Sony Music UK Pension Plan (the "Plan")

Annual Implementation Statement (the "Statement")

Introduction

This Statement, provided for the benefit of the Plan's members, sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year to 31 March 2023. The SIP is a document drafted by the Trustees in order to help govern the Plan's investment strategy. It details a range of investment-related policies, a summary of which is included below alongside the relevant actions taken by the Trustees in connection with each of these policies.

This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The investment objectives of the Plan included in the SIP are as follows:

To invest the Plan's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

The Defined Benefit (DB) Section

- The Trustees recognise that their primary duty is to the members and that the investment strategy should be set in their interests. The DB Section of the Plan is fully funded on a Technical Provisions basis and investment risk has been mitigated to a large extent through implementation of a buy-in insurance policy covering 100% of the DB Section's liabilities.

The Defined Contribution (DC) Section and the VIP Plan (including DB AVC's)

- To provide a range of cost effective investment options so that members' and company contributions can be invested to provide a balance between growth in capital values and security of capital value.

Review of the SIP

During the year, the Trustees reviewed the Plan's SIP, with the revised SIP signed in June 2023 and was updated to reflect:

- DB Section: The new strategy (the Corporate Bonds mandate was terminated and proceeds were all invested in cash to protect the nominal value of the surplus).
- DC Section and VIP Plan (including AVCs)
  - Specific reference to the Prudential With Profits Fund as a default arrangement within the VIP Plan.
  - Clarifying the difference between arrangements under the DC Section and VIP Plan as well as the Trustees' expectations of the investment managers.

Requirement	Policy	In the year to 31 March 2023
Securing compliance with the legal requirements about choosing investments	The Trustees obtain written advice from their investment adviser, enabling the Trustees to choose investment vehicles that can fulfil the Plan's investment objectives. In the Trustees' opinion, this is consistent with the requirements of Section 36 of the Pensions Act 1995.	The Trustees received advice from their investment adviser where required over the year. At the Trustee meeting on 23 February 2023, the Trustees considered written advice from their Investment Adviser and agreed to transition the DB Section assets in BlackRock's UK All Stocks Corporate Bond Fund to the BlackRock Sterling Government Liquidity Fund, which is BlackRock's lowest risk cash fund in order to protect the absolute value of the surplus. The transition was finalised during March 2023 Over the year there were no changes to the VIP Plan or DC Section investments over the year.
Kinds of investments to be held	For the DB Section, the Trustees seek to maintain its fully funded position on a technical provisions basis, following the implementation of the Buy-in policy covering all DB members. For the VIP Plan, the Trustees' primary objective is to provide a range of cost effective investment options so that members' and company contributions can be invested to provide a balance between growth in capital values and security of capital value. For the DC Section, a default lifestyle investment strategy exists for a small number of members who remain invested. This strategy switches from growth assets to defensive assets as members approach retirement.	Under the Buy-in, Rothesay Life is responsible for providing cash flows required to meet the associated member pension payments as they fall due. The residual assets, following completion of the Buy-in, and knowing that no balancing payment to Rothesay Life will be required, were invested in a combination of cash and corporate bonds pre March 2023 and just cash post March 2023 A default investment strategy review of the DC Section and VIP Plan was undertaken in February 2023. However, given the future of the overall Plan, the Trustees concluded that it was not appropriate to make changes to the investments at that time and therefore no changes were made to the Plan's investments over the year.

Assessment of the policies in the SIP for the year to 31 March 2023

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and how this followed the Trustees' policies in the SIP dated 11 September 2020 as this was the SIP in place during the Plan year.

Requirement	Policy	In the year to 31 March 2023
The balance between different kinds of investments	Under the Buy-in, Rothesay Life is responsible for providing cash flows required to meet the associated member pension payments as they fall due. The Trustees invest the remaining assets of the core DB section ("the residual assets") in pooled fund arrangements operated by BlackRock. The residual assets are those that remain following the Buy-in and from March 2023 are invested in a single cash fund.	There were no changes to the Trustees' investment strategy in respect of all the sections of the Plan except the DB Section, where the Trustees decided to terminate the corporate bonds investment, with the proceeds being invested in the cash fund managed by BlackRock. The Trustees remained satisfied with the performance of all funds over this period. DB Section All assets relating to the DB Section are invested in the cash fund from March 2023.
	Within the VIP Plan and DC Section, members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards, and tolerance of, risk. Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.	The Trustees monitor the underlying fund performance on a quarterly basis. VIP Plan The following investment options are currently available to members: • Prudential UK Equity Fund • Prudential With-Profits Cash Accumulation Fund (Default) • Prudential Discretionary Fund • Prudential Dynamic Global Equity Passive Fund (Technical Default) In addition, a "Cash Lifestyle Strategy" investment option is available for members looking to take their benefits as a tax-free cash lump sum when they retire. There are currently no members invested in this strategy. DC Plan Members can opt to manage their investment choices by choosing to invest in one or more of the self-select funds available through the Scottish Widows platform, each of which have differing risk and return characteristics. The default for the DC Section is Lifestyle Option B. This lifestyle strategy is to invest 70% of new contributions and existing assets in equities and the remaining 30% into diversified growth fund until ten years before retirement, when the assets will be gradually switched with the at retirement position being 25% cash and 75% government bonds.

Requirement	Policy	In the year to 31 March 2023
Risks, including the ways in which risks are to be measured and managed	Within the DB Section, the Trustees have minimised their primary risks by entering into the Buy-in. Within the VIP Plan and DC Section of the Plan, the Trustees have considered the specific risks outlined in section 4 of the SIP.	The impact of key investment risks, such as the absolute return of the DB Section's remaining assets, were reflected in quarterly performance reports pre March 2023 reviewed by the Trustees at each Board meeting and from March in the quarterly manager reports. During 2022 the SIP was updated to reflect how risks would be monitored and managed going forwards for the DC Section and VIP Plan. The 2020 SIP risks were primarily around the adequacy of design of the lifestyle options and ongoing suitability of investment managers. During the year the Trustees considered these risks as part of their annual review of the risks and through their monitoring of investment reporting, as well as part of the default strategy review. The Trustees are satisfied that the investment risks set out in their SIP for the Plan are being appropriately managed and measured.
Expected return on investments	For the DB Section, due to the Buy-in, the Plan has no explicit return target. For the VIP Plan and DC Section, the funds are expected to provide an investment return commensurate with the level of risk being taken. In the default strategies, the Trustees have explicitly considered the trade-off between risk and expected returns. The overall aim is for invested assets to generate returns in excess of inflation during the growth phase and progressively de-risk towards the retirement date.	For the DB Section, the residual assets are invested in a cash fund only from March 2023. As such, there is no formal return target for the residual assets. In respect of DC assets, the Trustees reviewed performance relative to the benchmark for each fund at each Trustee Board meeting. A default strategy review for the VIP Plan and DC Section was conducted in February 2023. This review concluded that the growth phase was reasonably designed and that the de-risking needed consideration by the Trustees given industry trends and market developments. However, given the future of the Plan, the Trustees concluded that it was not appropriate to make changes to the investment strategy at that time.

Requirement	Policy	In the year to 31 March 2023
Realisation of investments	For the DB Section the Trustees consider the liquidity of the investments in the context of the likely needs for members. The investment managers have discretion in the timing of realisation of the underlying investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses. For the VIP Plan and DC Section, the selection, retention and realisation of assets are delegated to the underlying fund manager, as detailed in section 10 of the SIP.	For the DB Section, in the event the Trustees need to realise assets to meet benefit outgoings there is only one cash fund with investment in it – this fund is very liquid. Due to the Buy-in, the Trustees do not foresee any cashflow requirements. However, the remaining assets are readily realisable in pooled vehicles if there is an unforeseen requirement. The majority of the Plan assets could be redeemed within one week. The VIP Plan's and DC Section's assets are managed in pooled, daily dealt funds. The Trustees acknowledge that investments in these funds can be realised at short notice and no known liquidity concerns arose over the year.
Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	The Trustees consider financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such factors, including environmental, social and governance ("ESG") factors, is delegated to the investment manager. The Trustees have given their investment managers discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Plan's investments. The Trustees consider how ESG is integrated within investment processes when monitoring existing investment managers or appointing new managers.	For both sections the Mercer investment performance reports were reviewed by the Trustees on a quarterly basis; this included ratings (both general and specific ESG) from the investment adviser. Over the year to 31 March 2023, there have been no ESG rating downgrades within the mandates the Plan is invested in. As a result from the changes to the DB Section investment strategy in March 2023, the Trustees will only receive the quarterly manager reports going forward, which cover the performance of the Plan's investments including the BlackRock Sterling Government Liquidity Fund for the DB Section. The ESG considerations for such a fund is less important. In addition the Trustees will receive reporting from Scottish Widows and Prudential in respect of the DC Section and VIP Plan. With ESG ratings included and considered (where applicable) in the annual value for members assessment. There were no new manager appointments over the year. The Trustees will discuss and consider manager ESG ratings in any future investment strategy reviews, as necessary.

