

**The Pilots' National Pension Fund
Annual Implementation Statement –
Fund year ending 31 December 2024**

Pilots' National Pension Fund

Implementation Statement – 31 December 2024

Why have we produced this Statement?

The Trustee of the Pilots' National Pension Fund has prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Fund's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustee investment objectives and investment strategy.

It also explains how and why the Trustee delegates certain responsibilities to third parties and the risks the Fund faces and the mitigated responses.

The Trustee last reviewed the SIP in December 2024.

What is the purpose of this Statement?

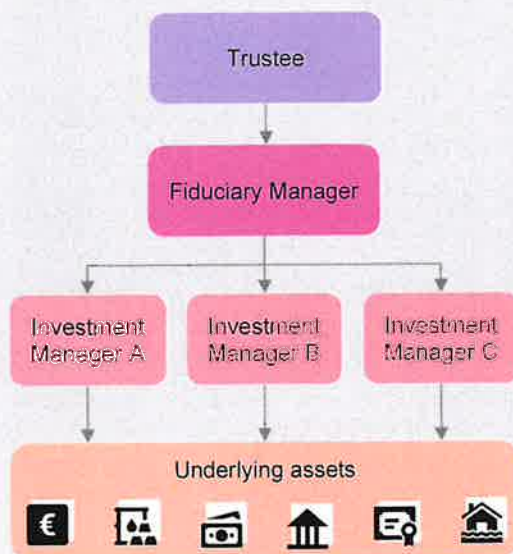
1. To explain how the Trustee's engagement policy has been applied over the year.
2. To describe the voting rights attached the Fund's assets have been exercised over the year.

What changes have we made to the SIP?

The Trustee has made the following change to the SIP over the year:

- Updated the Fund's long-term funding plan following the Actuarial Valuation and investment strategy review. This included an updated target to achieve full funding on the Gilts +0.5% pa basis by the end of the 2029. This also included reference to the plan to reduce risk over time with funding level improvements.

How are the Fund's investments managed?



Trustee - The Trustee's key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustee retains overall responsibility for the Fund's investment strategy, but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

Fiduciary Manager (WTW) – The Trustee employs a Fiduciary Manager to implement the Trustee's investment strategy. The Fiduciary Manager allocates the Fund's assets between asset class and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Fund's name. The Fiduciary Manager will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Why does the Trustee believe voting and engagement is important?

The Trustee's view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustee further believes that voting and engagement are important tools to influence these issues.

The Trustee has appointed a Fiduciary Manager who shares this view and considers and integrates ESG factors, voting and engagement in its processes.

The Trustee incorporates an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

What is the Trustee's voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations, but has identified climate change and biodiversity as key areas of focus for the Trustee.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustee expects the Fiduciary Manager to engage with investment managers to improve their processes.

What training has the Trustee received over the year?

To ensure the Trustee is kept up to date with best practice in ESG considerations, voting and engagement the Trustee received the following training over the year:

- A review of sustainability governance – including a recap on the Trustee's policies and priorities in the SI space, review of the Fiduciary Manager's approach to sustainability and an update on the key emerging hot topics in the area.
- A review of the Fund's stewardship activities – including an update on the voting and engagement activities of the Fund's investment managers and stewardship provider.
- A review of sustainability metrics – covering the Fund's exposures to different sustainability factors and how these have changed over time
- A review of sustainability strategy – including detail on the approaches the Fund's investment managers are taking with respect to sustainability
- Fund manager training – the Fiduciary Manager provided an update on how sustainability is integrated into the Fund's return-seeking investments, including the allocation to sustainability related solutions
- Biodiversity – as one of the Trustee's stewardship priorities, the Fiduciary Manager highlighted why it is important and how the Fund is engaging with it and what else can be done in this area.

What are the Fiduciary Manager's policies?

Climate change and net zero goal

The Trustee believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

Public policy and corporate engagement

The Fiduciary Manager employs an external stewardship service provider, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustee).

Some highlights from 2024 include:

- Engagements with 994 companies on a total of 4,267 issues and objectives.
- Voting recommendations on 143,075 resolutions, with 25,070 against management.
- Active participation in a range of public consultations and meetings with government officials, financial regulators, stock exchanges, industry associations, and other key parties to contribute to the development of policy and best practice.

Industry initiatives

The Fiduciary Manager participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information:
<https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2024 the Fiduciary Manager collected data from around 1,200 products, conducted engagements with over 70 asset managers across various asset classes. They also engaged on over 100 products on sustainability and stewardship. In addition, over 150 sustainability-themed strategies were researched.

Investment manager monitoring - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis. These reports form part of the Trustee portfolio monitoring.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

Example of engagement carried out over the year

Insurance Linked Investment manager

Environment - Climate issue

Issue: The Fiduciary Manager engaged with the manager on ESG issues, specifically climate change research, and discussed potential solutions to protect the portfolio from evolving climate dynamics.

Outcome: The Fiduciary Manager has engaged with the Chief Investment Officer and Investment team for the fund both in person and via videoconference. While the fund was set up as a long-only fund, this engagement resulted in a hedge being put on in the portfolio to protect against the forecast highly active hurricane season. The Fiduciary Manager is pleased that the manager listened and acted on the mentioned concerns and will continue to monitor the success of the hedge & wider portfolio in light of the changing climate.

