

# KELLY SERVICES (UK) LIMITED BENEFITS PLAN

## YEAR ENDED 31 MARCH 2023

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### ANNUAL IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEES' REPORT)

#### **Kelly Services (UK) Limited Benefits Plan - 1 April 2022 to 31 March 2023 (the "Plan Year")**

##### **Introduction**

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees, has been followed during the year to 31 March 2023 (the "Plan Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The table later in the document sets out how, and the extent to which, the policies in the Kelly Services (UK) Limited Benefits Plan (the "Plan") SIP have been followed in respect of all money purchase assets held by the Plan.

The Statement flows directly from and should be read in conjunction with the Plan's SIP (in place at the Plan Year end and signed September 2020) which is available online:

<https://irp.cdn-website.com/18d06461/files/uploaded/Kelly%20Services%20SIP%20August%202020.pdf>.

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

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are summarised as follows:

##### ***DB Section***

- To ensure that the Plan's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they arise.
- To pay due regard to the interests of the employer in relation to the funding level of the Plan.
- To achieve and maintain a funding level of 100% on an on-going basis without taking unacceptable risk.
- To set and monitor appropriate benchmarks and performance targets for the investment managers.

##### ***DC Section***

- The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default investment strategy.
- The long-term objective of the Trustees is to enable members to provide adequately for themselves in retirement.

The policies set out in the SIP are intended to help meet the overall long-term objective of the Plan. Detail on the Trustees' objectives with respect to the default investment strategy and the self-select fund range are contained in Section 5 of the SIP.

At year-end, the Trustees were reviewing the DB and DC section objectives of the Plan. The new objectives will be stated in next year's statement.

##### **Review of the SIP**

The latest version of the Plan's SIP was signed in September 2020. During the Plan year to 31 March 2023, the SIP was not reviewed. The SIP will be reviewed within the next Plan year.

##### **Assessment of how the policies in the SIP have been followed for the year to 31 March 2023**

The information provided in the following table highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Plan as a whole. The Trustees believe they have generally adhered to all of their policies as set out in the SIP over the course of the year.

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ANNUAL IMPLEMENTATION STATEMENT (CONTINUED)

	<b>Requirement</b>	<b>Summary of Trustee Policy</b>	<b>Summary of the Plan Year to 31 March 2023</b>
1	Securing compliance with the legal requirements about choosing investments	<p><i>Under the Pensions Act 1995, trustees are required to prepare and review regularly a Statement of Investment Principles, dealing with certain specific matters.</i></p> <p><i>The Trustees have obtained and considered written advice from a suitably qualified individual whom they believe to have a degree of knowledge and experience that is appropriate for the management of the Plan's investments.</i></p> <p><i>SIP Section 1</i></p>	<p><u>DB and DC Section</u></p> <p>The Trustees last received formal Section 36 advice from their Investment Consultant on 27 September 2018 regarding the changes to the DB strategy and DC default investment option. No written advice has been required between that date and the end of the Plan Year to 31 March 2023. The most recent formal triennial investment strategy review for the Plan, which was undertaken late, took place after the Plan Year, in August 2023.</p> <p>The Trustees have a Statement of Investment Principles, which was last reviewed in August 2023 (having been signed in September 2020). An updated version of the Statement of Investment Principles is due to be signed before the end of 2023.</p>
2	Types of investments to be held	<p><u>DB Section</u></p> <p><i>The Trustees are permitted to invest across a wide range of asset classes, including the following: UK and overseas equities, UK and overseas government bonds, fixed and inflation-linked, UK and overseas corporate bonds, Convertible bonds, Property, Commodities, Hedge funds, Private equity, High yield bonds, Emerging market debt, Diversified growth, Liability driven investment products and Cash.</i></p> <p><u>DC Section</u></p> <p><i>The Trustees wish to give members a reasonable degree of freedom over the investment policy of their accounts.</i></p> <p><i>DC Members who have a GMP Underpin are not able to self-select, they are invested in the default strategy, as described in this section. Asset classes include equities, bonds and money market instruments.</i></p>	<p><u>DB Section</u></p> <p>There were no changes in the investment strategy during the year.</p> <p><u>DC Section</u></p> <p>No changes were made to the investment strategy over the Plan Year.</p> <p>The Trustees continue to offer a range of self-select fund options to members (excluding those with a GMP underpin, who can only invest in the lifestyle strategy) across a range of asset classes.</p> <p>The most recent formal triennial investment strategy review for the Plan took place after the Plan Year, in August 2023. Management style and asset allocations were reviewed as part of this exercise. A number of changes were proposed including:</p> <ul style="list-style-type: none"> <li>• Consideration of alternative lifestyles, targeting cash and / or income drawdown at retirement, for members without GMP underpins;</li> <li>• At-retirement allocation fully invested in the LGIM Inflation-linked Annuity Aware Fund to better reflect the factors (longevity, inflation</li> </ul>

