INTRODUCTION

This Engagement Policy Implementation Statement (the "Statement") sets out the Trustees' assessment of how, and the extent to which, they have followed their engagement policy and their 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 2023 (the "Scheme Year"). The Trustees' policies are set out in their Statement of Investment Principles ("SIP"). A copy of the Trustees' SIP is available at [https://www.usel.co.uk/copy-of-archive].

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.

Mercer Limited (Mercer) in the UK has been appointed as investment manager by the Trustees. Pursuant to that appointment, scheme monies are invested 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 suitably diversified portfolio of specialist third party investment managers for each Mercer Fund's assets.

The publicly available Sustainability Policy sets out how Mercer addresses sustainability risks and opportunities and considers Environmental, Social and Corporate Governance (ESG) factors in decision making across the investment process. The Stewardship Policy provides more detail on Mercer's beliefs and implementation on stewardship specifically. Under these arrangements, the Trustees accept 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 Trustees have made Mercer aware that they expect MGIE to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustees' engagement policy and their policy with regard to the exercise of rights attaching to the Scheme's investments. The Trustees review regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented.

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

Section 3 sets out the Trustees' policy with regard 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 to 3 together, it is the Trustees' belief that their policies with regard to engagement and the exercise of rights attaching to investments has been successfully followed during the Scheme Year.

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

Policy Summary

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

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

It is the Trustees' policy that the third party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), report in line with established best practice 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 Trustees expect MGIE to select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party investment managers' compliance with this expectation, the Trustees consider regular reports from Mercer that include an assessment of each third party manager's engagement activity.

Should the Trustees consider that Mercer, MGIE or the third party asset managers, have failed to align their own engagement policies with those of the Trustees, the Trustees 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 Trustees' policy on ESG factors, stewardship and climate change.

Policy Updates	Climate Change Reporting and Carbon Foot-printing	ESG Rating Review
The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, provide reporting to the Trustees on a regular basis. The Mercer Sustainability Policy is reviewed regularly. In March 2021 there was an update in relation to the Sustainable Finance Disclosure Regulation (SFDR) implementation. In August	Mercer and the Trustees believe climate change poses a systemic risk and recognise that limiting global average temperature increases this century to "well below two degrees Celsius", as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. Mercer supports this end goal and is committed to achieving net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios, and for the	Where available, ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration and compares the Mercer funds overall ESG rating with the appropriate universe of strategies in Mercer's Global Investment Manager Database (GIMD).

2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.

In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Stewardship Policy to specifically address the requirements of the directive. This Policy was also updated in August 2022 to reflect enhancements made to Mercer's stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a Client engagement survey.

UN Principles of Responsible Investing scores for 2021 (based on 2020 activity) were issued over Q3 2022. Mercer were awarded top marks for over-the arching Investment and Stewardship Policy section, underpinned by strong individual asset class results.

majority of its multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer plans to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. This decision was supported by insights gained from Mercer's Investing in a Time of Climate Change (2015 and 2019) reports, Mercer's Analytics for Climate Transition (ACT) tool and advice framework, and through undertaking climate scenario analysis and stress testing modelling.

Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), including the Mercer Investment Solutions Europe - Investment Approach to Climate Change 2022 Status Report. As at 31 December 2022 Mercer are on track to reach our long-term net zero portfolio carbon emissions target. There has been a notable 16% reduction over the 3 years since 2019 baseline levels, resulting in the 45% baseline-relative reduction by 2030 being within range.

Engagements are prioritised with managers where their strategy's ESG rating is behind that of their peer universe.

As at 31 December 2022, in the Annual Sustainability Report provided by Mercer, the Trustees noted over 20% of Mercer's funds have seen an improved ESG rating over the year and the vast majority have a rating ahead of the wider universe. Due to the nature of certain strategies, they do not have an ESG rating (i.e. are N rated) and are therefore excluded from this review.

