

# Northern Bank Pension Scheme – 2023 Implementation Statement for 2019 DB Regulations

## Statement of Compliance with the Northern Bank Pension Scheme’s Stewardship Policy for the year ending 31 December 2023

### Introduction

This statement is prepared on behalf of the Northern Bank Pension Trust Limited (“the Trustee”) in its capacity as Trustee of the Northern Bank Pension Scheme (“the Scheme”) in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme’s Stewardship Policy during the period from 1 January 2023 to 31 December 2023.

As of 31 December 2023, the Trustee had entered into insurance policies with the Prudential Assurance Company Limited (“Prudential”) and Aviva Life & Pensions UK Limited (“Aviva”) that are expected to secure the pension benefits of all Scheme members in return for the initial payment of a buy-in premium.

The Scheme entered a third insurance buy-in policy with Prudential in September 2023. As a result, the buy-in policies held with Prudential and Aviva make monthly payments to the Scheme to cover benefit payments to members. Prior to this, the Scheme’s equity holdings were full redeemed in July 2023 and the Scheme’s corporate bond allocation was fully redeemed in August 2023 ahead of the insurance buy-in.

As a result, this statement will predominantly focus on voting and engagement activity undertaken by or on behalf of the Trustee by the fund manager BlackRock between 1 January 2023 and 30 June 2023, before the equities were redeemed, but will also cover stewardship considerations following completion of the full insurance buy-in.

### Stewardship policy

The Trustee’s Stewardship Policy covers voting and engagement by setting out how the Trustee will behave as an active owner of the Scheme’s assets, which includes the Trustee’s approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

You can review the Scheme latest Stewardship Policy which can be found within the Scheme’s Statement of Investment Principles (“SIP”), dated November 2023, at:

<https://danskebank.co.uk/northern-bank-pension-scheme/scheme-information>

The Stewardship Policy is reviewed on an annual basis and was last reviewed alongside the SIP review carried out in November 2023. Given that the Scheme’s assets are comprised of bulk annuities held with insurers, a single property asset and residual cash, stewardship and voting are now of reduced relevance for the Scheme.

Given this statement covers the period from 1 January to 31 December 2023, it covers stewardship activities carried out prior to the full disinvestment of the equity and corporate bond allocations in Q3 2023, including:

- The Trustee aimed to regularly meet with BlackRock. Ahead of each meeting, the Trustee provided their manager with an agenda for discussion including, where appropriate, Environmental Social and Governance (“ESG”) issues.
- Within Trustee controlled assets (e.g. property), the Trustee engaged with and sought input directly from its Advisors on any issues of concern.
- The Trustee adopted a policy of delegating voting decisions on stocks to their Investment Manager (BlackRock) who would exercise the voting rights attached to individual investments on their behalf in accordance with their own house policy.
- The Trustee monitored the manager’s voting and engagement activity in conjunction with its investment Advisor. The manager was challenged both directly by the Trustee and by its investment Advisors on the impact of any significant issues.
- The Trustee had reviewed the voting policy of BlackRock and has determined that the policy is satisfactory. On an annual basis, the Trustee would request their Investment Manager to provide details of any change in house policy.
- The Trustee did not engage directly but encouraged its investment managers to engage with key stakeholders which may including corporate management, regulators, and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviors, improve performance, and mitigate financial risks.

### Voting activity

This section covers the voting and engagement activity undertaken by or on behalf of the Trustee by the investment manager BlackRock in the period from 1 January 2023 to 30 June 2023, before the equities were redeemed in July 2023 and the final buy in was executed in September 2023.

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor manager voting patterns. In the first half of the year, the Trustee held equity assets through several regional passive mandates with BlackRock. The table below sets out how votes were cast for these mandates:

Strategy/Fund name	UK	Japan	US	Europe	Emerging Markets	Pacific Rim
Proportion of total Scheme assets	2.6%	1.1%	3.4%	2.1%	0.4%	0.4%
No. of meetings eligible to vote at during the year	679	466	529	430	1,733	286
No. of resolutions eligible to vote on during the year	10,625	5,655	7,191	8,362	17,605	2,176
% of resolutions voted	95.7%	100.0%	93.7%	76.9%	98.7%	100.0%
% of resolutions voted with management	92.1%	96.5%	96.8%	68.2%	87.7%	88.1%

% of resolutions voted against management	4.2%	3.5%	2.6%	8.7%	11.0%	11.9%
% of resolutions abstained	3.7%	0.0%	0.5%	23.1%	1.3%	0.0%
% of meetings with at least one vote against management	25.2%	24.0%	16.1%	50.9%	48.1%	43.0%

The resolutions on which BlackRock voted against management over 2022-23 proxy voting year were consistently governance-related and mainly in relation to:

- Board composition and effectiveness
- Director independence
- Director overcommitment
- Executive compensation

### Significant votes

BlackRock provide information on what they view as their most significant votes during 1 January 2023 to 30 June 2023. From the manager's reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

#### ***The Hong Kong and China Gas Company Limited (HK: 00003), 7 June 2023, Elect Lee Ka-kit as Director (AGAINST)***

BlackRock voted AGAINST the management's recommendation on the elections of the co-chair of the board of directors and nomination committee, and of the chair of the audit and remuneration committees given concerns related to board independence and composition.

