

PepsiCo UK Pension Plan ('the Plan')

Annual Implementation Statement for the Year Ended 30 September 2025

1. Introduction

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation. The Trustee has also prepared a Default Arrangement Statement of Investment Principles ("Default SIP").

This statement sets out how, and the extent to which, the SIP and Default SIP have been followed during the year running from 1 October 2024 to 30 September 2025 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP and Default SIP that were in place for the Plan Year. This was the SIP dated September 2024, the SIP dated September 2025, the Default SIP dated September 2024, and the Default SIP dated September 2025.

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Plan and changes that have been made to the SIP and Default SIP during the Plan Year, respectively. Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP and Default SIP have been followed. **The Trustee can confirm that all policies in the SIP and Default SIP have been followed in the Plan Year.**



A copy of the SIP and Default SIP are available at <https://www.pepsico.co.uk/pension-plan-members>.

Sections 3 and 4 include information on the engagement and key voting activities conducted by the Plan's underlying investment managers.



2. Statement of Investment Principles

2.1. Investment Objectives of the Plan



The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objectives for the DB Section of the Plan specified in the SIP are as follows:

- To achieve an investment return that is sufficient to maintain reasonable control over the various funding risks that the Plan faces.
- A secondary objective is to generate a long-term return on the Plan's assets in excess of the return assumed for calculating the liabilities. In setting the strategy, the Trustee sets prudent risk management guidelines, which provide reasonable protection for the funded status of the Plan and ensure lower volatility in pension expense and reasonable stability in Company contributions (as required).



The Trustee holds certain DC assets on behalf of members of the Plan. These include additional voluntary contributions ("AVCs") and assets relating to legacy money purchase benefits in the Quaker Pension Scheme and the Huntley & Palmer Money Purchase Pots or Special Transfer Credits.

The Trustee's objective for DC elements of the Plan (including AVCs) is to assist members to provide adequately for themselves in retirement via appropriate investment of their accumulated savings under the Plan.



2.2. Review of the SIP and Default SIP



During the year to 30 September 2025, the Trustee reviewed the Plan's SIP, taking formal advice from its Investment Consultant (Mercer). The Trustee signed a revised SIP in September 2025. The revised SIP reflects the Trustee's key stewardship themes.



The Trustee has also reviewed the Default SIP during the Plan Year, again taking formal advice from its Investment Consultant. The Trustee signed a revised Default SIP in September 2025. The revised Default SIP reflects the Trustee's key stewardship themes.

2.3. Assessment of how the policies in the SIP and Default SIP have been followed for the Plan Year

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated September 2024 and September 2025) and Default SIP (September 2024 and September 2025), relating to the DB and DC Sections of the Plan.



As summarised below, it is the Trustee's view that the policies in the SIP and Default SIP have been followed during the Plan Year.



Investment Mandates	Policy	Policy met?
Securing compliance with the legal requirements about choosing investments 	As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant.	✓
Realisation of investments 	The Trustee's objective is to ensure that there is sufficient liquidity within the Plan's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy.	✓



Environmental, Social and Governance	Policy	Policy met?
Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments 	<p>The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.</p> <p>The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, in particular in relation to the selection, retention and realisation of underlying investments. Meanwhile, the Trustee considers how ESG considerations (including climate change) are integrated within investment processes when appointing new investment managers and monitoring existing investment managers.</p> <p>For segregated mandates, the Trustee specifies objectives and restrictions within the mandate guidelines that are consistent with its ESG beliefs and policy (where appropriate).</p>	✓

The Trustee does not require the Plan's investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

Although the Trustee has no formal process for seeking the views of members on ethical considerations or on issues such as social and environmental impact, it will consider views expressed by members provided that they are consistent with the Plan's investment objectives.



Voting and Engagement Disclosures

Policy

Policy met?

The exercising of rights attaching to the investments and undertaking engagement activities in respect of the investments



The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers. The Trustee considers how stewardship considerations are integrated within investment processes when appointing new investment managers and monitoring existing investment managers.



Monitoring the Investment Managers

Policy

Policy met?

