

## Annual Engagement Policy Implementation Statement

### **Introduction**

This Implementation Statement (the "Statement") sets out the Trustee's assessment of how, and the extent to which, they have followed their Statement of Investment Principles ("SIP") which includes, their engagement policy and their policy with regard to the exercise of rights (including voting rights) attaching to the Plan's investments during the one-year period to 31 December 2021 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 along with guidance published by the Pensions Regulator.

For the DB Section the Trustee has decided to implement its investment strategy using Mercer's (as fiduciary manager) engagement and voting policy and monitors it regularly to establish whether it aligns with the Trustee's policies. In the DC Section, the Trustee has decided to adopt its investment manager's engagement and voting policies subject to monitoring where possible. Those policies are attached to this Statement in Appendix A.

The Trustee invests the DB assets of the Plan 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 Plan'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 are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party asset managers for each Mercer Fund's assets.

Under these arrangements, the Trustee accepts that it does 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 they expect MGIE to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustee's engagement policy and their policy with regard to the exercise of rights attaching to the Plan's investments. The Trustee reviews 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.

This Statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Plan Year, which was the SIP dated September 2020. The table later in the document sets out how, and the extent to which, the policies in the Plan's SIP have been followed and whether there were any deviations from the SIP in the Plan Year.

The SIP is comprised of 3 parts:

- (A) Part 1: Investment principles governing investment decisions for the purposes of providing defined benefits from the Plan ( in this Statement referred to as the DB Section).
- (B) Part 2: Investment principles governing investment decisions for the purposes of providing money purchase benefits from the Plan (in this Statement referred to as the DC Section).
- (C) Part 3: Investment principles governing investment decisions for the purposes of the Plan's money purchase default arrangement (i.e. currently the use of the Clerical Medical With Profits Fund).

### **Investment Objectives of the Plan**

The objectives of the Plan are set out in the SIP, which is available online<sup>1</sup>. The current SIP was signed on 18 September 2020.

### **Review of the SIP**

During the year the Trustee did not review the Plan's SIP for the DC Section. The Plan's SIP for the DB Section of the Plan was reviewed at a high level by Mercer as part of the annual investment strategy review. No revisions were made during this period.

If the SIP were to be updated, the Trustee would consult with RATP Dev UK Ltd, the Plan's principal employer.

### **Assessment of how the policies in the SIP have been followed for the year to 31 December 2021**

The information provided in the following table highlights the work undertaken by the Trustee (or on behalf of the Trustee) during the year, and longer term where relevant, and sets out how this work was consistent with the Trustee policies in the SIP, relating to the Plan as a whole. Unless specifically noted in the table below, there were no deviations from the SIP during the Plan Year. The SIP is available online and sets out the policies referenced below.

<sup>1</sup>The SIP can be viewed on the pensions section of the RATP Dev website: <https://www.ratpdevlondon.com/pensions>  
The direct link to the SIP is: <https://www.ratpdevtransitlondon.com/sites/default/files/2022-02/LUB%20-%20combined%20SIPs%20-%20Sept%202020.pdf>

	<b>Requirements</b>	<b>Policy</b>	<b>In the year to 31 December 2020</b>
1	Securing compliance with the legal requirements about choosing investments	<p><u>DB Section</u></p> <p>In preparing the SIP, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with RATP Dev UK Ltd to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan's investment arrangements and, in particular on the Trustee's objectives.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee is responsible for the investment of the PIP and AVCs assets and arranging administration of these policies. Where the Trustee is required to make an investment decision, it will first receive written advice from an Investment Adviser. The Trustee believes that this, together with their own expertise, ensures that they are appropriately familiar with the issues concerned and that the advice received and arrangements implemented are consistent with the requirements of section 36 of the Pensions Act 1995 (as amended).</p>	<p><u>DB Section</u></p> <p>Over the year to 31 December 2021, the Trustee received investment advice from the Plan's Investment Consultant on the suitability of the investment arrangements. This included advice in relation to the appointment or removal of investment vehicles, changes to asset allocation and the continuing suitability of existing investment vehicles.</p> <p>The Trustee's appointed Fiduciary Manager (Mercer) had been delegated the authority to invest the assets across various asset classes both with the aim of earning an investment return above the rate of growth in the Plan's liabilities and managing the various risks to which the Plan is exposed.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Plan's DC advisor attended all DC Working Party meetings during the year. Where regulated investment advice was required, an appropriately qualified adviser attended the meetings. An annual update on fund performance and appropriateness of the funds used was last presented to the DC Working Party at its meeting on 10 November 2020 with the next review current underway.</p>

