

PACCAR UK Pension Plan Implementation Statement for the year ended 31 August 2023

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the PACCAR UK Pension Plan (“the Plan”) have followed their policy in relation to Environmental, Social and Governance (“ESG”) and the exercising of rights (including voting rights) attached to the Plan’s investments, and engagement activities during the year ended 31 August 2023 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and the most significant votes cast during the reporting year (other than in respect of the AVC assets).

Background

In March 2019, the Trustees received training on ESG issues from their Investment Adviser, XPS Investment Limited (“XPS”). Following that session, the Trustees consulted with the Principal Employer and agreement was reached on a suitable policy that the Plan would adhere to. The Trustees updated their Statement of Investment Principles to reflect their policy in relation to ESG and voting issues. The Trustees’ new policy was documented in the updated Statement of Investment Principles dated September 2019. That policy remained in the latest SIP dated December 2022, however, during the reporting year, the Trustees further reviewed and amended their ESG policies. In particular, the Trustees’ view now is that financially material risks relating to ESG issues should be incorporated into the investment process, and the SIP dated December 2022 was updated to reflect this. This statement reflects the Trustees’ views and policies that were in place as at the year-end.

The Trustees’ Responsible Investment policy

The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long-term horizon of the Plan and believe there are financially material considerations relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan’s Investment Managers. The Trustees require the Plan’s Investment Managers to take ESG and climate change risks into consideration within their decision making in relation to the selection, retention or realisation of investment, recognising that how they do this will be dependent on factors including the characteristics of asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Plan’s investments to the Investment Managers. The Trustees encourage the managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees’ expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Plan, although they have neither sought, nor taken into account, the beneficiaries’ views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future. The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this Statement.

Manager selection exercises

The Trustees seek advice from XPS when considering making changes to the investment strategy, which extends to the possible selection of new managers or funds. One of the areas for consideration by the Trustees, although not the principal driver for change, is the extent to which the investment manager integrates ESG and climate change into their solution.

During the reporting year, there have been no such manager selection exercises for the Plan's assets.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the Statement of Investment Principles.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the result of these votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

During the reporting year, the Plan's SIP was updated to not only reflect their enhanced ESG policies, but to also reflect the new strategic allocation. Following strong performance of the Plan's assets, the Trustees decided to reduce the level of investment risk and return within the investment strategy to capture gains in the funding position and reduce future funding level volatility. As such, the Plan's strategic asset allocation was amended to 40% equities and 60% bonds (formerly 60% equities and 40% bonds).

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Plan had specific allocations to two equity funds during the reporting year. Therefore, a summary of the voting behaviour and most significant votes cast by the relevant investment manager during the reporting year is shown below.

This voting information has been provided by the investment managers. The Trustees have selected significant votes on the basis they are linked to key ESG issues including, but not limited to: climate change; other climate issues such as natural capital; executive remuneration; governance; independence; modern slavery or other factors such as the size of the holding. Where the manager has provided a selection of significant votes, the Trustees has reviewed the rationale for significant votes provided by the managers and is comfortable with the rationale provided, and that this is consistent with their policy. The Trustees, with the help of their Investment Consultant, have considered the information the Investment Managers have been able to provide on significant voting, and have deemed the below information as most relevant.

BlackRock Aquila Life UK Equity Index

Voting Information

BlackRock Aquila Life UK Equity Index

The manager voted on 97% of resolutions of which they were eligible out of 15,046 eligible votes. Of the resolutions on which the manager voted: 95% voted with management, 4% voted against management, 1% abstained from voting. In 22% of meetings, the manager voted at least once against management. On 9 proposals, the manager voted contrary to the recommendation of their proxy adviser.

Investment Manager Client Consultation Policy on Voting

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

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

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

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

BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. These high-level Principles are the framework for their more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe their philosophy on stewardship (including how they monitor and engage with companies), their policy on voting, their integrated approach to stewardship matters and how they deal with conflicts of interest.