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies



For pooled fund investments, the Trustee accepts that it cannot specify the risk profile and return targets for these strategies. However, appropriate funds are selected to align with the overall investment strategy and the Trustee's policies.

For segregated mandates, the Trustee specifies criteria in the investment manager agreements to meet the Plan's specific investment requirements.

Where appointments are for actively managed mandates, the managers are incentivised through remuneration and performance targets.



Evaluation of asset managers' performance and remuneration for asset management services



The Trustee reviews the performance of the Plan's investments on a regular basis. The Trustee's focus is primarily on long-term performance, but short-term performance is also considered.

As a long-term investor, the Trustee is not looking to change the investment arrangements on a frequent basis. However, if a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. In such instances, the Trustee may ask the manager to review their fees instead of terminating the mandate.



Remuneration for asset management services is agreed prior to manager appointment and is reviewed on a regular basis.

Monitoring portfolio turnover costs	 	The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and reports where applicable. The Trustee will engage with a manager if portfolio turnover is higher than expected.	✓
The duration of the arrangements with asset managers	 	There is no set duration for manager appointments. However, appointments are regularly reviewed and could be terminated either because the Trustee is dissatisfied with the managers' ongoing ability to deliver the required mandate or because of a change in investment strategy by the Trustee.	✓



Strategic Asset Allocation

Policy

Policy met?

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments		<p>The Trustee's overall investment policy is guided by the objectives outlined in Section 2.1 of this statement.</p> <p>The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the liabilities of the Plan. The Trustee invests in equities and other return-seeking assets because in the long-term they are expected to produce returns higher than a portfolio which is closely matched to the liabilities. The Trustee is willing to accept a degree of risk primarily because of its assessment of the strength of the Company covenant.</p>	✓
		<p>The Trustee's objective is outlined in Section 2.1 of this statement.</p> <p>The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee regards its duty as making available a range of investment funds that will suit members' needs and risk tolerances through their working lives.</p>	✓
Risks, including the ways in which risks are to be measured and managed	 	The Trustee recognises a number of risks involved in the investment of the assets of the DB and DC Sections of the Plan and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under Sections 3.2 and 5.2 of the SIP.	✓



Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant.

How has this policy been met over the Plan Year?



Over the course of the Plan Year, the Trustee considered what a framework for run-on/surplus growth might look like, as well as how this might impact the construction of the Plan's long-term target strategy. The Trustee considered a range of potential risk and return profiles for the long-term strategy, as well as the impact that adopting the different strategies was expected to have on the potential for surplus growth and downside risk.

As part of this review and based on advice provided by the Investment Consultant, the Trustee agreed to implement a phased sale of the Plan's allocation to high lease to value ("HLV") property. This was to improve the liquidity of the Plan's assets over the period during which the allocation is transitioned to the long-term target strategy.

The Trustee also agreed to introduce an allocation to alternative fixed income, as a means of reducing equity risk in the short-term and providing the Plan with access to a higher yielding, diversifying alternative to investment grade credit on a more liquid basis than via the existing HLV property mandate. This led to an asset class review session to consider asset backed securities ("ABS") and trade finance.

The Investment Consultant provided the Trustee with advice regarding the selection of a preferred alternative fixed income asset class and manager over the course of the year. The Trustee received information on a number of investment managers that the Investment Consultant rated highly in these areas. This review was ongoing at the end of the Plan Year.

In March 2025, the Trustee agreed to increase the target hedge ratio to cover 100% of the interest rate and inflation sensitivity of the Plan's liabilities, measured on the long-term funding target ("LTFT") basis (gilts +0.4% p.a.). The Investment Consultant recommended making this change as market conditions were favourable and it was expected to lead to lower funding level volatility going forwards.

BlackRock announced the closure of its Global Fundamental Indexation Fund over the course of the Plan Year. The Investment Consultant outlined the options available to the Trustee and recommended a switch into BlackRock's MSCI World Fund, in line with BlackRock's default approach. The Investment Consultant noted that the MSCI World Fund was like the existing Fund in that it provided broad exposure to developed global equity markets. Furthermore, the Investment Consultant confirmed that investing in the default fund would avoid any potentially unnecessary costs associated with investing the proceeds into an alternative BlackRock equity fund only to then disinvest them as part of the 2026 de-risking exercise. The Trustee agreed with the

recommendation, with the Investment Consultant subsequently providing the necessary suitability advice. The switch occurred in August, with no transaction costs incurred.