Requirement	Policy	In the year to 31 March 2023
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments .	The Trustees do not currently have a formal process for seeking the views of members on non-financial matters such as ethical considerations or issues such as social and environmental impact when considering the selection, retention and realisation of assets. The Trustees do not consider the ESG policies of the existing DC and AVC providers as these contracts are a small proportion of total assets.	Over the year, the Trustees did not receive any requests from the Plan's members to consider their views and the Trustees did not explicitly take into account non-financial matters in the selection, retention and realisation of investments. During the year to 31 March 2023 the Trustees updated their Statement of Investment Principles (signed in June 2023) to reflect that, in line with the DB Section, the Trustees would consider how ESG is integrated within investment processes when monitoring existing investment managers or appointing new managers and their expectations of investment managers in respect of the DC Section and VIP Plan.
The exercise of the rights (including voting rights) attaching to the investments	The Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.	The Trustees have delegated voting rights to the investment managers. Over the prior 12 months, the Trustees have not actively challenged the managers on their voting activity Further detail on voting and engagement activity can be found in Appendix A.
Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters)	Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice. Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.	As the Plan invests solely in pooled funds, the Trustees expect their investment managers to engage with the investee companies on their behalf. Assets with voting rights are limited to DC and AVC assets. Details of the voting activity, engagement and the Trustees assessment of significance is detailed in Appendix A.

Requirement	Policy	In the year to 31 March 2023
How the arrangements with the asset managers incentivise the asset managers to align investment strategies and decisions with the Trustees' policies	The Trustees' policy in relation to investments to be held is set out in section 7 of the SIP. In line with this section, investment managers are appointed by Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.	Sufficient investment return, net of investment costs, has been delivered to facilitate the Buy-in for the DB Section, consistent with the Trustees' long-term objectives. As for the DC section, the Trustees assess the value of the available options for the members annually and as part of this annual assessment, the Trustees consider the costs versus the performance of the funds. The most recent assessment completed in the Plan year concluded that members receive reasonable value (as part of this assessment ESG ratings where available where monitored). The Trustee also assessed suitability of manager/funds against their objectives as part of the default investment review in February 2023 and as part of the investment monitoring undertaken at each quarterly meeting.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	The Trustees receive investment manager performance reports from the managers and pre March 2023 from its investment adviser on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees review absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time period). The Trustees' focus is primarily on long-term performance but short-term performance is also reviewed. The Trustees may review a manager's appointment if: • There are sustained periods of underperformance; • There is a change in the portfolio manager; • There is a change in the underlying objectives of the investment manager; • There is a significant change to the investment adviser's rating of the manager.	For both sections the Mercer investment performance reports were reviewed by the Trustees on a quarterly basis; this included ratings (both general and specific ESG) from the investment adviser. Over the year to 31 March 2023, there have been no ESG rating downgrades within the mandates the Plan is invested in. Investment management fees are charged as a percentage of assets and there are no performance-based fees, which may otherwise encourage short-term decision-making. In addition performance of the DC Section and VIP Plan are assessed annually through the Value for Members assessment in the context of both performance and the fees borne by members (as part of this assessment ESG ratings where available where monitored). As a result from the changes to the DB Section investment strategy in March 2023, the Trustees will only receive the quarterly manager reports going forward, which cover the performance of the Plan's investments including the BlackRock Sterling Government Liquidity Fund for the DB Section. The ESG considerations for such a fund is less important. In addition the Trustees will receive reporting from Scottish Widows and Prudential in respect of the DC Section and VIP Plan.

Requirement	Policy	In the year to 31 March 2023
How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration for asset management services are in line with the Trustees' policies	As well as assessing investment returns over quarterly, annual and triennial periods, the Trustees will consider a range of other factors, with the assistance of their investment adviser, when assessing each investment manager as outlined in Section 7 of the SIP. Each investment manager is remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for each investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive the associated fee.	Pre March 2023, the Trustees have considered the long-term investment performance of each manager as part of the Mercer quarterly monitoring, as well as their investment adviser's views of the investment manager in question, and are comfortable that the longer-term performance and forward-looking capabilities remained suitable, including the investment manager's remuneration. Investment return net of fees has facilitated completion of the Buy-in for the DB Section. The Trustees annually review the DC and AVC providers' proposition, including investment managers' fees where possible, and the default strategy to assess their performance and ensure they continue to meet the Trustees' objectives through their annual Value for Members assessment. The outcome of the 2022 review was that members received reasonable value for money.
How the Trustees monitor portfolio turnover costs incurred by each asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	The Trustees do not currently actively monitor the portfolio turnover costs of the main DB assets. However, the Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. Within the VIP Plan and the DC Section, the Trustees review the costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.	Investment managers' performance is reported net of transaction costs and therefore managers are incentivised to keep portfolio turnover costs to a minimum. The Trustees received some MiFID II reporting from their investment managers in the DB Section. The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask managers to report on portfolio turnover costs explicitly. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus. However, this is not expected to have a meaningful impact on assessing the security of delivering member benefits owing to the completion of the Buy-in. As disclosed in the annual Chair's Statement, each investment manager in the VIP Plan and DC Section will incur transaction costs associated with purchasing and selling individual securities (such as equities or bonds). Reporting continues to be somewhat fragmented and is at a fund level with analysis of transaction costs not possible as the data does not allow like-for-like comparison. The Trustees, with assistance from their advisers, will look to comment on transaction costs compared to the wider industry once this data becomes uniformly available.
Requirement	**Policy**	**In the year to 31 March 2023**
The duration of the arrangement with the asset manager	The Trustees are long-term investors and do not look to change the investment	No action was taken in relation to investment manager appointments during the year but in the DB Section the fund allocation within the

	arrangements on a frequent basis. Within the DB Section, for open-ended funds, there is no set duration for the manager appointments. The Trustees will therefore retain an investment manager unless: • There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; • The manager appointed has been reviewed and the Trustees have decided to terminate the mandate. Within the VIP Plan and DC Section, all the funds are open-ended with no set end date for the arrangement. The fund range and default strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.	investment manager was amended for strategic reasons. The Triennial review of the default arrangements within the DC Section and VIP Plan was undertaken in February 2023. This review concluded that the growth phase was reasonably designed and that the de-risking needed consideration by the Trustees given industry trends and market developments. However, given the future of the Plan, the Trustees concluded that it was not appropriate to make changes to the investment strategy at that time. There remains no set duration for managers consistent with the Trustees' policy.

Appendix A: Voting and Engagement Activity

Voting Activity- DB Section

Given the asset allocation over the year to 31 March 2023 within the DB Section comprised of one corporate bonds pooled fund and one liquidity pooled fund, the Plan did not have any (indirect) voting rights attached.

Nevertheless, BlackRock has confirmed it conducts more than 3,000 engagements a year on a range of ESG issues likely to impact their clients' long-term economic interests. BlackRock meets with executives and board directors, communicates with company advisers and engages with other stakeholders where appropriate.

BlackRock is a Tier 1 rated signatory of The Stewardship Code and has been a signatory of the UN Principles of Responsible Investment (UN PRI) since 2008. BlackRock is also a founding member of the Task Force on Climate-related Financial Disclosures (TCFD). The firm has also published its 2022 TCFD report in their website.

Voting and Engagement Activity- DC Section and VIP Plan (including DB AVCs)

The Trustees delegated their voting rights to the investment managers. The September 2020 SIP was updated in the period to state: "The Trustees delegate the day-to-day management of the assets to a number of investment managers. As such, these investment managers have responsibility for the selection, retention and realisation of the underlying investments within the pooled funds which they manage. The investment managers also have discretion to incorporate social, environmental and ethical considerations in exercising their delegated responsibilities including voting."

New guidance on reporting on stewardship from the Department of Work and Pensions (DWP) came into effect for schemes with year ends post 1 October 2022. This guidance requires trustees to define what they consider to be a significant vote and report on all the most significant votes each year.

The Trustees have requested key voting activities from their managers during the Plan year. In particular, focus has been given on the stewardship priorities that the Trustees believe constitutes a "significant" vote:

- Climate change
- Governance
- Biodiversity
- Remuneration
- Modern Slavery
- Final Outcomes

In particular, the Trustees deem that of the key votes disclosed by investments managers in relation to the current default arrangements (Lifestyle Option B and the Prudential With Profits Fund), the top two votes by size of holding are significant.

Over the prior 12 months, the Trustees have not actively challenged the investment managers on their voting activity. The Trustees do not use the direct services of a proxy voter. The Trustees expect the Plan's voting rights to be exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The majority of voting activity will arise in public equity funds. Voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. However, the Trustees have reported voting information with respect to all funds that hold equity and reported on the significant votes with respect to the current default investment options used by the DC Section and VIP Plan as these represent the largest equity and member holdings for these sections.

Where "We" and "Our" is referred to within the significant vote narrative in the pages overleaf, the "We" and "Our" refers to the Fund Manager and not the Trustee.

The DC Section

The following table contains an overview of the investment managers voting activity over the Plan year to 31 March 2023.