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		<p><i>All of the funds in which the Plan invests are pooled and unitised.</i></p> <p><i>SIP Section 5</i></p>	<ul style="list-style-type: none"> <li>and interest rates) that drive future value increases in the GMP;</li> <li>Move towards a market-cap weighted allocation in global equities, including emerging markets, and a balanced approach to hedging overseas currency exposure;</li> <li>Introducing an explicit ESG-focused allocation to the default strategy's equity allocation.</li> </ul> <p>Following the August 2023 meeting, the Trustees are considering whether to implement the proposed changes to the glidepath.</p>
<p>3</p> <p>The balance between different kinds of investments</p>	<p><u>DB Section</u></p> <p>The Trustees agreed to an investment strategy comprised of growth and defensive (stabilising/matching) assets.</p> <p>The growth portfolio is comprised of UK and Global equities. The defensive portfolio is composed by corporate bonds, fixed-interest gilts, index-linked gilts and cash.</p> <p>The Plan is comprised of DC assets and DB assets. The investments are taken to achieve an acceptable level of expected return within an acceptable level of risk.</p> <p><u>DC Section</u></p> <p>The Trustees have explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments.</p> <p>When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.</p> <p><i>SIP Section 5</i></p>	<p><u>DB Section</u></p> <p>The Trustees aim to review the Plan's investment strategy following any significant changes in investment policy.</p> <p>The basis of the Trustees' strategy is to divide the Plan's assets between a "growth" portfolio, comprising assets such as equities, and a "defensive" portfolio, comprising assets such as corporate bonds, gilts and cash. The Trustees have determined the investment strategy after considering the Plan's liability profile and the requirements of the Statutory Funding Objective, their own appetite for risk, and the strength of the Sponsoring Employer's covenant.</p> <p><u>DC Section</u></p> <p>The asset allocation of the default investment option must be reviewed on a triennial basis (or more frequently if required). The default investment option was not reviewed during the Plan year and the most recent triennial investment strategy review, which considered the strategy for the default investment option, including the asset allocation across all stages of the lifestyle glidepath, took place in August 2023.</p> <p>The Trustees receive quarterly investment performance reports, which monitor the performance of the funds used in the default investment option.</p>	

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4	Risks, including the ways in which risks are to be measured and managed	<p><u>DB Section</u> The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the DB section of the Plan.</p> <p>Should there be a material change in the Plan's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered, in particular whether the current risk profile remains appropriate.</p> <p><u>DC Section</u> The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. The main types of investment risks are: Inflation Risk, Currency Risk, Credit Risk, Other Price Risk, Environmental, social and governance (ESG) Risks, Pension Conversion Risk, Manager Risk and Liquidity Risk.</p> <p>SIP Section 6</p>	<p><u>DB Section</u> As detailed in Section 6 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, the choice of fund managers / funds / asset classes.</p> <p>The Trustees maintain a risk register of the key risks, including the investment risks.</p> <p><u>DC Section</u> As detailed in Section 6 of the SIP, the Trustees consider both quantitative and qualitative measures of risks as well as how best to manage the various risks facing DC members.</p> <p>The Trustees provide a range of self-select investment options, which enable members (excluding those with a GMP underpin) to reflect, in their selection of funds, the level of risk they wish to take in light of their own individual circumstances.</p> <p>The Plan maintains a risk register of the key risks, including consideration of investment market risks along with investment manager risks, performance and concentration.</p>
5	Expected return on investments	<p><u>DB Section</u> The Plan's assets are expected to provide an investment return commensurate with the level of risk being taken.</p> <p><u>DC Section</u> When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and</p>	<p><u>DB and DC Section</u> The investment performance report is reviewed by the Trustees on a quarterly basis; this includes performance figures for the funds used in the default investment option and additional self-select fund choices. The investment performance report includes how each investment manager is delivering against their specific benchmark and target.</p>