No changes were made to the DC Section's investments over the Plan Year. The Trustee has historically received advice in line with the Pensions Act 1995 (as amended) when making investment selections.



Investment Mandates

Realisation of Investments

Policy

The Trustee's objective is to ensure that there is sufficient liquidity within the Plan's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy.

How has this policy been met over the Plan Year?



Subject to maintaining the Strategic Asset Allocation ("SAA"), the Trustee has continued to use income derived from the DB Section's assets to meet cashflow requirements where appropriate, thereby reducing the need for physical disinvestments. The evolution of the M&G UK corporate bond mandate towards a buy and maintain approach and the introduction of the BlackRock global buy and maintain credit portfolio over the previous Plan Year has improved the income generative characteristics of the Plan's assets. The increase in the Plan's allocation to corporate bonds as the investment strategy continues to be de-risked over time will help to deliver the income necessary to meet the higher level of benefit payments required as the Plan matures. To facilitate this, the Trustee has implemented cashflow targets with both corporate bond managers, to ensure that future investments into corporate bonds are used to improve the extent to which the cashflows the portfolios generate match the Plan's projected outflows. The Trustee reviewed the Plan's cashflow matching arrangements over the course of the Plan Year, to ensure the income generated by the Plan's assets was expected to match projected benefit payments by the point the long-term target strategy is reached.

The DB Section holds a diversified portfolio consisting mostly of readily realisable securities. As such, the risk of not being able to sell assets (if required) to pay benefits is small. In particular, most of the DB Section's assets are daily priced and traded. The property fund managed by Aviva is illiquid and has a significant notice period for disinvestments. However, as part of the Trustee's phased wind-down of this allocation, a partial redemption request was submitted in Q2 2025 for one third of the allocation. Proceeds are expected to be realised by the end of 2026.

The property fund managed by Lothbury entered termination over the course of the previous Plan Year, with cash being distributed periodically as and when the underlying properties are sold. Lothbury concluded the termination of the strategy post year-end with residual redemption proceeds expected to be received in 2026.

Lothbury termination proceeds that had built up within the BlackRock Sterling Liquidity Fund over the year were invested into the BlackRock corporate bond mandate in early April 2025, as part of the 2025 de-risking exercise. Based on advice from the Investment Consultant, the Trustee agreed to transfer all remaining Lothbury termination proceeds to the Trustee bank account to help meet the Plan's cashflow needs.

The Trustee, taking advice from the Investment Consultant, has reviewed (and will continue to review) the cashflow policy for the DB Section regularly, to ensure sufficient liquidity is available to meet expected cashflows.



None of the funds within the DC Section include any direct or indirect exposure to illiquid investments. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. As such, assets should be realisable at short notice, based on member demand.

The Trustee understands the potential for higher returns and the benefits of diversification, relative to more traditional asset classes (such as bonds or equities), that illiquid assets can offer. While these potential benefits are recognised by the Trustee, the Trustee is also aware of the associated risks for members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time, as well as concerns over liquidity management, the Trustee does not consider direct investment in an illiquid asset fund to be suitable for members of the Plan at present but will continue to monitor developments. In principle, the Trustee would be comfortable indirectly investing in a small proportion of illiquid assets (noting it does not do so currently), where such assets formed a component of a daily-dealing multi-asset fund, to capture the potential benefits associated with investing in illiquid assets.

In selecting investments, the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustee carefully considers whether the investment provides value for members, accounting for the return potential and associated risks. This includes consideration of whether the liquidity profile of the investment is appropriate.



Environmental, Social and Governance

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, in particular in relation to the selection, retention and realisation of underlying investments. Meanwhile, the Trustee considers how ESG considerations (including climate change) are integrated within investment processes when appointing new investment managers and monitoring existing investment managers.

For segregated mandates, the Trustee specifies objectives and restrictions within the mandate guidelines that are consistent with its ESG beliefs and policy (where appropriate).