<table>
<tr><th rowspan="2">Fund</th><th rowspan="2">Number of meetings eligible to vote</th><th rowspan="2">Number of resolutions eligible to vote on</th><th rowspan="2">% of eligible resolutions voted on</th><th colspan="3">Of the resolutions voted on, % of votes which were:</th></tr>
<tr><th>with management</th><th>against management</th><th>abstained</th></tr>
<tr><td>Baillie Gifford Diversified Growth</td><td>97</td><td>1,061</td><td>97.9%</td><td>95.8%</td><td>3.3%</td><td>1.0%</td></tr>
<tr><td>LGIM Global Equity Fixed Weights (30:70) Index</td><td>7,319</td><td>76,499</td><td>99.9%</td><td>80.7%</td><td>18.2%</td><td>1.1%</td></tr>
</table>

Figures may not sum to 100% due to rounding. These funds are part of the current default, Lifestyle Option B.

The following tables contain an overview of voting activity considered significant by the Trustees over the Plan year to 31 March 2023 in relation to the DC Section of the Plan.

Baillie Gifford Diversified Growth Fund (Lifestyle Option B)

Details of Baillie Gifford's voting and engagement policies can be found here: Our Stewardship Approach: ESG Principles and Guidelines 2023 (bailliegifford.com). Baillie Gifford have confirmed "We do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house."

Company	**Duke Realty Corporations**
Summary of the resolution	Remuneration
Date	28/09/2022
Criteria for assessing as significant	Vote relating to remuneration
Size of holding	0.21%*
Vote cast	Against Management (and this intent was communicated to the company ahead of the vote)
Rationale	We opposed the advisory proposal to approve executive compensation to be paid in connection with the company merger due to concerns regarding single trigger provisions and the introduction of excise tax gross-ups in connection with severance payments.
Vote result	Resolution Failed
Next Steps	While we were supportive of the proposed merger with Prologis, we were uncomfortable with the compensation arrangements planned for Duke Realty NEOs in connection with the merger and therefore opposed this resolution, which ultimately received 91.64% dissent from shareholders. We unsuccessfully attempted to engage the company on its approach to compensation at this year's AGM and will continue our efforts to do so going forward.

Company	**Leg Immobilien SE**
Summary of the resolution	Remuneration
Date	19/05/2022
Criteria for assessing as significant	Vote relating to remuneration
Size of holding	0.22%*
Vote cast	Against Management (this intent was not communicated to the company ahead of the vote)

Rationale	We opposed the executive compensation policy as we do not believe the performance conditions are sufficiently stretching.
Vote result	Resolution Passed
Next Steps	Following our vote decision, we have reached out to the company to let them know about our dissent on remuneration and set out our expectation on pay.

LGIM Global Equity Market Weights (30:70) Index Fund (Lifestyle Option B)

LGIM has confirmed that: "LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics."

LGIM has also confirmed "Given the scale of our holdings, we cannot be physically present at every company shareholder meeting to cast these votes. We instead vote by proxy through the Institutional Shareholder Services (ISS) voting platform "ProxyExchange'" more details can be found here: www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf.

In addition details of LGIM's voting policies can be found here:
https://vds.issgovernance.com/vds/#/MjU2NQ==/

Company	**Royal Dutch Shell Plc**
Summary of the resolution	Approve the Shell Energy Transition Progress Update
Date	24/05/2022
Criteria for assessing as significant	Vote relating to climate change
Size of holding	2.1%
Vote cast	Against Management (with reservations)
Rationale	We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.
Vote result	Resolution Passed
Next Steps	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Company	**Amazon.com, Inc.**
Summary of the resolution	Elect Director Daniel P. Huttenlocher
Date	25/05/2022
Criteria for assessing as significant	Vote relating to governance and human rights
Size of holding	1.4%
Vote cast	Against Management (LGIM pre-declared its vote intention for this resolution, demonstrating its significance.)
Rationale	The director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
Vote result	Resolution Passed

Next steps	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

The VIP Plan and DB AVCs

The following table contains an overview of the investment manager's significant voting activity over the Plan year to 31 March 2023

Prudential Funds	Number of meetings eligible to vote	Number of resolutions eligible to vote on	% of eligible resolutions voted on	Of the resolutions voted on, % of votes which were:		
				with management	against management	abstained
UK Equity	522	7,976	99.0%	96.3%	3.4%	0.3%
Dynamic Global Equity Passive	5,418	59,270	99.9%	93.3%	6.1%	0.6%
Discretionary	1,874	24,596	97.5%	93.8%	5.6%	0.6%
With Profits	6,318	72,503	97.9%	91.4%	7.1%	1.5%

Figures may not sum to 100% due to rounding.

The Prudential With Profits Fund is the current default in the VIP Plan. The following tables contain an overview of the voting activity considered significant by the Trustees over the Plan year to 31 March 2023.

Prudential With Profits Fund

Prudential have confirmed that "The fund management has been delegated to a number of fund managers, including M&G Investment Management. The voting is carried out by those fund managers." Further detail on their voting and engagement policy can be found here: www.mandg.com/pru/customer/en-gb/about/srdii. Prudential did not disclose their future next steps following the outcome of the two votes outlined below.

Company	**Apple Inc.**
Summary of the resolution	Shareholder proposal to adopt a Policy Establishing an Engagement Process with Proponents to Shareholder Proposals
Date	10/03/2023
Criteria for assessing as significant	Vote relating to Governance
Size of holding	0.3%
Vote cast	Against Management (Prudential did not disclose whether they communicated their intentions with the Company prior to the vote)
Rationale	In our view, the board should make themselves available for discussions with proponents of successful shareholder proposal campaigns.
Vote result	Resolution Failed

Company	**Microsoft Corporation**
Summary of the resolution	Shareholder proposal: Report on Tax Transparency
Date	13/12/2022
Criteria for assessing as significant	Vote relating to Governance

Size of holding	0.3%
Vote cast	Abstain
Rationale	Concern over uncertainties pertaining to the adoption of the proposal
Vote result	Resolution Failed

Annual Statement Regarding Governance

The Trustees of the Sony Music UK Pension Plan (the ‘Plan’) present their annual Chair’s Statement on governance (the ‘Statement’) as required under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the ‘Administration Regulations’), as amended by the Occupational Pension Plans (Charges and Governance) Regulations 2015. The Statement covers the period 1 April 2022 to 31 March 2023 (the ‘Scheme Year’).

The Plan is divided into two parts:

(i) The Core Plan - this section provides benefits on a Defined Benefit (‘DB’) basis. Additional benefits are also provided on a money purchase basis through the VIP Plan with members’ additional voluntary contributions (‘AVCs’) previously matched by the Employers up to a specified limit. This section of the Plan is closed to new entrants and was closed to future accrual from 31 March 2016; and

(ii) The Entertainment Plan - this section of the Plan provides benefits solely on a Defined Contribution (‘DC’) basis (the 'DC Section'). Members’ contributions were matched by the Employers on a two for one basis up to a specified limit. This section of the Plan is closed to new entrants and was closed to future contributions from 31 March 2016, when most of this section transferred out of the Plan. A small number of members remain because their benefits include some guarantees which prevented them from transferring.

This Statement focuses on the Plan’s money purchase arrangements and describes how the Trustees have governed the Plan during the year and, in particular, the steps they have taken during the year to improve the likelihood of members experiencing a good outcome for retirement.

The statement covers six principal areas:

1. Investment Strategy with particular focus on the Plan’s default investment arrangements;
2. Internal controls, with particular focus on the processing of core financial transactions;
3. Charges and transaction costs within the Plan, and the impact of these on a member’s future pot size;
4. Net Return on Investments;
5. Value for members assessment, with particular focus on charges and transaction costs deducted from members’ funds; and
6. The knowledge and resources available to the Trustees, including how the Trustees maintained the statutory levels of knowledge and understanding to govern the Plan and how these help the Trustees ensure that the Plan is governed effectively.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, they can get help finding a regulated financial adviser through the MoneyHelper website at **www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser.**

Default Investment Options

The Trustees are responsible for setting the Plan’s investment strategy and for appointing investment managers to carry out that strategy.

They must also establish a default investment option for members who do not select their own investment options from the fund range that is available where a scheme has been used for Automatic

Enrolment purposes. To clarify, as the Plan is closed to future accrual/contributions it is not being used for Automatic Enrolment purposes.

In accordance with the Administration Regulations, the Trustees have appended the latest copy of the Statement of Investment Principles ('SIP') dated June 2023, which was prepared for the Plan under Section 35 of the Pensions Act 1995 (the '1995 Act') and regulations 2 and 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'). The SIP includes a statement of principles in relation to the Plan's default investment arrangements. As no further contributions are being paid into the AVC or DC arrangements, the term "default" (which usually refers to where future contributions are invested in the absence of member specific instructions) is historical in this context. However, the default arrangements remain important given the level of investments remaining within them.

The SIP considers the following key matters in relation to the default arrangements:

- The Trustees' aims and objectives in relation to the investments held in the default arrangements;
- The Trustees' policies on issues such as: the kinds of investments to be held; the balance between expected return and risk; and the extent (if at all) to which social, environmental or ethical considerations are taken into account by the investment managers when selecting, retaining or realising the underlying investments;
- An explanation of how these aims, objectives and policies (which together form the Trustees' "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangements.