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2	Kinds of investments to be held	<p><u>DB Section</u></p> <p>The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution ("MDDS"), to implement the Trustee's strategy whereby the level of investment risk reduces as the Plan's funding level improves. In this capacity, and subject to agreed restrictions, the Plan's assets are invested in multi-client collective investment schemes ("Mercer Funds").</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The investment choices comprise a wide range of assets including developed market equities, emerging market equities, gilts, index-linked gilts, with profits and cash.</p> <p>The Trustee has appointed Clerical Medical to manage the default arrangement. The Clerical Medical With Profits Fund is invested in a range of assets including equities, government and corporate bonds, property and cash.</p>	<p><u>DB Section</u></p> <p>The Plan invests in Mercer's Dynamic De-risking Solution. Over the year, the Plan's funding level improved such that the target growth asset allocation was reduced to 30.0%. The Trustee regarded the distribution of the assets to be appropriate for the Plan's objectives and liability profile. The Trustee continued to invest in a range of asset classes, regions and sectors to ensure diversification.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Plan has available a range of investment options with Utmost Life which includes equity, fixed-income and money market funds. The Plan also offers unit-linked funds and a with-profits fund with Clerical Medical.</p> <p>The kinds of investment held in the Plan and the balance between those investments remained consistent with the SIP.</p>
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3	The balance between different kinds of investments	<p><u>DB Section</u></p> <p>The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The investment choices comprise a wide range of assets including developed market equities, emerging market equities, gilts, index-linked gilts, with profits and cash. The members can, having considered their own appetite for risk, decide on the balance of different kinds of investments, from the range of funds offered by the Trustee. This will determine their individual expected returns.</p> <p>The Trustee has appointed Clerical Medical to manage the default arrangement. The Clerical Medical With Profits Fund is invested in a range of assets including equities, government and corporate bonds, property and cash. The strategic investment mix is reviewed regularly by Clerical Medical and assets are chosen with a view to getting the best possible long-term performance; and making sure that the with-profits fund can always meet its guarantees.</p>	<p><u>DB Section</u></p> <p>Mercer and the underlying investment managers had responsibility for ensuring the actual allocation of the Plan's investments in Mercer Funds remains within the agreed tolerance ranges as set out in the Investment Guidelines agreed with Mercer.</p> <p>The respective allocations were monitored in the Plan Year by the Trustee as part of the quarterly reporting process and rebalancing is implemented by Mercer as required.</p> <p>Over the year, the Plan hit the final de-risking trigger under the existing framework which meant that a proportion of the Plan's assets were switched from the growth portfolio to the matching portfolio.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>Monitoring of the Plan takes place annually, with the latest monitoring report presented to the DC Working Party at its meeting on 10 November 2020. The investments in the unit-linked funds and with-profit fund were reviewed as a part of this exercise. No changes to unit-linked funds were made following this review, however their mixed performance is an item that the Trustee continues to monitor. The next review is currently underway.</p> <p>As part of the triennial investment review, the Trustee started considering the market for alternative products to the Clerical Medical With-Profit Fund; however, given the nature of the fund, the Trustee's DC advisers did not propose amending the default or moving away from the fund at that time. The Trustee has spent a large part of 2021 exploring the market for alternative arrangements for both the unit-linked funds and with-profits fund, and this is continuing into 2022.</p> <p>The kinds of investment held in the Plan and the balance between those investments remain consistent with the SIP.</p>
