

## Implementation Statement

# National Society for the Prevention of Cruelty to Children Pension Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustee of the National Society for the Prevention of Cruelty to Children Pension Scheme ("the Scheme") to set out the following information over the year to 31 March 2024:

- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

### Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 31 March 2024 describes the Trustee's stewardship policies on the exercise of rights (including voting rights) and engagement activities. It was last reviewed following the end of the year in August 2024 and has been made available online here: [Statement of Investment Principles \(pensionpal.co.uk\)](https://www.pensionpal.co.uk/statement-of-investment-principles)

Over the period to 31 March 2024 the Scheme's assets were invested in a discretionary fiduciary arrangement with Mercer Limited. Day to day management of the assets was undertaken by Mercer Global Investments Europe Limited, including the appointment and monitoring of underlying investment managers. As a result of the nature of the arrangement at the time, the Trustee accepted that they did not have the ability to directly influence the engagement or voting policies of the managers within the Mercer or LGIM funds. However, the Trustee made Mercer aware that they expected the assets to be managed in a manner in line with the Trustee's engagement policy with regard to the exercise of rights attached to the Scheme's assets, as far as possible. Mercer's sustainability policy can be found here: <https://investment-solutions.mercer.com/content/dam/mercero-subdomains/delegated-solutions/CorporatePolicies/Sustainability%20Policy%202023.pdf>

Over the period to 31 March 2024 the Trustee did not set stewardship priorities / themes for the Scheme due to the nature of the fiduciary arrangement. However, the Trustee will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

### How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- Over the period the Scheme was invested in a fiduciary arrangement with Mercer Limited (Mercer). Under this arrangement, Mercer were appointed as a discretionary investment manager. Day to day

management of the Scheme's assets is by investment in a range of specialist pooled funds with Mercer. As the Scheme invests entirely in pooled funds, responsibility for carrying out voting and engagement activities is delegated to the third-party investment managers appointed by Mercer.

- The Trustee considers how ESG is integrated within Mercer's processes and those of the underlying asset managers as part of the monitoring process. Where available, ESG ratings assigned by Mercer were included in the quarterly investment performance reports produced by Mercer and reviewed by the Trustee. The ESG ratings reflected Mercer's views on the extent to which ESG and active ownership practices (voting and engagement) are integrated into the underlying managers' strategy.
- The Trustee receives information on Environmental, Social and Governance ("ESG") considerations, engagement and voting annually from their investment managers, via their investment consultant, and review this annually to ensure alignment with their own policies. The findings of the Trustee's review are reported in this Implementation Statement which will also be included in the Scheme's Annual Report & Accounts for the year to 31 March 2024.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund manager are in line with the Scheme's stewardship policies.

**Prepared by NSPCC Pension Scheme Limited, as Trustee of the National Society for the Prevention of Cruelty to Children Pension Scheme  
October 2024**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment manager within the Scheme's Growth Portfolio on behalf of the Trustee over the year to 31 March 2024. The property, cash, gilts and LDI funds have no voting rights and limited ability to engage with key stakeholders given the nature of the mandates.

*\*The Mercer Diversified Growth Fund comprises holdings across: Equity, Listed Real Assets, Defensive Fixed Income, Growth Fixed Income, Commodities, Cash, Alternatives. A proportion of the sub-funds are from the Mercer Fund Range, with the remainder sourced from external managers. Therefore, given the asset class and sub-fund mix, broad aggregate voting data is not available for the Diversified Growth Fund. Set out below is a summary of voting activity for the year to 31 March 2024 for a range of Mercer funds that comprise the Mercer Diversified Growth Fund. The statistics set out in the table below are drawn from the Glass Lewis voting system (via the custodian of the Mercer funds).*

Manager	Mercer							
	Mercer Diversified Growth Fund – Underlying Funds							
Fund name	Mercer Passive Global Equity CCF	Mercer Passive Emerging Markets Equity Fund*	Mercer Passive Fundamental Indexation Global Equity*	Mercer Passive Climate Transition Infrastructure Equity CCF*	Mercer Passive Global REITS UCITS CCF*	Mercer Passive Global Small Cap Equity*	Mercer Passive Low Volatility Equity CCF*	Mercer Passive Sustainable Global Equity*
Structure	Pooled							
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.							
No. of eligible meetings	1,466	2,808	225	295	332	4,441	282	1,180
No. of eligible votes	21,341	22,915	3,274	3,239	3,208	47,441	4,032	17,113
% of resolutions voted	85%	95%	99%	94%	96%	96%	98%	96%
% of resolutions abstained	17%	1%	0%	2%	0%	0%	0%	1%
% of resolutions voted with management <sup>1</sup>	73%	82%	86%	74%	78%	85%	85%	78%

<sup>1</sup> As a percentage of the total number of resolutions voted on

Manager	Mercer							
<b>% of resolutions voted against management<sup>1</sup></b>	9%	18%	14%	26%	22%	15%	15%	22%
<b>Proxy voting advisor employed</b>	<p>Proxy voting responsibility is given to listed equity investment managers with the expectation that all shares are voted in a timely manner and in 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, ensuring alignment with Mercer’s commitment to good governance and the integration of sustainability considerations. Managers are expected to take account of current best practice such as the UK Stewardship Code, to which Mercer is a signatory. As such the Trustee does not use the direct services of a proxy voter.</p>							

Voting is also not applicable to the Insight and Schroders Secured Finance mandates, however engagement examples and data has been provided below, where available.

### Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. At this time, the Trustee has not set stewardship priorities / themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. The Trustee has based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer’s Global Engagement Priority themes. The most significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals). In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

A summary of the significant votes provided is set out below.

## Mercer, Passive Global Equity CCF (and Passive Global Equity CCF GBP Hedged)

The significant votes outlined below relate to the three companies with the largest weight in the Mercer Passive Equity Global CCF Fund. The percentage holding weight of each company is calculated as the percentage holding within the Mercer Passive Equity Global CCF Fund. Eight significant votes were outlined by the manager relating to three companies: Alphabet Inc (2 proposals), Apple Inc (3 proposals) and Microsoft Corporation (2 proposals). A proposal for each company is shown in the table below.

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Alphabet Inc	Apple Inc	Microsoft Corporation
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	2.7%	4.0%	4.7%
<b>Summary of the resolution</b>	Shareholder proposal regarding Human Rights Impact Assessment	Shareholder proposal regarding Equal Employment Opportunities (EEO) policy risk report	Shareholder proposal regarding report on climate risk in employee retirement options
<b>How the manager voted</b>	For	Against	For
<b>Rationale for the voting decision</b>	Mercer viewed a vote for this proposal as appropriate as an independent human rights assessment is in the shareholder's best interests. This would help shareholders better evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.	Mercer viewed a vote against this proposal to be warranted, as the company appears to be taking appropriate steps to protect itself against risks related to discrimination based on political ideology or viewpoint. The company's EEO Policy prohibits discrimination on the basis of political affiliation and there do not seem to be allegations of workforce discrimination. Mercer therefore did not believe further action to be required at this time.	Mercer supported this proposal by voting in favour. While the company offers an option to employees that want to invest more responsibly, it is unclear how well employees understand the retirement plans available to them. The information requested in the report would not only complement and enhance the company's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks.
<b>Outcome of the vote</b>	18% Support (Proposal did not pass)	1% Support (Proposal did not pass)	9% Support (Proposal did not pass)
<b>Implications of the outcome</b>	Support for this resolution was lower than previous occurrences where this had been proposed. The outcome was still high enough to indicate some investors feel this is a significant unaddressed risk for Alphabet. Mercer will continue to support resolutions and initiatives aimed at social media companies to ensure action is taken to mitigate this significant systemic risk.	This was an example of a shareholder proposal with clear political intention but without any material evidence for the alleged political discrimination occurring at the company. The current EEO policy currently prohibits discrimination on the basis of political affiliation, therefore the request of the resolution was redundant.	While the resolution received relatively low support, the manager believes the proposal would have allowed the company to better align their offering with their climate change commitments. Mercer encourage consistency between the operations and activities a company and their climate commitments. For this reason, this report could have aided the company's climate efforts.

	Vote 1	Vote 2	Vote 3
<b>Criteria on which the vote is considered "significant"</b>	The most significant proposals reported relate to the three companies with the largest weight in each fund.		

## Mercer, Diversified Growth Fund

As mentioned above, the Diversified Growth Fund is comprised of a number of Mercer sub-funds. The table below sets out 3 significant votes chosen across the sub-funds.

	Vote 1	Vote 2	Vote 3
<b>Fund name</b>	Mercer Passive Fundamental Indexation Global Equity	Mercer Passive Global REITS UCITS CCF	Mercer Passive Low Volatility Equity UCITS CCF
<b>Company name</b>	Fedex Corp	Digital Realty Trust Inc.	PepsiCo Inc.
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.2%	2.4%	1.4%
<b>Summary of the resolution</b>	Shareholder proposal regarding paid sick leave	Shareholder proposal regarding concealment clauses	Shareholder proposal regarding congruency report on net-zero emissions policy
<b>How the manager voted</b>	For	For	Against
<b>Rationale for the voting decision</b>	Mercer are supportive of the company establishing comprehensive paid sick leave policies. Mercer also advocate for these to be made publicly available in the interests of scrutiny by key stakeholders.	A vote in favour was applied as Mercer supports the majority of proposals related to improvement in availability of information pertaining to diversity and inclusion policies. Mercer considers these issues to be a material risk to companies. In addition, in June 2022, 45.6% percent of Digital Realty's investors supported this resolution. Since this high vote, the company has not released any additional information on its use of concealment clauses, nor has it agreed to a conversation with the resolution's supporters.	Mercer voted against this proposal, noting that the company have existing disclosures in place that meet the requirements of this reporting. In particular, the company publishes its greenhouse gas emissions targets, and its emissions generated from employee travel. This information allows shareholders to assess the company's alignment between its publicly stated goals, and its policies and expenditures on employee travel.
<b>Outcome of the vote</b>	11% Support (proposal did not pass)	Withdrawn	2% Support (proposal did not pass)
<b>Implications of the outcome</b>	Mercer continue to advocate for measures allowing investors to assess key social issues within companies.	The proposal was withdrawn following the managers' vote. Mercer will review the proposal if it is tabled again at future AGMs, and continue to monitor the company's D&I disclosure and policies.	Mercer did not report any further actions taken.

