Implementation Statement (“IS”)

Aon Retirement Plan (the “Plan”) (Defined Benefit (“DB”) Sections)

Plan Year End – 31 March 2024

The purpose of the Implementation Statement is for us, the Trustee of the Aon Retirement Plan, to explain what we have done during the year ending 31 March 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”) for the DB Sections of the Plan. The Implementation Statement for the Defined Contribution (DC) Section is prepared separately. This Statement includes:

1. A summary of any review and changes made to the SIP over the year, including how our policies in respect of the defined benefit Sections in the SIP have been followed during the year.

2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

Over the year, the defined benefit assets of the Plan were not materially invested in any funds with voting rights. Therefore, no significant voting rights have been exercised on our behalf this year. In our view, most of the Plan’s material investment managers were able to disclose adequate evidence of engagement activity, and the activities completed by our managers align with our stewardship expectations.

We delegate the management of some of the Plan’s assets to our fiduciary manager, Aon Investments Limited (“AIL”). We believe the activities completed by our fiduciary manager to review the underlying managers’ voting and engagement policies, and activities align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

Our fiduciary manager will continue to engage with the investment managers in order to ensure engagement and associated stewardship obligations are met.

Changes to the SIP during the year

We reviewed the SIP during the year and updated it in November 2023.

The updates made included:

- Reflecting changes in the asset allocation of the Plan.
- Reflecting changes to help ensure the Plan is adhering to new guidance from the Department of Work and Pensions in relation to Stewardship.

The Plan's latest SIP can be found here:
https://www.aonretirementplan.co.uk/public-documents/

On the next page, we explain how the main policies in this SIP have been followed throughout the Plan year.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

Strategy *"When choosing each Section's planned asset allocation strategy and investment return objective the Trustee considered advice from their investment adviser."*	All of the Plan's liquid growth assets are managed by AIL within fiduciary arrangements. Where the Plan's assets are not managed by AIL, we take advice from our investment adviser, Aon, in setting the investment strategy and monitoring the investments. We continued to de-risk the Plan over the year by moving proceeds that arise from illiquid asset distributions to the Plan's Liability Driven Investment ("LDI") managers. We also agreed to update the liability cashflow benchmarks for the Aon Alexander & Alexander ("A&A"), Aon UK ("AUK"), Aon Bain Hogg ("ABH"), and Hewitt Pension Fund ("HPF") DB Sections. These benchmarks were updated to reflect more recent market data and to better match the average assessment of the liability sensitivities across insurers. The liability cashflow benchmark underpins the LDI strategy which aims to protect the Sections from movements in interest rates and inflation. There are many factors that affect insurer pricing and assessment of liability sensitivities. Given these uncertainties, to avoid the Sections potentially being over-hedged, each Section now targets a hedge ratio of 95% of buyout liabilities. In Q4 2023, we also adjusted the Plan's hedge to credit spread sensitivity. Hedge targets and the hedge basis for each Section were adjusted to better match the sensitivity of insurer pricing to credit spreads reflecting, where appropriate, collateral constraints.
Risks *"The Trustee's policy is to monitor, where possible, (…) risks on a regular basis."*	We monitor risks throughout the year via quarterly investment monitoring reports from our investment adviser. We now receive an additional quarterly report which assesses the effectiveness of the hedges and the collateral resiliency of each portfolio, both of which become increasingly important when approaching buy-out. In Q3 2023, our investment advisor also conducted illiquid pacing analysis to determine the liquidity constraints facing the Plan over the next few years. We received pertinent developments relating to our underlying managers over the year such as: • Aon Manager Research updating their rating for Schroders Capital UK Real Estate Fund from Buy to Qualified due to continued underperformance versus the benchmark. We have since fully disinvested from this holding; • Summarising the Plan's exposure to Credit Suisse and SVB post banking failures; and • Post year-end, highlighting that KKR (one of the Plan's Global Infrastructure managers) was being investigated by the US Department of Justice. Aon Manager Research has, however, maintained its Buy-rating. In an attempt to ensure that HPF's fiduciary manager is monitoring risks consistently with our expectations, we adjusted our investment management agreement to ensure AIL will prioritise maintaining the hedge to interest rates and inflation over the target hedge to credit spreads, should collateral headroom deplete.
Arrangements with asset managers *"Before appointing a new asset manager, the Trustee reviews the governing documentation associated with the investment and considers the extent to which it aligns with the Trustee's policies."*	There were no new managers appointed over the year. With respect to assets held within the Plan that are not managed by AIL, we take advice from our investment adviser. Additionally, all appointed funds completed due diligence and reviews by the Aon specialist manager research teams.