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4	Risks, including the ways in which risks are to be measured and managed	<p><u>DB Section</u></p> <p>The Trustee understands that taking some investment risk, with the support of RATP Dev UK Ltd, is necessary to improve the Plan's current and ongoing funding positions. The Trustee recognises that equity investment (and other growth assets) will bring increased volatility to the funding level, but in the expectation of improvements in the Plan's funding level through asset outperformance over and above the liabilities over the long term.</p> <p>There is also a list of risks considered in Section 4 of the SIP.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee recognises a number of risks involved in the investment of PIP and AVC assets. These are set out in Part 2 Section 3 of the SIP. Regarding the Default SIP, the risks and the way they are mitigated are set out in the respective section 4.</p>	<p><u>DB Section</u></p> <p>The Trustee considered both quantitative and qualitative measures for the risks when deciding investment policies, and overall risk tolerance.</p> <p>The Trustee reviewed various quantitative risk measures as part of their quarterly investment monitoring over the year, including risk attribution and interest rate and inflation hedge ratios. The Trustee also considered risk levels, their risk appetite and how risks are managed alongside the Plan's funding status, covenant support and market conditions over the year.</p> <p>Mercer provided the Trustee with regular reports regarding the performance of the underlying asset managers within the relevant Mercer Funds to enable the Trustee to monitor the difference between the expected and experienced levels of risk and return.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>As part of its regular monitoring (at least once a year) the DC working party identifies and monitors risks, including the main investment risks. As part of that reporting risks are measured against likelihood and impact and controls to manage those risks are recorded. The DC working party will also, at least annually, review market conditions and performance against the Trustee's objectives with their DC investment adviser and consider appropriate actions. The last report was presented to the DC Working Party at its meeting on 10 November 2020 with the next review currently underway.</p>
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5	Expected return on investments	<p><u>DB Section</u></p> <p>The solution determined by MDDS drives the asset allocation of the Plan with reference to the Plan's funding level (on an actuarial basis using a single discount rate of 0.4% p.a. in excess of appropriate gilt yields), targeting full funding on this basis by 2029.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee monitors the fund range offered by the Investment Platform Manager including the investment strategy and asset allocation of those funds. It also monitors actual returns against expected returns with input from the DC Investment Adviser at least annually. The Trustee receives advice from the DC Investment Adviser on the appropriateness of the investment options for Plan members. If concerns are raised about the appropriateness or performance of the funds, the Trustee will consider if and when to explore alternative arrangements, which may include the realisation of investments and transfer of funds elsewhere.</p>	<p><u>DB Section</u></p> <p>The Trustee received an investment performance report on a quarterly basis – this included the risk and return characteristics of the various funds in which the Plan invests. The investment performance report included information on how each fund/manager is performing relative to the stated benchmark or index, on a net of fees basis. The Trustee also considered performance of the assets relative to the liabilities in their funding monitoring.</p> <p>Over the year the investment strategy was reviewed by the Trustee, with advice and guidance provided by Mercer. No significant changes were made by the Trustee to the Plan's headline investment strategy (i.e. the target allocation to return seeking assets and risk reducing assets). However, further de-risking triggers will be considered during 2022.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee monitored the performance of the funds against their stated objectives/benchmarks. This is done on an annual basis, with the last report presented to the DC Working Party at its meeting on 10 November 2020 with the next review currently underway.</p> <p>Investment performance is also assessed as part as the value for member assessment to ensure the members are invested in funds providing value. The last report was presented to the Trustee on 17 June 2022 and approved on 27 June 2022.</p>
