Implementation Statement, covering 1 January 2022 to 31 December 2022

The Trustee of the Pearson Pension Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information on the last review of the SIP is provided in Section 1. Information on the implementation of the SIP is provided in Sections 2 to 11.

The Statement is also required to include a description of the voting behaviour during the Plan year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on and uses the same headings as the Plan's SIP (in line with the latest available version at the time of writing, dated 31 May 2022). This Statement should be read in conjunction with the SIP. The latest version of the SIP can be found here https://www.pearson-pensions.com/go/statement-of-investment-principles**.**

1. Introduction

The SIP was reviewed and updated during the Plan year on 31 May 2022 to reflect the introduction of an allocation to Trade Finance for the Final Pay section of the Plan.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed all of the policies in the Plan's SIP during the year.

No changes were made to the voting and engagement policies in the SIP during the Plan year. The Trustee has, in its opinion, followed the Plan's voting and engagement policies during the period.

2. Investment objectives

2.1. Defined Benefit ("Final Pay") Sections

Progress against the long-term funding target was reviewed as part of the quarterly monitoring reports. The Trustee is also able to view the progress on an ongoing basis using an online tool provided by the Scheme Actuary to the Plan, which shows key metrics and information on the Plan.

2.2. Money Purchase and Auto Enrolment Sections (Defined Contribution ("DC") Sections)

As part of the performance and strategy review of the DC default arrangements which began on 10 June 2020 the Trustee considered the DC Section membership demographics, projected pot sizes at retirement and the variety of ways that members may draw their benefits in retirement from the Plan. This review also considered the range of alternative strategies and funds that members may choose from.

Based on the outcome of this analysis, the Trustee concluded that the relevant default strategies remained appropriate to meet the long and short-term investment requirements of the majority of DC and DB AVC members and have been designed to be in members' best interests reflecting the Plan's member demographics.

The drawdown lifecycle is the current default arrangement for both DC Sections and for members who make Additional Voluntary Contributions ("AVCs") and have assets invested in the drawdown lifecycle through the DC sections. For members whose needs may not be met by their section's default arrangement, the Trustee has made available the two additional lifecycles, the cash lifecycle or the annuity lifecycle. The latter targets annuity purchase at retirement. The cash lifecycle remains the default arrangement for members who make AVCs and do not have assets invested in the drawdown lifecycle through the DC sections, and for DB members who make AVCs but have no benefits in the DC sections.

The Trustee also provides members with access to a range of self-select fund investment options covering all major asset classes, which it believes are suitable for this purpose and enable appropriate diversification. These fund options are set out in the Plan's SIP. The Trustee continues to believe the range of funds offered are suitable. The Trustee monitors the take up of these funds and take up has been broadly in line with the market.

The Trustee reviewed the membership demographics, choices, behaviours and trends as part of the last formal strategy review which started on 10 June 2020. The next review of these areas began on 22 March 2023 and remains ongoing at the time of publishing this document.

3. Investment strategy

3.1. Final Pay Sections

Following the update to the SIP in May 2022, the trade finance mandate was funded through disinvestments from the LDI and short-dated credit mandates and a transfer from the trustee bank account. The LDI mandate was later topped-up from proceeds from the short-dated credit mandate.

The Trustee monitors the asset allocation as part of the quarterly monitoring reports, and it is understood that the allocation to each asset class will vary, due to market movements.

3.2. Defined Contribution Sections

The Trustee did not review the DC investment strategy over the Plan year but did consider the impact of high inflation on the different lifecycles. The drawdown lifecycle remained the most appropriate default for DC Section members and members with both DC and DB AVC assets. The cash lifecycle remained appropriate for DB AVC members.

Within the self-select fund range, the Plan's BlackRock sterling liquidity fund was still regarded as a default for governance purposes following the redirection of all property fund contributions due to a suspension of the Threadneedle Pensions Property Fund in May 2020. The redirection of future contributions ceased when the fund reopened in September 2020; however, members had to make a selection to move any contributions redirected over the period of the suspension and there are still a small number of members who still have money in the sterling liquidity fund. Communication with these members is being considered as part of the ongoing triennial investment strategy review.