Arrangements with asset managers *"The Trustee believes that having appropriate governing documentation; setting clear expectations to the asset managers by other means (where necessary) and regular monitoring of its asset managers' performance and investment strategy is sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies."*	Over the year our investment adviser held recurring meetings with the Plan's LDI managers, Insight and LGIM, to discuss topics such as collateral resilience, the approach to unwinding legacy swap positions, process for monitoring credit spread sensitivity, and the progress of several ongoing projects. We also invited LGIM to a meeting in June 2023 to present on topics such as market outlook and how the manager is positioning itself to handle increased volatility and changing regulations. As mentioned above, we increased the Plan's allocation to matching assets (i.e., LDI portfolios) over the year as part of the de-risking strategy. Within the remaining liquid allocation, AIL considers the suitability of the Plan's underlying investment managers on an ongoing basis, on behalf of the Trustee. AIL's investment manager research team meets the underlying managers on a regular basis to assess any changes in the investment staff, investment process, risk management, ESG and other manager evaluation factors to ascertain whether the overall rating assigned to the fund remains appropriate and the manager remains suitable to manage the assets.
Arrangements with asset managers *"The Trustee expects its asset managers to offer full cost transparency via industry standard templates."*	Over the year, a third party (ClearGlass) gathered all costs and charges from the Plan's asset managers. The paper drafted by ClearGlass was a significant improvement from the year prior, although we note that there continues to be a lot of time spent by our investment advisor reviewing and challenging output from both investment managers and ClearGlass. In an attempt to improve the timeliness of the reporting and due to the limited value in obtaining a summary of the costs for illiquid assets (as they cannot be influenced prior to running off), we agreed to focus on the Plan's liquid assets in future reports. We were comfortable with the final level of costs and charges but expect to see improvements in the data provided by ClearGlass and some of the underlying managers.
Responsible investment and stewardship *"The Trustee reviews its asset managers' approaches to stewardship and other ESG-related matters on an annual basis and has communicated its expectations and standards to its asset managers."*	Throughout the year we updated our climate risk assessment and progressed with our financial reporting and sustainability reports required under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 ("the Climate Change Governance and Reporting Regulations") which introduced requirements relating to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. We also received training from our investment adviser on the awareness and preparedness of climate-related risks and opportunities of the Plan's insurers. An ESG rating for each investment manager is reported by Aon in the quarterly monitoring reports. These ratings take into account the fund management team's awareness of all known and potentially financially material ESG risks in the investment strategy, and the steps that have been taken by the manager to identify, evaluate and potentially mitigate these risks across the portfolio. To date, no managers have been found to be falling significantly short of the standards expected in this area. On review of underlying asset managers' stewardship policies and voting statistics as part of the production of this Implementation Statement, we are of the opinion that this policy has been adhered to.

AIL's engagement activity

We invest some of the Plan's defined benefit assets in the AIL Adept Strategy funds. These are fund of funds arrangements in which AIL selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon with the support of AIL. We have reviewed AIL's latest annual Stewardship Report and we believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, AIL held several engagement meetings with many of the underlying managers in its strategies. AIL discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. AIL provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, AIL engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, AIL committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

AIL also successfully renewed its signatory status to the 2020 UK Stewardship Code, a set of high stewardship standards for asset owners and asset managers which is maintained and assessed by the Financial Reporting Council.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosures. Good asset stewardship means being aware and acting on engagement issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Plan's material managers. The managers have provided information for the most recent calendar year available. The information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Plan.

Funds	**Number of engagements**		**Themes engaged on at a firm level**
	Fund specific	**Firm level**	
Blackrock UK Property Fund	Not provided	3,768	Environment – Biodiversity, climate risk management, land use/deforestation, water and waste. Social – Community relations, diversity and inclusion, health and safety, human capital management and supply chain labour management. Governance – Board composition and effectiveness, board gender diversity, corporate strategy, governance structure and executive remuneration.
Schroders Real Estate Trust	Not provided	6,724	Environment- Decarbonising and minimising emissions; Deforestation; Climate Risk, oversight and deforestation. Social - Corporate culture and oversight of human capital, customers and consumers and value chain diversity and inclusion. Governance- Boards and Management, executive diversity and inclusion and Executive remuneration

Source: Managers. All figures provided relate to the year 01 January 2023 to 31 December 2023.

Data limitations

At the time of writing both Blackrock and Schroders have not provided the specific fund level engagement information requested. However, we note that we have instructed full redemptions from both managers. We will continue to engage with the investment managers to maintain reporting quality and encourage any improvements.

This report does not include commentary on certain asset classes such as insurance-linked securities, gilts, annuities, and cash because of the limited materiality of stewardship for these asset classes. We have also excluded the AIL Return Seeking Hedge Fund as this fund is in the process of being unwound and now only holds a small number of illiquid holdings.

Further this report does not include the assets relating to the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Plan's assets that are held as AVCs.