THE PEARSON PENSION PLAN
IMPLEMENTATION STATEMENT

Implementation Statement, covering 1 January 2023 to 31 December 2023

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 September 2023, the previous SIP dated March 2023 and the SIP dated 31 May 2022). This Statement should be read in conjunction with the SIP. The latest version of the SIP and IPID can be found here and here.

1. Introduction

The SIP was reviewed and updated during the Plan year in March and September 2023 to present a more concise format, with optional content (such as which managers are used) moved to a separate Investment Policy Implementation Document ("IPID").

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 and IPID 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.

The SIP and IPID are in the process of being reviewed post Plan year end to reflect the Trustee's policy on illiquid assets and scheduled changes in managers.

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)

During the Plan year, the Trustee conducted the formal triennial strategy review of the Plan, beginning on 8 March 2023. 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 which has been broadly in line with the market. The Trustee decided in the recent review to add the HSBC Islamic Global Equity Fund to the self-select range and is currently in the process of implementing this decision.

3. Investment strategy

3.1. Final Pay Sections

The Trustee has not made any changes to DB investment strategy over the Plan Year. 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. The Trustee makes sure the Scheme's assets are adequately and appropriately diversified between different asset classes.

3.2. Defined Contribution Sections

The Trustee, with the help of its advisers, reviewed the DC investment strategy during the Plan year. The Trustee concluded that 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 Columbia 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 is still a small number of members who have money in the sterling liquidity fund. Communication with these members was recommended to the Trustee as part of the ongoing triennial investment strategy review.

As part of this review, the Trustee made sure the Plan's default arrangements were adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

4. Considerations in setting the investment arrangements

The Trustee last formally reviewed its investment beliefs in the Final Pay Section in May 2022, when the Trustee made the allocation to trade finance within the DB Section. At the time it had considered the investment risks set out in Part 2 of the IPID. 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 during the Plan year, it considered the investment risks set out in Part 2 of the IPID. 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. The review concluded that the Annuity Targeting Fund should replace the Blended Index-Linked Gilt Fund within the Drawdown Lifecycle to better reflect the fact that members have the ability to purchase an annuity via the In Plan pension option at retirement, and that a cash allocation should be included in the last three years before the target retirement date to help to reduce volatility.

4. Considerations in setting the investment arrangements (continued)

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 previous 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. The outcome of this review was considered in the investment strategy review in 2023, and it was concluded that an allocation to low carbon equities should be considered as part of the Blended Global Equity Fund within the default arrangements. Implementation routes are being investigated further.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed annually. The Trustee's policy on risks is set out further in section 10.

The Plan's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the Plan year the Plan's hedging levels were broadly in line with the target levels.

With regard to collateral adequacy risk, the Trustee holds investments in the Legal and General Investment Management Sterling Liquidity Fund alongside the Liability Driven Investments ("LDI") portfolio, to be used should the LDI manager require cash to be posted for a deleverage event. The Trustee aims to hold sufficient value to cover the deleverage event of the LDI portfolio in these liquid assets. As at the Plan year end, the Plan held more than enough liquid assets to meet the next capital call on the LDI funds. Note the LDI portfolio utilises minimal / no leverage.

Together, the investment and non-investment risks give rise generally to funding risk. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings, and the Trustee has the ability to monitor this daily on LCP Visualise.

The quarterly report reviewed during the year showed that the majority of DC managers have produced performance broadly in line with expectations over the long-term. However, due to the adverse market conditions for fixed income in 2022, some of the longer-term performance was lower than usually expected in this time frame. The Trustee discussed some concern regarding the expected future performance of two of the diversified growth funds used in the Diversified Multi-Asset Fund. These funds will continue to be monitored.

5. Implementation of the investment arrangements

The Trustee has not made any changes to its manager arrangements for the Final Pay and DC Sections over the Plan year.

The Trustee invests for the long term, to provide the pension 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 stewardship1 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 those funds 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 2023, performance improved substantially from the previous Plan year given the challenging market conditions over 2022.Inflationary pressures and rising interest rates continued to negatively impact longer-term returns, but returns over the year to 31 December 2023 were all positive. As a result of continued high inflation, 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 improved market environment in 2023, the Trustee remains comfortable with the majority of its investment manager arrangements over the year. However, the Trustee has concerns regarding the expected future performance of two of the diversified growth funds used in the Plan's DC Section. All funds were reviewed as part of the investment strategy review and it was agreed that the performance of these two funds will be monitored closely in future to ensure they continue to fulfil the Plan's investment objectives.