The Trustee does not require the Plan's investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

Although the Trustee has no formal process for seeking the views of members on ethical considerations or on issues such as social and environmental impact, it will consider views expressed by members provided that they are consistent with the Plan's investment objectives.

How has this policy been met over the Plan Year?



The Trustee has agreed a long-term equity portfolio structure consisting of an 89% allocation to BlackRock's ACS World ESG Screened and Optimised Equity Tracker Fund and an 11% allocation to BlackRock's iShares Emerging Markets Equity ESG Screened and Optimised Index Fund. These funds aim to maximise exposure to positive ESG factors and minimise carbon exposure, whilst targeting risk and return characteristics similar to those of the broader equity markets in which they invest. The Trustee has applied (and will continue to apply) disinvestments from the equity portfolio, required for cashflow and/or de-risking purposes, to tighten the equity portfolio allocation to the long-term target, thereby increasing ESG integration at the total equity portfolio level over time.

The Trustee carried out a focused review of the ESG objectives and constraints relating to the Plan's equity allocation over the Plan Year. The aim was to understand the impact of the objectives and constraints on key portfolio characteristics, the investible universe, and performance. Based on the supporting analysis, and advice provided by the Investment Consultant, the Trustee concluded that it was comfortable with the ESG objectives and constraints, as well as with the direction of travel towards a more ESG-focused approach over time.

Consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and the statutory requirements prescribed by the Department of Work and Pensions ("DWP")¹, the Trustee has set targets to reduce the carbon intensity of the DB Section's listed equity and corporate bond portfolios. Based on advice provided by the Investment Consultant, the Trustee agreed to amend the decarbonisation targets set for TCFD reporting purposes over the course of the Plan Year. This was to reflect the positive decarbonisation progress that has been made, noting that further decarbonisation and improved alignment with the low-carbon transition is expected over time. The Trustee considers these targets when making investment decisions and has reviewed the Plan's progress against them annually.

The Trustee has agreed not to set any decarbonisation targets in respect of the DC Section of the Plan, due to the limited scope for the Trustee to effect change via the existing arrangement with BlackRock,

¹ The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021.

noting that the DC section also represents a small (in relative terms) and reducing part of the overall Plan (given that the Plan is closed). The Trustee is currently considering alternative means of implementing the DC arrangements, to improve the extent of ESG integration (amongst other things) within the options made available to members.

In order to monitor the extent to which ESG factors are integrated into the appointed investment managers' decision-making, the Trustee has continued to review the ESG indicators the Investment Consultant assigns to the strategies in which the Plan invests as part of regular performance reporting for the DB and DC Sections. In addition, the Trustee has asked the managers to comment on these areas when they have presented at meetings. Furthermore, the Trustee has received an ESG monitoring report, which uses the Investment Consultant's ESG indicators to assess the managers' ESG credentials. The report also includes the Investment Consultant's independent assessment of the extent to which ESG factors are integrated into the Trustee's broader governance of the Plan's arrangements, relative to other similar schemes. Off the back of the report, the Trustee has also identified several additional actions to further improve the extent of ESG integration within overall decision making.

The Trustee has established processes to satisfy themselves that those who advise or assist the Trustee with respect to governance activities, otherwise than as a legal adviser, are taking adequate steps to identify, assess and, where relevant, manage climate-related risks and opportunities. This includes the Trustee's investment, actuarial and covenant advisors and is consistent with the recommendations of the TCFD and the statutory requirements prescribed by the DWP.

The Trustee maintains a separate ESG Policy, which sets out the Trustee's ESG beliefs and how ESG risks and opportunities are managed as part of the overall risk management of the Plan. A copy of the ESG Policy is available at <https://www.pepsico.co.uk/pension-plan-members>.



Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters)

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers. The Trustee considers how stewardship considerations are integrated within investment processes when appointing new investment managers and monitoring existing investment managers.

How has this policy been met over the Plan Year?



The Trustee has asked managers to comment on these areas when they have presented at meetings.