These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews their Global Principles annually and updates them as necessary to reflect market standards, evolving governance practice and insights gained from engagement over the prior year.

Their Global Principles are available on their website at <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

Investment Manager Process to determine how to Vote

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Their voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. They inform their vote decisions through research and engage as necessary. Their engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. They may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. They welcome discussions with their clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in their Global Principles, BlackRock determines which companies to engage directly based on their assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of their engagement being productive. Their voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. They apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. They inform their vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

How does this manager determine what constitutes a 'Significant' Vote?

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

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

Does the manager utilise a Proxy Voting System? If so, please detail

Proxy Voting Process

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

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

- In summary, proxy research firms help them deploy their resources to greatest effect in meeting client expectations
- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients’ assets, using their voice as a shareholder on their behalf to ensure that companies are well led and well managed
 - They do not follow any single proxy research firm’s voting recommendations and in most markets, they subscribe to two research providers and use several other inputs, including a company’s own disclosures, in their voting and engagement analysis
 - They also work with proxy research firms, which apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision
 - The proxy voting operating environment is complex and they work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Significant Votes during the Period

Company	Summary	How did the Investment Manager Vote?	Result
J Sainsbury Plc 07/07/2022	Shareholder Resolution on Living Wage Accreditation	Against	Fail
Rationale: Proposal is not in shareholders' best interests.			
BE Semiconductor Industries NV 26/04/2023	Amend Remuneration Policy	For	Pass
Rationale: The amended remuneration policy incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance.			
BE Semiconductor Industries NV 26/04/2023	Approve Discharge of Supervisory Board	For	Pass

Rationale: Encourages the company to continue to enhance their remuneration practices to strengthen the alignment between executive pay and company performance.			
BE Semiconductor Industries NV 26/04/2023	Approve Remuneration Report	Against	Fail
Rationale: Poor use of remuneration committee discretion regarding the grant of a one-off award. Remuneration arrangements are poorly structured.			

This voting information has been provided by BlackRock as at 30 June 2023. BlackRock only provided four votes in which they deemed to be significant. For the "Amend Remuneration Policy" and "Approve Discharge of Supervisory Board" proposals under BE Semiconductor Industries NV, BlackRock did not directly specify the rationale for the vote. As such, this commentary was sourced from voting bulletins on their website. These voting bulletins provide further background on the rationale for the vote and summary/key takeaways. This can be provided on request.

Voting Information

BlackRock Aquila Life World (ex UK) Equity Index

The manager voted on 92% of resolutions of which they were eligible out of 27,566 eligible votes. Of the resolutions on which the manager voted: 93% voted with management, 6% voted against management, 0% abstained from voting. In 30% of meetings, the manager voted at least once against management. On 121 proposals, the manager voted contrary to the recommendation of their proxy adviser.

Investment Manager Client Consultation Policy on Voting

Please refer to the corresponding section under BlackRock Aquila Life UK Equity Index

Investment Manager Process to determine how to Vote

Please refer to the corresponding section under BlackRock Aquila Life UK Equity Index

How does this manager determine what constitutes a 'Significant' Vote?

Please refer to the corresponding section under BlackRock Aquila Life UK Equity Index

Does the manager utilise a Proxy Voting System? If so, please detail

Please refer to the corresponding section under BlackRock Aquila Life UK Equity Index