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6	Realisation of investments	<p><u>DB Section</u></p> <p>The Trustee on behalf of the Plan holds units in the Mercer Funds. The investment managers to the Mercer Funds (including the underlying third party asset managers appointed by Mercer Global Investments Europe), operate within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments. The Trustee has the ability to terminate its agreement with Mercer, thus disinvesting from the Mercer Funds.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>Where practicable the Trustee expects investments to be readily realisable (e.g. investments and disinvestments to be permitted a daily basis in unit-linked funds).</p>	<p><u>DB Section</u></p> <p>Over the year, Mercer took account of the Trustee's objectives when processing any investments or disinvestments that were required to meet cashflows.</p> <p>This involved taking any disinvestment requirements from the most overweight portfolios to help ensure that portfolio risk remained consistent with the Trustee's objectives.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>All unit linked funds are daily-dealt pooled investment vehicles, accessed by an insurance contract.</p> <p>The value of the with-profits funds varies from member to member and is not based on market returns. Clerical Medical will ordinarily realise the investments in a timely fashion, but this may be restricted in cases of market fluctuations. The Trustee monitors this with assistance from its advisors.</p>
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7	<p>Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments</p>	<p><u>DB Section</u></p> <p>Section 10 of the DB Section SIP sets out the Trustee's policy on Corporate Governance and Social, Environmental Investment and their policy on financially material considerations. The Trustee's policy is to integrate factors, including ESG and climate change, that are financially material to a particular investment in the context of the Plan's investment strategy at various stages of the portfolio construction and manager selection processes.</p> <p>The Trustee also has a policy that requires Mercer as fiduciary manager to engage with the underlying investment managers to encourage them to exercise any rights attaching to the investments it holds and to engage with the companies held where possible.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>Section 4 of the DC Section SIP sets out the Trustee's policy on Corporate Governance and Social, Environmental Investment and their policy on financially material considerations. The Trustee's policy is that the managers approach to financially material factors forms part of the criteria when deciding whether to select or retain a pooled fund product.</p>	<p><u>DB Section</u></p> <p>The Trustee considered financially material considerations over the year when monitoring the investment arrangements and considering new asset classes. Within the funds, consideration of financially material considerations was delegated on a day to day basis to the underlying investment managers and reviewed by the Mercer on an ongoing basis, and by the Trustee periodically to check alignment with the Trustee's own policies, e.g. in the SIP. Mercer engaged with underlying investment managers to encourage them to exercise any rights attaching to the investments it holds and to engage with the companies held where possible.</p> <p>The Trustee considered 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, have provided reporting to the Trustee on a regular basis. A copy of Mercer's ESG, climate change and stewardship policies can be found in Appendix A.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The annual investment performance report was reviewed by the Trustee at the 10 November 2020 meeting, with the next review currently underway. The funds currently used by the Plan are not researched by Mercer, therefore the ratings for investment managers (and therefore future looking assessment) have not been included. However, the paper presented in November looked at the continued appropriateness of the funds, including relevant financially material considerations.</p>
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8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<u>DB Section, DC Section &amp; Default SIP</u> The Trustee does not take non-financial matters (e.g. anyone's ethical views or personal views in relation to social and environmental impacts or quality of life) into account when making any investment decisions, including selecting, retaining or realising investments. There is not likely to be a common view amongst members. The Trustee will comply with its legal duty to act in the financial interests of the membership as a whole.	<u>DB Section</u> No changes during the year to this policy. Reflects current practice. Trustee on investment advice focused on financially material factors.  <u>DC Section &amp; Default SIP</u> No changes during the year to this policy. Reflects current practice.