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		<p><i>should be related to the member's own risk appetite and tolerance. Members can switch between funds by changing their investment instructions.</i></p> <p><i>Regarding the default, the Trustees have explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments</i></p> <p><i>SIP Section 5</i></p>	<p>During the 1 November 2022 meeting, the Trustees agreed to conduct regular reviews of investment performance at future trustee meetings and subsequently did so.</p> <p>The trade-off between risk and return was considered as part of the investment strategy review that took place in August 2023.</p>
6	Realisation of investments	<p><i>The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.</i></p> <p><i>SIP Section 6</i></p>	<p><u>DB and DC Section</u></p> <p>All the funds used by both the DB and DC Sections of the Plan continue to be daily dealt pooled investment vehicles with assets mainly invested in regulated markets. The Trustees are therefore confident that these assets can be realised at short notice as required and do not have any major concerns surrounding the liquidity of the Plan's investments.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p><i>The Trustees believe that Environmental, Social and Corporate Governance ("ESG") issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Plan's investment process.</i></p> <p><i>The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustees' policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers. However, the investment managers who are registered with the FCA</i></p>	<p><u>DB and DC Section</u></p> <p>The majority of funds within the Plan have been assigned an ESG rating by Mercer. These ratings are formally reviewed at least annually. Where a manager is not highly rated from an ESG perspective, the Trustees will continue to monitor this manager. When implementing a new manager, the Trustees consider the ESG rating of the manager.</p> <p>The SIP includes the Trustees' policy on ESG factors, Stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.</p>



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			<p>The Trustees agreed the below areas of focus for the Plan:</p> <ul style="list-style-type: none"> <li>• Environmental: Climate change: low-carbon transition &amp; physical damages resilience; Pollution &amp; natural resource degradation</li> <li>• Social: Human rights: modern slavery, pay &amp; safety in workforce and supply chains, abuses in conflict zones</li> <li>• Governance: Diversity, Equity and Inclusion (DEI) - inclusive &amp; diverse decision making</li> </ul> <p>Voting activity carried out over the last 12 months on behalf of the Trustees is shown in the Appendix of this Statement. Over the period covered by this Statement, the Trustees have not directly challenged managers on voting activity.</p>
10	<p>Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustees would monitor and engage with relevant persons about relevant matters)</p>	<p><i>By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.</i></p> <p>SIP Section 4</p>	<p><u>DB and DC Section</u></p> <p>The undertaking of engagement activities in respect of investments is also delegated to investment managers.</p> <ul style="list-style-type: none"> <li>• Over the Plan Year, the Trustees did not directly carry out any engagement activities with investment managers or underlying investee companies.</li> </ul>
11	<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005</p>	<p><i>Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.</i></p> <p>SIP Section 4</p>	<p><u>DB and DC Section</u></p> <p>No new manager appointments were made over the Plan Year to 31 March 2023. The Trustees believe that the appointments with their investment managers are consistent with their long-term objectives.</p>

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12	<p>How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.</p>	<p><i>The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.</i></p> <p><i>A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.</i></p> <p><i>SIP Section 4</i></p>	<p><u>DB and DC Section</u></p> <p>The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from their platform provider, which present performance information over 3 months, 1 year and 3 years per annum, on a net of fees basis including benchmark returns.</p> <p>The Trustees' responsibilities include assessing the quality of the performance and processes of the investment managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Consultant.</p> <p>The current range of investment managers are aware that their continued appointment is dependent on them meeting these performance targets over the medium to long-term.</p>
13	<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters described in rows 2-8 of this Statement].</p>	<p><i>The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.</i></p> <p><i>The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan.</i></p> <p><i>None of the underlying managers in which the Plan's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.</i></p> <p><i>SIP Section 4</i></p>	<p><u>DB and DC Section</u></p> <p>The Trustees have considered the long-term investment performance of the investment managers on a quarterly basis, as well as their Investment Consultant's views of the investment manager, and are comfortable that the longer term performance and forward-looking capabilities remained suitable.</p> <p>The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment (for the DC Section) to ensure they continue to represent value for members. If performance is not satisfactory, the Trustees will ask the fund manager to provide additional rationale, and if not satisfied with this, may request further action to be taken, including a review of fees.</p> <p>The Trustees are satisfied that the investment fund managers' short-term performance will not impact long-term goals. In particular, none of the funds has performance fees in place, which could encourage managers to make short-term investment decisions to hit their short-term profit targets at the expense of longer-term performance.</p>



