

Northstone (NI) Limited Pension Scheme

Annual Implementation Statement

Scheme year ending 31 March 2024

1 Introduction and purpose of this Statement

1.1 This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustees covering the Scheme year to 31 March 2024. The purpose of this Statement is to:

- detail any reviews of the Statement of Investment Principles (‘SIP’), required under section 35 of the Pensions Act 1995, that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review;
- set out the extent to which, in the opinion of the Trustees, the Scheme’s SIP has been followed during the year;
- describe the voting behaviour by, or on behalf of, the Trustees over the year; and
- set out the extent to which, in the opinion of the Trustees, the engagement policy within the SIP has been followed during the year.

2 Review of and changes to the SIP

Review of the SIP and changes made during the Scheme year

2.1 The SIP was last updated in December 2022. Following the ongoing investment strategy review, some interim changes were made to the investment portfolio which were agreed and enacted after the Scheme year-end. The changes mean that the strategic asset allocation has moved to an interim allocation of 60% to liability matching assets. This position will be reviewed as part of the discussions surrounding the 31 March 2024 actuarial valuation.

Subsequent review of and changes to SIP (post Scheme year-end)

2.2 The Trustees will be reviewing the SIP to reflect the portfolio changes made after the Scheme year-end.

3 Adherence to the SIP

3.1 The Trustees believe the policies set out in the current and previously in force SIPs have been followed during the 2023/24 Scheme year and the justification for this is set out in the remainder of this section.

Overall investment objective as set out in the SIP

3.2 The Trustees’ investment objectives are described in the SIP.

3.3 The main investment objective of the Scheme is to be fully funded on the technical provisions basis by 30th September 2031. In seeking to achieve this objective, the Trustees are mindful of the need to:

– Take account of current market conditions when reviewing investment strategy.

– Limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus future contributions

3.4 The Trustees meet these objectives by regularly reviewing the investment strategy – the last review was carried out during the Scheme year (with discussions with the Company continuing up to April 2024). The review considered some of the key risk management areas such as: the level of interest rate and inflation risk within the Scheme, Diversity, sustainability risks, liquidity risk, currency risk and a review of the expected return and overall risk (as measured by Value at Risk) of the current investment strategy and alternative investment strategies. Following the review, the Trustees reduced the overall risk and adopted a more cautious investment strategy. The level of growth versus liability matching assets will be considered in more detail once the cashflows from the actuarial valuation as at 31 March 2024 are available.

3.5 The latest version of the SIP can be found online here:

<https://www.northstone-ni.co.uk/media/uploads/northstone-sip-december-2022-for-website.pdf>

How do the Trustees meet their investment obligations?

3.6 The Trustees meet regularly to conduct their business and monitor the Scheme's investment strategy and performance on a quarterly basis.

3.7 WTW update the Trustees in between these meetings, in their role as the appointed investment advisor, if any particular issue arises with any of the funds.

Professional advice

3.8 The Trustees are aware of the requirement to take professional advice when setting and reviewing investment strategy. The Trustees have appointed WTW to provide such advice.

3.9 The Trustees have established Investment advisor objectives. The Trustees expect to monitor these on a regular basis.

Investment strategy

3.10 The Trustees recognise that the Scheme's investment strategy is of primary importance in seeking to achieve their investment objectives. The Trustees review the performance versus the Scheme's investment objectives on a quarterly basis and a more thorough review, as described above, is carried out at least every three years.

Risk management

3.11 The Trustees have identified several risks involved in the management of the Scheme assets which are considered when reviewing the investment arrangements. These risks and the process through which they are managed are laid out in the Scheme's SIP. The Trustees continue to review and monitor these risks on a regular basis.

Investment manager arrangements

3.12 There were no changes to the investment managers employed to manage the Scheme's assets during the year. However there were changes made and some consolidation of managers happened after the year end.

- 3.13 As at the 31 March 2024 the Scheme's portfolio is comprised of a portfolio of world equities (UK and overseas developed markets) managed by Legal and General, UK property managed by Threadneedle, European Infrastructure managed by abrdn, Liability Driven Investment (LDI) and gilts of various durations managed by LGIM and a Diversified Growth Fund actively managed by Baillie Gifford. The scheme also held a small allocation to the Acadian Emerging Markets Equity Fund.
- 3.14 Following the year end the Diversified Growth and emerging markets funds were consolidated with the fixed income funds held with Legal and General. There was also a reduction in the UK property fund, with the proceeds also directed to the fixed income holdings.
- 3.15 The asset allocation and the investment vehicles through which it is implemented ensures the portfolio has a suitable mix of return-seeking and matching assets, consistent with the Trustees' policy. The Scheme accesses a very wide range of return-seeking assets, providing exposure to a range of different sources of risk and return.

