

# Engagement Policy Implementation Statement for the Year Ended 31 December 2024

## Fresenius Health Care Group Pension Scheme (“the Scheme”)

### 1. INTRODUCTION

This Engagement Policy Implementation Statement (the Statement) presents the Trustees' assessment of their adherence to their policies regarding engagement and the exercise of rights (including voting rights) attaching to the Scheme's investments throughout the one-year period ending 31 December 2024 (the “Scheme Year”). The Trustees' policies are outlined in their Statement of Investment Principles (SIP). The SIP was last reviewed in March 2025 and a copy is available on request.

This Statement has been prepared in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* and the guidance published by the Department for Work and Pensions.

The Trustees have appointed Mercer Limited (Mercer) as the discretionary investment manager of the Scheme's assets, which are invested in a diverse range of specialised pooled funds (known as the Mercer Funds). The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, Mercer Global Investments Europe Limited (MGIE). MGIE is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for the assets of each Mercer Fund.

The Trustees believe integrating sustainability considerations into the management of the Scheme's assets is likely to create and preserve capital over the longer term. The Trustees further believe that active stewardship of the Scheme's assets, including engagement with issuers of the assets that the Scheme invests in, can enhance the value of these assets. Whilst the Trustees acknowledge that they do not possess direct authority over the sustainability, engagement or voting policies of the Mercer Funds' investment managers, the Trustees base their own policies on those of Mercer, policies that they expect to reflect best practice. Mercer's publicly available [Sustainability Policy](#) outlines Mercer's investment philosophy and how it seeks to address sustainability risks and opportunities when managing the Scheme's assets. Mercer's [Stewardship Policy](#) provides further details on Mercer's implementation of its stewardship practices, including how it engages with the issuers of the assets it invests in to enhance the value of these assets. The Trustees note they are able to influence Mercer's engagement priority areas by participating in Mercer's triennial Client Engagement Survey.

Section 2 of this Statement outlines the Trustees' engagement policy and evaluates the extent to which it has been followed during the Scheme Year.

Section 3 sets out the Trustees' policy regarding the exercising of rights (including voting rights) attached to the Scheme's investments. This Section also provides detailed information on the voting activities undertaken by third-party investment managers appointed within the Mercer Funds during the Scheme Year.

Considering the analysis presented in Sections 2 to 3, the Trustees believe that their policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year.




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

### Policy Summary

The Trustees regularly review Mercer's Stewardship and Sustainability policies as noted above and note change to these policies. If the Trustees consider that the relevant policies of Mercer, MGIE or the third-party asset managers do not align with their own beliefs they will notify Mercer. Engagement to seek alignment will be prioritised, then they may consider disinvesting some or all of the assets held in the Mercer Funds. They may also 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 sustainability integration, including the climate transition and effective stewardship.

 <b>Policy Updates</b>	 <b>Climate Change Reporting and Carbon Foot printing</b>	 <b>Mercer Ratings</b>
<p>The Trustees regularly review how sustainability considerations including the climate transition and effective stewardship are integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers within the Mercer Funds, in their monitoring process. Mercer, and MGIE, provide reporting to the Trustees on a regular basis.</p> <p>The Mercer <a href="#">Sustainability Policy</a> is reviewed regularly, with updates in November 2024 including an update to Mercer's Investment Philosophy. Mercer also regularly reviews its approach to integrating climate considerations into its investment decision-making process as</p>	<p>Mercer's global investment philosophy, which the Trustees have reviewed, recognises that:</p> <ul style="list-style-type: none"> <li>• Portfolio resilience can be enhanced by integrating financially material sustainability, transition, and socioeconomic risks into investment decision-making.</li> <li>• Investing to solve long-term systemic issues may provide opportunities to improve risk-adjusted returns.</li> <li>• Effective stewardship can improve investment outcomes.</li> </ul>	<p>Stewardship forms an important part of Mercer's ratings framework applied during the manager research process.</p> <p>Mercer's manager research ratings include an assessment of the extent to which sustainability considerations are incorporated in a strategy's investment process as well as the manager's approach to stewardship.</p> <p>Across most asset classes, Mercer ratings are reviewed during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually. In</p>

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documented in its [Task Force on Climate Related Financial Disclosures \(TCFD\) report](#), updated in August 2024.