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14	<p>How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.</p>	<p><i>The Trustees consider portfolio turnover costs as part of the annual value for members' assessment. The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.</i></p> <p><i>Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.</i></p> <p><i>SIP Section 8</i></p>	<p><u>DB Section</u></p> <p>The Trustees do not have an overall portfolio turnover target. The Plan invests in a range of pooled funds, across a wide range of asset classes. The Trustees are therefore satisfied that it is not appropriate to have an overall portfolio turnover target for the Plan.</p> <p><u>DC Section</u></p> <p>Over the Plan year to 31 March 2023, the Trustees considered the levels of transaction costs as part of their annual Chair's Statement and Value for Members Assessment.</p> <p>The Trustees view the Plan's costs and charges as being expensive versus the comparator arrangements, albeit over the Plan year the higher risk default phase investment strategy has produced higher returns.</p> <p>Therefore the Trustees believe better value for members from a costs and charges perspective may be available through a larger, multi-employer DC arrangement, noting that the presence of a DB underpin presents significant additional challenges for undertaking such a move in practice.</p> <p>The Trustees note the challenges in assessing these costs due to the lack of industry-wide benchmarks for such transaction costs.</p>
15	<p>The duration of the arrangement with the asset manager.</p>	<p><i>The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.</i></p> <p><i>All the funds are open-ended with no set end date for the arrangement. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.</i></p> <p><i>SIP Section 4</i></p>	<p><u>DB and DC Section</u></p> <p>The investment performance of all funds is reviewed by the Trustees on a quarterly basis; this includes how each investment fund manager is delivering against their specific targets.</p> <p>No manager appointments were terminated over the Plan year to 31 March 2023.</p>

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## ANNUAL IMPLEMENTATION STATEMENT (CONTINUED)

### APPENDIX: INVESTMENT MANAGER VOTING AND ENGAGEMENT ACTIVITY

Section 7 of the SIP sets out the Trustees' policy on Environmental, Social and Governance (ESG) factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The SIP also includes the approach to the stewardship of the investments and how the Trustees take account (if at all) of member views on 'non-financial matters'.

#### Voting Activity during the Plan year

The Trustees have delegated their voting rights to the investment managers. The SIP states: "The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustees' policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers. However, the investment managers who are registered with the FCA are expected to act in accordance with their own corporate governance policies and current best practice, as well as comply with the UK Corporate Governance Code and UK Stewardship Code, including public disclosure of compliance via an external website".

The undertaking of engagement activities in respect of investments is also delegated to investment managers. New guidance in this area from the Department of Work and Pensions (DWP) came into effect for schemes with year ends post 1 October 2022 noting that "to the extent this Guidance is non-statutory, trustees are encouraged to consider this Guidance from the date of publication". This guidance requires specific details around why Trustees consider votes to be significant, size of the holding, next steps etc.

It is the Trustees' view that the policy has been followed during the Plan year to 31 March 2023. The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. The Trustees have only received information relating to public equity funds this year. The assets of the Plan are invested via Mobius Life investment platform.

Over the Plan year to 31 March 2023, the Trustees did not consider the extent to which the appointed investment managers engaged in securities lending or the potential implications for who held voting rights.

#### **Stewardship Priorities**

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022, updated Statutory Guidance was produced which is effective for all plan year ends on or after 1 October 2022.

The updated Guidance requires trustees to include details of what they believe to be significant votes undertaken on their behalf within the Implementation Statement, including an explanation on why each vote was categorised as most significant, what the vote was, and why the manager voted in the way it did. The Trustees have not set an expression of wish or confirmed to the managers what these voting priorities were.

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The Plan invests solely in pooled funds. As such, voting rights are delegated to the investment managers and the Trustees expect their investment managers to engage with the investee companies on their behalf. However, the Trustees have also considered what the Plan's stewardship priorities should be as a result of the new requirements introduced last year. Based on this, the Trustees designated stewardship priorities in each of Environmental, Social and Governance areas, which are summarised as below:

- Environmental: Climate change: low-carbon transition & physical damages resilience; Pollution & natural resource degradation
- Social: Human rights: modern slavery, pay & safety in workforce and supply chains, abuses in conflict zones
- Governance: Diversity, Equity and Inclusion (DEI) - inclusive & diverse decision making

Also, where possible, a screen related to size is included, specifically that the stock in question is one of the largest holdings in a particular portfolio, to ensure that the votes being classified as significant represent a meaningful portion of the relevant portfolio. In setting the criteria on significant votes to report, the Trustees have decided to include votes assigned to securities comprising more than 1% of the portfolio.

