

Northern Bank Pension Scheme – 2022 Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Northern Bank Pension Scheme’s Stewardship Policy for the year ending 31 December 2022

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 2022 to 31 December 2022.

Stewardship policy

The Trustee’s Stewardship (voting and engagement) Policy sets 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.

The Scheme’s Stewardship Policy is reviewed in line with the Scheme’s Statement of Investment Principles (SIP) review, which was last completed in December 2021. The stewardship policies in the Scheme’s SIP are related below:

- The Trustee aims to meet with BlackRock on an annual basis. Ahead of each meeting, the Trustee provides their manager with an agenda for discussion including, where appropriate, Environmental Social and Governance (ESG) issues.
- Within Trustee controlled assets (property), the Trustee engages with and seeks input directly from its advisers on any issues of concern.
- The Trustee has adopted a policy of delegating voting decisions on stocks to their Investment Manager (BlackRock) who will exercise the voting rights attached to individual investments on their behalf in accordance with their own house policy.
- The manager is challenged both directly by the Trustee and by its investment advisers on the impact of any significant issues.
- The Trustee has reviewed the voting policy of BlackRock and has determined that the policy is satisfactory. On an annual basis, the Trustee will request their Investment Manager to provide details of any change in house policy.
- The Trustee does not engage directly but believes it is appropriate for 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 behaviours, improve performance and mitigate financial risks.
- The Trustee monitors the manager’s voting and engagement activity on a quarterly basis in conjunction with its investment adviser. Where the Trustee deems it appropriate, any issues of concern will be raised with their manager for further explanation.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at: <https://danskebank.co.uk/northern-bank-pension-scheme/scheme-information>

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager, BlackRock. The Trustee believes it is important that their investment manager take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on dialogue with their investment manager, which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with their manager and the Trustee considers manager's exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

In Q1 2022, the Trustee worked with their investment advisor, Hymans Robertson, to carry out a formal review of BlackRock as the Scheme's investment manager. Part of this review included an analysis of the manager's Stewardship capabilities and a formal meeting between the Trustee and the BlackRock team, which involved a discussion of BlackRock's approach to Stewardship and ESG.

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.

Voting activity

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor manager voting patterns. The Trustee also monitors the investment manager's voting on particular companies or issues that affect more than one company.

The Trustee holds equity assets through several regional passive mandates with BlackRock. BlackRock have reported on how votes were cast in each of these mandates as set out in the table below:

Strategy/Fund name	UK	Japan	US	Europe	Emerging Markets	Pacific Rim
Proportion of total Scheme assets	2.4%	0.9%	2.8%	1.7%	0.4%	0.4%
No. of meetings eligible to vote at during the year	1,087	497	612	492	2,765	471
No. of resolutions eligible to vote on during the year	14,904	6,200	7,615	8,937	24,869	3,310
% of resolutions voted	96.1%	100.0%	98.9%	75.1%	98.3%	100.0%
% of resolutions voted with management	91.3%	97.2%	95.3%	65.8%	86.6%	88.6%
% of resolutions voted against management	4.9%	2.8%	3.9%	9.3%	11.7%	11.4%
% of resolutions abstained	3.9%	0.0%	0.8%	24.9%	1.7%	0.0%
% of meetings with at least one vote against management	27.1%	20.1%	23.4%	51.2%	41.8%	31.2%

The resolutions on which BlackRock voted against management the most over the year were mainly in relation to:

- Lack of board independence
- Lack of board diversity
- Directors having too many board commitments
- Executive compensation not aligned with long-term performance

Significant votes

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

Grupo México, S.A.B. de C.V. (BMV: GMEXICO), 28 April 2022, Annual election of board members

BlackRock voted AGAINST the director bundled ballot election at the 2022 AGM because the company has not updated their sustainability-related reporting, and in particular, their climate-related disclosures since the release of their "2020 Sustainable Development Report." In addition, the company has not addressed shareholder concerns, including BlackRock's, regarding the quality and effectiveness of their Board of Directors.

Equinor ASA(Oslo Exchange: EQNR), 11 May 2022, Advisory Vote to Approve Company's Energy Transition Plan

BlackRock voted for the management resolutions in recognition of Equinor's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan. BlackRock believe that Equinor's climate-related disclosure is robust, and clearly outlines the company's decarbonization efforts.

Woodside Petroleum Ltd.(ASX: WPL), 19 May 2022, Management proposal to Approve the BHP Petroleum Merger

BlackRock voted for the the resolution seeking shareholder approval for the merger. After a combination of careful analysis and engagement with management and members of the Board, BlackRock concluded that support for this resolution is in the best economic interests of long-term investors like their clients.

Shell Plc (LSE: SHEL), 24 May 2022, Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions (Shareholder proposal)

BlackRock voted AGAINST this shareholder proposal because BlackRock believe that it is not additive to Shell's Energy Transition Strategy and that the company's ability to set absolute short-and medium-term scope 3 emissions (resulting from activities relating to assets not owned or controlled by the reporting organization) reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.