Passive Infrastructure manager A

Environment - Climate issue

Issue: The manager discussed the current Situational Analysis, Forecasting, and Engagement (SAFE) Transition Methodology to understand how it differs from Net Zero Investment Framework (NZIF). The Fiduciary Manager provided feedback on the SI report, noting the absence of a net zero target and assessing climate change risks relative to the benchmark.

Outcome: The manager walked through their SAFE transition framework, explained how they measure alignment and has recently released their Task Force on Climate-related Financial Disclosures aligned report at the corporate level. The manager aims to ensure robust emissions measurement before setting any targets and has enhanced their governance process in relation to this. Although there is no set timeline yet, this is a formal topic of discussion within the ESG working group and the broader firm.

The SAFE transition framework focuses on positioning the portfolio to manage investment risks and opportunities. The framework adapts principles from NZIF and emphasizes externally validated near-term emissions programs compatible with a 1.5-degree transition pathway. However, there are some nuances between both methodologies, given SAFE focuses more on the financial risk aspect. The Fiduciary Manager discussed several stock-specific examples where there are significant differences and will continue to monitor how the framework evolves over the next few years.

Passive Infrastructure manager B

General ESG Issue

Issue: The Fiduciary Manager provided feedback on the SI report, including setting a firm-level net zero target, considering ESG factors at the exit stage of investments, providing ESG training to employees, and measuring physical and other climate-related risks.

Outcome: A discussion was had regarding the the best practices being done by peers, understood timeline for setting the net zero target as well as improving on ESG reporting.

The manager has not yet set interim net zero targets as they are working to understand the current status before setting these targets. Physical risk is considered in the investment process with a threshold for excluding investments. The analysis of ESG and climate-related risks uses scenario analysis but not across varying degrees of scenarios. Water, waste, and embodied carbon of assets are not measured yet, as the focus is more on emissions, with water usage specific to biomass. The manager will also look to improve reporting to ensure other ESG performance and initiatives are provided to investors.

What are the voting statistics we provide?

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity investment managers.

Responses received are provided in the following pages. The Trustee used the following criteria to determine the most significant votes:

- Trustee stewardship priorities (climate change and biodiversity)
- Financial outcome for members, including size of holding
- High profile vote, including votes not supporting company management

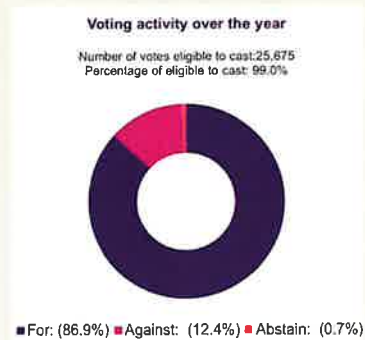
The Fund is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustee has decided not to publicly disclose active investment manager names as the Trustee believes this could impact the investment manager's ability to generate the best investment outcome.

In conclusion...

The Trustee is satisfied that over the year, all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

Partners Fund

Voting activity over the year



Significant vote

Company: Mela Platforms, Inc.

% Fund: 1.0%

Vote topic: Report on framework to assess company lobbying alignment with climate goals

Issue: The shareholder proposal promotes better management of environmental, social and governance opportunities and risks.

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: No

Outcome: Failed the resolution

Why a significant vote? Climate change is one of the stewardship priorities and it has a large holding in the portfolio

Next steps: None to report

Significant vote

Company: Eli Lilly and Company

% Fund: 0.5%

Vote topic: Adopt a comprehensive human rights policy

Issue: The shareholder proposal promotes better management of social, environmental and ethical opportunities and risks.

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: No

Outcome: Failed the resolution

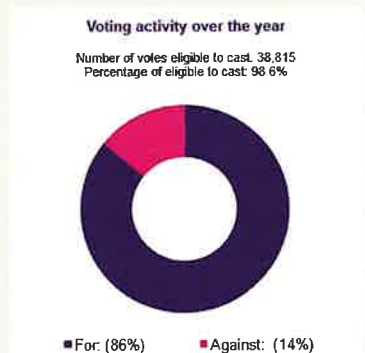
Why a significant vote? Human and labour rights is one of the stewardship priorities and it has a large holding in the portfolio

Next steps: None to report

Voting policy: As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Funds underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all the investors. In addition, EOS is expanding the remit of engagement activity they perform on the Fund's behalf beyond public equity markets, which will enhance stewardship practices over time.

Core Diversified Fund

Voting activity over the year



Significant vote

Company: Amazon.com, Inc.

% Fund: 0.8%

Vote topic: Disclose all material scope 3 greenhouse gas emissions

Issue: The shareholder proposal promotes better management of Social, Environmental and Ethical opportunities and risks

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: No

Outcome: Failed the resolution

Why a significant vote? Climate change is one of the stewardship priorities and it has a large holding in the portfolio

Next steps: None to report

Significant vote

Company: Berkshire Hathaway Inc.

% Fund: 0.3%

Vote topic: Report on efforts to measure, disclose and reduce greenhouse gas emissions associated with underwriting, insuring, and investing

Issue: The manager supported climate risk disclosure, voting against management but in line with ISS recommendations, believing leadership on the issue outweighed the minor costs and inconvenience of compliance.

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: No

Outcome: Failed the resolution

Why a significant vote? Climate change is one of the stewardship priorities

Next steps: The manager wrote to the CEO to express the importance of climate risk transparency and encouraged the company to lead on this issue rather than wait for policy guidance

Voting policy: As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Fund's underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all the investors. In addition, EOS is expanding the remit of engagement activity they perform on the Fund's behalf beyond public equity markets, which will enhance stewardship practices over time.