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

The engagement statistics for Mercer and Insight were provided as at 31 December 2023 (latest available). Mercer provided the data at a firm level, although an engagement case study at the fund level is shown below. Schroders do not produce engagement reports for the Schroder Secured Finance Fund.

Manager	Mercer	Mercer	Insight Investment	Schroders
<b>Fund name</b>	Mercer Passive Global Equity CCF	Mercer Diversified Growth Fund	Insight Secured Finance Fund	Schroders Secured Finance Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>		<i>Data not provided</i>	60-70 total engagements	<i>Data not provided</i>
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>		<i>Data not provided</i>	55 engagements across the secured finance universe, the majority of which were engagements to improve data collection via Insight's proprietary questionnaire. Of these, 35 were meaningful engagements.	<i>Data not provided</i>
<b>Number of engagements undertaken at a firm level in the year</b>		<i>Data not provided. Mercer stated that their engagements covered over 100 underlying managers and over 200 strategy level targets.</i>	2,521 total engagements over 850 separate engagement meetings	6,530

## Examples of engagement activity undertaken over the year to 31 March 2024

### Mercer, Passive Global Equity CCF

#### Rio Tinto Ltd

The company was selected for engagement due to concerns regarding their community relations and supply chain management. In 2020, two ancient caves in Western Australia which held significant archaeological and cultural significance were destroyed by the company as part of the development of a new mine. This gave the company access to 8 million tonnes of iron ore, however the destruction resulted in strong public and shareholder backlash despite being legal in nature.

Rio Tinto admitted that there were issues with the process used to obtain permission from the native landowners and that the caves should not have been destroyed in this manner. The manager has participated in multiple investor engagement forums over the period since 2020 in order to raise concerns encourage the company to

rebuild community relations with the native land owner. The manager also encouraged all future operational decisions to be made in conjunction with the community relations teams to prevent this happening again.

Following the engagement, Rio Tinto have adopted a co-management model with local Aboriginal groups as part of mine planning and heritage decision making. They have also created a legacy foundation as part of the remedial agreement for the destruction of the caves and strengthened governance operations around risk management and mine operations.

### **Insight, Secured Finance Fund**

#### **Pepper**

Insight worked with Pepper, who are a significant issuer in the Australian residential property market, to integrate ESG into the loan origination process. There had been no previous consideration of ESG metrics as part of this process. Insight met with the Deputy Head of Treasury at Pepper to encourage the disclosure of ESG metrics and Pepper are now showing potential EPC improvements that can be made to their properties.

Pepper also now include a number of ESG metrics in their annual reports alongside some loan level disclosures. Insight will continue to engage with Pepper to ensure the disclosures remain appropriate and productive for investors.

### **Schroders, Secured Finance (Firm level engagement data provided)**

Schroders have identified human capital management as a priority issue for engagement, recognising several links between high standards of human capital management and a company's ability to address one or more of the UN's Sustainable Development Goals. Schroders encourage companies to consider employee compensation and benefits holistically to ensure the broad financial wellness of the workforce, recognising that basic wage levels are not the sole driver of worker financial wellness. Schroders' desired long-term outcome is to foster a culture where all workers can afford a secure standard of living for their families, in alignment with UN Sustainable Development Goal 8.

Schroders undertook a number of engagements with UK retail holdings to understand their efforts in addressing cost of living issues. Over the first quarter, Schroders engaged with five companies to explore how they are supporting their employees amid the cost of living crisis and continued to expand their engagement to more holdings. For example, Schroders met with the company secretary and HR lead of one of their holdings and outlined expectations for them to improve pension offerings to be above market average or for the executives of the company to have their contributions reduced to be in line with the workforce.

Following initial engagements, Schroders expect to see companies making progress to address the cost-of-living crisis by ensuring they are supporting the lower paid employees through base salary and additional benefits such as pensions. Schroders shared their peer group analysis of pay and benefits with one company and noted that they would consider voting action in the future if they do not see progress made by the company.