#### ***Vale, S.A. (NYSE: VALE), 28 April 2023, Setting the compensation of management and members of the Fiscal Council for the year 2023 (FOR)***

BlackRock voted for the management proposal of setting the compensation of management and members of the Fiscal Council for the year 2023 as Vale has demonstrated progress and leadership on executive compensation disclosures in the Latin American region.

#### ***Shin Kong Financial Holding Company Limited (TW: 2888), 9 June 2023, Election of Non-independent and Independent Directors (FOR)***

BlackRock voted for nine reform camp candidates and five management-nominated directors. In their view, financial and governance concerns warranted support for the reform camp while maintaining a degree of management-supported directors to maintain a level of institutional knowledge in the board. Long-term shareholders tend to benefit when boards include a diversity of views and directors can act as checks and balances on one another, as necessary.

#### ***BE Semiconductor Industries N.V. (Euronext Amsterdam: BESI; OTC: BESIY), 26 April 2023, Advisory vote on the Remuneration Report 2022 (AGAINST)***

BlackRock voted AGAINST the 2022 remuneration report over their concerns about several structural issues, mainly related to the board's use of discretionary awards and metrics that, in their view, were not sufficiently stretching.

***Dentsu Group, Inc. (Tokyo Stock Exchange: 4324), 30 March 2023, Election of Keiichi Sagawa (AGAINST)***

BlackRock voted AGAINST the election of Keiichi Sagawa as a non-executive director of the board due to concerns that cross holdings and certain business relationships between the company and his previous employer undermine his independence. While they recognize Mr. Sagawa's capabilities and experience, recent allegations of corruption against a former employee highlight the importance of robust board oversight of management and demonstrating that directors are, and are seen to be, fully independent of management.

***Chevron Corporation (NYSE: CVX), 31 May 2023, Rescind Scope 3 GHG Reduction Proposal (AGAINST)***

BlackRock voted AGAINST the shareholder proposal which requested that the company rescind a 2021 shareholder proposal to reduce scope 3 emissions. The original proposal received 61% support in 2021, and the company subsequently took action to include scope 3 GHG emissions in certain of their metrics to help investors understand the company's value chain risk.

**Summary of manager engagement activity**

The Trustee receives annual reporting on BlackRock's engagement activity. The following table summarises the key engagement activity during 1 January 2023 to 30 June 2023.

Number of engagements	Topic engaged on
77	Biodiversity
1059	Climate Risk Management
29	Land Use/Deforestation
168	Other company impacts on the environment
89	Water and Waste
1236	Board Composition and Effectiveness
297	Board Gender Diversity
754	Business Oversight/Risk Management
1297	Corporate Strategy
430	Executive Management
787	Governance Structure
204	Other
1155	Remuneration
498	Sustainability Reporting
70	Business Ethics and Integrity

87	Community relations
244	Diversity and Inclusion
97	Health and Safety
557	Human Capital Management
37	Indigenous Peoples Rights
61	Other Human Capital Management issues
127	Other company impacts on people/human rights
65	Privacy and Data Security
232	Social Risks and Opportunities
118	Supply Chain Labour Management

The manager carried out 3008 engagements with 2263 companies over this period. Engagements include multiple company meetings during the year with the same company and most engagement conversations cover multiple topics.

#### **Use of a proxy Advisor**

BlackRock's proxy voting process was led by the BlackRock Investment Stewardship team, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East, and Africa - located in seven offices around the world. The analysts with each team would generally determine how to vote at the meetings of the companies they cover.

#### **Other engagement activity**

The Trustee also invests directly in property assets. Through its property Advisor, Osborne King, the Trustee engages with the tenants of these properties on an ongoing basis to discuss issues that could affect the assets.

#### **Review of policies**

The Trustee expects that Prudential and Aviva will take account of all financially material factors, including the potential impact of Responsible Investment issues, in the implementation of their insurance mandate. Given the nature of the insurance contracts, the Trustee expects both insurers to actively consider Environmental, Social and Corporate Governance factors in their investment governance and decision making.

The Trustee monitors compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.