

Motorola Pension Scheme (DC Section): Annual Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year to 31 December 2023, including the Trustee’s voting and engagement policies. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The Implementation Statement is also required to describe the voting behaviour during the year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee, or on its behalf) and state any use of the services of a proxy voter during that year.

This Implementation Statement should be read in conjunction with the SIP which can be accessed at [Scheme SIP](#) and on pages six to 11. The disclosures here relate to the Defined Contribution (DC) Section of the Scheme and should be read in conjunction with the Defined Benefit (DB) Implementation Statement. The Implementation Statement covers the Scheme’s accounting year to 31 December 2023 and relates to the relevant SIPs in force over the period, namely:

- The SIP dated September 2020, which was in force up to 4 July 2023.
- The SIP dated July 2023, which was in force with effect from 5 July 2023.

In practice, the changes made to the SIP during the year and brought into effect in July 2023 related to the DB Section. The DC aspects of the SIP were unchanged during the year.

In relation to investment governance, the Trustee Board meets at least four times per year, and considers matters relating to the DC Section at each meeting. During the year covered by this Statement, the Trustee additionally held an extra meeting to focus solely on DC matters.

The Trustee is supported by an independent DC adviser, who attends Trustee meetings. The Trustee’s legal adviser and representatives of the administrator also provide support and attend meetings of the Trustee Board and / or the Scheme’s Administration and Communication Committee when required.

Stewardship Priorities

The Trustee has set their stewardship priorities as follows:

- Climate change
- Human capital management, including diversity, equity, and inclusion
- Governance and compliance.

These priorities have been set based on their financial materiality as regards long term returns and risks for the DC Section investments. We also note that the priorities are broadly aligned with three of the sponsoring employer’s six pillar environmental, social, and governance (ESG) framework.

Review of the SIP

The Trustee reviewed the SIP during the year, and discussed a revised copy at the Trustee meeting held on 20 June 2023. However, there were no material changes required in respect of the DC Section of the SIP, as no changes were made to the Scheme’s overall investment policies or the investment strategy for the DC Section. The only changes related to the DB Section of the Scheme, and these are documented in the DB Implementation Statement.

Assessment of how the SIP policies have been followed for the Scheme year

The information provided in the following table highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the policies in the SIP. The SIP is included within the report and accounts, and sets out the policies referenced below.

In summary, it is the Trustee’s view that the policies in the SIP have been followed during the Scheme year to 31 December 2023.

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Requirement	Relevant Policy in SIP	In the year to 31 December 2023
Securing compliance with the legal requirements about choosing investments.	Section 1 of SIP.	<p>There were no new investments chosen by the Trustee during the Scheme year.</p> <p>The Scheme's DC investment adviser attended Trustee meetings during the year and provided updates on the investments and, where required, appropriateness of the funds used.</p>
Kinds of investments to be held and the balance between different kinds of investments.	Section 3, including disclosures on the default investment strategy in paragraphs 3.7 – 3.9.	<p>The default investment arrangements are reviewed triennially, and the last review was completed in 2023. Details of the review are set out in the Chair's Statement. The review concluded that the default strategy remained appropriate, and therefore no changes have been made to the kinds of investments held, or the balance between different kinds of investments in the default strategy or wider fund range. Therefore, the kinds of investment held in the Scheme and the balance between those investments remain consistent with the SIP.</p> <p>The Scheme's default strategy uses a multi-asset fund and a lifestyle investment profile. As part of ongoing governance of the DC investments, the Trustee reviewed the asset allocation of the multi-asset fund on a six-monthly basis, and the performance of the lifestyle strategy, using reports prepared by the Trustee's DC adviser. The kinds of investments held, and the balance between them, was deemed to be in line with the expectations set out in the SIP. The overall Scheme asset allocation was also considered to be consistent with the SIP policies.</p>
Risk and return, including the ways in which risks are to be measured and managed, and the expected return on investments.	Paragraphs 3.3 – 3.6. Paragraphs 3.14 and 3.24 also reference benchmarks for expected returns.	<p>As detailed in the SIP, the Trustee considers a number of risks when deciding investment policies, strategic asset allocation, the choice of fund managers, funds and asset classes.</p> <p>The Trustee reviewed the measurement of key investment risks on a six-monthly basis during the year as part of its investment monitoring process. These reports were provided by the Scheme's DC investment adviser, independently of the underlying investment managers.</p> <p>One of the key risks noted in the SIP relates to inflation, and the risk that DC fund returns fail to keep pace with the cost of living. To monitor this risk, the Trustee reviews the performance of the default investment strategy relative to Consumer Price Inflation (CPI) plus a margin. This helps us to test whether the strategy is adequately mitigating inflation risk over the long term.</p> <p>At our Trustee meeting on 12 December 2023, the Trustee received a presentation from the main DC investment manager, L&G, which included performance and risk analysis, and ESG updates. This assisted the Trustee with its assessment of performance risk, investment manager risk, and ESG risks, including climate change.</p> <p>During the year, the Trustee also carried out a review of the default strategy which included analysis of the membership profile. This assisted with assessing the risk stated in the SIP that "the investment profile of any existing default investment option is unsuitable for the requirements of some members".</p>