The Trustee reviewed retirement data as part of the previous strategy review undertaken in 2020 but has not been reviewed over the Plan year.

4. Considerations in setting the investment arrangements

When the Trustee made the allocation to trade finance in the Final Pay Section in May 2022, it had considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

When the Trustee undertook a performance and strategy review of the DC default arrangements in 2020 and 2021, it considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

Following developments in investment markets and a review of recent evidence of the financial materiality of climate-related risks and related discussions, the Trustee has been reviewing its DC Section investment manager mandates to understand the extent to which Environmental, Social and Governance ("ESG") climate factors are incorporated in the funds currently available in the DC Section of the Plan, and where enhancements can be made. The Trustee also conducted climate scenario analysis during the Plan year to understand the key climate-related risks and opportunities faced by the Plan and how these can be managed in the investment strategy. This is being considered further as part of the default investment strategy review in 2023.

5. Implementation of the investment arrangements

The Trustee's trade finance mandate implemented over the Plan year provides a diversified portfolio of trade finance instruments, predominantly sourced from the US, Canada and Europe for the Final Pay sections of the Plan over the period. The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the funds and made sure the investment portfolio within the funds were adequately and appropriately diversified.

Before appointing the manager, the Trustee received information on the investment process and philosophy, the investment team and past performance. The Trustee also considered the managers' approaches to responsible investment and stewardship.

The Trustee invests for the long term, to provide the promised benefits for the Plan's members and dependents. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship[1] activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Plan's investment advisers monitor all the investment managers on an ongoing basis, through regular research meetings. The investment advisers monitor any developments at the managers and informs the Trustee promptly about any significant updates or events they become aware of that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the funds. No significant concerns have been raised in relation to the majority of the Plan's current investment managers over the year other than the fund noted below.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly monitoring reports. Both the Final Pay report and the DC Section report showed the performance of each manager over the quarter, 1 year and 3 years. Performance is considered in the context of the manager's benchmark and objectives. The Trustee also monitors its managers' responsible investment capabilities using scores provided by its investment adviser, on a quarterly basis as part of the standard monitoring reports as well as a more detailed annual review of each manager's ESG and stewardship practices.

During the year to 31 December 2022, most managers struggled given the challenging market conditions over the period, with inflationary pressures and rising interest rates negatively impacting short- and therefore longer-term returns. As a result, most of the Plan's active managers underperformed their targets during the year.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. In the context of the difficult market environment in 2022, the Trustee was comfortable with the majority of its investment manager arrangements over the year. However, the Trustee has concerns regarding the expected future performance of one fund within the diversified growth fund used in the Plan's DC Section and will be reviewing the fund as part of the strategy review. The Trustee is also currently reviewing investment options that incorporate ESG and/or climate-related matters, to determine if they would be suitable for inclusion in the DC Sections of the Plan.

The Trustee undertook a value for members assessment in June 2023 for the Plan year to 31 December 2022 which considered a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against schemes with similar sizes mandates.

During the year the Trustee also carried out an annual assessment of the Final Pay investment managers' fees. Overall, the Trustee believes the investment managers provide reasonable value for money, and the Trustee continues to work with its investment adviser to achieve competitive fees for its investment mandates.

6. Realisation of investments

6.1. Final Pay Sections

The Trustee reviews the Plan's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including a suitable balance between both liquid and illiquid assets.

The Trustee receives income from the Plan's illiquid property, infrastructure investments and buy-in providers, which is retained in the Trustee bank account and used towards paying benefit payments. The Trustee also receives income from the bonds held in the short duration credit portfolio. This is retained as cash within the portfolio, so that it can be used to help meet benefit payments, if required, or reinvested back into the portfolio if not.

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[1] The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

6.2. Defined Contribution Sections

It is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offered during the Plan year are daily priced.