The Trustees carried out their annual review of the SIP following the Trustees' meeting that took place on 16 August 2022.

The Trustees, with input from their investment advisers, Mercer Limited, review the default strategies and the performance of the default arrangements against their stated objectives from time to time or in the event of any concerns, and in detail at least every three years.

The most recent review of the default arrangements and the Plan's DC / AVC investment options with Prudential and Scottish Widows was carried out on 23 February 2023. As part of this review, the Trustees considered wider industry metrics, the member demographics in conjunction with the default strategies and performance, and whether these continued to be in line with the Trustees' objectives aligning with their overall intent to make a default investment option available, which either limits risk or seeks to reduce investment risk as the member approaches retirement.

The Trustees are committed to keeping all investment options under regular review to ensure they remain appropriate, based on their understanding of the likely requirements of the membership. As a result of the review of the default investment arrangements in February 2023, the Trustees concluded, based on investment advice, that the Plan's default funds remained appropriate. The default funds are performing as they should with regard to retirement targets and member objectives are being met for the default arrangements in both the VIP Plan and members' DB AVCs and the DC Section. The next full review of the investment arrangements, including the review of the default strategy and performance of the default arrangements, is due by February 2026.

The Trustees recognise that the defaults will not be appropriate for all members and therefore encourage members to consider carefully their own investment strategy from the choice of funds available.

The default for the VIP Plan and members' DB AVCs

The default investment option is the Prudential With-Profits Fund. Whilst this is not a typical default investment option for newly established arrangements, the guarantees it provides offer a level of security for members' investments, which is not otherwise available, and it has performed well relative to other With-Profits Funds. The suitability of this investment is directly related to an individual's attitude towards, and capacity for, investment risk. In particular, some members are currently entitled to large bonuses, which are not guaranteed and could be withdrawn at short notice. This was brought to the attention of members in a communication to members from the Trustees in late 2017.

Technical defaults for the VIP Plan and members' DB AVCs
Prudential, without the knowledge of the Trustees, closed the BlackRock Aquila (30:70) Currency Hedged Global Equity Index Fund and transferred these assets into the newly introduced Prudential Dynamic Global Equity Passive Fund (from 25 March 2020). As assets have been moved without member consent, this means that the Prudential Dynamic Global Equity Passive Fund is now considered to be a technical default with effect from 25 March 2020.

The DC Section's default investment
The default investment option invests in Lifestyle Option B, a bespoke lifestyle investment strategy provided by the Scottish Widows platform, which invests initially in global equities and a diversified growth fund (split 70:30 respectively). Both global equities and diversified growth funds offer high potential growth. Diversified growth funds provide exposure to a wide variety of assets and investment strategies, and this diversification is expected to result in a lower volatility of returns than equities.

Over the ten years prior to a member's nominated retirement age, the member's savings are automatically switched to target a tax-free cash lump sum (25% of a member's pot) and a retirement income (75% of a member's pot). This aims to reduce the member's exposure to risk relative to this target outcome as they approach retirement. The performance of the funds underlying Lifestyle Option B, and the other available funds, has been in line with or ahead of their objectives over the long term. The investment return on assets within a lifestyle strategy will vary between members, depending on the term to their nominated retirement age.

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. Core financial transactions are (broadly, but not limited to):

- Transfers out of the Plan of assets relating to members (transfers in are no longer possible);
- Switches of members' investments between different funds within the Plan; and
- Payments from the Plan to, or in respect of, members (e.g. payment of death benefits).

The Trustees have delegated the administration of the Plan to Buck. The Trustees have agreed minimum timescales with Buck for processing requests, including core financial transactions, to be within any applicable statutory timescales. The following Service Level Agreements (SLAs) in respect of the accuracy and timeliness of core financial transactions have been agreed between the Trustees and Buck:

SLA	Description	Target Service Level %
10 business days	Transfers Out	95%
10 business days	Responding to AVC enquiries, including quotations, payments and settlements	95%
5 business days	Processing AVC Switch instructions	95%
20 business days	Issue of AVC statements	95%
5 business days	Payroll processing and amendments	95%
5 business days	Portal updates including payslips, P60s regulatory updates, members comms, Booklet, SFS	95%

Buck records all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task. This system is used to monitor compliance with regulatory and service level targets.

From 1 April 2022 to 31 March 2023, service levels achieved by Buck in each quarter were:

Period	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**
Service Level Achieved	93.33%	84.44%	85.38%	92.91%

As the service levels for Buck fell below the target of 95%, regular monthly update meetings are held with Buck to monitor and discuss work management. Buck attend Trustee meetings to present their quarterly administration report including their service levels. The Chair of Trustees visited Buck's London office in March 2023 to discuss Buck's control processes in depth. Enhanced reporting was discussed and agreed.

The processes adopted by Buck to process transactions accurately and in a timely fashion include:

- On a daily basis, a member of the Administration Team monitors the workflow system for cases close to regulatory and SLA due dates. Underperformance is also reviewed and escalated as appropriate.
- The workflow system has a diary functionality ensuring that transactions can be diarised for a future date (such as arranging payment at retirement or a transfer at a specific point) resulting in an entry into the workflow system at the appropriate date to enable the transaction to be processed in a timely manner.
- Any changes to member records result in an electronic audit trail, which is peer reviewed by another administrator to ensure accuracy before the change is validated and authorised.
- Payments to members or third parties are input into an electronic authorising queue with the supporting evidence appended, this is then peer reviewed and authorised by another administrator. The treasury team then independently verifies the request and electronic evidence provided before releasing the money, depending on the value of the payment a further level of authorisation may be required before it can be released.
- There is a separate Treasury Team that deals with the Trustees' bank account, which is monitored daily for any receipts. For most receipts types, the Administration Team are notified and update the electronic system with the relevant transaction code and supporting documentation. For receipt types such as bank interest and annuity receipts, the input is undertaken by a Treasury Administrator.

During the Plan Year, Buck have been undertaking a comprehensive data cleanse project with independent oversight by the Willis Towers Watson team.

The Plan's risk register details all of the key risks to Plan members and is monitored and reviewed on at least an annual basis. The risk register sets out controls to mitigate the effects of these risks.

As a wider review of the Plan administration in general, the Trustees also receive an assurance report on Buck's internal controls. The latest summary of Buck's controls from 1 May 2021 to 30 April 2022, published in September 2022 noted the Independent Service Auditor's opinion that, in all material aspects, its controls were suitably designed and those tested operated effectively.

The Trustees are satisfied that over the period covered by this statement:

- Buck was operating appropriate procedures, checks and controls;

- There have been no material administration errors in relation to processing core financial transactions; and

- All core financial transactions have been processed promptly and accurately during the Plan year, or where there have been delays these have been remedied by Buck to ensure the affected members have suffered no financial loss.

Charges and transactions costs

The Administration Regulations require the Trustees to report on the charges and transactions costs for the investments used in the default investment option, as well as the wider fund options available, and assess the extent to which the charges and costs represent good value for members. All of the available funds' charges (with the exception of those applying to the Prudential With-Profits Fund which has an implicit charge) are under the Government's imposed charge cap of 0.75% p.a. for default arrangements for schemes which are being used for auto-enrolment purposes.

Explicit charges known as the Total Expense Ratio (TER) consist principally of the manager's annual charge for managing and operating a fund, but also include the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance, such as transaction costs and interest on borrowings.

Transaction costs are the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty. Due to the way in which transaction costs are calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

The Trustees have been able to report on all charges and transactions for the period, they have followed statutory guidance in preparing this section of the Statement. Whilst the TER and transaction costs are member borne, all other costs related to the running of the Plan, including administration, advisory and member communication costs, are paid by the Principal Employer.

The DC Section
The charges and costs borne by members relating to the investment management of the funds available through the DC Section of the Plan that members were invested in over the Plan Year, are shown in the table below, as at 31 March 2023.

Please note that the charges on the default strategy, Lifestyle Option B, shown in the table below are based on the 'growth' phase of the strategies (i.e. 10 years or more before a member's nominated retirement age). In practice, the charges will vary depending on the stage that each member has reached in the default / lifestyle strategy's de-risking process.

Fund	AMC [b] (% p.a.)	AE [c] (% p.a.)	TER [d] (% p.a.)	Transaction Costs [e] (% p.a.)
Lifestyle Option B [a]	0.358	0.027	0.385	0.306
LGIM Global Equities 30:70 Index Fund	0.245	0.000[f]	0.245	0.124
Baillie Gifford Diversified Growth Fund	0.620	0.090	0.710	0.737
BlackRock All Stocks Corporate Bond Index Fund	0.130	0.015	0.145	0.032
BlackRock Over 15 Years Fixed Interest Gilts Index Fund	0.130	0.004	0.134	-0.028

Source: *Scottish Widows*
[a] *Lifestyle Option B is the 'default' investment option*
[b] *AMC = Annual Management Charge*
[c] *AE = Additional expenses*
[d] *TER (Total Expense Ratio) = Annual Management Charge (AMC) + Additional Expenses (AE)*
[e] *These figures reflect the average transaction costs borne by the funds over the Plan Year. The actual transaction costs borne by members may be different to this and will vary over time.*
[f] *Scottish Widows reported that there were no additional expenses during the Plan Year.*

The following table details the weighted TER for each year in the 10 years to retirement based on the allocation of the underlying components which make up the default.