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9	The exercise of the rights (including voting rights) attaching to the investments	<p><u>DB Section</u></p> <p>The Trustee's policy is that the manager's approach to financially material factors, such as ESG and climate change, and stewardship forms part of the criteria used when deciding whether to select or retain the fiduciary investment manager (or other pooled fund products). It should also form an appropriate part of the ongoing monitoring of the fiduciary investment managers' performance. It expects managers (passive and active) to comply with the UK Stewardship Code and UK Corporate Governance Code, and other appropriate engagement activities with the issuers or holders of the assets it invests in.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Plan is invested in pooled funds. The Trustee does not directly own any of the assets within the funds, which are managed for the benefit of all investors. It does not have any rights like voting rights in relation to the underlying assets and instead relies on the manager's engagement with underlying entities in which the fund is invested.</p>	<p><u>DB Section</u></p> <p>The Trustee delegated the exercise of voting rights associated with investments to the underlying investment managers via Mercer's (as fiduciary manager) own engagement, and reviewed this during the Plan Year to check it was in line with the Trustee's own policies.</p> <p>The Trustee engaged with Mercer as part of its stewardship monitoring process. In the Plan Year, the Trustee reviewed 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.</p> <p>The Trustee is fully supportive of the updated UK Stewardship Code ("the Code") published by the Financial Reporting Council and expects the Plan's managers who are registered with the FCA to comply with the Code. The Plan's investment managers are required to (and do) report to Mercer on the extent of their adherence to the UK Stewardship Code on an annual basis.</p> <p>The Trustee considered 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, have provided reporting to the Trustee on a regular basis. A link to Mercer's ESG, climate change and stewardship policies can be found in Appendix A.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>As the Trustee does not directly own any of the assets within the funds, voting rights are the responsibility of the investment managers, who are expected to engage with the investee companies on their behalf. There has been no change in this policy during the year and the policy reflects current practice.</p> <p>The Trustee has requested information on voting records from the platform provider, with whom there is a direct legal relationship. Utmost have confirmed they will not provide this information – please see the section on Voting Information at the end of this statement for their comment. This forms part of the Value for Members</p>
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			assessment and was a contributing factor in the work during the Plan Year to explore alternative arrangements.
10	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><u>DB Section</u></p> <p>The Trustee does not currently engage in any formal way with other pooled fund investors in order to exert pressure on managers. However, Mercer in its role as fiduciary manager has the combined influence of its pension schemes clients, and as such exert more influence than the Trustee could alone. The Trustee considers this beneficial (to the extent it aligns with the Trustee's beliefs).</p> <p>The Trustee expects their investment managers to engage with the investee companies on their behalf.</p> <p>The Trustee ensures it receives appropriate reporting from the fiduciary investment manager, with whom there is a direct legal relationship.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Plan is invested in pooled funds. The Trustee does not directly own any of the assets within the funds, which are managed for the benefit of all investors. It does not have any rights like voting rights in relation to the underlying assets and instead relies on the manager's engagement with underlying entities in which the fund is invested.</p>	<p><u>DB Section</u></p> <p>The Trustee reviewed regular reports from Mercer (and discussed arising items as appropriate) with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being implemented.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>As the Plan invests solely in pooled funds, the Trustee requires its investment managers to engage with the investee companies on their behalf. There has been no change in this policy during the year and the policy reflects current practice.</p> <p>The Trustee has requested information on engagement activity from the platform provider, with whom there is a direct legal relationship. This information was not available at the time of writing, reporting in this area is expected to evolve as information becomes more readily available, in line with regulations. As such, the Trustee was unable to fully comply with the SIP.</p>

