# *Implementation Statement, covering the Fund Year from 1 January 2025 to 31 December 2025 (the "Fund Year")*

The Trustee of the Pilots' National Pension Fund (the "Fund") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 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.

## 1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Fund Year. However, the SIP was reviewed and updated in Q1 2026 to reflect the transition from a fiduciary management model to an advisory-only model.

The Trustee has, in its opinion, followed the Fund's voting and engagement policies during the Fund Year.

## 2. 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 Fund's stewardship by monitoring and engaging with managers (with the support of its investment adviser) and escalating as necessary.

While the fiduciary management arrangement was in place, the fiduciary manager would consider the ESG factors and stewardship as part of the appointment of a new manager. Following the termination of this arrangement, the Trustee will seek to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

As part of its advice on the selection and ongoing review of the investment managers, the Fund'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 selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. These were: Climate Change and Biodiversity. The Trustee reviews the themes periodically and will update them if appropriate.

During the Fund Year, the Fiduciary Manager invested in a new pooled fund on the Trustee's behalf, the SSgA Multi-Asset Diversified Growth Sub-Fund. ESG factors were considered by the Fiduciary Manager as part of this process. The Fund subsequently fully redeemed its holding in this pooled fund during the Fund year.

## 3. Description of voting behaviour during the Fund 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 Fund Year. However, the Trustee monitors managers' voting and engagement behaviour from time to time and may challenge managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions UK guidance, Pensions UK Vote Reporting template and DWP's guidance, on the Fund's funds that hold equities as follows:

- SSgA Multi-Asset Diversified Growth Sub-Fund;
- TWIM Core Diversified Fund; and

- TWIM Partners Fund.

For completeness, the TWIM Core Diversified Fund and SSgA Multi-Asset Diversified Growth Sub-Fund were not held at year end.

### 3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

#### Towers Watson Investment Management

An overview of the manager's process is given below.

> *"As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. We expect all of our underlying managers who hold equities over a reasonable timeframe to exercise their voting rights on all shares held.*
>
> *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 of our clients. In addition, EOS is expanding the remit of engagement activity they perform on our behalf beyond public equity markets, which will enhance stewardship practices over time."*

#### State Street Global Advisors

An overview of the manager's process is given below.

> *"At State Street Investment Management, we take our fiduciary duties as an asset manager very seriously. Our primary fiduciary obligation to our clients is to maximize the long-term value of their investments. State Street Investment Management focuses on risks and opportunities that may impact long-term value creation for our clients.*
>
> *All voting decisions and engagement activities for which State Street Investment Management has been given voting discretion are undertaken in accordance with the Global Proxy Voting and Engagement Policy (the "Policy"), ensuring that the interests of our clients remain the sole consideration when discharging our stewardship responsibilities.*
>
> *The Asset Stewardship team works closely with the firm's Global Client Coverage Group to maintain an open and constructive dialogue with clients on the delivery of our stewardship activities. Our approach is centred on client engagement and reporting. We recognize the importance of being accountable to our clients on how we fulfil our duties as responsible fiduciaries on their behalf.*
>
> *We meet with clients to discuss and answer questions about our stewardship activities. We believe that regularly engaging with our clients allows us to better understand their expectations in terms of their stewardship journey and investment objectives, and we incorporate their feedback into our stewardship program where appropriate.*
>
> *We continually look for ways to improve our client engagement on these important topics. As such, we conduct periodic client meetings specifically to discuss stewardship and sustainability matters. These discussions are attended by subject matter experts from the Sustainable Investing and Asset Stewardship teams alongside the Client Coverage team."*