The Trustee also reviewed 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 concluded that an allocation to low-carbon equities would be suitable for inclusion in the Blended Global Equity Fund. Implementation routes are being considered.

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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.

5. Implementation of the investment arrangements (continued)

The Trustee undertook a value for members assessment on 20 June 2024 for the Plan year to 31 December 2023 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 sized 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 while 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.

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.

The Trustee is currently reviewing its policy on investing in illiquid assets as part of the ongoing SIP review.

7. Consideration of financially material and non-financial matters

During the Plan year, the Investment Committee received training on illiquid assets and Shariah-compliant funds, to broaden the Committee's understanding of alternative asset classes for inclusion in the fund range. The Trustee also had a recap on climate in the broader equity universe to aid fund selection of the low-carbon equity fund to be added within the default; however, no formal training on climate was undertaken in the Plan year.

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, whilst manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The scores given to managers within the Plan are included in the quarterly performance monitoring reports. The Trustee was satisfied with its reviews of the RI scores and no further action was taken. The managers are in the process of completing the 2024 LCP Responsible Investment Survey and any actions necessary based on the results will be undertaken.

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 and is in the process of seeking a low-carbon equity fund for inclusion in the default in the next Plan year.

Within the Plan's DC assets, the Trustee recognises that some members may wish for specific non-financial matters to be taken into account in their investments and therefore it is in the process of making available a Shariah-compliant equity index fund.

The Trustee does not consider any non-financial matters (i.e., 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. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers as detailed further below.
The investment managers' stewardship policies are:

- BlackRock: Investment Stewardship | BlackRock
- Baillie Gifford: Our Stewardship Approach: ESG Principles and Guidelines (bailliegifford.com)
- Schroders: How we vote at Schroders| Schroders global
- Newton: Sustainable & Responsible Investing | Newton (newtonim.com)
- MFS: Responsible Investing Policy Statement (mfs.com)
- Columbia Threadneedle: Responsible Investment - Engagement policy and approach.pdf (columbiathreadneedle.com)
- Jupiter: Jupiter Stewardship Policy

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 at the beginning of the Plan year in January 2023 and these did not change throughout the Plan year. The Plan's managers acknowledged the Trustee's priorities and its expectations of the managers and shared relevant information on their approaches to stewardship. As a result, the Trustee has now looked to understand and report on voting decisions made by managers which align with the Trustee's stewardship priorities.

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.

8. Voting and engagement (continued)

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 October 2023 the Trustee met with Legal and General Investment Management to discuss the LDI portfolio.

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. As such, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Investment governance, responsibilities, decision-making and fees (Part 1 of the IPID)

The Trustee has set out in Part 1 of the IPID 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 October 2023.

The Trustee carries out an annual evaluation of how its board and committees are run. In 2023, the survey was carried out successfully, and the Trustee believes it is well placed to fulfil its role as Trustee to the Plan.

10. Policy towards risk (Part 2 of the IPID)

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 November 2023 Audit and Risk Committee ("ARC") meeting and was approved in the November 2023 Trustee papers.

The Trustee's policy for some risks, given their nature, is to understand them and to address them should it become 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 quarterly basis over the year and was satisfied that were no issues over the year.

10. Policy towards risk (Part 2 of the IPID) (continued)

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 Part 2 of the IPID 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. The Trustee reviewed this as part of the last triennial valuation at the 1 January 2021 Valuation. The Trustee also informally monitors 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 (Part 3 of the IPID)

There are no specific policies in this section of the Plan's IPID, which sets out details of the Plan's investment managers and their investment guidelines. In 2023, the Trustee updated this section to detail the underlying allocation of the Drawdown Lifecycle for all periods to retirement.

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. They also produce an Investment Stewardship Summary every year.

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, Institutional Shareholder Services ("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.

12.1 Description of the voting processes (continued)

Baillie Gifford

All of Baillie Gifford's voting decisions are made by its ESG 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, votes 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. 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 recognised 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.