11	<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies.</p>	<p><u>DB Section</u></p> <p>This is set out in full in Section 11 of the SIP of the DB Section. Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>Policy set out under 'Aligning Manager Investments Strategy and Decisions with Trustee's policies' in Part 2 of the SIP.</p> <p>The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed and the outcome of the Investment Adviser's regular assessment of the manager. If the Trustee is dissatisfied, it will look to review the appointment. The Trustee receives investment manager performance reports on an annual basis. The Trustee reviewed the absolute performance and relative performance against sectors of funds with similar investment strategies (where possible) on a net of fees basis.</p>	<p><u>DB Section</u></p> <p>In the year to 31 December 2021, the Trustee received quarterly reports from Mercer setting out the performance and research view of each of the managers in which the Plan invests, including the underlying investment managers within the Mercer Funds. Based on these reports and advice from Mercer, the Trustee reviewed whether the investment managers continued to operate and perform in line with expectations and whether the likelihood of achieving the expected return and risk characteristics had changed. This was considered alongside funding status, covenant strength and market conditions.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>New policy added in September 2020 and reflects current practice.</p> <p>The Trustee monitored fees for investment manager services as part of its annual value for members' assessment.</p>
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12	<p>How the arrangement incentivises 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 and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.</p>	<p><u>DB Section</u></p> <p>Neither Mercer, Mercer Global Investments Europe Limited ("MGIE"), nor Mercer AG make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE and Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>Policy set out under 'Aligning Manager Investments Strategy and Decisions with Trustee's policies' in Part 2 of the SIP.</p> <p>The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed and the outcome of the Investment Adviser's regular assessment of the manager. If the Trustee is dissatisfied, it will look to review the appointment. The Trustee receives investment manager performance reports on an annual basis. The Trustee reviews the absolute performance and relative performance against sectors of funds with similar investment strategies (where possible) on a net of fees basis.</p>	<p><u>DB Section</u></p> <p>In the year to 31 December 2021, the Trustee has worked with Mercer to review ongoing manager performance and are comfortable that the contractual arrangement in place continues to incentivise the manager to make decisions based on medium to long-term financial and non-financial performance (e.g. service levels). Within the Mercer Funds, Mercer are responsible for the appointment and termination of investment managers.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>New policy added in September 2020 and reflects current practice.</p> <p>The Trustee monitored fees for investment manager services as part of its annual value for members' assessment.</p>
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13	<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies.</p>	<p><u>DB Section</u></p> <p>The underlying third party asset managers are incentivised, as they are made aware by Mercer, that their continued appointment by MGIE and Mercer AG will be based, at least in part, on their success in meeting the expectations of Mercer. As noted above, it is intended that Mercer's expectations align with the Trustee's policies.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>Policy set out under 'Evaluating Investment Manager Performance' in Part 2 of the SIP.</p>	<p><u>DB Section</u></p> <p>The Trustee received investment manager performance reports from the managers and Mercer on a quarterly basis throughout the year, which present performance information over 3 month, 1 year, 3 years and since inception periods. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time period), on a net of fees basis.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee reviewed longer-term performance in its annual performance reports.</p> <p>In addition, the Trustee benchmarks managers' charges as part of the annual assessment of Value for Members. The latest Value for Members assessment was issued on 17 June 2022 and approved on 27 June 2022.</p>
14	<p>How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.</p>	<p><u>DB Section</u></p> <p>The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Other than in respect of private markets investments where turnover in the Mercer Funds does not usually apply, performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee monitors portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of its annual value for members' assessment. The Trustee does not have an explicit targeted portfolio turnover or range. It assesses portfolio turnover in the context of the particular mandate and if it is not will, via the DC Investment Adviser, engage with the manager to find out why.</p>	<p><u>DB Section</u></p> <p>MiFID II reporting was provided by the investment managers and Mercer over the period where applicable. MiFID compliant Costs and Charges statements are produced annually. Mercer reviewed this on behalf of the Trustee and reported accordingly.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee considered the levels of transaction costs as part of the annual Value for Members assessment issued on 2 March 2021 and approved on 23 June 2021.</p> <p>However, there is little flexibility for the Trustee to impact transaction costs as the Plan invests in pooled funds. While the transaction costs for the Plan's investments appear to be reflective of costs expected of various asset classes and markets that the Plan invests in, there is not as yet any "industry standard" 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>