Components of default strategy	% Allocation (years to retirement)										
	>10	9	8	7	6	5	4	3	2	1	0
Equity	70	55	50	40	30	25	20	15	10	10	0
Corporate Bonds	0	10	10	20	25	25	20	15	10	5	0
Diversified Growth Fund	30	35	40	40	35	35	35	35	30	15	0

Government Bonds	0	0	0	0	10	15	25	35	50	60	75
Cash	0	0	0	0	0	0	0	0	0	10	25
Total % Allocation	100	100	100	100	100	100	100	100	100	100	100
Weighted TER (% p.a.)	0.38	0.40	0.42	0.41	0.37	0.37	0.36	0.35	0.32	0.24	0.15

The VIP Plan and members' DB AVCs

The charges and costs borne by members relating to funds available with Prudential that members were invested in over the Scheme Year, are shown in the table below, as at 31 March 2023 (unless otherwise advised).

The VIP Plan and DB AVC investment options provide access to a range of unit linked funds and a With-Profits Fund. The charges are deducted from members' funds and cover the cost of the administration services provided by Prudential, as well as the costs relating to investment management.

Current Fund Range	TER [(a)] (% p.a.)	Transaction Costs [(b)] (% p.a.)
Prudential With-Profits Fund	N/A [(c)]	0.10
Prudential Discretionary Fund	0.65	0.08
Prudential UK Equity Fund	0.65	0.00
Prudential Dynamic Global Equity Passive Fund	0.54	0.12

Source: *Prudential. At the time of writing Prudential had advised that they anticipated full transaction cost information for the year to 31 March 2023 to be available from November 2023. The Trustees are working with their advisers and Prudential to see if the required information can be provided earlier.*

[(a)] The Total Expense Ratios (TERs) is made up of the Annual Management Charge (AMC) and additional expenses (AE).
[(b)] These figures reflect the average transaction costs borne by the funds over the last 5 years, or from when data is available to 31 March 2023. The actual transaction costs borne by members may be different to this and will vary over time.
[(c)]The Prudential With-Profits Fund is the current 'default' investment option. The fund does not have an explicit annual management charge.

Illustration of the effect of transaction costs and charges on members' benefits

Using the charges and transaction cost data provided by Scottish Widows and Prudential, and in accordance with regulation 23(1)(ca) of the Administration Regulations, Mercer and Prudential have assisted the Trustees with preparing an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance: *"Reporting of costs, charges and other information guidance for trustees and managers of relevant occupational schemes"* issued by the Department of Work and Pensions and updated October 2021 has been followed when providing these examples.

The below illustrations, prepared by Mercer and Prudential have taken into account the following elements:

- A representative savings pot size;
- An assumed investment return, reduced for the impact of inflation, before and after the impact of costs and charges;
- Time.

These illustrations do not take contributions into account given that the Plan closed to future accrual/new contributions on 31 March 2016.

The DC Section

The term of investment has been based on the youngest member of the Plan. Where there is an underlying guarantee on transfer or retirement, this has not been taken into account in these illustrations.

Impact of transaction costs and charges on fund values (£)						
Years	Lifestyle Option B Default Arrangement		Baillie Gifford Diversified Growth Fund		BlackRock Over 15 Years Fixed Interest Gilts Index Fund	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
0	31,000	31,000	31,000	31,000	31,000	31,000
1	32,262	32,070	32,269	31,857	31,155	31,113
2	33,576	33,176	33,591	32,738	31,311	31,227
3	34,942	34,321	34,966	33,643	31,467	31,341
4	36,365	35,506	36,398	34,574	31,625	31,455
5	37,762	36,638	37,888	35,530	31,783	31,570
6	39,213	37,788	39,439	36,512	31,942	31,686
7	40,630	38,894	41,054	37,522	32,101	31,802
8	41,906	39,879	42,735	38,559	32,262	31,918
9	43,148	40,821	44,485	39,625	32,423	32,034
10	44,325	41,692	46,307	40,721	32,585	32,151
11	45,427	42,486	48,203	41,847	32,748	32,269
12	46,368	43,146	50,176	43,004	32,912	32,387
13	46,911	43,501	52,231	44,193	33,077	32,505
14	46,804	43,327	54,370	45,415	33,242	32,624

Notes:
To ensure that these calculations are representative of the membership, the Trustees have made some assumptions in the producing these illustrations:

1. Values shown are estimated projections and are ***<u>not</u>*** guarantees or predictions.

2. The illustration starts at age 52 (the age of the youngest member) and continues for a period of 14 years until age 65 (normal retirement age);

3. As the Plan is closed to future accrual no future contributions are assumed;

4. The starting pot size is assumed to be £31,000;

5. The transaction costs used in the illustration are based on the average transaction costs over the five year period to 31 March 2023 (based on the data currently available since reporting began). Where these are negative, they have been assumed to be 0% for prudence;

6. The projected pot is in real terms (i.e. today's money). This means that the projected fund size has been reduced to reflect future inflation, which has been assumed to be 2.5% each year;

7. The projected growth rates are as follows:

- Lifestyle Option B (default arrangement): 3.75% per year above inflation to 2.70% per year relative to inflation, after charges (depending on proximity to retirement).
- Baillie Gifford Diversified Growth Fund (most expensive): 2.77% per year above inflation, after charges
- BlackRock Over 15 Years Fixed Interest Gilts Index Fund (least expensive) 0.37% per year relative to inflation, after charges.

The VIP Plan and members' DB AVCs

Years	Impact of transaction costs and charges on fund values (£)					
	Prudential With Profits Fund		Prudential Dynamic Global Equity Passive Fund		Prudential Discretionary Fund	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
0	15,000	15,000	15,000	15,000	15,000	15,000
1	15,700	15,600	15,700	15,600	15,600	15,500
5	19,000	18,600	19,200	18,700	18,600	17,900
10	24,100	23,100	24,700	23,400	23,200	21,400
15	30,600	28,600	31,800	29,200	29,000	25,600
16	32,100	29,300	33,500	30,500	30,300	26,600

Source: ***Prudential.***

Notes:

1. Values shown are estimated projections and are ***not*** guarantees or predictions and have been calculated as at August 2023.

2. The projected pot is in real terms (i.e. today's money) and has been calculated as at August 2023. This means that the projected fund size has been reduced to reflect future inflation, which has been assumed to be 2.5% each year;

3. Prudential have used the following assumptions:
   - A starting pot size of £15,000.
   - No regular contributions.
   - The term of the investment is from age 49 to age 65.
   - Inflation rate of 2.5% per year.

4. For the With-Profits Fund, the actual percentage charged depends on the performance of the With-Profits Fund and may vary over time. These charges cover the costs of any expenses, any profits, implicit costs and other adjustments. For the purposes of these illustrations, these future charges are assumed to be 0.56% p.a.

5. The projected growth rates before charges and costs are as follows:
   - Prudential With-Profits Fund (default and least expensive of the Prudential Funds): 5.00% per year above inflation with charges of 0.56% p.a.
   - Prudential Dynamic Global Passive Equity Fund (default): 5.28% per year above inflation with charges of 0.57% p.a.
   - Prudential Discretionary Fund: 4.61% per year above inflation with charges of 0.81% p.a.

Net Return on Investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (‘the 2021 Regulations’) require the Trustees to report on the net investment returns for their default arrangement(s) and for each fund which Plan members were invested during the Plan year.

Net investment returns refers to the returns on funds minus all transaction costs and charges, the tables in this section have been produced in line with statutory guidance and contain the net investment returns for the year to 31 March 2023.

The DC Plan

For those members within 10 years of retirement over time the expected performance of the fund will change as the member approaches their selected retirement age and the investments change as described in the table on page 6. The table below shows the net performance for members in the growth phase (ages 25 and 45) and members in the de-risking phase (age 55).

Default Strategy (Lifestyle option B)	Annualised returns to 31 March 2023 (%)	
Age of member at the start of the period	1 year	5 years
25	-5.8	5.1
45	-5.8	5.1
55	-6.3	2.2

Source: *Scottish Widows*
Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at age 55 shown and assuming switching occurs annually.

The table below show the performance, net of all charges and transaction costs, of the self-select range of funds available to members to invest in.