### 3.2 Summary of voting behaviour

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

| | TWIM Core Diversified Fund* | TWIM Partners Fund | SSgA Multi-Asset Diversified Growth Sub-Fund* |
|---|---|---|---|
| Manager name | Towers Watson Investment Management Limited | Towers Watson Investment Management Limited | State Street Global Advisors Limited |
| Fund name | Core Diversified Fund | Partners Fund | Multi-Asset Diversified Growth Sub-Fund |
| Total size of fund at end of the Fund Year | £782m | £1,540m | £418m |
| Value of Fund assets at end of the Fund Year (£ / % of total assets) | - | £95m | - |
| Number of equity holdings at end of the Fund Year | 3,719 | 1,814 | 1,222 |
| Number of meetings eligible to vote | 3,990 | 1,886 | 1,241 |
| Number of resolutions eligible to vote | 50,881 | 26,220 | 14,830 |
| % of resolutions voted | 99% | 99% | 100% |
| Of the resolutions on which voted, % voted with management | 87% | 89% | 93% |
| Of the resolutions on which voted, % voted against management | 10% | 10% | 5% |
| Of the resolutions on which voted, % abstained from voting | 1% | 1% | 2% |
| Of the meetings in which the manager voted, % with at least one vote against management | 58% | 49% | 41% |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | 2% | 4% | N/A |

*The SSgA Multi-Asset Diversified Growth Sub-Fund and TWIM Core Diversified Fund were only held for part of the year. However, the managers were unable to provide part-year voting data and hence data for 2025 as a whole is shown.

### 3.3 Most significant votes

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 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[1] for creating this shortlist.

[1] Vote reporting template for pension scheme implementation statement – Guidance for Trustees (plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

The Trustee has interpreted “significant votes” to mean those that:

- relate to the Trustee’s stewardship priorities (which are Climate Change and Biodiversity);
- are votes in respect of a company that represents a meaningful proportion of a fund’s portfolio; and/or
- have a high media profile or are seen as being controversial, including where the manager has voted against company management.

The Trustee has reported on two of these significant votes per fund.

**<u>TWIM Core Diversified Fund</u>**

**Meta Platforms, 14 April 2025**

- **Summary of resolution:** Report on Child Safety and Harm Reduction
- **Relevant stewardship priority:** N/A
- **Approx size of the holding at the date of the vote**: 0.6%
- **Why this vote is considered to be most significant:** The vote relates to a relatively large holding in the portfolio and a vote where the manager voted against the managements recommendation.
- **Company management recommendation:** Against
- **Fund manager vote:** For
- **Rationale:** “*The Manager voted "FOR" in support of the Shareholder Proposal for additional disclosure related to how Meta measures & tracks metrics impacting child safety and harm reduction on its platforms (similar to last year). The Manager's vote was Against Management recommendation. In the Manager's view, greater transparency would serve to help shareholders' understanding of these risks and enhance the brand perception of the platform. While the company has disclosures addressing these areas of concerns, the Manager again determined that greater disclosures would on the whole reduce related risks and should be supported.*

  *The proposal is addressing an area of concern that remains an ongoing brand perception problem which, left unaddressed, raises Meta's risk profile. For instance, perhaps resulting in broader regulatory response. Transparency could better quantify and instil confidence that the social media platforms are diligently responding to controversies and improving performance".*
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Rejected. *“The Manager was disappointed with the voting outcome. In their view, child safety and self harm are areas of particularly acute controversy where greater transparency would serve to build confidence in the company's efforts to better manage these areas of concern. As proposed, an annual report would provide quantitative metrics whereby the company's performance could be measured. The Manager will vote "FOR" similar proposals in the future.”*

**Netflix Inc, 5 June 2025**

- **Summary of resolution:** Shareholder Proposal Regarding Climate Transition Plan
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote**: 0.4%
- **Why this vote is considered to be most significant:** The vote relates to a relatively large holding in the portfolio and relates to climate change, which is one of the Trustee’s stated stewardship priorities.
- **Company management recommendation:** Against
- **Fund manager vote:** Against
- **Rationale:** *“This proposal requests the company issue a climate transition plan “above and beyond existing disclosure”, describing how it intends to align its operations and full value chain emissions with existing science based targets. However, the company has already adopted emissions targets that are aligned with the Paris Agreement and reports on progress toward these goals annually, in line with TCFD standards. Netflix has also published a long-term plan to achieve these targets, on par with industry peers. Given the current level of climate reporting by the company, the Manager finds this proposal to be unnecessary and overly prescriptive and recommended voting against.”*
- **Was the vote communicated to the company ahead of the vote:** No