4 ESG considerations

- 4.1 The Trustees recognise that ESG issues can impact investment risk and return outcomes. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that may require additional consideration. The Trustees will therefore consider, where appropriate, the ESG impacts of changes to the Scheme's investment strategy.
- 4.2 The integration of ESG in day-to-day investment decisions, including decisions relating to the selection, retention, and realisation of investments, is delegated to the investment managers. The Trustee expects the investment managers to recognise that the Trustee's primary responsibility is to act in the best financial interests of the beneficiaries of the Scheme.
- 4.3 The Trustees continue to develop their approach to ESG monitoring.

5 Voting and engagement

- 5.1 The Trustees recognise that with a largely passive portfolio, the managers take no material decisions on the holdings to be included in the portfolio. However, the Trustees expect the managers to engage with the companies and issuers in which they invest in relation to the financial and non-financial implications of sustainability issues.
- 5.2 The Trustees' policy is to engage with the manager to understand their policies on sustainability and stewardship and review these policies regularly to ensure that the manager is carrying out their delegated responsibilities.
- 5.3 During the year the Trustees receive regular sustainability and stewardship reporting from LGIM, the main equity provider, in line with the Trustees' policy.

Voting

- 5.4 Voting information on the Scheme's bond holdings (managed by LGIM) is not provided as the vast majority of loan and debt securities do not come with voting rights. The return-seeking assets of the Scheme with voting rights are held in equity investments. The Trustee's focus in this implementation statement is on the equities held with LGIM.
- 5.5 Over the Scheme year, the vast majority of the Scheme's equity investments are managed by LGIM via pooled funds on an index-tracking basis. Given the indexed nature of the mandates, LGIM are constrained in the equities they must hold in each fund.

5.6 A summary of the voting on behalf of the Scheme over the year to 31 March 2024 is provided in the following table in respect of the LGIM equity fund. This table shows the number of vote resolutions in which the managers were eligible to participate for the specified fund, the percentage of those eligible vote resolutions that they exercised, and the percentages of the exercised votes where they voted for management, against management or where they abstained.

LGIM Fund	Number of votes eligible	% of votes exercised	% of votes for	% of votes against	% abstained/ other
World Equity Index Fund	37,017	99.9%	79.1%	20.8%	0.1%

5.7 The following table outlines two significant votes cast by the Scheme's investment managers for the fund on the Trustee's behalf. The Trustees consider diversity and climate change to be important factors in terms of stewardship, and accordingly have shown these below as 'most important' votes in this area.

Significant votes cast	Coverage in portfolio
<p><u>Company: Amazon.com, Inc.</u></p> <p><u>Meeting date: 24 May 2023</u></p> <p>Shareholder resolution: Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps</p> <p>How the manager voted: For</p> <p>Rationale: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.</p> <p>Implications: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets they manage on their behalf.</p>	World Equity Fund
<p><u>Company: Exxon Mobil Corporation</u></p> <p><u>Meeting date: 31 May 2023</u></p> <p>Shareholder resolution: Resolution 12: Shareholder resolution calling for a Report on Asset Retirement Obligations Under IEA Net Zero Emissions Scenario</p> <p>How the manager voted: For</p> <p>Rationale: Together with CBIS, LGIMA has co-filed a shareholder resolution asking for more transparency on the retirement costs of Exxon's asset base. In our view, this is a highly relevant and financially material matter, and by filing this proposal we are seeking greater clarity into the potential costs Exxon may incur in the event of an accelerated energy transition.</p>	World Equity Fund

Implications: LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change.	
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Engagement

5.8 Across both public and private assets, LGIM have established a fully integrated framework for responsible investing to strengthen long-term returns and raise market standards. This is based on investment stewardship with impact and collaborative, active research across asset classes. Ongoing dialogue with companies is a fundamental aspect of LGIM's commitment to responsible investment. Engagement will be triggered in a variety of ways, such as a regular catch-ups; analysis of responsible investment themes and voting issues; general knowledge of the company; or a media report. LGIM incorporate ESG assessments into their dialogue with companies, in order to push for real change and long-term sustainable value creation. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Use of proxy voting service

5.9 LGIM use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary environmental, social and governance (ESG) assessment tools. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retains the ability in all markets to override any vote decisions, which are based on their custom voting policy. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies, including regular manual checks of the votes, and electronic alerts to inform them of any rejected votes which may require further action.

Signed:



Name: Gregor Law

Date: 22 October 2024

Authorised for and on behalf of the Trustees of the Scheme