7. Consideration of financially material and non-financial matters

During the Plan year, the Trustee received training on climate-related topics, such as scenario analysis and climate metrics, in order to deepen its understanding of climate change and enhance the Plan's management of climate-related risks and opportunities. The Trustee also received training on the climate approaches of its managers. This was in line with the Trustee's regulatory obligations in preparation for its first Taskforce for Climate-related Financial Disclosures (TCFD) report.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In March 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the Plan's existing managers and funds, along with LCP's qualitative RI assessments for each fund, and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. Fund scores and assessments are based on LCP's ongoing manager research programme, while manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The Trustee was satisfied with its reviews of the RI scores and no further action was taken.

The DC section includes an equity investment option as a choice for members who wish to invest in a fund focused on ESG risks. At this time, the Trustee does not believe there are any ESG-focused investment options available that meet its needs in any asset classes other than equity but will keep this under review. The Trustee also continues to review investment options that incorporate ESG and/or climate-related matters, to determine if they would be suitable for inclusion in the DC Sections of the Plan.

The Trustee does not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The investment managers' stewardship policies are:

- BlackRock: BlackRock Investment Stewardship
- Baillie Gifford: Our Stewardship Approach: ESG Principles and Guidelines (bailliegifford.com)
- Schroders: Voting - Schroders global - Schroders
- Newton: Responsible investment policies and principles (newtonim.com)
- MFS: Responsible Investing Policy Statement (mfs.com)
- Columbia Threadneedle: Responsible Investment - Engagement policy and approach.pdf (columbiathreadneedle.com)
- Jupiter: Jupiter Stewardship Policy

However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q4 2022 meeting, the Trustee received training on, discussed and agreed stewardship priorities for the Plan which were Climate change and

Corporate Transparency. These priorities were selected because managers have well-developed climate change policies and data on corporate transparency, allowing the Trustee to better assess managers' practices and ensure they are aligned with the Trustee's expectations.

The Trustee communicated these priorities to its managers in January 2023. The Plan's managers acknowledged the Trustee's priorities and its expectations of the managers and shared relevant information on their approaches to stewardship. The Trustee will include information in line with the newly agreed process from next year's statement.

The Trustee regularly invites the Plan's investment managers to present at Trustee meetings, where the Trustee and its consultants seek to engage and challenge the managers where appropriate. For example, in June 2022 the Trustee met with Newton to discuss the Newton Real Return Fund.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

The Trustee has set out in Appendix 1 of the SIP the division of responsibilities and decision making in connection with the Plan's investments. The Trustee remains ultimately responsible for the Plan's investments, but it has delegated oversight of the Plan's investment to the Investment Committee.

As mentioned in Section 5 of this Statement, the Trustee assessed the performance of the Plan's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for its investment adviser and reviews the adviser's performance against these objectives on a regular basis, with the last review being carried out in November 2022.

The Trustee carries out an annual evaluation of how its board and committees are run. In 2022, the Trustee was satisfied with the results of this evaluation, and the Trustee believes it is well placed to fulfil its role as Trustee to the Plan.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustee maintains a risk register, and this was discussed at the October 2022 Audit and Risk Committee ("ARC") meeting and at the Trustee board meeting immediately following this ARC meeting.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Plan's investment adviser or information provided to the Trustee by the Plan's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

The Plan has buy-ins with two providers, which are collateralised in order to provide extra security. The Trustee has reviewed the collateral adequacy of its buy-in providers on a monthly basis over the year and was satisfied that were no issues over the year.

With regard to the risk of having insufficient assets in the Final Pay Sections to cover liabilities, the required return for the Plan to meet expected benefit payments on the Long-Term Funding Target basis was monitored as part of the quarterly monitoring reports, along with the best estimate expected return of the Plan's current investment strategy.

With regard to mismatching risk, the Plan's interest and inflation hedging levels were monitored on an ongoing basis in the quarterly monitoring report and periodically rebalanced.

With regard to the risk of not meeting members' reasonable expectations in terms of pension proceeds on retirement for the DC Sections, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviewed the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. During the year, the Trustee was in the process of reviewing this as part of the last triennial valuation at the 1 January 2021 Valuation. The Trustee also informally monitored the funding position more regularly, on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Plan's SIP, which sets out details of the Plan's investment managers and their investment guidelines. During the period covered by this Statement, the Trustee updated this section to take into account changes to the DC investment managers, and to better reflect the Trustee's arrangements with its existing managers.

12. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year. However, the Trustee monitors managers' voting and engagement behaviour on a regular basis and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data on the Plan's funds, in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance. In order to take a pragmatic approach, we have only included funds that hold a significant proportion of their assets in equities and that represent a significant proportion of the overall DC assets. Therefore, we have only included funds used in the DC default strategy given the high proportion of DC assets invested in these funds:

- BlackRock World Equity Index Fund;
- BlackRock Fundamental Equity Index Fund;
- BlackRock Minimum Volatility Index Fund;
- BlackRock World Emerging Markets Equity Index Fund;
- Baillie Gifford Multi Asset Growth Fund;
- Schroders Sustainable Future Multi Asset Fund; and
- Newton Real Return Fund.

If Plan members require any further information on voting behaviour for a fund not set out in the Implementation Statement, they can send a message via the 'Contact Us' page of the Plan website (https://www.pearson-pensions.com/contact-us/) and the pensions team will supply any further information, to the extent available.

In addition to the above, the Trustee contacted the Plan's Final Pay Section investment managers that do not hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. The Trustee also contacted the Plan's buy-in providers, to ask if any of the assets held to back members' insured liabilities had any voting rights over the period. These managers and annuity providers all confirmed that none of the assets in question had material voting opportunities over the period that were not simply votes on fund terms.

12.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee reviewed these policies, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustee's views

BlackRock

BlackRock's approach to corporate governance and stewardship is explained in its Global Principles document (available on its website) which describes its philosophy on stewardship, its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest.

The BlackRock Investment Stewardship team and its voting and engagement work continuously evolve in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure BlackRock takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. Its engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in its Global Principles, BlackRock determines which companies to engage directly with, based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. It applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock does not support impediments to the exercise of voting rights and will engage regulators and companies about the need to remedy the constraint. Whilst BlackRock does subscribe to research from proxy advisory firms, ISS and Glass Lewis, this is just one among many inputs into its voting decision process. Other sources of information BlackRock uses include the company's own reporting, its engagement and voting history with the company, the views of its active investors, public information and ESG research.

Baillie Gifford

All Baillie Gifford's voting decisions are made by its Governance & Sustainability team in conjunction with investment managers. Thoughtful voting of Baillie Gifford's clients' holdings is an integral part of its commitment to stewardship. Baillie Gifford believes that voting should be investment led, because how it votes is an important part of the long-term investment process, which is why its strong preference is to be given this responsibility by its clients. Unlike many of its peers, Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. It utilises research from proxy advisers for information only, including their specialist proxy advisers in the Chinese and Indian markets to provide it with more nuanced market specific information. Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

Schroders

Schroders evaluates voting resolutions arising at investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities and in what Schroders deems to be the interests of their clients. The Corporate Governance specialists assess each proposal, applying Schroders voting policy and guidelines (as outlined in the ESG Policy) to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Schroders own research is also integral to the process; this is conducted by both financial and Sustainable Investment analysts.

Schroders are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance they may choose to vote against individuals on the board. However, as active fund managers Schroders usually look to support the management of the companies that they invest in. Where they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

Newton

Newton has established overarching stewardship principles which guide its ultimate voting decision, based on guidance established by internationally recognized governance principles and other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting Newton's investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. In general, voting decisions are taken consistently across all Newton's clients that are invested in the same underlying company. This is in line with Newton's investment process that focuses on the long-term success of the investee company. Further, it is Newton's intention to exercise voting rights in all circumstances where it retains voting authority. Overall, Newton prefers to retain discretion in relation to exercising its clients' voting rights and has established policies and procedures to ensure the exercise of global voting rights.