Self-select funds	Annualised returns to 31 March 2023 (%)	
	1 year	5 years
LGIM Global Equities 30:70 Index Fund	-4.5	7.1
Baillie Gifford Diversified Growth Fund	-8.7	0.2
BlackRock All Stocks Corporate Bond Index Fund	-10.8	-0.9
BlackRock Over 15 Years Fixed Interest Gilts Index Fund	-30.1	-6.5

Source: *Scottish Widows*
Performance shown net of all charges and transaction costs

The VIP Plan and members' DB AVCs

Default Strategy	Annualised returns to 31 March 2023 (%)	
	1 year	5 years
Prudential With Profits[a]	1.5	1.2

Source: *Scottish Widows*
Performance shown net of all charges and transaction costs

[a] *Performance information is not available for With Profits funds. Members receive annual bonuses, which do not reflect the underlying fund's investment performance due to smoothing (keeping some of the return back in good years to support bonus rates in years where the investment return has been lower). The timing of the annual bonus varies by Provider. The amount a member will receive will depend on when they take their benefit and any terminal bonus payable at the time. The level of terminal bonus is dependent on a number of factors and typically is only guaranteed at the normal retirement age under the policy, or death. The Trustees will consider how best to improve reporting for net performance for With Profits Funds in the future in light of any updated statutory guidance.*

Self Select Funds	Annualised returns to 31 March 2023 (%)	
	1 year	5 years
Prudential Discretionary Fund	-4.1	3.7
Prudential UK Equity Fund	-0.9	3.4
Prudential Dynamic Global Equity Passive Fund[a]	0.3	N/A

Source: *Prudential*

[a] *This fund was introduced from 25 March 2020 and so longer term performance is not currently available, annualised performance over the three year period to 31 March 2023 is 14.3%. It is classed as a technical default.*

Value for Members

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees are required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members, relative to peers and alternative arrangements that are available.

The Trustees fully support transparency of charges and costs for members. However, a key consideration for members is the performance produced net of combined charges and costs. Moreover, a cheaper fund does not necessarily deliver the best value for money.

There is no legal definition of "good value", so the process of determining good value is a subjective one. Equally, "value" is not a straightforward concept to quantify and can be open to broad interpretation. The value for members assessment undertaken by the Trustees in July 2023 for the year ended 31 March 2023 for both the DC Section and the assets invested with Prudential included:

- Investment charges for the default and other funds, when benchmarked against comparable funds with similar sized mandates;
- Investment performance; and
- Investment fund range and ratings.

Each investment manager will incur transaction costs associated with purchasing and selling individual securities (such as equities or bonds). Reporting continues to be somewhat fragmented and analysis of transaction costs is not possible as the data does not allow like-for-like comparison. However, based on the review of the data the Trustees' advisers consider the transaction costs to be broadly as expected and similar to those observed by other schemes.

DC Section

As all administrative costs for the DC Section are met by the Principal Employer, the Trustees have only considered the investment charges for these funds. The Trustees have considered the quality of the investment services provided for these costs and based on the views of the Trustees' investment adviser have concluded that the funds provide reasonable value for members. Alternative ways of meeting the service requirements of the DC Section are currently unavailable due to the small closed membership of the DC Section and the nature of the benefits (which include an underpin). The reasons underpinning this conclusion include the following:

- Charges for the DC Section's default investment option are significantly below the charge cap of 0.75% a year;
- Charges on the majority of funds have been assessed as being reasonable when considering the level of assets invested and the fact that there is little scope for the Trustees to place these assets elsewhere at the same or lower cost.
- The performance of the majority of the DC Section's funds over the previous 5 years to 31 March 2023 compare favourably relative to the objectives adopted by the Trustees to assess value.

VIP and DB AVCs with Prudential

In assessing the overall charges and range of services provided by Prudential and based on the views of the Trustees' investment adviser, the Trustees have assessed these funds as providing reasonable value for members. The reasons underpinning this conclusion include the following:

- Unit linked charges are in line within the legacy AVC market and reasonably so within the DC legacy market given the size of assets and range of investments in use.
- There is little scope for the Trustees to place these elsewhere to improve outcomes for members (the majority of benefits being invested within the Prudential With Profits Fund).
- Performance of the majority of the Prudential funds over the previous 5 years to 31 March 2023 compare favourably relative to the objectives adopted by the Trustees to assess value.

In addition, through their membership in the Plan, all members get the benefit (amongst other things) of:

- The Trustees' ongoing oversight and review of the default investment options and the DC fund range;
- The Trustees' governance of the Plan;
- Administration costs met by the Principal Employer.

Based on the advice of their investment advisers, the Trustees remain satisfied that overall the fees payable were reasonable and that the fund range was appropriate. The Trustees continue to believe that both arrangements still provide value for money for members and are committed to ensuring that members continue to receive value for money i.e. the costs and charges deducted from members' pots provide reasonable value in relation to the benefits and services provided compared to plans of a similar size and structure.

Trustee knowledge and understanding

The Trustees are required by law to possess or have access to, sufficient 'knowledge and understanding' to run the Plan effectively. This applies equally to the Defined Benefit Section of the Plan. The Trustees take this responsibility seriously and work with their professional advisers to address any areas where their knowledge might be less than the Pensions Regulator would expect. However, given the presence of a professional trustee on the Trustee board, it is not expected that there would be any gaps in trustee knowledge and understanding for the board as a whole.

In addition, the Trustees have a robust training programme in place for newly appointed Trustees. For the Plan, upon appointment, a Trustee is required to undertake an induction process. This includes a training session with relevant advisers.

From 1 April 2022, the professional trustee became the Chair of the Trustee board. The professional trustee is an experienced pension scheme trustee with over 30 years' experience in the pensions industry and has expertise in pensions management looking after multi-billion pound schemes. The Chair has worked across a number of complex and unusual projects across her career and has received multiple nominations at the Women in Pensions Awards. The Chair is conversant with the Plan's governing documentation and policies, having been provided with the relevant documents following her appointment and attending additional meetings with advisers to gain a better understanding of the Plan's history. The Chair seeks advice on Plan documentation as and when required and is also able to identify where any additional training may be required by the Trustees and challenge advisers when appropriate.

The Trustees have a working knowledge of the Plan's Trust Deed & Rules, the Statement of Investment Principles and other documents setting out current policies. Training on relevant documents is provided to the Trustees by their advisers as and when needed. A special training session on Key Plan Documents was held in May 2022. The Trustees demonstrated their conversance with these documents over the Plan Year as follows:

- Considered and updated the Risk Register in May 2022.
- Reviewed the provisions of the Plan's GDPR documents in May 2022.
- Considered the Administrator's and Actuary's cybersecurity protocols in November 2022.
- Reviewing their strategic objectives for their Investment Consultant in November 2022.

A training log is maintained centrally by the Trustees and updated following each Trustees' meeting.

During the Plan Year, the Trustees undertook a number of activities that involved giving detailed consideration to pensions and trust law, the Plan's governing documentation as well as funding and investment principles. The Trustees were also provided with various legal and actuarial updates throughout the Plan Year on any new requirements in respect of the Trustees' duties following changes in pension legalisation. Training is provided as required. The Plan's professional advisers also support the Trustees in reviewing the performance of the Plan and in running the Plan in accordance with its governing documentation.

All Trustees have completed the Pensions Regulator's Trustee Toolkit, which provides the Trustees with sufficient knowledge and understanding of the law relating to pension and trusts, and the principles relating to the funding and investment of occupational pension schemes.

Taking into account the professional advice available to them and the presence of a professional trustee on the Trustee board, the Trustees are confident that their combined knowledge and understanding enables them to undertake their duties competently and in the best interests of the Plan membership. Furthermore, the Trustees assess that their degree of knowledge and understanding is appropriate for the purposes of enabling the proper exercise of their functions as Trustees of the Plan.

Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) and I confirm that the above statement has been produced and approved by the Trustees to the best of their knowledge.

Michele Hirons-Wood
Chair of Trustees of the Sony Music UK Pension Plan
12 October 2023

Appendix

STATEMENT OF INVESTMENT PRINCIPLES – JUNE 2023

SONY MUSIC UK PENSION PLAN

1. **Introduction**

The Trustees of the Sony Music UK Pension Plan ("the Plan") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of:

- the Pensions Act 1995 ("the Act"), as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- subsequent regulation.

The Plan's investment arrangements, based on the principles set out in this Statement, are detailed in the "Summary of Investment Arrangements" which is available to members of the Plan on request.

The Plan is divided into two main parts:

(i) **The Defined Benefit ("DB") Section** (previously known as the Sony Music (UK) Pension Plan) which has a defined benefit arrangement, and a defined contribution arrangement known as **the VIP Plan** in which members' Additional Voluntary Contributions ("AVCs") are also invested with Prudential; and

(ii) **The Defined Contribution ("DC") Section** with funds invested in Scottish Widows and Prudential (previously known as the Sony Entertainment UK Pension Plan).

All decisions on investment policy in respect of the assets invested with Scottish Widows are taken on advice by the Trustees, other than the day-to-day management of the Plan's assets, which is delegated to professional investment managers.

In terms of the assets invested in Prudential, the Trustees are responsible for the investment of the Plan's assets and their investment powers are set out in the Plan's Trust Deed. The Trustees make some decisions with the rest being undertaken by Prudential. In this regard the Prudential assets are effectively treated as belonging to a wholly-insured scheme with the Trustees expecting Prudential to align with the Trustees' policies as outlined in this document.

2. Process For Choosing Investments

The process for choosing investments is as follows:

a. Identify appropriate investment objectives.

b. Agree the level of risk consistent with meeting the objectives set.

c. In respect of the DB Section construct a portfolio of low-risk investments to preserve the capital value of these assets.

d. In respect of the DC Section and VIP Plan make a range of funds available to members to suit their appetite for risk versus return and saving objectives.