Significant Votes during the Period

Company	Summary	How did the Investment Manager Vote?	Result
New World Development Company Limited 22/11/2022	Elect Lee Luen-Wai, John as Director	For	Pass
Rationale: BlackRock voted in favour as they felt the re-election would best serve the interests of shareholders.			
Fortum Oyj 23/11/2022	Approve Issuance of Shares for a Private Placement to Solidium Oy	For	Pass
Rationale: company's ability to deliver their long-term strategy would be enhanced by ensuring access to bridge financing.			
Uniper SE 19/12/2022	Approve Creation of EUR 25 Billion Pool of Authorized Capital 2022 without Pre-emptive Rights	For	Pass
Rationale: Issuance authorities were necessary to help stabilise and support business operations.			
Uniper SE 19/12/2022	Approve EUR 8 Billion Capital Increase without Preemptive Rights	For	Pass
Rationale: Issuance authorities were necessary to help stabilise and support business operations.			
Siemens AG 09/02/2023	Amend Articles Re: Participation of Supervisory Board Members in the Annual General Meeting by Means of Audio and Video Transmission	For	Pass
Rationale: proposals in line with regulatory requirements.			
Siemens AG 09/02/2023	Approve Virtual-Only Shareholder Meetings Until 2025	For	Pass
Rationale: proposals in line with regulatory requirements.			
BE Semiconductor Industries NV 26/04/2023	Approve remuneration report	Against	Fail
Rationale: Poor use of remuneration committee discretion regarding the grant of a one-off award.			
BE Semiconductor Industries NV 26/04/2023	Approve remuneration policy	For	Pass
Rationale: The amended remuneration policy incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance.			
BE Semiconductor Industries NV 26/04/2023	Approve discharge of supervisory board	For	Pass

Rationale: Encourages the company to continue to enhance their remuneration practices to strengthen the alignment between executive pay and company performance.			
Yum! Brands, Inc. 18/05/2023	Report on Efforts to Reduce Plastic Use	Against	Fail
Rationale: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.			
Yum! Brands, Inc. 18/05/2023	Adopt Share Retention Policy For Senior Executives	Against	Withdrawn
Rationale: Executive compensation matters should be left to the board's compensation committee, which can be held accountable for its decisions through the election of directors.			
Yum! Brands, Inc. 18/05/2023	Report on Civil Rights and Non-Discrimination Audit	Against	Withdrawn
Rationale: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.			
Yum! Brands, Inc. 18/05/2023	Report on Lobbying Payments and Policy	Against	Fail
Rationale: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.			
Yum! Brands, Inc. 18/05/2023	Report on Paid Sick Leave	Against	Fail
Rationale: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.			
Techtronic Industries Co., Ltd. 12/05/2023	Approve the Amendments to Share Award Scheme	Against	Pass
Rationale: Incentive arrangements do not support the long-term economic interests of shareholders.			
Techtronic Industries Co., Ltd. 12/05/2023	Approve the Amendments to Share Option Scheme	Against	Pass
Rationale: Incentive arrangements do not support the long-term economic interests of shareholders.			
Techtronic Industries Co., Ltd. 12/05/2023	Elect Horst Julius Pudwill as Director	Against	Pass
Rationale: Chair of Nomination Committee not independent; Remuneration Committee without majority independence.			

This voting information has been provided by BlackRock as at 30 June 2023. For the "Amend Remuneration Policy" and "Approve Discharge of Supervisory Board" proposals under BE Semiconductor Industries NV and all proposals under Fortum Oyj, Uniper SE and Siemens AG, BlackRock did not directly specify the rationale for the vote. As such, this commentary was

sourced from voting bulletins on their website. These voting bulletins provide further background on the rationale for the vote and summary/key takeaways. This can be provided on request.

BlackRock voting data notes applicable to all votes stated (as quoted by BlackRock)

Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)

BlackRock Investment Stewardship ("BIS") does not typically provide details on the approximate size of the mandate's holding as at the date of the vote (as % of portfolio).

Where you voted against management, did you communicate your intent to the company ahead of the vote?

We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues. Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>.

Implications of the outcome i.e. were there any lessons learned and what likely future steps will you take in response to the outcome?

BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.

I confirm that this Implementation Statement is accurate and representative of the Trustees' investment policies followed during the year.

Signed: _____

Stephen Barfoot, Chair of Trustees,
PACCAR UK Pension Plan

Date: _____