Where Newton plans to vote against management on an issue, it often engages with the company in order to provide an opportunity for its concerns to be allayed. It does alert a company regarding an action it has taken at their annual general meeting to explain its thought process and often communicates further with the company's board/investor relations teams to gain a better understanding of the situation. The Responsible Investment team reviews all resolutions for matters of concern. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, Newton may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

All voting decisions are made by Newton. Newton uses ISS to administer proxy voting as well as its research reports on individual company meetings. ISS's recommendations will only take precedence in the event of a material potential conflict of interest, which could include registering an abstention, despite Newton's general stance of either voting in favour or against proposed resolutions.

12.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	Baillie Gifford	Schroder Life	Newton
Fund name	World Equity Index Fund	Fundamental Equity Index Fund	Minimum Volatility Index Fund	Emerging Markets Equity Index Fund	Multi Asset Growth Fund	Sustainable Future Multi-Asset Fund	Real Return Fund
Total size of fund at end of reporting period	£3,354m	£793m	£644m	£8,835m	£1,173m	£804m	£3,948m
Value of Plan assets at end of reporting period[1]	£133.7m	£133.7m	£133.7m	£30.2m	£26.3m	£26.3m	£26.3m
Number of equity holdings at end of reporting period	1,511	2,988	329	1,367	41	553	66
Number of meetings eligible to vote	934	3,383	340	3,830	89	678	75
Number of resolutions eligible to vote	14,200	41,988	4,961	32,753	933	8,467	1,270
% of resolutions voted	87.4	92.5	96.2	97.3	95.6	93.8	100
Of the resolutions on which voted, % voted with management[2,5]	93.9	93.9	94.4	88.0	97.8	89.6	89.1
Of the resolutions on which voted, % voted against management[2,5]	6.1	6.1	5.6	12.0	3.5	9.8	10.9
Of the resolutions on which voted, %	0.9	1.5	0.4	4.2	1.2	0.6	0.0

abstained from voting[2,5]							
Of the meetings in which the manager voted, % with at least one vote against management	29.4	28.9	31.5	41.0	18.8	53.4	45.0
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0.4[3]	0.3[3]	0.2[3]	0.6[3]	N/A[4]	2.5	7.1

[1] Asset values include the Plan's DC and AVC assets.

[2] Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

[3] BlackRock does not follow any single proxy research firm's voting recommendations, though it subscribes to two research firms. BlackRock's voting and engagement analysis is determined by several key inputs including a company's own disclosures, and BlackRock's record of past engagements.

[4] Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on Baillie Gifford's clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies.

[5] These figures may not sum to 100% due to rounding.

12.3 Most significant votes over the year

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has, with support from its advisers, retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

Commentary on the most significant votes over the period, from the Plan's asset managers who hold listed equities, is set out below. We have interpreted "most significant votes" to mean those that:

- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support; or
- the Plan or the sponsoring company has a particular interest in.

The Trustee has reported on one of these significant votes per fund only as the most significant votes. If members wish to obtain more information on significant votes, this is available upon request.

BlackRock World Equity Index Fund

Rio Tinto Group, April / May 2022
Summary of resolution: Approve climate action plan
Vote cast: For
Outcome of the vote: Pass
Management recommendation: For
Size of mandate's holding at voting date: 0.14% (London Stock Exchange) / 0.06% (Australian Stock Exchange)
The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's climate change stewardship priority.
Rationale for the voting decision: The Rio Tinto Group engages in the exploration, mining, and processing of minerals globally. BlackRock voted for the management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan, which is described in their report "Our Approach to Climate Change 2021." The Group's climate action plan, targets, and disclosures are consistent with what BlackRock looks for and which BlackRock believes demonstrate management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of its clients as long-term shareholders to support the proposal to approve the Climate Action Plan. The Plan articulates the steps the Group will take in alignment with their commitment to net zero by 2050, which includes setting more ambitious interim targets and clear board oversight. It acknowledges the physical and transition risks that climate change poses across the group's portfolio, in particular as it relates to their fossil-fuel-based steel and aluminium production activities. Whilst acknowledging that the carbon efficiency of the steelmaking process is partly outside of the Group's control, Rio Tinto has articulated a plan that relies on the development of innovative new technologies and partnerships to address the scope 3 emissions resulting from the processing by their clients of the iron ore that the Group produces.
Outcome and next steps: BlackRock is encouraged by the actions the Group has taken to date and its improving transparency in this regard. BlackRock will continue to engage to further assess progress, especially in relation to the Group's strategy of "combining investments in commodities that enable the energy transition with actions to decarbonise its operations and value chains."