In considering the appropriate investments for the Plan, the Trustees have obtained and considered the written advice of Mercer Ltd, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustees have delegated investment decisions of the makeup of the Funds to Prudential in respect of the VIP Plan. The Trustees have taken steps to satisfy themselves that the Prudential have the appropriate knowledge and experience for managing the Plan's investments and they are carrying out their work competently.

3. The kinds of investments to be held

The Trustees are permitted to invest in a wide range of assets including equities, bonds and property subject to complying with relevant legislation.

In terms of the DC Section and VIP Plan the Trustees make available a range of funds and lifestyle strategy options for members, which the Trustees believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons.

4. Balance between different types of investments

Within the DC Section and the VIP Plan members have the ability to determine the fund(s) in which they choose to invest.

There is a range of funds from which members can select including a cash lifestyle in the VIP Plan and three lifestyles within the DC Section as well as default funds for those who did not make an investment choice. Further information can be found in sections 5 and 7.

In addition to the above lifestyle strategies, there is a self-select range for members that want to build their own strategy.

The Trustees are satisfied that the structure of the lifestyle options and the self-select range provide members with the ability to invest or build a suitably diversified investment strategy.

5. Investment Objectives

The Trustees' objective is to invest the Plan's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control the various risks to which the Plan is exposed. The Trustees' primary investment objectives for the Plan are as follows:

5.1.1 The DB Section

The Trustees recognise that their primary duty is to the members and that the investment strategy should be set in their interests. The DB Section of the Plan is fully funded on a Technical Provisions basis and investment risk has been mitigated to a large extent through implementation of a buy-in policy covering 100% of the DB Section's liabilities.

5.1.2 The VIP Plan

The Trustees' primary objective with regard to the VIP Plan is to provide a range of cost-effective investment options so that members' and company contributions can be invested to provide a balance between growth in capital values and security of capital value.

The default investment option is the Prudential With Profits Fund and in offering this fund the Trustees' primary objective is to offer a fund with the potential to achieve long term capital growth with a level of capital security and smoothed investment return.

In 2017, the Trustees reviewed the investment options offered by the VIP Plan, given the additional freedom and choice that members now have in terms of accessing their pension savings at retirement. The Trustees subsequently improved the options available to members as follows:

(a) A new "cash lifestyle strategy" investment option was introduced, for members looking to take their benefits in the VIP Plan as a tax-free cash lump sum when they retire.

(b) Some of the existing funds were closed and replacement fund options were offered to members in their place.

As part of Prudential's ongoing monitoring process, they review the range of investment funds that they offer. Following their Corporate Pensions Strategic Savings Review they took the decision to reduce the number of available funds across their book of business by 37%. Prudential proposed an alternative selection of funds for customers to invest in and any assets invested in the selection of funds which were closed were transitioned to the alternative funds.

As part of this in early 2020, Prudential, closed a number of funds utilised by Plan members and opened replacement fund options. These amendments can be summarised as follows:

(a) A global equity fund, the Prudential Dynamic Global Equity Passive Fund, was introduced with effect from 25 March 2020. Prudential mapped members across from a fund they closed (BlackRock Aquila (30:70) Currency Hedged Global Equity Index fund). At the same time a cash fund, the Prudential Cash Fund, was introduced and Prudential mapped across members from a fund they closed (BlackRock Aquila Sterling Government Liquidity fund). As a result these funds are classed as technical defaults as a result of mapping (although the funds in the Prudential Cash fund have since been fully disinvested).

In designing these default arrangements, the Trustees explicitly considered the trade-off between risk and expected returns:

- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from these defaults and choose their own investment strategy at any time.
- Assets in these defaults are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in these defaults are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets have been moved to two pooled funds, both of which are daily dealing and readily realisable.

(b) A previously existing fund which invested in sterling gilts was closed.

(c) A fund which invests in corporate bonds, was earmarked for closure in mid-to-late 2020.

5.1.3 Additional Voluntary Contributions (DB Section)

The AVCs are invested in the same way as the VIP Plan, and members also have access to the improved investment options.

5.2 The DC Section

On 13 September 2016, the majority of the DC Section's (DC and AVC) assets were transferred out of the Plan and moved from an investment platform administered by Zurich Assurance Limited (now Scottish Widows Limited) to a new Master Trust Arrangement administered by Fidelity. As a result, responsibility for the governance of these assets was transferred from the Trustees of the Plan to the Trustee of the Fidelity Master Trust. This document does not cover the Fidelity Master Trust arrangement in place.

A small number of members remain on the Scottish Widows platform because the nature of their benefits prevented them from transferring to the Master Trust Arrangement. These members can opt to manage their investment choices by choosing to invest in one or more of the funds available through the Scottish Widows platform, each of which has differing risk and return characteristics.

The structure includes three risk-profiled "lifestyle" mechanisms, including the default investment option for individual members who do not make their own explicit strategy decision. The lifestyle strategies switch assets from growth assets (equities and diversified growth funds) to defensive assets (bonds and cash) as members approach retirement. Details of the mechanisms can be found in the separate "Summary of Investment Arrangements".

The bespoke default investment option, Lifestyle Option B, is aimed at individuals wishing to take 25% tax free cash at retirement and using the remainder to purchase an annuity at retirement. In offering this option the Trustees' primary objective is to generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk and to provide a strategy that reduces investment risk for members as they approach retirement.

6. Risk Management and Measurement

There are various risks to which any pension scheme is exposed, which the Trustees believe may be financially material.

6.1 DB Section

The Trustees' policy on risk management with regards to the DB Section's assets over the Plan's anticipated lifetime is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the DB Section's assets and its liabilities. In order to minimise this risk, the Trustees have entered into a buy-in contract with Rothesay Life covering 100% of the DB Section's liabilities.
- A small proportion of the Plan's assets are held outside of the buy-in contract ("the residual assets"). These residual assets provide a buffer against potential liabilities which may arise in the future, and the Trustees therefore seek to preserve the capital value of these assets by investing them in a low risk manner.

6.2 DC Section and VIP Plan

The Trustees consider risk from a number of perspectives, and these risks have been considered in the building and reviewing of the overall investment arrangements:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that investment returns lag inflation over the period of membership, decreasing the real (i.e. post inflation) value of the members' individual accounts.	The Plan provides a number of funds which invest in equities and other growth-seeking assets. These investments are expected to provide above inflationary returns over the long term with some downside protection.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Default risk	The risk that the value of interest bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments.	The Plan provides a number of funds which aim to generate investment returns, in a risk-controlled manner, which are

	Equity, property and other price risk	The risk that market movements leads to a substantial reduction in the value of a member's savings. The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' individual accounts.	sufficient to provide a reasonable level of retirement benefits for members. The Trustees regularly monitor the invested funds and appointed investment managers (see Section 9 for more details). Within active funds, management of many of these market risks is the responsibility of the investment manager.
Liquidity risk		The risk that the Plan is unable to meet its liabilities as and when they become due.	Members invest in a range of pooled investment vehicles, which are priced and dealt daily, to facilitate the availability of assets to meet benefit outflows. Prudential have additional solvency requirements in respect of their With Profits Funds.
Investment Manager risk		The risk that the fund managers do not meet their investment performance objectives, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustees regularly reviews the performance of the investment managers.
Pension Conversion risk		The risk that converting a member's accumulated defined contribution account into pension benefits at retirement is insufficient. The costs are influenced by a number of factors such as long term interest rates and life expectancy.	The Plan offers retirement investment strategies which help members invest more appropriately for how they may wish to take their benefits.
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the Plan's assets.	On appointment of new managers the Trustees would consider how ESG is integrated within investment processes. The management of ESG-related risks is the responsibility of investment managers. See Section 12 of this Statement for the Trustees' responsible investment and corporate governance statement.

Credit Risk	A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation	In some cases of insolvency, the Trustees may be able to claim up to 100% of the value of the policy from the Financial Services Compensation Scheme ("FSCS"). A range of funds are available to allow members to suitably diversify their investments to manage this risk.
Manager Skill / Alpha Risk	Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	The default investment strategies are set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustees.

The Trustees have put in place a structure to both monitor these risks and take action where the Trustees believe it appropriate to do so.

In considering the range of funds to offer to members, the Trustees acknowledge that the investment horizon of each individual member is different and will be dependent on their current age and when they expect to retire.

In designing the lifestyle options in the DC Section and selecting the Prudential Cash Lifestyle, the Trustees have taken into account the proximity to the target retirement date and the associated financially-material risks over the strategy's full time horizon.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a default strategy that seeks to reduce investment risk as a member approaches retirement is appropriate.

In particular, when reviewing the investment strategy of the default investment options, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustees also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment options.

6.3 The following apply to both DB and DC Section assets:

- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held. The managers are prevented from investing in asset classes outside their mandate without investors' prior consent.

- Arrangements are in place to monitor the Plan's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees receive regular reports from the investment managers and platform providers.

- The safe custody of the Plan's assets is delegated to professional custodians (via the direct appointment of a custodian and indirectly via the use of pooled vehicles).

- Should there be a material change in the Plan's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular, whether the current risk profile of the DB Section remains appropriate and, in respect of the DC assets, any material change to the member demographics or underlying benefit promise.