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Requirement	Relevant Policy in SIP	In the year to 31 December 2023
Realisation of investments.	Section 3.6.	<p>No changes to the liquidity of the funds used by the Scheme were experienced during the year.</p> <p>All DC funds are daily dealt pooled investment vehicles, accessed via insurance contracts.</p> <p>The Trustee receives reports from the administrator each quarter which detail the extent to which core financial transactions have been processed within service level agreements and regulatory timelines. There were no issues experienced with realisation of investments during the period.</p>
Financial and non-financial considerations and how those are taken into account in the selection, retention and realisation of investments.	<p>The Trustee considers the risks in the SIP to be 'financially material'. See also sections 3.3 - 3.5.</p> <p>ESG policies are set out in sections 3.28 – 3.31.</p>	<p>There were no updates to this policy during the year but the risks identified and how they are measured and managed formed part of the investment monitoring conducted during the year, as noted above.</p> <p>A key financial risk, which is evolving over time, relates to climate change. The Trustee completed an extensive review of climate change related risks during the year covered by this Statement. This included considering scenario analysis for potential future climate change outcomes, and their potential impact on the Scheme. This analysis was discussed at the Trustee meeting held on 21 March 2023.</p>
Exercise of rights (including voting rights) attaching to investments and undertaking engagement activities.	Sections 3.22, 3.28 – 3.31.	<p>The Trustee has delegated voting rights to its investment managers. As the Scheme invests solely in pooled funds, the Trustee requires the investment managers to engage with investee companies on the Trustee's behalf. There has been no change in this policy during the year.</p> <p>However, the Trustee requests and reviews annually voting and engagement activities for the two investment managers to the DC Section. This information is summarised later in this Statement.</p> <p>Voting and engagement activities were also a key part of the agenda when the Trustee met with the investment manager of the default investment strategy at our 12 December 2023 Board meeting. Topics discussed included stewardship themes and priorities, the manager's voting and engagement activity during the year, and the manager's escalation policies should voting and engagement fail to be effective. The Trustee considered that the investment manager's approach was aligned with the policies stated in the SIP.</p>
How the arrangements incentivise the manager to align its strategy & decisions with Trustee policies.	Section 3.17.	No changes to policy during the year.