BlackRock Fundamental Equity Index Fund

ExxonMobil, May 2022
Summary of resolution: Set greenhouse gas (GHG) emissions reduction targets consistent with Paris Agreement goal
Vote cast: Against
Outcome of the vote: Fail
Management recommendation: Against
Size of mandate's holding at voting date: 1.40%
The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's climate change stewardship priority.
Rationale for the voting decision: ExxonMobil Corporation (Exxon) is a multinational oil and gas corporation headquartered in Texas. BlackRock did not support this shareholder proposal in recognition of the steps the company has taken in the past year on setting scope 1 and 2 GHG emissions reduction targets. BlackRock also acknowledges the current complexities surrounding scope 3 emissions reduction targets for the oil and gas industry in particular. The shareholder proposal requested that the company "set and publish medium-and long-term targets to reduce the GHG of the Company's operations and energy products (Scope 1, 2, and 3) consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C." Exxon currently has an ambition to achieve scope 1 and 2 net zero GHG emissions from all operated assets by 2050 and to reach scope 1 and 2 net zero emissions in the Upstream Permian Basin by 2030. Exxon has also made notable improvements on its medium-term target setting since the 2021 AGM. The company has not set scope 3 emissions reduction targets; however, BlackRock recognises that the issue of scope 3 emissions targets is complex, particularly for the oil and gas industry, given the methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies. Therefore, BlackRock considered the proposal to be overly prescriptive and not in the long-term economic interests of its clients.
Outcome and next steps: In BlackRock's engagements over the past twelve months, it has discussed Exxon's efforts toward their net zero goals. BlackRock look forward to continuing to engage with the company on scope 3 emissions and learning about the avenues for consistent frameworks across the oil and gas industry

BlackRock Minimum Volatility Index Fund

McDonalds, May 2022
Summary of resolution: Issue transparency report on global public policy and political influence
Vote cast: Against
Outcome of the vote: Fail
Management recommendation: Against
Size of mandate's holding at voting date: 0.86%
The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's corporate transparency stewardship priority.
Rationale for the voting decision: McDonald's Corporation engages in the operation and franchising of restaurants. The proposal asks McDonald's to issue a report annually on "global public policy and political influence, disclosing company expenditures and activities outside of the United States." BlackRock did not support this proposal because, in its assessment, McDonald's disclosure regarding their political spending and lobbying activities provides sufficient information. For example, currently McDonald's oversight system for corporate political activities is outlined in their Political Contribution Policy which helps ensure that their limited political contributions outside the U.S. comply with applicable law and are in the best, long-term interests of the company and shareholders. McDonald's also publishes a list on their website of trade associations of which they are a member.
Outcome and next steps: BlackRock regularly engages with companies to understand how they use corporate political activities to support policy matters material to their long-term strategy and shareholder value. As part of this, BlackRock looks at companies' publicly available disclosures to understand how lobbying and political contributions support their stated policy positions.