15	The duration of the arrangement with the asset manager	<p><u>DB Section</u></p> <p>The Trustee is a long-term investor and is not looking to change the investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above. The arrangements will continue until such time as the Trustee decides that the use of Mercer and/or the Mercer Funds is no longer suitable or the investment objective to be fulfilled by a particular Mercer Fund has been met.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. However, the Trustee will consider changing if for example:</p> <ul style="list-style-type: none"> <li>• There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;</li> <li>• The basis on which the manager was appointed changes materially (e.g. manager fees or investment process).investment process);</li> </ul>	<p><u>DB Section</u></p> <p>Over the year to 31 December 2021, Mercer implemented a number of strategic (SAA) and dynamic asset allocation (DAA) changes to the portfolio on behalf of the Trustee.</p> <p><u>DC Section &amp; Default SIP</u></p> <p>The Trustee reviewed longer-term performance in its annual performance reports. Performance of the funds has generally been mixed, and the Trustee dedicated large amounts of time during 2021 to reviewing its options with advice from its advisors. This review will continue in 2022.</p>
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## **APPENDIX A: Engagement policy implementation statement**

### **Policy on ESG, Stewardship and Climate Change**

#### DB Section

The Trustee's policy on ESG for the DB section is set out in the SIP which is available online.

- The Trustee considers 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, have provided reporting to the Trustee on a regular basis.
- The Mercer [Sustainability Policy](#)<sup>2</sup> is reviewed from time-to-time. In August 2020 the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021 there was a further update in relation to sustainability-related disclosures in the financial services sector ("SFDR") implementation.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone [Engagement Policy](#)<sup>3</sup> to specifically address the requirements of the directive.

#### **Climate Change Reporting and Carbon Footprinting**

- Mercer undertake climate scenario modeling and stress testing on the Mercer multi sector funds used by the Plan on an annual basis, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations, with the latest review as at 31 March 2021. The results of the climate scenario modelling and carbon footprinting are within the [TCFD compliant Climate Change Management Report](#)<sup>4</sup>. 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.
- The headline Weighted Average Carbon Intensity ("WACI") metric for all equity funds is reported in the Quarterly Investment Reports whilst an in-depth analysis of 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 also used by the Mercer and MGIE investment team to drive engagement with managers.

#### **ESG Rating Review**

- ESG ratings assigned by Mercer (and its affiliates') global manager research team, 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 quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. The Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.
- As at 31 December 2021, in the Annual ESG review provided by Mercer, the Trustee noted that 88% of Mercer Funds now have an ESG rating equal to or above their 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. For the Plan, only the active Global High Yield Bond Fund and the Diversified Alternatives Strategies Fund were behind the broad universe.

#### **Update to Exclusions**

- As an overarching principle, Mercer and MGIE, as the Trustee's discretionary investment manager, 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 and civilian weapons, and tobacco are excluded from active equity and fixed income funds. From 1 October 2020, the controversial weapons screen was extended to passive equity funds. The Mercer sustainable themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

<sup>2</sup> <https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Sustainability-Policy-March2021.pdf>

<sup>3</sup> <https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Engagement%20Policy%20-%20MGIE%20and%20MGIM.pdf>

<sup>4</sup> <https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Mercer%20Delegated%20Solutions%20Europe%20-%20TCFD%20Statement%20-%20DB.pdf>



### Sustainably themed investments

- An allocation to Sustainable Equities is directly made by the Plan, with the strategic allocation to Sustainable Equities held within Growth Portfolio.
- 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, and is available to the Trustee.

### 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 Investment Solutions has made a commitment to target at least 30% of all Key Decision Makers ('KDM's) across our Mercer funds being non-male by 2030. This commitment will apply to both the KDM within our own portfolio management team and the sub-investment manager teams. We consider broader forms of diversity in our decision-making, but the current target explicitly applies to gender diversity. As at 30 September 2021 33% of the KDM's within Mercer IS team are non-male, and our long term target is 50%. Within the Fixed Income universe the average fund has 8% non-male KDM's and within the average EMEA Active Equity universe the average is 12%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead at 9% and 13%.

### Voting Activity

The Trustee's investments take the form of shares or units in the Mercer Funds. 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. MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled 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.

The MGIE [Engagement Policy](#) outlines this framework.

Set out below is a summary of voting activity for the one-year period ending 31 December 2021 for a range of the Mercer Funds that the Plan's assets are invested in. This may include information in relation to funds that the Plan's assets were no longer invested in at the year end.

- **Voting:** As part of the monitoring of underlying asset 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 note in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.

Voting statistics are set out on the following page and are drawn from the Glass Lewis voting system (via Mercer's custodian). Across the various Mercer funds that invest in equities, over 48,000 voting proposals were considered by the underlying investment managers. Almost 10% of the votes made were against proposals. 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 managers.