- **Outcome of the vote and next steps***:* Rejected. *"The proposal did not pass, which is in line with the Manager's decision to vote against."*

**TWIM Partners Fund**

**Meta Platforms, 14 May 2025**

- **Summary of resolution:** Disclose a Climate Transition Plan Resulting in New Renewable Energy Capacity
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote**: 1.1%
- **Why this vote is considered to be most significant:** The vote relates to a relatively large holding in the portfolio, the vote was against management's recommendation and relates to climate change, which is one of the Trustee's stated stewardship priorities.
- **Company management recommendation:** Against
- **Fund manager vote:** For
- **Rationale:** *"Promotes transparency around environmental issues"*
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Rejected. *"Continue to consider proposals whether from Management or shareholders which enhance transparency around environmental issues."*

**NVIDIA Corp, 25 June 2025**

- **Summary of resolution:** *Shareholder Proposal Regarding Workforce Data*
- **Relevant stewardship priority:** N/A
- **Approx size of the holding at the date of the vote**: 0.7%
- **Why this vote is considered to be most significant:** The vote relates to a relatively large holding in the portfolio, and was a vote against management's recommendation.
- **Company management recommendation:** Against
- **Fund manager vote:** For
- **Rationale:** *"This proposal asks the company to enhance its existing public reporting to include a chart identifying employees according to gender and race in each of the nine EEOC-defined job categories. NVIDIA previously provided this information from 2018 to 2022 but no longer publishes this disclosure. As of April 2024, over 80% of the S&P 500 and nearly 50% of the Russell 1000 Index companies disclose EEO-1 data. While NVIDIA's disclosures around workforce demographics are fairly comprehensive, EEO-1 reporting provides shareholders with data that is comparable across industry peers. Moreover, this reporting is already required and therefore should not be a significant burden to make available to shareholders. While the company's stance is that the data does not accurately depict its practices given its organizational structure, it would be a helpful supplement to existing reporting and increase shareholders' understanding of how the company is addressing human capital-related risk exposures."*
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Rejected. *"Although the proposal did not pass, given the relatively high level of shareholder support, the Manager may follow up with the company in the short or long term for an additional engagement."*

**<u>SSgA Multi-Asset Diversified Growth Sub-Fund</u>**

**Alphabet Inc., 6 June 2025**

- **Summary of resolution:** Publish a Human Rights Impact Assessment of AI Driven Targeted Advertising
- **Relevant stewardship priority:** N/A
- **Approx size of the holding at the date of the vote**: 1.0%
- **Why this vote is considered to be most significant:** The vote relates to a relatively large holding in the portfolio.
- **Company management recommendation:** Not provided by SSgA
- **Fund manager vote:** For
- **Rationale:** *"This proposal merits support per voting guidelines."*
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Rejected. *"Where appropriate we will contact the company to explain our voting rationale and conduct further engagement."*

**Walmart, Inc, 5 June 2025**

- **Summary of resolution:** Report on Reduction of Plastic Packaging and Recyclability Claims
- **Relevant stewardship priority:** Biodiversity
- **Approx size of the holding at the date of the vote**: 0.4%
- **Why this vote is considered to be most significant:** The vote relates to a relatively large holding in the portfolio and is aligned with the Trustee's stated stewardship priorities.
- **Company management recommendation:** Not provided
- **Fund manager vote:** For
- **Rationale:** *"This proposal merits support per voting guidelines."*
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Rejected. *"Where appropriate we will contact the company to explain our voting rationale and conduct further engagement."*