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Requirement	Relevant Policy in SIP	In the year to 31 December 2023
How the arrangement incentivises the manager to make decisions based on assessment of medium to long-term financial and non-financial performance of an issuer and to engage with issuers to improve their performance in the medium to long-term.	Sections 3.17 – 3.19.	<p>No changes to policy during the year.</p> <p>The Trustee met with the Scheme’s main DC investment manager at the 12 December 2023 Trustee meeting. As part of this meeting, the investment manager explained their decision-making process as regards the funds managed for the Scheme, and the Trustee also received an update on the engagement activity carried out by the manager (further details are provided later in this Statement). The Trustee concluded that the investment manager’s approach was consistent with the Scheme’s SIP policies in this regard.</p>
How the method & time horizon of evaluation of the manager’s performance and the remuneration for asset management services are in line with the trustees’ policies.	Sections 3.17 and 3.23 - 3.26.	<p>The Trustee reviewed both short and longer term investment performance formally on a six monthly basis, using reports prepared by the DC adviser. There was also a detailed discussion of manager performance with the main DC investment manager at the 12 December 2023 meeting. The extent to which the aims and objectives of the default arrangement were being met was also assessed as part of this discussion, as part of the Trustee’s triennial review of the default investment strategy as outlined earlier in this statement.</p> <p>The Trustee reviews investment management fees (i.e. remuneration for asset management services) paid by members annually, as part of the preparation of the Chair’s Statement and related disclosures regarding value for members. These were deemed to be in line with the SIP policies during the year.</p>
How the Trustees monitor portfolio turnover costs incurred by the manager, and how they define and monitor targeted portfolio turnover or turnover range.	Section 3.27.	<p>Transaction costs are monitored annually as part of preparation of the annual Chair’s Statement which is published on a public website.</p> <p>The Trustee will continue to monitor transaction costs in this way, but has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of turnover.</p>
The duration of the arrangement with the asset manager.	Section 3.23 – 3.26.	No changes to policy during the year, and no changes to the duration of the investment manager appointments.

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Non-financial Matters

As stated in the SIP policy, members' views are not currently taken into account in the selection, retention and realisation of investments, but members have a variety of methods by which they can make views known to the Trustee. No feedback was received during the Scheme year from members as regards investment views.

Manager Selection, Review and Monitoring

The Trustee has put in place six-monthly independent investment performance reporting, provided by the DC investment adviser. These reports include:

- Details of how each fund is delivering against the specific benchmark and target set over both short term and long term periods.
- Risk metrics for the default strategy, such as volatility and maximum drawdown statistics.
- The investment experience of members in the default investment strategy, in both the growth phase and the de-risking phase. This is assessed against inflation measures to ensure that the strategy delivers real returns in excess of inflation (this being one of the policies associated with the default strategy, as set out in section 3.8 of the SIP).
- Monitoring of the de-risking phase of the strategy relative to annuity price movements, as the strategy is designed to meet the needs of members who will buy an annuity with a portion of their Scheme DC benefits at retirement.
- Asset allocation, to assist the Trustee in monitoring the balance between different types of investment in order to ensure this remains in line with the SIP.
- The investment research ratings and ESG ratings assigned by the DC investment adviser's research team to each fund. These ratings denote the adviser's research views on the funds, including the prospects for the manager achieving the investment objectives and the extent to which ESG considerations are integrated in the manager's process, portfolio, and in their voting and engagement activities.

ESG, Stewardship (Voting and Engagement) and Climate Change

The Trustee has set their stewardship priorities as follows:

- Climate change
- Human capital management, including diversity, equity, and inclusion
- Governance and compliance.

These priorities have been set based on their financial materiality as regards long term returns and risks for the DC Section investments. We also note that the priorities are broadly aligned with three of the sponsoring employer's six pillar environmental, social, and governance (ESG) framework.

The SIP includes the Trustee's overall policies on ESG factors, stewardship (voting and engagement) and climate change. The policy sets out the Trustee's beliefs and the processes followed by the Trustee in relation to stewardship. The Trustee has complied with the policies in the SIP on voting and engagement as detailed here.

The Trustee has appointed two DC investment managers, Legal & General Investment Management ("L&G"), and the Prudential Assurance Company Limited ("Prudential"). In respect of the Prudential investments, Prudential have delegated the investment management of the fund used by the Scheme to M&G Investment Management Ltd ("M&G"). During the year, the DC Section continued to invest solely in pooled funds, where stewardship activities are delegated to the investment managers.

The following work was undertaken during the year to 31 December 2023 relating to the implementation of the Trustee's policies on ESG factors, stewardship and climate change:

- The Trustee will consider the investment manager's policies relating to ESG issues for new fund selections or appointments, and will seek to obtain ongoing reports from the manager on the

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implementation of these policies. The Trustee also considers ESG ratings published by Mercer, the Scheme's DC investment adviser, when considering any new investments for the DC Section. No new investment managers were appointed during the year.