**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.

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**Voting Activity Summary 1 January 2021 to 31 December 2021**

Fund	Total Proposals	Voted 'For'	Voted 'Against'	Abstained from voting	Unvoted	Other	For Management	Against Management
Mercer Global Listed Infrastructure Fund	356	90%	6%	3%	1%	0%	90%	10%
Mercer Global Small Cap Equity Fund	9,529	92%	6%	1%	0%	2%	92%	8%
Mercer Low Volatility Equity Fund	7,806	93%	5%	0%	0%	1%	93%	7%
Mercer Multi-Asset Credit Fund	27	67%	0%	33%	0%	0%	62%	38%
Mercer Passive Fundamental Indexation Global Equity	2,431	83%	15%	0%	0%	2%	82%	18%
Mercer Passive Global REITS UCITS CCF	3,090	82%	14%	0%	0%	4%	82%	18%
Mercer Sustainable Global Equity Fund	5,265	85%	13%	1%	0%	1%	86%	14%
MGI Emerging Markets Equity Fund	14,241	83%	12%	4%	0%	0%	85%	15%
MGI Eurozone Equity Fund	4,408	85%	12%	3%	0%	0%	85%	15%
MGI UK Equity Fund	1,081	99%	1%	0%	0%	0%	99%	1%

\*Proxy advisor not used by at least one underlying manager of the fund.

**Sample of Significant Votes over the period 1 January 2021 to 31 December 2021**

Fund	Shareholder Proposal ("SHP")	Issuer	Vote Decision
<b>Mercer Fundamental Indexation Global Equity CCF</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.	For
<b>Mercer Low Volatility Equity Fund</b>	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board	Alphabet Inc	Mixed*
	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Alphabet Inc	Mixed*
	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Microsoft Corp	Against
<i>*This mixed decision was the result of 1 manager voting "against", and 3 managers voting "for" the proposal.</i>			
<b>Mercer Multi-Asset Credit Fund</b>	Shareholder Proposal Regarding Proxy Access Bylaw Amendment	Nisource Inc. (Holding Co)	For
	Management Proposal Regarding Election of Directors	Nisource Inc. (Holding Co)	For
<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 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

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Fund	Shareholder Proposal ("SHP")	Issuer	Vote Decision
Mercer Passive Global Small Cap Equity UCITS CCF	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
Mercer Passive Sustainable Global Equity UCITS CCF	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
MGI Eurozone Equity Fund	Management Proposal Regarding Greenshoe	LMVH M.H.V SE	Against
	Management Proposal Regarding Election of Directors	Siemens AG	For
MGI UK Equity Fund	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

DC Section

The Trustee's policy on ESG for the DC section is set out in the SIP which is available online.

Voting and Engagement Activity during the Plan year

The Trustee has delegated its voting rights and engagement activity to the investment managers. The Trustee does not use the direct services of a proxy voter.

The Trustee has requested information on investment managers' voting and engagement records from the platform provider, with whom there is a direct legal relationship; however, Utmost have provided the following comment in June 2022:

"Our understanding is Utmost is covered by FCA rules implementing the Shareholder Rights Directive. This Directive requires firms in scope to either have a policy to set out how they engage and vote in firms in which they invest, or an explanation of why they do not have a policy. Firms in scope of the rules are those who invest directly, or through an asset manager, in shares. Asset managers are also defined so that certain types of investment are covered – all except one of our funds are out of scope. The one in scope, Managed Fund, is tightly controlled by the mandate so that the asset manager has little discretion in the fund's investments. Therefore, we do not have an engagement policy and a statement will be published on our website.

As the assets are not covered by an engagement policy, we do not have information on engagement or voting undertaken by the investment managers. Also, the investment managers do not provide this information to us, as there is no policy or requirement for them to report it. We do not operate as an investment platform, and companies who do may have different requirements in relation to communicating information from asset managers.

We do not take part in shareholder voting and therefore do not have the ability to influence voting outcomes. We do not engage with or direct the direction of voting taken by the investment managers of the underlying funds."