In addition, voting and engagement summary reports from the Plan's investment managers were provided to the Trustee for review to ensure that they were aligned with the Trustee's policy during the Plan Year. Outside of those exercised by the investment managers on behalf of the Trustee, no other engagement activities were undertaken, and the Trustee does not use the direct services of a proxy voter.

Section 3 includes examples of engagement activity undertaken by the Plan's investment managers, while Section 4 sets out a summary of voting activity undertaken by the Plan's equity managers, as well as a sample of the most significant votes cast on behalf of the Trustee.

The Trustee supports the aims of the UK Stewardship Code and the Plan's investment managers are encouraged to report their adherence to the Code. All of the Plan's investment managers within the DB and DC Sections are signatories to the current UK Stewardship Code, with the exception of Lothbury, albeit this strategy is in the process of being terminated.

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022, updated guidance was produced which became effective for all scheme year ends on or after 1 October 2022. The updated guidance requires trustees to include a description of what constitutes a significant vote within Implementation Statements (amongst other things). The Trustee's definition was reviewed and updated during the Plan Year and is based on the following key stewardship themes/priorities:

- Environment – Climate change and nature.
- Social – Human Rights.
- Governance – Audit quality.

The Trustee determined these priorities based on the Trustee Directors' ESG beliefs, considering the Company's strategic priorities on ESG and sustainability matters. The investment managers are aware of the Trustee's policies on stewardship and engagement.



Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

Policy

For pooled fund investments, the Trustee accepts that it cannot specify the risk profile and return targets for these strategies. However, appropriate funds are selected to align with the overall investment strategy and the Trustee's policies.

For segregated mandates, the Trustee specifies criteria in the investment manager agreements to meet the Plan's specific investment requirements.

Where appointments are for actively managed mandates, the managers are incentivised through remuneration and performance targets.

How has this policy been met over the Plan Year?



The Trustee reviews the appropriateness of the funds in which the Plan invests on an ongoing basis, to ensure that they are aligned with the Trustee's policies and the investment strategy being targeted. To facilitate this process, over the course of the Plan Year, the Trustee has sought its Investment Consultant's views in relation to the managers' ability to deliver upon the Trustee's requirements for each of the Plan's mandates on a forward-looking basis. In addition, the Investment Consultant's manager research ratings have assisted the Trustee with ongoing due diligence and have been used in decisions around the selection, retention and realisation of manager appointments.



Monitoring the Investment Managers

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee reviews the performance of the Plan's investments on a regular basis. The Trustee's focus is primarily on long-term performance, but short-term performance is also considered.

As a long-term investor, the Trustee is not looking to change the investment arrangements on a frequent basis. However, if a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. In such instances, the Trustee may ask the manager to review their fees instead of terminating the mandate.

Remuneration for asset management services is agreed prior to manager appointment and is reviewed on a regular basis.

How has this policy been met over the Plan Year?



Over the Plan Year, the Trustee has received quarterly investment performance reports for the DB Section and an annual performance report in respect of the DC Section. These reports showed performance (versus relevant benchmarks and targets) over both shorter and longer-term periods.

In February 2025, the Trustee carried out a fee benchmarking exercise for the Plan's DB assets. The exercise summarised the fee arrangements for the Plan and benchmarked them against the fees offered for broadly equivalent products, based on data drawn from Mercer's Global Investment Manager Database. Overall, the fees paid in respect of the DB Section generally offered good value on a peer group comparison basis. The Investment Consultant continues to negotiate fee reductions from managers on behalf of the Trustee and has successfully negotiated reduced fees across a range of mandates during the Plan Year.

The Investment Consultant provides performance reporting to the Trustee, while its manager research team regularly meets with the managers to assess their future performance prospects (amongst other things). The Investment Consultant has continued to share research updates promptly with the Trustee.

The Investment Consultant has also produced a quarterly liability driven investment dashboard, which enables the Trustee to review whether the matching portfolio is performing in line with expectations.

Performance and remuneration were also considered as part of the annual Value for Members ("VfM") assessment carried out in respect of the DC Section.



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and reports where applicable. The Trustee will engage with a manager if portfolio turnover is higher than expected.

How has this policy been met over the Plan Year?