Approach to Exclusions

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

Controversial weapons are excluded from active equity and fixed income funds, and passive equity funds. In addition tobacco companies (based on revenue) are excluded from active equity and fixed income funds. The Mercer sustainability-themed

Sustainability-themed investments

An allocation to Sustainable Equities is included within the Schemes portfolio of Growth assets, with the strategic allocation accounting for 10% of total Scheme assets.

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

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.

Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 31 December 2022, 36% of the Key Decision Makers (KDM's) within Mercer IS team funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.

Mercer expanded exclusions to further promote environmental and social characteristics across the majority of the multi-client building block funds over the second half of 2022, in line with EU SFDR Article 8 classification, as well as aligning Mercer's existing active and passive exclusions across their fund range.

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

are non-male, and Mercer's long term target is 50%.

In Q3 2022 MGIE was confirmed as a signatory of the UK Chapter of the 30% Club.

3. TRUSTEES' POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO FUND INVESTMENTS

Policy

The Trustees' 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 Trustees' 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 are typically best placed to exercise voting rights and prioritise particular engagement topics by security, given they are expected to have detailed knowledge of both the governance and the operations of the companies and issuers they invest in. However, Mercer has a pivotal role in monitoring their stewardship activities and promoting more effective stewardship practices, including ensuring attention is given to more strategic themes and topics. As such, proxy voting responsibility is given to listed equity investment managers with an expectation that all shares are to be voted in a timely manner and a manner deemed most likely to protect and enhance long-term value. Mercer and MGIE carefully evaluates each sub-investment manager's capability in ESG engagement and proxy voting, as part of the selection process to ensure it is representing Mercer's commitment to good governance, integration of sustainability considerations . Managers are expected to take account of current best practice such as the UK Stewardship Code 2021, to which Mercer is a signatory. As such the Trustees do not use the direct services of a proxy voter.

Voting: As part of the monitoring of managers' approaches 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 2023 for a range of Mercer Funds that the Scheme's assets are invested in. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. 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.

Fund	Total Proposals		Vote Decision					For/Against Mgmt	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against
Mercer Multi-Asset Credit Fund (1)	11	11	91%	9%	0%	0%	0%	91%	9%
Mercer Passive Emerging Markets Equity Fund	26,187	25,405	80%	17%	3%	0%	0%	82%	18%
Mercer Passive Global Equity CCF	19,126	18,347	81%	14%	0%	4%	0%	80%	20%
Mercer Passive Global Listed Infrastructure UCITS	3,638	3,455	72%	23%	4%	1%	0%	74%	26%
Mercer Passive Sustainable Global Equity UCITS CCF	16,150	15,689	78%	19%	0%	2%	0%	78%	22%

[(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

- "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)"
- "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).

Significant Votes: The Trustees have based the definition of significant votes on Mercer's Beliefs, Materiality and Impact (BMI) Framework. Reported below are the *most* significant proposals over the period. Significant proposals are determined using the following criteria:

1. The proposal topic relates to an Engagement Priority (climate change, human/labour rights, and diversity). This is classified in the "Proposal Description" column below, referenced as Environmental, Social, and Governance respectively.

2. 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).

Summary of Significant Votes 1 April 2022 to 31 March 2023

Fund	Proposal Description	Company	Holding Weight in Mercer Fund (%) (1)	Meeting Date	Fund Vote Decision	Vote Outcome	Fund Vote Rationale	Against Mgt pre-communication	Next steps
Mercer Passive Global Equity CCF	Shareholder Proposal Regarding Human Rights Impact Assessment Report	Alphabet Inc	3%	1-Jun-22	For	23%	A vote in favour this proposal was warranted because an independent human rights assessment would help shareholders better evaluate the company's management of risks related to the human rights impacts of disinformation and misinformation.	No	Support for this resolution at 23% was higher than for any other shareholder resolution aimed at Alphabet in 2022, indicating misinformation and disinformation are significant unaddressed risks for Alphabet. The manager will continue to support resolutions and initiatives aimed at social media companies to ensure action is taken to mitigate this significant systemic risk.
	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement				For	19%	A vote in favour of this proposal was warranted. The company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with Paris Agreement, in light of risks to the company caused by climate change and the company's public position.	No	Paris Agreement-aligned lobbying is one of the managers' engagement and voting priorities for ensuring their portfolios reach Net Zero. The manager will continue monitoring the company's reporting developments.

	Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%	A vote in favour of this proposal was warranted. Shareholders would benefit from increased disclosure regarding how the company is assessing and managing climate change risks.	No	The manager, as part of their engagement efforts, will continue encouraging all companies to understand their exposure to physical climate risks to mitigate all associated risks.
	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	5%	10-Mar-23	For	33%	A vote in favour of this proposal was warranted, as shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.	No	"This resolution received 33.8% support, signalling that investors are interested in gender and racial pay gap data disclosure. The manager will continue monitoring the company's disclosures and efforts to increase transparency."
	Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	4%	13-Dec-22	For	11%	A vote in favour of this proposal was warranted because additional information could help shareholders better understand how the company is assessing and managing the progress of its various diversity and inclusion initiatives.	No	The manager will continue monitoring the company's disclosure on the specific issues.
Mercer Passive Global Listed Infrastructure UCITS	Shareholder Approval of Climate Action Plan	Atlantia	2%	29-Apr-22	For	84%	A vote FOR this item is warranted because the company's climate transition plan reflects a net zero ambition by 2040 (scope 1&2) and by 2050 (scope 3). This includes clear scope 1&2 targets for 2030 and a commitment to set up scope 3 targets for 2040. In addition, the governance structure for addressing and dealing with the climate topics is transparent and appears robust, and the company will give shareholders an advisory vote on its climate action reporting every three years.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across E, S and G factors.
	Shareholder Proposal Regarding Medium-Term Targets For Scope 3 GHG Emissions	Dominion Energy Inc	2%	11-May-22	For	16%	Climate Change: A vote for this shareholder proposal is warranted. Although we appreciate the huge strides made by the company in setting ghg reduction targets and expanding coverage to include scope 3 emissions, LGIM 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.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across E, S and G factors.

	Shareholder Proposal Regarding Report on Stranded Asset Risk				For	75%	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across E, S and G factors.
	Shareholder Proposal Regarding Science-Based Net Zero Target	Enbridge Inc	3%	4-May-22	For	22%	Climate change: While we note the improvement the company has made with regards to disclosure and its operational emissions reduction targets, a vote FOR is applied as LGIM 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 respective short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across E, S and G factors.
Mercer Passive Sustainable Global Equity UCITS CCF	Shareholder Proposal Regarding Human Rights Impact Assessment Report	Alphabet Inc	2%	1-Jun-22	For	23%	LGIM intends to vote in favour of the proposal to undertake such risk assessments as LGIM considers human rights issues to be a material risk to companies.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to support shareholder resolutions in line with our minimum expectations on this topic, and to monitor companies on ESG factors.
	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement				For	19%	A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.		The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across E, S and G factors.
	Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%	A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager will continue to assess companies' transition plans in line

								with their minimum expectations and assess their progress across E, S and G factors.
Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	8%	10-Mar-23	For	33%	A vote in favour was applied as the manager expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager has engaged with Apple a number of times in recent years, and they will monitor their response to shareholder concerns on these issues.
Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	5%	13-Dec-22	Against	11%	The manager felt a vote AGAINST this resolution was warranted, as the company has implemented the main requests of the Fair Chance Business Pledge and is disclosing sufficient information for shareholders to be able to assess the impact of its various diversity and inclusion initiatives.	No	The manager will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress. The manager has engaged with Microsoft a number of times in recent years, and they will monitor their response to shareholder concerns on these issues.

(1) Approximate size of the holding in the Fund as at the date of the vote. Size at the end of the relevant quarter.

4. CONCLUSION

The Trustees' opinion is that:

- the activities set out in this Statement indicate that the Trustees have been compliant with the policy set out in the Scheme's SIP in relation to ESG factors, stewardship and climate change; and
- describes the voting behaviour carried out on behalf of the Trustees, including the most significant votes cast by the Trustees or on their behalf, during the year and state any use of the services of a proxy voter during that year.