7. Investment Strategy

7.1 Investment strategy for the DB Section

Following the latest investment strategy review for the DB Section and given the Trustees' investment objectives, the Trustees have implemented the investment strategy as detailed in the separate "Summary of Investment Arrangements".

The Trustees review the investment strategy for the DB assets on a broad basis once a year, with full reviews at least once every three years.

7.2 Investment strategy for the investment options available under the VIP Plan, the DC Section, and the associated AVC arrangements

The default investment option under the DC Section adopts a lifestyle approach to manage risk throughout a member's term to retirement targeting annuity purchase at retirement. This is implemented using a range of pooled funds managed by the Trustees' chosen investment managers.

In designing the 'default' investment option and determining the range of funds to be offered, the Trustees aim to:

- Explicitly consider the trade-off between risk and expected returns; risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustees consider risk in terms of variability of investment returns and potential retirement outcomes for members and in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.
- Invest assets in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Invest assets mainly on regulated markets (those that are not must be kept to prudent levels).
- Ensure that any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.
- Provide value for money

The default investment option under the VIP Plan is a 'with profits' fund invested with Prudential. This type of fund provides a level of capital security, provided that the investment is held until the member's nominated retirement age.

In selecting the default investment option with Prudential, the Trustees expect Prudential to:

- Explicitly consider the trade-off between risk and expected returns; risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Consider risk in terms of variability of investment returns and potential retirement outcomes for members and in terms of the (mis)alignment of investments with the underlying guarantees targeted.
- Invest assets in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Invest assets mainly on regulated markets (those that are not must be kept to prudent levels).
- Ensure that any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

The Trustees believe that as a member's pension savings grow, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a default investment option which either limits risk or seeks to reduce investment risk as the member approaches retirement is appropriate.

In addition the Trustees review the default strategies of the DC Section and VIP Plan to assess their performance and ensure they continue to meet the Trustees' objectives triennially.

8. Day-to-Day Management of the Assets

The Trustees delegate the day-to-day management of the assets to a number of investment managers. As such, these investment managers have responsibility for the selection, retention and realisation of the underlying investments within the pooled funds which they manage. The investment managers also have discretion to incorporate social, environmental and ethical considerations in exercising their delegated responsibilities including voting.

The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently.

The Trustees regularly review the continuing suitability of the Plan's investments and the appointed managers, which may be changed from time to time. However, any such changes will be made with the aim of ensuring the overall level of risk is consistent with the Trustees' objectives, as set out in Section 3.

Details of the appointed managers can be found in a separate document produced by the Trustees entitled "Summary of Investment Arrangements", which is available to members upon request.

9. Investment Manager Appointment, Engagement and Monitoring

9.1 Aligning Manager Appointments with Investment Strategy

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

The Trustees look to their investment consultant, where appropriate, for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The consultant's manager research ratings assist with due diligence (and questioning the manager of the Defined Benefit Section directly during presentations to the Trustees) and are used in decisions around selection, retention and realisation of manager appointments.

When selecting and appointing investment managers, the Trustees will take into account how environmental social and corporate governance ("ESG"), climate change and stewardship factors are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

If the investment objective of a particular fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

The below table sets out the Trustees' approach to implementation and engagement for the DC Section and VIP Plan. The list below is not exhaustive, but covers the main areas considered by the Trustees. As the the DB Section, DC Section and VIP Plan invest only in pooled investment funds, the Trustees cannot directly influence or incentivise investment managers to align their management of the funds with the Trustees' own policies and objectives. However, the Trustees will seek to ensure that the investment objectives and guidelines of any investment fund used or selected are consistent with their own policies and objectives. The Trustees will also seek to understand the investment manager's approach to sustainable investment (including engagement).

Policy statement	The Trustees' Position
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies	The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, they will look to replace the manager. If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.
How the arrangement incentivises the asset manager to make decisions	As mentioned above for each appointment, retention is dependent upon the Trustees having ongoing confidence that the investment manager will achieve its investment

Policy statement	The Trustees' Position
based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term	objective. The Trustees makes this assessment taking into account various factors, which include performance to date as well as an assessment of future prospects. The investment managers are therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long-term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies	The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over at least three months, one year, three years and five years. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) net of fees. Whilst the Trustees' focus is on long-term performance, they also take shorter-term performance into account. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustees may review the suitability of the manager, and change managers where required.
How the trustees monitor portfolio turnover costs incurred by the asset manager.	The Trustees consider portfolio turnover costs as part of the annual value for money assessment.
How the trustees define and monitor targeted portfolio turnover or turnover range.	As the Plan invests through pooled funds, the Trustees are unable to target portfolio turnover ranges for funds. However, they will engage with an underlying manager if portfolio turnover is higher than expected.
How the Trustees define and monitor the duration of the arrangement with the asset manager.	All the funds are open-ended. The funds have no set end date for the arrangement; however, duration is considered as part of regular reviews. The fund range, default strategies and technical default strategies are reviewed on at least a triennial basis. An investment manager's appointment may be terminated if it is no longer considered to be optimal or no longer has a place in the default strategy or general fund range.

9.2 Evaluating Investment Manager Performance

The Trustees receive investment manager performance reports from the managers on a quarterly basis, which present performance information over 3 month, 1 year, 3 years and since inception. The Trustees review absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time period). The Trustees' focus is primarily on long-term performance but short-term performance is also reviewed. As noted above, the Trustees may review a manager's appointment if:

(a) There are sustained periods of underperformance;

(b) There is a change in the portfolio manager;

(c) There is a change in the underlying objectives of the investment manager;

(d) There is a significant change to the Investment Consultant's rating of the manager.

The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may initially ask the manager to review their fees instead of terminating the appointment.

9.3 Portfolio Turnover Costs – DB Scheme

The Trustees do not currently actively monitor portfolio turnover costs.

The Trustees receive MiFID II reporting from their investment managers but do not analyse the information. However, the Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.

In future, the Trustees may ask managers to report on portfolio turnover costs explicitly. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

9.4 Manager Turnover

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis.

As the investments within the Defined Benefit Section is via an open-ended fund, there is no set duration for the manager appointments. The Trustees will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was appointed changes materially (e.g. manager fees or investment process); or
- The manager appointed has been reviewed and the Trustees have decided to terminate the mandate.

10. Expected Return

10.1 DB Section

The Trustees' primary investment objective, as described in Section 3, is to maintain the fully funded status of the plan. The level of investment return taken by the Trustees shall be proportional to these activities, noting that the DB Section is currently only invested in a buy-in contract and a Liquidity Fund.

10.2 DC Section and VIP Plan

When designing the fund range offered to members, the Trustees have explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

The Trustees have regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The day-to-day selection of the investments is delegated to the underlying investment managers.

11. Realisation of Investments

11.1 DB Section

The investment managers have discretion in the timing of realisation of the underlying investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

11.2 DC Section and VIP Plan

In selecting funds, the Trustees consider the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustees have delegated the responsibility for buying and selling securities within the funds to the underlying investment managers. This role includes considering the liquidity of the investments.

12. Responsible Investment and Corporate Governance

The Trustees believe that ESG issues can affect the performance of investment portfolios and should therefore be considered as part of the Plan's investment process. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees will take into account the expected lifetime of the Plan when considering how to integrate these issues into the investment decision making process.

The Trustees have given their investment managers discretion when evaluating ESG issues and in exercising voting rights and stewardship obligations relating to the Plan's investments. The Trustees consider how ESG is integrated within investment processes when monitoring existing investment managers or appointing new managers.

The Trustees also consider the Investment Consultant's assessment of how investment managers embed ESG into their investment process and how the managers' responsible investment philosophy aligns with the Trustees responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

It is accepted that pooled investments will be governed by the individual policies of the investment managers. These policies are reviewed as part of the consideration of pooled investments and appointment of new managers or funds.

The Trustees believe that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Plan's beneficiaries and aligned with fiduciary duty.

The Trustees do not currently have a formal process for seeking the views of members on non-financial matters such as ethical considerations or issues such as social and environmental impact when considering the selection, retention and realisation of assets. However, they will consider views expressed by members, provided that they are consistent with the Plan's investment objectives as set out in section 3 above.

Investment managers are expected to exercise their voting rights in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Managers' engagement polices are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

13. Custodian and Advisors

Custodians

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers.

The Trustees are not responsible for the appointment of the custodian of the assets within the various pooled fund investments. However, the Trustees are comfortable that the investment managers have procedures in place for the appointment and monitoring of the relevant custodians and for conducting periodic reviews.

Actuary

The actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and provide information to help determine the Sponsoring Employers' contribution rate.

Investment Consultant

Whilst the day-to-day management of the Plan's assets is delegated to the investment managers the Trustees will consult with Mercer Limited as the Trustees' investment consultant, where necessary, on other investment decisions including strategic asset allocation and selection and monitoring of investment managers.

14. **Compliance with this Statement**

The Trustees monitor compliance with this Statement annually.

15. **Review of this Statement**

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

On behalf of the Trustees of the Sony Music UK Pension Plan.
Michele Hirons-Wood
Chair of Trustees
June 2023