BlackRock World Emerging Markets Equity Index Fund

Grupo Financiero Banorte, April 2022
Summary of resolution: Election of board members as proposed by the Nominating Committee
Vote cast: For
Outcome of the vote: Pass
Management recommendation: For
Size of mandate's holding at voting date: 0.27%
The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's corporate transparency stewardship priority.
Rationale for the voting decision: Grupo Financiero Banorte, S.A.B. de C.V. ("Banorte") is a Mexican financial institution that offers universal banking services and other financial products. BlackRock supported all 14 directors up for election given that the company provided robust and timely disclosures, articulating how the proposed board is well positioned to oversee the company's strategic aims over the long-term. In line with BlackRock's views of governance best practices and following BlackRock's multi-year engagement with the Company, Banorte published their annual report and financial statements for 2021 30 days prior to the 2022 AGM, describing the company's overall strategy and progress achieved during the reporting period. Available both in Spanish and English, the company's report also includes an explanation of the structure of the board, as well as details on the board members' independence, diversity, tenure, and attendance rates for 2021. Moreover, the company reported they underwent a rigorous assessment, with the assistance of a third-party, to measure the effectiveness of the board and to identify areas of improvement for 2022. Notably, the company also holds annual, individual director elections, compared to other companies in the Mexican market that hold biannual or triannual, grouped (or slate) elections. In BlackRock's view, this governance best practice allows shareholders to annually assess the suitability and performance of each director. This also promotes better understanding of how the overall composition of the board supports management in driving the company's strategy and long-term value creation for all investors, including minority investors such as BlackRock's clients.
Outcome and next steps: BlackRock will continue engaging with Banorte to monitor progress on their annual board refreshment process, especially as the company seeks to enhance diversity in the coming years. While BlackRock supported the election of all 14 directors – including one director that identifies as a woman – BlackRock believes boards should aspire to 30% diversity of membership and encourage companies to have at least two directors on their board who identify as female and at least one who identifies as a member of an underrepresented group.

Baillie Gifford Multi Asset Growth Fund

Greggs plc, May 2022
Summary of resolution: Remuneration report
Vote cast: Against
Outcome of the vote: Pass
Management recommendation: For
Size of mandate's holding at voting date: 0.25%

The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's corporate transparency stewardship priority.
Rationale for the voting decision: Baillie Gifford voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.
Was the vote communicated to the company ahead of the vote: No
Outcome and next steps: Following the vote, Baillie Gifford reached out to the Company to provide reasons for their opposition on the remuneration report and asked for clarification on pay setting for the CEO. The Company acknowledged Baillie Gifford's feedback on pensions and pay increases for one executive and explained how the new CEO's salary was set.

Schroder Life Sustainable Future Multi-Asset Fund

3M Company, May 2022
Summary of resolution: Report on Environmental Costs and Impact on Diversified Shareholders
Vote: For
Outcome of the vote: Fail
Management recommendation: Against
Size of mandate's holding at voting date: 0.14%
The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's climate change stewardship priority.
Rationale for the voting decision: The shareholder proposal requested the company to set and publish quantitative net zero emissions reductions targets that are aligned with the 1.5 degrees temperature goal. Schroders is keen to see the company develop its short-, medium- and long-term targets relating to emissions reductions including scope 3, and is concerned about the risks associated with delayed action on climate change. Schroders therefore supported the resolution.
Was the vote communicated to the company ahead of the vote: Schroders may tell the company of its intention to vote against the recommendations of the board before voting, in particular if Schroders is a large shareholder or if it has an active engagement on the issue. Schroders always inform companies after voting against any of the board's recommendations.
Outcome and next steps: Schroders monitors voting outcomes particularly if it is a large shareholder or if it has an active engagement on the issue. If Schroders thinks that the company is not sufficiently responsive to a vote or its other engagement work, Schroders may escalate its concerns by starting, continuing or intensifying an engagement. As part of this activity, Schroders may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.

Newton Real Return Fund

Microsoft Corporation, December 2022
Resolution: Ratify auditors
Vote cast: Against
Outcome of the vote: Pass
Management recommendation: For
Size of mandate's holding at voting date: 1.03%
The reason the Trustee consider this vote to "most significant": The resolution relates to the Trustee's corporate transparency stewardship priority.
Rationale for the voting decision:
Newton voted against ratifying the auditors of Microsoft given that the same auditors have been in place for 39 years. Newton believes the long tenure raises concerns around the auditor's independence and effectiveness.
Was the vote communicated to the company ahead of the vote: No
Outcome and next steps: The vote outcome (4.6% against) implies that a few investors share Newton's concern around auditor independence and effectiveness. Newton expects greater shareholder opposition in the future to such issues as audit quality rises up the agenda for investors. Newton will continue to exercise its voting right to encourage auditor rotation.