- L&G produce quarterly reports which include details of engagement activities. M&G (the underlying investment manager in respect of the Prudential fund used by the Scheme) produce an annual stewardship report with this information.
- For example, engagements noted by L&G during the Scheme year, which are aligned with the Trustee's stewardship priorities, included:
 - L&G became a member of Nature Action 100 ('NA100'), a global investor initiative that aims to encourage greater ambition and action from companies on nature and biodiversity loss, by setting a common agenda and clear set of expectations for companies. As part of this initiative, L&G will be participating in direct engagement with 100 companies.
 - L&G believe that failing to address the issue of income inequality and poverty can pose a material risk to companies. The manager therefore developed a focused campaign around "in work poverty". In 2023, L&G broadened its engagement with company management on this issue, by implementing a voting sanction for any companies that fail to meet certain expectations. This was targeted initially at the food retail sector, as L&G believe these companies have a relatively high proportion of their workforce earning low wages.
 - In relation to shareholder voting rights, L&G believe that equal voting is an essential right for shareholders and is a strong proponent of the "one share, one vote" standard, based on the principle that control of a company should be commensurate to one's economic interest. During the year, L&G voted against a number of companies under a campaign on equal voting rights, demonstrating how widespread this issue has become. L&G also considered whether there is any overlap with any other areas of governance concerns. For example, looking at the overlap between unequal voting rights and combined Chair / CEO roles.
 - As part of a collaboration of approximately 35 investors organised by Share Action, representing over \$7 trillion of assets, L&G engaged with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies. The collaboration has requested that the companies formulate strategies to electrify chemical production processes, increase their use of renewable energy sources, phase in non-petrochemical feedstocks, and set emissions reduction targets aligned with 1.5°C pathway.
- Engagements noted by M&G (as manager of the Prudential fund used by the Scheme) , which are aligned with the Trustee's stewardship priorities, included:
 - M&G is a member of the Institutional Investors Group on Climate Change (IIGCC) Corporate Programme Advisory Group. Having been co-leads on engaging with TotalEnergies, Rio Tinto and BASF (all of which were deemed high priorities for engagement, given their businesses span oil and gas, mining, and chemicals) in 2022, in 2023 M&G became co-lead on the cement producer Holcim Group. Using the IIGCC group network allows M&G to represent a large investor base in these engagements, and to focus attention on sectors and companies that may be particularly affected by climate change and natural capital risks.
 - Biodiversity concerns gained momentum for M&G during the year. The manager joined the Taskforce on Nature Related Financial Disclosures (TNFD) Forum in 2021, and had hoped to be able to report more progress by now. In practice, M&G note that they were initially held back by a lack of relevant data and limited resources, but in 2023 were able to extend company level climate engagements to include biodiversity discussions.
 - M&G wrote to, or engaged with, a large number of companies that did not meet minimum criteria on diversity and inclusion. For example, For companies listed in the UK (FTSE350), Europe, North America and Australia, the minimum expectation was for boards to progress to be 40% or more female by the Annual General Meeting held in the calendar year 2023.

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- The Trustee reviews six-monthly investment reporting, which includes the DC adviser's research ratings (both general and ESG related). The ESG ratings include assessment of the investment manager's stewardship capabilities and their integration of ESG factors.
- The two DC investment managers are signatories to the UK Stewardship Code and the UN Principles for Responsible Investment. Note that M&G, who Prudential appoint to carry out day-to-day asset management, may themselves appoint other underlying investment managers and will assess the appointed managers' investment processes periodically, including a review of their relevant policies covering engagement, voting and ESG integration.
- In order to engage with the Scheme's main DC investment manager on ESG matters, the Trustee meets with L&G annually. During the year, this meeting was with the Trustee board 12 December 2023. At the meeting, L&G discussed their approach to responsible investment, including:
 - Details of L&G six stewardship themes, which are climate (e.g. climate change mitigation and adaptation), nature (e.g. biodiversity), people (e.g. diversity, human capital), health (e.g. anti-microbial resistance), digitisation (e.g. cyber risks), and governance (e.g. investor rights).
 - An update on the manager's "net zero" emissions roadmap, including the decarbonisation pathway that has been implemented.
 - How the manager uses voting rights to exert influence.
 - Ways in which ESG considerations are integrated in the investment process.
 - Use of screens to identify investments that may present ESG risks. Examples cited included companies in violation of the UN Global Compact, and those where a material component of company revenue derived from coal and oil sands.
 - Details of engagements, and circumstances under which L&G will escalate any concerns.
 - L&G also shared statistics in relation to the number of engagements carried out, and the highlights of voting activity.