The Trustees do not use the direct services of a proxy voter however; BlackRock use of proxy voting services is described later in this appendix. The following funds available to members of the Plan (either as self-select funds or within the default) hold equities:

- BlackRock Life Aquila (50:50) Global Equity Fund
- BlackRock Life Aquila (40:60) Global Equity Fund
- BlackRock Life Aquila UK Equity Fund
- BlackRock Overseas Equity Fund

### **Overview of voting activity, on behalf of the Trustees, for the funds holding equities for the 12 months to 31 March 2023**

Voting activity information from each of the underlying investment managers (where provided) over the prior 12 months to 31 March 2023 is summarised in the table below. Voting activity was requested for all funds with equity holdings.

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Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote with management?	Of the resolutions on which you voted, what % did you vote against management?	Of the resolutions on which you voted, what % did you abstain from voting?
BlackRock Life Aquila (50:50) Global Growth Fund	34,376	96%	94%	5%	0%
BlackRock Life Aquila (40:60) Global Equity Fund	40,517	94%	93%	6%	0%
BlackRock Life Aquila UK Equity Fund	10,135	99%	96%	3%	1%
BlackRock Overseas Equity Fund	27,694	92%	92%	7%	0%

Source: BlackRock as at 31 March 2023.

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.

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Most significant votes

Manager	Fund	Company	Approx. Size of Holding at date of vote (% of fund)	Date of vote	Criteria for assessing as significant	Topic and How the Manager voted	Rationale of Manager vote	Outcome of the vote
	(50:50) Global Equity Fund	Royal Dutch Shell Plc	3.48%	24 May 2022	Environmental (Climate Change)	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions <b>Voted AGAINST the Proposal</b>	Proposal is not in shareholders' best interests.	Fail
	(40:60) Global Equity Fund	Amazon. com, Inc.	1.35%	25 May 2022	Environmental (Pollution) Social (Human Rights)	Report on Efforts to Reduce Plastic Use <b>Voted FOR the Proposal</b> Report on Worker Health and Safety Disparities <b>Voted AGAINST the Proposal</b>	The company does not meet BlackRock expectations for disclosure of natural capital policies and/or risk. The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	Fail
<b>BlackRock</b>	UK Equity Fund	Rio Tinto Plc	2.39%	8 Apr 2022	Environmental (Climate Change)	Approve Climate Action Plan <b>Voted FOR the Proposal</b>	Rationale for the voting decision was not disclosed by BlackRock*	Pass
		Royal Dutch Shell Plc	6.89%	24 May 2022	Environmental (Climate Change)	Approve the Shell Energy Transition Progress Update <b>Voted FOR the Proposal</b>	Rationale for the voting decision was not disclosed by BlackRock*	Pass

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Manager	Fund	Company	Approx. Size of Holding at date of vote (% of fund)	Date of vote	Criteria for assessing as significant	Topic and How the Manager voted	Rationale of Manager vote	Outcome of the vote
		Alphabet Inc.	1.29%	01 Jun 2022	Environmental (Climate Change)	Report on Metrics and Efforts to Reduce Water Related Risk <b>Voted FOR the Proposal</b>	BlackRock believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	Fail
	World (Ex-UK) Equity		1.29%		Governance (DE&I))	Oversee and Report a Third-Party Racial Equity Audit <b>Voted FOR the Proposal</b>	BlackRock believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	Fail
		Meta Platforms, Inc.	1.15%	25 May 2022	Social (Human Rights)	Report on Child Sexual Exploitation Online <b>Voted AGAINST the Proposal</b>	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	Fail

Source: BlackRock as at 31 March 2023.

\*Where rationale was not provided by BlackRock, Trustees will continue to chase this, and for details on whether BlackRock informed management ahead of voting against them, so that this is provided in the future.

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Examples of Engagement Activity by the Plan's Equity Investment Managers

The following are examples of engagement activity undertaken by the Plan's Equity investment manager.