The Trustee has not explicitly monitored portfolio turnover costs with respect to the DB Section of the Plan over the Plan Year. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets). In addition, where possible, performance objectives for investment managers have been set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

The Trustee acknowledges that at an individual mandate level, portfolio turnover costs will form part of the Investment Consultant's manager research assessment.



Regarding the DC Section, the Trustee considered portfolio turnover costs as part of the annual VfM assessment.

The duration of the arrangements with asset managers

Policy

There is no set duration for manager appointments. However, appointments are regularly reviewed and could be terminated either because the Trustee is dissatisfied with the managers' ongoing ability to deliver the required mandate or because of a change in investment strategy by the Trustee.

How has this policy been met over the Plan Year?



The Trustee has agreed to implement the phased sale of the Plan's allocation to HLV property and is currently in the process of selecting a preferred alternative fixed income asset class and manager.

The Trustee is comfortable with the investment managers appointed by the Plan.

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



Policy

The Trustee's overall investment policy is guided by the objectives outlined in Section 2.1 of this statement.

The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the liabilities of the Plan. The Trustee invests in equities and other return-seeking assets because in the long-term they are expected to produce returns higher than a portfolio which is closely matched to the liabilities. The Trustee is willing to accept a degree of risk primarily because of its assessment of the strength of the Company covenant.

How has this policy been met over the Plan Year?

The basis of the Trustee's strategy is to divide the Plan's assets between a "growth" category (comprising predominantly equities, but which may also include limited exposure to other growth assets), a "HLV property" category and a "bonds" category (comprising liability driven investment assets and investment grade corporate bonds). The SAA is set to achieve the expected return required with an acceptable level of risk.

In December 2018, the Trustee entered into a deed of guarantee with the Company to enhance the Company covenant. The guarantee is conditional on the Trustee maintaining a SAA in line with an agreed Investment Protocol, which can be amended by mutual agreement between the Trustee and Company.

Given the continued improvement in the Plan's funding position, the Trustee and Company agreed to accelerate the rate at which the Plan's asset allocation is de-risked towards the long-term target investment strategy as part of the 30 September 2023 actuarial valuation. A revised Investment Protocol reflecting the acceleration of de-risking was signed in July 2024. This specifies that the long-term target investment strategy will be adopted from 1 January 2029 onwards, three years earlier than previously agreed.

As at the end of the Plan Year, the SAA was 24.0% growth assets, 4.0% HLV property assets and 72.0% bond assets. Consistent with the de-risking agreed within the latest Investment Protocol, the Trustee has established an asset allocation flightpath that sets out how the Plan's investment strategy is expected to evolve over the period until 1 January 2029.

In addition to other changes the Trustee has made to the Plan's investment arrangements (discussed earlier in this statement), the Trustee has also reviewed the Plan's liability hedging arrangements over the Plan Year. As at the 30 September 2025, the Trustee expected the Plan's bond assets to capture 100% of the change in the actuarial liability value due to movements in interest rates and inflation expectations (measured on a gilts +0.4% basis).

The Trustee continues to evaluate the long-term strategy for the Plan.



The Trustee's objective is outlined in Section 2.1 of this statement.

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee regards its duty as making available a range of investment funds that will suit members' needs and risk tolerances through their working lives.

The Trustee has maintained a range of investment options for members to utilise in structuring their assets according to their individual objectives.

The Trustee believes that members should be encouraged to make their own investment decisions based on their individual circumstances. However, the Trustee recognises that members may not believe themselves qualified or may not wish to make their own investment decisions. As such, in addition to a range of self-select fund options, the Trustee makes available a default lifestyle investment strategy. This strategy aims to generate investment returns that are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions paid into the Plan. The Trustee acknowledges that this strategy will not meet the needs of every individual member.

A range of asset classes are included within the default lifestyle investment option, including equity and money market funds. The SAA is set to achieve the expected return required to meet the objective of the default lifestyle strategy in a risk-controlled manner.

A similar set of asset classes as used under the default option (with the addition of index-linked gilts) has been made available for investment via the self-select fund range. Members can combine the self-select funds in any proportion to meet their individual needs.