The Mercer [Stewardship Policy](#) is similarly reviewed regularly. In January 2024 the policy was updated to include nature engagement priorities, and climate and diversity, equity and inclusion (DEI) voting expectations.

The Stewardship and Sustainability Policies have also been updated with the integration of nature and biodiversity as a key investment and engagement theme. Mercer is a member of the Task Force for Nature Related Financial Disclosures (TNFD) working group and a founding signatory of Nature Action 100.

The most recent UN Principles of Responsible Investment results (based on 2022 activity) awarded Mercer with 4 out of 5 stars for Policy Governance and Strategy. The United Nations Principles for Responsible Investment (UN PRI) is a global initiative that provides a framework for incorporating sustainability considerations into investment practices.

The Financial Reporting Council confirmed in February 2025 that MGIE will remain a signatory to the UK Stewardship Code, based on its application of the 12 principles, which is seen to represent best practice in stewardship.

Mercer applies each of these three lenses when considering the climate transition. The climate transition is a widely recognised systemic risk and Mercer considers the transition to a low carbon economy and the physical damages associated with global temperature increases through our climate scenarios analysis, analytics for Climate Transition (ACT) framework, which considers the alignment of portfolios to the low carbon transition, and through monitoring other climate-related metrics

Mercer has a target of net-zero absolute portfolio carbon emissions by 2050 for UK, European and Asian discretionary portfolios, and relevant multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer also established an expectation that portfolio carbon emissions intensity would reduce by 45% from 2019 baseline levels and is on track to achieve this. 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), as described in Mercer's latest [Task Force on Climate Related Financial Disclosures Status Report](#).

As of 31 December 2024, Mercer's in-scope portfolios are on track to meet their long-term net zero portfolio carbon emissions reduction targets, with an average of -52% since baseline.

these reviews, Mercer seek evidence of positive momentum on managers' sustainability integration.

These ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees.



## Approach to Exclusions

Mercer and MGIE's preference are to emphasise integration and stewardship approaches, however, in a limited number of instances, exclusions of certain investments may be necessary based on Mercer's Investment Exclusions or Sensitive Topics Frameworks. Controversial weapons and civilian firearms are excluded from all multi-client equity and fixed income funds. In addition, tobacco companies and nuclear weapons are excluded from active equity and fixed income funds. Some funds have additional exclusions as outlined in their relevant product disclosures available on Mercer's [dedicated website](#).

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



## Sustainability-themed investments

An allocation to MGIE's Sustainable Global Equities is included within the Schemes portfolio of Growth assets, with the allocation accounting for c. 8.2% of the Growth Portfolio.



## Diversity

Mercer and the Trustees believe that diverse teams lead to better decision-making and have therefore taken several measures to work towards reflecting this view within Mercer's portfolio management team, the teams of the appointed managers and across portfolio holdings.

Participation in collaborative initiatives can also support raising awareness and contributing to initiatives across the broader industry.

Mercer Limited is a member of The Diversity Project, which seeks to accelerate progress towards a more inclusive culture in the investment and savings profession.

Mercer is also a member of the 30% Club – UK Investor Chapter and Irish Investor Chapter. The 30% Club is a business-led initiative that aims to increase gender diversity on corporate boards and in senior leadership positions.

Mercer considers broader forms of diversity in decision-making but currently reports on gender diversity.



## Engagement

**Engagement is an important aspect of Mercer's stewardship activities on behalf of the Trustees. The 2024 Sustainability & Stewardship Report highlights the engagement objectives which have been set, examples of engagement and the escalation process. Mercer also participates in collaborative initiatives related to stewardship.**

Mercer conducts an annual survey on sustainability and stewardship topics. The survey was distributed to over 200 managers appointed in the Mercer Funds. The survey gathers information on managers' broad approach to stewardship as part of their investment integration. It also seeks insights and examples of voting and engagement activities. The results from the survey serve as an important source of information for tracking and measuring managers' stewardship efforts, assessing effectiveness, and identifying potential areas for improvement.