Fund	Number of engagements undertaken at a firm level in the year	Split between E, S and G of engagements	% of engagements pertaining to climate issues	% of engagements pertaining to Board Diversity	Key Themes for Engagement, as applicable
<b>BlackRock</b> (50:50) Global Equity	8,035	<b>E - 1,533</b> (19%) <b>S - 1,642</b> (20%) <b>G - 4,860</b> (60%)	15	14	<ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Climate Risk</li> <li>• Board Diversity and Composition</li> <li>• Remuneration</li> <li>• Diversity and Inclusion</li> <li>• Corporate Strategy</li> </ul>
<b>BlackRock</b> (40:60) Global Equity	11,661	<b>E - 2,338</b> (20%) <b>S - 2,247</b> (19%) <b>G - 7,076</b> (61%)	16	14	<ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Climate Risk</li> <li>• Board Diversity and Composition</li> <li>• Remuneration</li> <li>• Diversity and Inclusion</li> <li>• Corporate Strategy</li> </ul>
<b>BlackRock</b> UK Equity	11,910	<b>E - 2,369</b> (20%) <b>S - 2,287</b> (19%) <b>G - 7,254</b> (61%)	16	14	<ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Climate Risk</li> <li>• Board Diversity and Composition</li> <li>• Remuneration</li> <li>• Diversity and Inclusion</li> <li>• Corporate Strategy</li> </ul>

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ANNUAL IMPLEMENTATION STATEMENT (CONTINUED)

<b>BlackRock</b> World (Ex-UK) Equity	6,370	<b>E – 1,213</b> (19%) <b>S – 1,358</b> (21%) <b>G – 3,799</b> (60%)	15	14	<ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Climate Risk</li> <li>• Board Diversity and Composition</li> <li>• Remuneration</li> <li>• Diversity and Inclusion</li> <li>• Corporate Strategy</li> </ul>
<b>BlackRock</b> Over 15 Years Corporate Bond Fund	230	<b>E – 52</b> (23%) <b>S – 54</b> (23%) <b>G -124</b> (54%)	18	12	<ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Climate Risk</li> <li>• Board Diversity and Composition</li> <li>• Remuneration</li> <li>• Diversity and Inclusion</li> <li>• Corporate Strategy</li> </ul>

Source: BlackRock as at 31 March 2023.

Note: Totals may not sum due to rounding.

**Overview of BlackRock's approach to voting and engagement (provided by the manager)**

**BlackRock's policy on consulting with clients before voting**

BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. BlackRock believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Consistent with these shareholder rights, BlackRock believes it has a responsibility to monitor and provide feedback to companies, in its role as stewards of its clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given it authority, through voting proxies in the best long-term economic interests of its clients. BlackRock also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with its clients' interests as long-term shareholders.



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## ANNUAL IMPLEMENTATION STATEMENT (CONTINUED)

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with its view of what supports sustainable long-term value creation, BlackRock will engage with a company and/or use its vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides an opportunity to improve its understanding of the business and ESG risks and opportunities that are material to the companies in which its clients invest. As long-term investors on behalf of clients, BlackRock seeks to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where BlackRock believes they could be enhanced. BlackRock primarily engages through direct dialogue but may use other tools such as written correspondence to share its perspectives. Engagement also informs its voting decisions.

### **BlackRock's process for deciding how to vote**

The team and its voting and engagement work continuously evolves in response to changing governance-related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its voting decisions through research and engages as necessary. BlackRock's 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 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 intended to help clients and companies understand their thinking on key governance matters. The guidelines are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

### **Proxy voting services**

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

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## ANNUAL IMPLEMENTATION STATEMENT (CONTINUED)

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is one among many inputs into its vote analysis process, and it does not simply follow the advisory firms' recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research.

BlackRock aim to vote at all shareholder meetings of companies in which their clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, they will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefer to engage with the company in the first instance where they have concerns and give management time to address the issue.

### **Processes for determining the most significant votes**

BlackRock Investment Stewardship prioritises its work around themes that it believes will encourage sound governance practices and deliver sustainable long-term financial performance. BlackRock's year-round engagement with clients to understand their priorities and expectations, as well as its active participation in market-wide policy debates, help inform these themes. The themes BlackRock has identified in turn shape its Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which it looks at the sustainable long-term financial performance of investee companies.

BlackRock periodically publishes "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain the voting decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investment it undertakes on behalf of clients. BlackRock makes this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. BlackRock considers these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.