The default lifestyle strategy is reviewed on a triennial basis, with expected risk and return requirements being considered as part of such reviews. A review was undertaken in 2023, with the next formal review due to be carried out in 2026.

As outlined earlier in this statement, the Trustee is currently considering alternative means of implementing the DC arrangements, to further improve the offering for members.

Strategic Asset Allocation

Risks, including the ways in which risks are to be measured and managed

Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DB and DC Sections of the Plan and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under Sections 3.2 and 5.2 of the SIP.

How has this policy been met over the Plan Year?



The Trustee has considered both quantitative and qualitative measures of risks via quarterly reporting provided by the Investment Consultant and/or investment managers.

The Trustee continues to maintain a risk register, which sets out the key risks to which it was exposed, including investment risks. This rates the impact and likelihood of the various risks and summarises the existing mitigations and additional actions that are required. The Trustee reviewed the risk register over the course of the Plan Year and concluded that the risks identified were being appropriately managed and measured.



Members of the DC Section of the Plan can combine the investment funds in any proportion to achieve the desired level of return and risk, in line with their own attitude and risk tolerance. Within the default lifestyle option, the SAA is set to achieve the expected return required to meet the objective of the default option in a risk-controlled manner.



3. Engagement Activity

The following is an example of engagement activity undertaken by the Plan's investment managers.



BlackRock engages with Shell Plc (Shell) on climate change transition management

Shell plc. is an integrated oil and gas company operating globally across the energy value chain. The company operates across several segments including integrated gas, upstream oil and gas, chemicals and products, renewables and energy solutions, and marketing.

BlackRock's stewardship team has had extensive, multi-year engagements with Shell, including with their own investment teams, where they have sought to further their understanding of, among other topics, board composition, corporate strategy, and the board's oversight of, and management's approach to, financially material risks and opportunities. BlackRock's stewardship and investment teams had several meetings with Shell, including with representatives of the board and management team, including the Chairman, CEO, CFO and Investor Relations, to discuss these topics.

More recently, since its capital markets day and ahead of its May 2025 annual meeting, BlackRock Active Investment Stewardship ("BAIS") engaged twice with the company to better understand the updates to its strategy and the underlying assumptions behind its global energy demand forecast, including Liquefied Natural Gas ("LNG"), and its stated medium-term emissions targets.

Based on further understanding gained through these engagements, and internal research, votes were cast against the special shareholder resolution. BAIS and the investment teams considered that, in the context of the uncertainty over the speed of the energy transition, the information already disclosed by the company was sufficient to enable an understanding of how Shell have assessed the transition risks associated with its revised strategy and LNG outlook, as well as how this aligns with the company's stated climate ambitions.



Aviva engages with BBC in relation to climate change transition management

During the Plan Year, Aviva completed an asset management initiative that demonstrated how its tenant engagement programme creates value and improves energy performance. The BBC Worldwide Headquarters in London forms part of the previous TV centre. It has been owned by the Fund since 2015 and over the last few years Aviva has been working with the tenant, the BBC, to establish its appetite for staying longer term post their lease expiry in 2040, by providing solutions to problems preventing this. This was achieved by undertaking a Net Zero Carbon Audit of the property and working with the tenant on solutions to improve the energy efficiency of the building to include degasifying the building.

Aviva agreed with the tenant to contribute £941,000 towards the costs of energy efficiency and degasification works to the building and in return have restructured the lease with the tenant to include a 10-year lease extension along with revising the rent review clause and lowering the rent by 20%. This has increased the value of the investment by £3.3million, which is roughly a 4% increase. The investment of £941,000 into this initiative has created a 29% return on capital employed, as well as creating a 25-year inflation linked cashflow from a secure tenant on a property which is a core operating asset for the BBC. The works undertaken have acted to future proof the property through decarbonising and improving its energy efficiency. The initiative improved the investments' internal rate of return by 1.4% (that is a 40% increase) and increased the portfolio's Weighted Average Lease Expiry by 3 months.