12.1 Description of the voting processes (continued)

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, £m	3,404.2	757.5	454.9	3,344.7	755.8	424.9	3,020.9
Value of Plan assets at end of reporting period[1], £m	141.1	141.1	141.1	31.9	30.4	30.4	30.4
Number of equity holdings at end of reporting period	1,461	2,985	336	1,750	50	723	70
Number of meetings eligible to vote	967	3,593	334	3,763	50	759	71
Number of resolutions eligible to vote	14,713	43,420	4,954	29,932	528	9286	1,139
% of resolutions voted	97	94	97	97	92	94	99
Of the resolutions on which voted, % voted with management[2]	94	94	96	87	97	89	92
Of the resolutions on which voted, % voted against management[2]	5	5	3	12	2	11	8
Of the resolutions on which voted, % abstained from voting[2]	0	1	0	2	0	1	0
Of the meetings in which the manager voted, % with at least one vote against management	32	27	23	42	16	53	34
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0[3]	0[3]	0[3]	0[3]	N/A[4]	8	5

[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.

12.2 Summary of voting behaviour over the year (continued)

[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.

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.

12.3 Most significant votes over the year (continued)

BlackRock World Equity Index Fund

Restaurant Brands International ("RBI"), May 2023
Summary of resolution: Shareholder Proposal to Report on the Company's Business Strategy in the Face of Labour Market Pressure
Outcome of the vote: Fail
Management recommendation: Against
Fund Manager Vote: Against
Size of mandate's holding at voting date: 0.04%
The reason the Trustee considers this vote to be "most significant": The vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Corporate Transparency
Was vote decision communicated ahead of vote: No

Rationale for the voting decision: BlackRock acknowledges that quantitative franchise-wide reporting on workforce-related issues is not common practice among franchisors due to the differences in legal liabilities between franchisors and franchisees on labour and employment matters. They also acknowledge the challenges for RBI of building partnerships with franchisees in order to collect the requested indicators and information, given that nearly all of the company's restaurants are operated by franchisees. When considering its vote, BlackRock recognised the complexities in fulfilling this resulting from nearly all of RBI's restaurants operating under a franchise model, as well as considering that RBI indicated that they are committed to improving disclosures in the near term. Accordingly, they did not support the shareholder proposal.
Outcome and next steps: BlackRock show understanding that the regulatory context continues to evolve in the U.S.; nevertheless, it recognises the industry is evolving towards more robust disclosures on material labour-related risks and will be monitoring the company's progress in keeping up with best practices. Therefore, BlackRock determined it would be more constructive to continue to monitor company progress on this issue than to vote for these reporting measures.

BlackRock Minimum Volatility Index Fund

YUM! Brands, Inc., May 2023
Summary of resolution: Shareholder Proposal Regarding Issuance of a Report on Efforts to Reduce Plastics Use
Outcome of the vote: Fail
Management recommendation: Against
Fund Manager Vote: Against
Size of mandate's holding at voting date: 0.08%
The reason the Trustee considers this vote to be "most significant": The vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Climate Change
Was vote decision communicated ahead of vote: No

12.3 Most significant votes over the year (continued)

Rationale for the voting decision: This shareholder proposal requested that Yum!'s board issue a report "describing how the Company will reduce its plastics use by shifting away from single-use packaging" in response to recent regulatory trends which have levied taxes on and/or banned the use of single-use plastic products. The proposal further clarified that such a report should explicitly "evaluate dramatically reducing the amount of plastic" used in the company's packaging. BlackRock did not support this proposal, as it believes Yum!'s existing disclosures on plastics use – particularly their new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks of plastics use. BlackRock has engaged with Yum! to understand the board's oversight of, and management's approach to, climate-related risks and opportunities in the context of the franchised business model and their markets of operation. BlackRock stated that it is unlikely to support shareholder proposals that are intended to "micromanage" companies, which they felt applied to this proposal.
Outcome and next steps: The outcome for the vote was a fail, which corresponded with BlackRock's vote. BlackRock clarified that where company reporting and disclosure is inadequate, or where it believes the approach taken may be inconsistent with durable, long-term value creation, it will vote in a manner that signals their concerns.