The results and insights from the survey will be shared in Mercer's annual Sustainability and Stewardship Report. This report is reviewed by the Trustees providing them with valuable information on the managers' stewardship activities and their alignment with Mercer's objectives.

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

The Trustees delegate responsibility for the exercise of rights (including voting rights) attaching to Scheme investments to Mercer and MGIE. MGIE delegates the exercise of voting rights to the third-party investment managers of the Mercer Funds appointed by MGIE. MGIE accepts that these managers are typically best placed to exercise voting rights and prioritise particular engagement topics, given their detailed knowledge of the governance and operations of the investee companies. However, the Trustees expect Mercer and MGIE to play a pivotal role in monitoring the stewardship activities of those managers and promoting more effective stewardship practices, including attention to more strategic themes and topics.

The Trustees expect that the third-party investment managers will exercise all votes in a timely manner and in a manner deemed most likely to protect and enhance long-term value. The Trustees expect Mercer and MGIE to carefully evaluate each investment manager's stewardship capabilities (engagement and voting activities) as part of the selection process. Managers are expected to take account of current best practice such as the UK Stewardship Code, to which Mercer is a signatory. Given the arrangements in place, the Trustees do not use the direct services of a proxy voter.

A summary of the voting activity for a range of Mercer Funds in which the Scheme's assets are invested in is provided for the year ending 31 December 2024. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics are drawn from the Glass Lewis system (via the custodian of the Mercer Funds). Glass Lewis is a leading provider of governance and proxy voting services.

Fund	Total Proposals		Vote Decision					For/Against Mgmt		Meetings	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against	No.	Against
Mercer Multi-Asset Credit Fund <sup>(1)</sup>	60	47	78%	0%	3%	18%	0%	74%	26%	6	17%
Mercer Passive Global Equity CCF	20,216	17,529	76%	11%	0%	13%	0%	82%	18%	1424	71%
Mercer Passive Emerging Markets Equity Fund	22,462	20,951	75%	18%	2%	4%	0%	80%	20%	2648	51%
Mercer Passive Global REITS UCITS CCF	2,983	2,877	77%	19%	0%	3%	0%	78%	22%	313	69%
Mercer Passive Sustainable Global Equity UCITS CCF	16,658	16,127	77%	20%	1%	3%	0%	78%	22%	1132	80%

<sup>(1)</sup> 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

There are a number of limited circumstances where voting rights may not be exercised relating to, for example, conflicts of interest, share-blocking markets, power of attorney (POA) markets etc.

- “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)”
- Vote Decision may not sum to 100 due to rounding. “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).
- “Meetings No.” refers to the number of meetings the managers were eligible to vote at.
- “Meetings Against” refers to the no. of meetings where the managers voted at least once against management, reported as a % of the total eligible meetings.

**Significant Votes:** The Trustees have based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer’s 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), while considering Mercer’s engagement priority themes.

Where available, information on next steps and plans to escalate are included in the following table.

## Most Significant Votes

Fund	Company (Holding Weight)	Meeting Date: Proposal Text (Significance Category)	Manager Vote Decision (Intention to vote against management communicated – Rationale, if available)	Proposal Outcome (Next steps to report, if any)
Mercer Passive Global Equity CCF	Apple Inc (4.0%)	28/2/2024: Shareholder Proposal Regarding Congruency Report on Privacy and Human Rights Policies (Social)	Against (N/A - Apple provides shareholders with sufficient disclosure through its Supplier Code of Conduct and Supplier Responsibility Standards and Transparency Report, among other available	1.6% Support Proposal did not pass. (N/A)