Meta Platforms Inc. (NASDAQ: META), 25 May 2022, Child Sexual Exploitation Online (Shareholder proposal)

BlackRock voted AGAINST this shareholder proposal because Meta recently published an independent report that addresses the potential human rights impacts associated with end-to-end encryption, in BlackRock's view meeting the proponent's request.

Sumitomo Mitsui Financial Group, Inc. (NYSE: SMFG), 29 June 2022, Partial amendment to the Articles of Incorporation (AOI) to set and disclose short- and medium-term greenhouse gas (GHG) emissions reduction targets consistent with the Paris Agreement

BlackRock voted AGAINST the proposed amendments because, based on BlackRock's assessment, SMFG's clear and timely disclosures to investors demonstrate that the company is addressing climate-related risks and opportunities in the context of their business model, sector, and geography. In addition, the proposed amendments to the AOI, which are legally binding, are overly prescriptive and risk unduly restricting management's ability to make basic business decisions.

Engagement activity

As their primary investment manager, the Trustee invites BlackRock to meetings on a regular basis (most recently at the March 2022 Trustee Board meeting) where stewardship issues are often discussed in further detail. This discussion and challenge to BlackRock is aided by stewardship summaries provided by the Trustee's investment adviser. At the February 2022 Investment Committee Meeting, the Scheme's investment advisor presented a review of BlackRock's stewardship capabilities and representatives from BlackRock subsequently set out a summary of the steps taken to improve stewardship and BlackRock's commitments to sustainability.

Following the change in Trustee structure over the course of 2022, the expectation is that the approach to Engagement and Stewardship going forward will remain broadly consistent with previous years.

Summary of manager engagement activity

The Trustee receives annual reporting on BlackRock's engagement activity. The following table summarises the key engagement activity for the 12-month period ending 31 December 2022.

Number of engagements	Topic engaged on
108	Biodiversity
2,429	Climate Risk Management
24	Land Use/Deforestation
619	Environmental Impact Management
801	Operational Sustainability
244	Other company impacts on the environment
147	Water and Waste
2,292	Board Composition and Effectiveness
353	Board Gender Diversity
1,360	Business Oversight/Risk Management
2,113	Corporate Strategy
846	Executive Management
1,439	Governance Structure
118	Other
1,956	Remuneration
562	Sustainability Reporting
68	Business Ethics and Integrity
122	Community relations

332	Diversity and Inclusion
109	Health and Safety
1,455	Human Capital Management
49	Indigenous Peoples Rights
62	Other Human Capital Management issues
86	Other company impacts on people/human rights
99	Privacy and Data Security
839	Social Risks and Opportunities
170	Supply Chain Labour Management

The manager carried out 4,893 engagements with 3,139 companies over 2022. The most common topics of engagement were climate risk management, board composition/effectiveness, and corporate strategy. Engagements include multiple company meetings during the year with the same company and most engagement conversations cover multiple topics.

Other engagement activity

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

Use of a proxy adviser

BlackRock's proxy voting process is 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 will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, these are among many inputs into their vote analysis process and do not determine how they cast their votes.

Review of policies

The Trustee has committed to reviewing the investment managers' Engagement and RI policies on an annual basis. The RI policy review considers the managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Appendix: Responsible Investment Checklist

This is for reference and not for publication as part of the annual Implementation Statement.

Policy	Action During Scheme Year	Implemented Policy?
The Trustee draws input from their investment adviser to support any...review of...its investment managers. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process.	BlackRock attended the March 2022 Trustee Board meeting and the Trustee has reviewed BlackRock's Stewardship approach over the year	Yes
The Trustee aims to meet with BlackRock on an annual basis. Ahead of each meeting, the Trustee provides their manager with an agenda for discussion, including where appropriate, ESG issues. The manager is challenged both directly by the Trustee and by its investment advisers on the impact of any significant issues.	The Trustee has met with BlackRock and topics of discussion included ESG and engagement/voting issues where appropriate.	Yes
The Trustee has reviewed the voting policy of BlackRock and has determined that the policy is satisfactory. On an annual basis, the Trustee will request their Investment Manager to provide details of any change in house policy.	As above.	Yes
The Trustee does not engage directly but believes it appropriate for its investment managers to engage with key stakeholders ... Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.	BlackRock's engagement activities are reviewed on an annual basis as part of ongoing investment monitoring.	Yes
The Trustee monitors the manager's voting and engagement activity on a quarterly basis in conjunction with its investment adviser. Where the Trustee deems it appropriate, any issues of concern will be raised with their manager for further explanation.	The Trustee receives updates on BlackRock's stewardship and engagement from their investment adviser. Issues can and have been raised with BlackRock when appropriate.	Yes
Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the ongoing appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.	As above.	Yes
Climate risk, sustainability and the management of ESG issues are considered by the Trustee in the development of mandates for the Scheme and, where possible, the Trustee will consider making explicit allowance for such factors in the evolution of its strategy.	The Trustee has undertaken training on this topic and invested in the Climate Aware LEAF SLF fund with BlackRock in 2020.	Yes
The Trustee separately considers annually any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.	The Trustee regularly reviews relevant BlackRock reporting (including the AMS report) and any potential conflicts.	Yes