BlackRock Fundamental Equity Index Fund

Shell plc., May 2023
Summary of resolution: Request Shell to align existing reduction targets and greenhouse gas emissions with the Paris Agreement
Outcome of the vote: Fail
Management recommendation: Against
Fund Manager Vote: Against
Size of mandate's holding at voting date: 0.95%
The reason the Trustee considers this vote to be "most significant": The vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Climate Change
Was vote decision communicated ahead of vote: No

Rationale for the voting decision: Currently, Shell has set a target to reduce the net carbon intensity of their energy products by 20% by 2030 compared to 2016. They have also developed and disclosed their approach to demonstrate how their targets are aligned with the goals of the Paris 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. Therefore, BlackRock did not consider it in the financial interests of its clients to support this shareholder proposal. In BlackRock's assessment of Shell's Energy Transition Strategy, the company is addressing the risks and opportunities in its business model stemming from a low carbon transition and has demonstrated that it is delivering against its stated plan.
Outcome and next steps: The outcome of this vote failed, which BlackRock believes avoids the possibility of prescriptive and undue constraints on management's decision making. Adhering to the proponent's ask would have required Shell to reduce product sales or alter its business composition, which would have impacted the company's financial strength.

12.3 Most significant votes over the year (continued)

BlackRock World Emerging Markets Equity Index Fund

Banco de Chile SA, March 2023
Summary of resolution: Elect Andrónico Luksic Craig as Director & Elect Francisco Pérez Mackenna as Director
Outcome of the vote: Pass
Management recommendation: For
Fund Manager Vote: Against
Size of mandate's holding at voting date: 0.06%
The reason the Trustee considers this vote to be "most significant": The vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Corporate Transparency
Was vote decision communicated ahead of vote: BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting**.**

Rationale for the voting decision: BlackRock voted not to support the election of two directors because it was concerned that their service on an excess number of outside public boards could limit their ability to fulfil their oversight duties at Banco de Chile. They already serve on seven and eight public company boards, respectively. BlackRock's concern is that when directors serve on too many boards, they may not have capacity to fulfil their duties on each, particularly in times of crisis.
Outcome and next steps: Contrary to BlackRock's vote, this resolution was passed. This means that there are possible conflicts or limitations of the two board members who have other commitments. BlackRock will continue to monitor Banco de Chile's steps to enhancing their corporate governance structures, including board quality and director commitments.

Baillie Gifford Multi Asset Growth Fund

NEXTERA ENERGY, INC., May 2023
Summary of resolution: Provision of a board diversity and qualifications matrix
Outcome of the vote: Fail
Management recommendation: Against
Fund Manager Vote: For
Size of mandate's holding at voting date: 0.07%
The reason the Trustee considers this vote to be "most significant": This resolution is significant because it was submitted by shareholders and received greater than 20% support, and the vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Corporate Transparency

Was vote decision communicated ahead of vote: No

12.3 Most significant votes over the year (continued)

Rationale for the voting decision: Baillie Gifford supported a shareholder resolution requesting a board diversity and qualifications matrix because it believed that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications.
Outcome and next steps: Baillie Gifford has communicated its concerns to the company and it will be monitoring the development of corporate governance structures.

Schroder Life Sustainable Future Multi-Asset Fund

Alphabet
Summary of resolution: Report on Framework to Assess Company Lobbying Alignment with Climate Goals
Outcome of the vote: Fail
Management recommendation: Against
Fund Manager Vote: For
Size of mandate's holding at voting date: 0.9%
The reason the Trustee considers this vote to be "most significant": This resolution is significant as the vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Climate Change
Was vote decision communicated ahead of vote: Schroders may tell the company of its intention to vote against the recommendations of the board before voting, in particular if they are large shareholders or if we have an active engagement on the issue.

Rationale for the voting decision: Shareholders would benefit from additional disclosure on how the company's lobbying activities align to its climate goals and how it addresses any misalignment with its trade associations and other indirect lobbying activities.
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, it may escalate 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.

12.3 Most significant votes over the year (continued)

Newton Real Return Fund

Lockheed Martin Corporation, April 2023
Summary of resolution: Report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement goal.
Outcome of the vote: Fail
Management recommendation: Against
Fund Manager Vote: For
Size of mandate's holding at voting date: 1.0%
The reason the Trustee considers this vote to be "most significant": The Trustee determined this vote as significant owing to the rarity of a shareholder proposal receiving significant support, and the vote relates to one of the Trustee's stewardship priorities.
Relevant Stewardship Priority: Climate Change
Was vote decision communicated ahead of vote: No

Rationale for the voting decision: Newton supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement as in its view, more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk.
Outcome and next steps: The support received for the shareholder proposal was substantial and must be accounted for but not sufficient for the resolution to pass. Newton expects the company to provide enhanced disclosures especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes moving forward.