Voting Activity

The Trustee has delegated the voting rights attached to the DC assets to the investment managers. Investment managers are expected to provide vote reporting on a regular basis, at least annually. The Trustee does not use the direct services of a proxy voter. Over the last 12 months, the key voting activity on behalf of the Trustee was as detailed below.

Manager 1 (L&G)

The voting policy of the manager was discussed with the Trustee at the 12 December 2023 Trustee meeting and the Trustee deems the manager's approach to be consistent with its investment beliefs.

The Trustee has been provided with the voting disclosures relating to the funds made available to members that invest in equities (which have voting rights attached), covering the year to 31 December 2023. These are summarised in the following table.

	L&G World Equity Index	L&G Diversified
Value of Scheme assets in fund	£3,553,818	£5,652,290
No. of underlying equity holdings	2,945	6,908
No. of meetings eligible to vote	3,055	9,077
No. of resolutions eligible to vote	37,810	94,290
% of resolutions voted	99.9%	99.8%
% of resolutions voted with management	78.9%	76.4%
% of resolutions voted against management	20.9%	23.4%
% of resolutions abstained	0.1%	0.3%
% of resolutions voted against recommendation of the proxy adviser	15.4%	14.6%

Source: L&G. Totals may not sum due to rounding.

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The following tables set out voting issues that arose within each fund (that hold equities with voting rights), that is considered significant, as it relates to the Trustee's stewardship priorities as noted earlier.

Fund	L&G World Equity Index				
Company	Coca Cola				
Item	Report on Congruency of Political Spending with Company Values and Priorities				
Criteria for assessing as significant	Relates to governance & compliance, which is one of the Trustee's stewardship priorities.				
Rationale	<p>Shareholders requested that Coca-Cola publish a report analysing its political and electioneering expenditures in the US.</p> <p>L&G voted for this proposal (against management) as it expects companies to be transparent in their governance processes and disclosures of their lobbying activities and internal review processes involved. While L&G appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, the manager notes that it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values.</p> <p>L&G believe that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help to identify and question its previous political spending priorities, in L&G's view.</p>				
Date of Vote	25 April 2023	Voting Decision	For	Outcome	Failed

Fund	L&G Diversified				
Company	Shell Plc				
Item	Approval of the Shell Energy Transition Progress				
Criteria for assessing as significant	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>L&G voted against the management of Shell on its proposed Energy Transition Progress, "though not without reservations". L&G acknowledge the substantial progress made by this company in meeting its 2021 climate commitments and welcome Shell's leadership in pursuing low carbon products within its business.</p> <p>However, L&G remain concerned by the lack of the company's disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with a 1.5°C climate warming trajectory.</p>				
Date of Vote	23 May 2023	Voting Decision	Against	Outcome	Passed

Manager 2 (Prudential)

The voting and engagement policy of the manager has been made available to the Trustee, including information that applies specifically to the Scheme's investments with Prudential (which are held in a With Profits Fund). Prudential have not provided fund-specific information on voting but has shared its overall policies and processes, which are available at [Prudential Voting and Engagement](#). The underlying investment manager appointed by Prudential, M&G, has also provided voting records across its business. However, this is not available at the individual fund level. The Trustee will continue to work with its advisers and Prudential to seek to obtain voting and engagement disclosures, although we have been encouraged to see more public disclosures on policies, as well as annual stewardship reporting from Prudential.