

## Northstone (NI) Limited Pension Scheme

# Annual Implementation Statement

### Scheme year ending 31 March 2025

#### 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 2025. The purpose of this Statement is to:

- 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 latest version of the SIP can be found online here:

<https://www.northstone-ni.co.uk/media/uploads/northstone-sip-september-2024.pdf>

2.2 The September 2024 update reflected the reduction to the return seeking portfolio and consolidation of investment managers.

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

2.3 The Trustees are carrying out an investment review following the completion of the 2024 actuarial valuation. In June 2025 a decision was taken to reduce the level of equity allocation to 15% of the portfolio, bringing the strategic allocation to return seeking assets to 25%. The proceeds from the de-risk are currently held in the Scheme’s liquidity fund until a review of the hedging portfolio is complete. The SIP will be updated to reflect the portfolio changes made after the Scheme year-end once this stage is complete

##### *Investment manager arrangements*

2.4 A revised strategic allocation was established in April 2024 and was implemented over the Q2 2024. As a result of the investment switches, asset managers were consolidated and Baillie Gifford and Acadian ceased as asset managers.

2.5 As at 31 March 2025 the Scheme’s portfolio is comprised of a portfolio of world equities (overseas developed markets) managed by Legal and General (L&G), UK property managed by Colombia Threadneedle, European Infrastructure managed by Aberdeen, and Liability Driven Investment (LDI) and gilts of various durations managed by L&G.

2.6 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.

### 3 ESG considerations

- 3.1 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.
- 3.2 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.
- 3.3 The Trustees continue to develop their approach to ESG monitoring.

### 4 Voting and engagement

- 4.1 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.
- 4.2 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.
- 4.3 During the year the Trustees receive regular sustainability and stewardship reporting from L&G, the main equity provider, in line with the Trustees' policy.

#### **Voting**

- 4.4 Voting information on the Scheme's bond holdings (managed by L&G) 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 L&G.
- 4.5 Over the Scheme year, the vast majority of the Scheme's equity investments are managed by L&G via pooled funds on an index-tracking basis. Given the indexed nature of the mandates, L&G are constrained in the equities they must hold in each fund.
- 4.6 A summary of the voting on behalf of the Scheme over the year to 31 March 2025 is provided in the following table in respect of the L&G 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.

L&G Fund	Number of votes eligible	% of votes exercised	% of votes for	% of votes against	% abstained/ other
World Equity Index Fund	35,761	99.7%	79.1%	20.6%	0.3%

- 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><b><u>Company: Microsoft Corporation</u></b></p> <p><b><u>Meeting date: 10 December 2024</u></b></p> <p><b>Shareholder resolution:</b> Resolution 9: Report on AI Data Sourcing Accountability</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models</p> <p><b>Implications:</b> L&amp;G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>	World Equity Fund
<p><b><u>Company: BHP Group Limited</u></b></p> <p><b><u>Meeting date: 30 October 2024</u></b></p> <p><b>Shareholder resolution:</b> Resolution 13: Approve Climate Transition Action Plan</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> Climate Change: The critical minerals that mining companies provide are essential to the energy transition. It is clear that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner, and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with our framework for assessing mining company transition plans. Therefore, LGIM will be supporting BHPs CTAP. Going forwards, we will assess the disclosure of progress on BHPs plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. We will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.<b>Implications:</b> L&amp;G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>	World Equity Fund

### ***Engagement***

- 5.8 Across both public and private assets, L&G 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 L&G'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. L&G incorporate ESG assessments into their dialogue with companies, in order to push for real change and long-term sustainable value creation. Every year, L&G 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. L&G also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

#### **Use of proxy voting service**

- 5.9 L&G use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions. L&G'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, L&G 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 L&G believe all companies globally should observe, irrespective of local regulation or practice. L&G 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.

#### **Conclusion**

- 5.10 In the Trustees' opinion, the Statement of Investment Principles dated November 2024 has been followed during the year to 31 March 2025 in relation to voting and engagement.

Signed:



Name: Gregor Law

Date: 20/10/2025

Authorised for and on behalf of the Trustees of the Scheme


# Northstone (NI) Limited Annual Implementation Statement 31 Mar 2025\_

Final Audit Report

2025-10-20

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