		documents, to assess its management of risks related to its operations in high-risk markets and to have policies and oversight mechanisms in place that seem to address human rights concerns and how the company aligns with its mission to protect human rights raised by the proponent. As such, shareholder support for the proposal is not warranted at this time.)	
Apple Inc (4.0%)	28/2/2024: Shareholder Proposal Regarding Equal Employment Opportunities (EEO) Policy Risk Report (Social)	Against (N/A - The company's EEO policy states Apple's commitment to equal employment opportunity, diversity, and inclusion. Its Business Code of Conduct states that it does not tolerate discrimination or harassment. The company discloses detailed information on its diversity and inclusion initiatives and metrics. The company appears to be providing shareholders with sufficient disclosure to evaluate its diversity and inclusion efforts and non-discrimination policies, and including ideology and viewpoint in EEO policies does not appear to be a standard industry or market practice at this time. As such, shareholder support for this proposal is not warranted.)	1.3% Support Proposal did not pass. (N/A)
Apple Inc (4.0%)	28/2/2024: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report (Social)	For (No - Apple does not publish for its U.S. or global workforce the same gender pay gap statistic as it publishes in the UK. The median pay gap statistic provides benefits such as transparency and comparability across time and organizations and serves as one measure of representation of women and racial and ethnic minorities in senior positions. Because it is expressing a gap, it also carries an implied goal of eliminating the gap. As the company discloses for its U.K. workforce, investors would benefit from a report concerning the median pay gap data for its U.S. or its global workforce as a means of allowing them to better gauge how well the	30.9% Support Proposal did not pass. (Manager will continue to support reasonable shareholder resolutions that request increased disclosure in terms of gender and racial pay equity, particularly if this is a practice already carried out by Apple in one of their jurisdictions.)

			company is advancing opportunities for women globally and racial and ethnic minorities in the U.S. and mitigating risks relating to increasing public scrutiny on gender and racial/ethnic pay equity issues. Therefore, shareholder support for this proposal is warranted.)	
	Microsoft Corporation (4.4%)	10/12/2024: Shareholder Proposal Regarding Report on Risks of Providing AI to Facilitate New Oil and Gas Development and Production (Environmental)	For (No - A vote FOR this proposal is warranted, as shareholders would benefit from additional disclosure related to the potential risks associated with the use of the company's artificial intelligence and machine learning tools for new oil and gas development and production.)	9.7% Support Proposal did not pass. (N/A - Manager engages with Microsoft on the topic of Net Zero, deployment of advanced technology for the fossil fuel industry exposes it to material reputational, competitive, and operational risk. Manager intends to continue to monitor the company's progress on the topic or any potential amendments.)
Mercer Passive Sustainable Global Equity UCITS CCF	Apple Inc (5.5%)	28/2/2024: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report (Social)	For (No - 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.)	30.9% Support Proposal did not pass. (Manager will continue to vote on this issue in line with our published diversity policy.)
	Apple Inc (5.5%)	28/2/2024: Shareholder Proposal Regarding Congruency Report on Privacy and Human Rights Policies (Social)	Against (N/A - A vote AGAINST this proposal is warranted. The company appears to provide shareholders with sufficient disclosure to assess its management of risks related to its operations in high-risk markets and to have policies and oversight mechanisms in place that seem to address human rights concerns raised by the proponent.)	1.6% Support Proposal did not pass. (N/A)
	Apple Inc (5.5%)	28/2/2024: Shareholder Proposal Regarding Equal Employment Opportunities (EEO) Policy Risk Report (Social)	Against (N/A - A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in	1.3% Support Proposal did not pass. (N/A)

		EEO policies does not appear to be a standard industry practice.))	
Microsoft Corporation (7.0%)	10/12/2024: Shareholder Proposal Regarding Report on Risks of Providing AI to Facilitate New Oil and Gas Development and Production (Environmental)	Against (No - A vote AGAINST this resolution is warranted. The concerns by the proposal raised do not present significant material risks at this time. The company provides sufficient disclosure on its approach to providing services to energy sector customers.)	9.7% Support Proposal did not pass. (N/A.)

**Note** – These funds, namely the **Mercer Passive Emerging Markets Equity Fund** and the **Mercer Passive Global REITS UCITS CCF**, do not have any votes deemed to be significant based on our definition of significant votes. Our definition specifically focuses on Mercer's Global Engagement Priority Themes.