M&G engages with CITIC on the firm's decarbonisation plan

Objective: As part of the ongoing M&G Coal Engagements, M&G asked integrated natural resources provider CITIC to provide a public coal phase out plan to exit coal by 2030 in OECD (Organisation for Economic Co-operation and Development) countries and 2040 in non-OECD countries by the end of November 2024

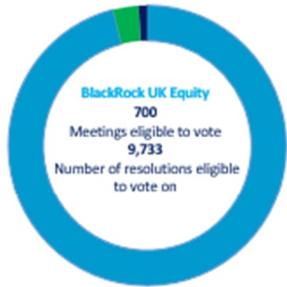
Action: M&G wrote to the company to make their expectations known.

Outcome: CITIC did not respond to M&G's initial letter in early March 2024, nor did it respond to a follow up communication in October 2024. As a result, the November 2024 deadline passed with no public coal phase out plan announced. Considering M&G had received no response from the company, the decision was made to divest from the company.



4. Voting Activity during the Plan Year

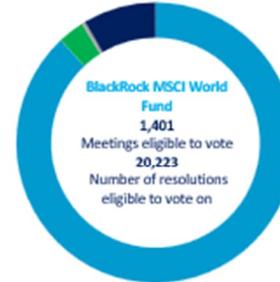
Set out below is a summary of voting activity for the relevant equity strategies within the DB Section of the Plan over the Plan Year.



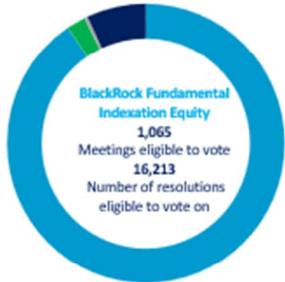
96% Votes with management
3% Votes against management
0% Abstentions
1% Unvoted



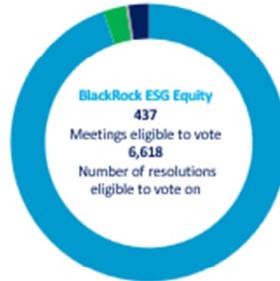
96% Votes with management
2% Votes against management
0% Abstentions
2% Unvoted



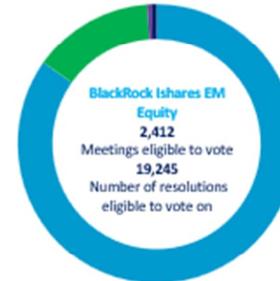
88% Votes with management
3% Votes against management
0% Abstentions
8% Unvoted



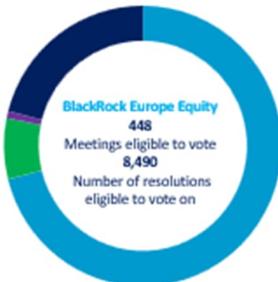
91% Votes with management
2% Votes against management
0% Abstentions
7% Unvoted



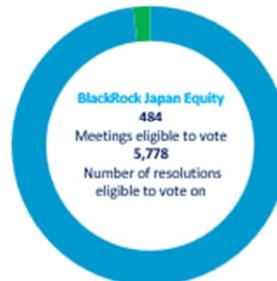
95% Votes with management
3% Votes against management
0% Abstentions
2% Unvoted



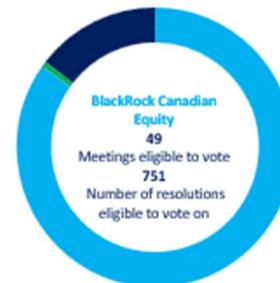
85% Votes with management
14% Votes against management
0% Abstentions
1% Unvoted



71% Votes with management
7% Votes against management
1% Abstentions
21% Unvoted



95% Votes with management
3% Votes against management
0% Abstentions
2% Unvoted



85% Votes with management
1% Votes against management
0% Abstentions
15% Unvoted

Source: Investment managers. Data may not sum due to rounding.



Most Significant Votes



As outlined earlier in this statement, the Trustee defines a significant vote as one that is related to the Trustee's key stewardship themes/priorities, which refers to voting in relation to climate change and nature, human rights and audit quality. The Trustee only considers a vote to be significant if it is in connection to a holding that represented at least 1% of the relevant fund as at the end of the Plan Year (where data is available).

There were no votes that met the Trustee's significant vote definition over the course of the Plan Year.