

Engagement Policy Implementation Statement

SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual Engagement Policy Implementation Statement (“EPIS”). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles (“SIP”) have been followed.

This statement covers the Scheme’s accounting year to 31 December 2022. It is intended to meet the updated regulations and will be included in the Scheme’s Report & Accounts. In preparing this statement, the Trustee has taken advice from their professional advisers.

This statement details some of the activities taken by the Trustee and the Manager during the period, including voting statistics, and provides the Trustee’s opinion on the stewardship activities over the period.

2. Policies

The Trustee’s relevant policies regarding stewardship, voting and engagement are outlined in the SIP. The most recent version of the SIP is publicly available being published online and will be updated from time-to-time.

The SIP includes the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors and stewardship. This policy sets out the Trustee’s beliefs on ESG and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee has appointed BlackRock as the adviser and Fiduciary Manager (“the Manager”), as well as the investment manager, for the Scheme. The Trustee delegates the day-to-day investment decisions and asset allocation to the Manager. The Trustee retains responsibility for the strategic investment objective and oversight of the Manager.

During the year to 31 December 2022 the Trustee did not update the SIP, as such the policies contained in the March 2021 SIP are those which are relevant to this Statement, which can be accessed online.

The Trustee notes the “Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement” in July 2022. Due to the timing of this Guidance and the proximity to the Scheme year-end the Trustee plans to develop its policies and build more elements of this guidance into future iterations of this statement.

3. Scope of this statement

The Trustee acknowledges that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolio. For example, in general, voting rights are not attached to fixed income securities, while the applicability to the LDI (liability-driven investment) portfolio is limited. Nonetheless, the Trustee and the Manager expect all investment managers to take an active role in the stewardship of investments where relevant. Whilst this statement focuses on the Scheme’s equities investments, it is intended that over time the coverage of this statement will broaden to other asset classes.

4. Scheme activity

The SIP includes the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors and stewardship. This policy sets out the Trustee’s beliefs on ESG and the processes followed by the Trustee in relation to voting rights and stewardship.

SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

The Trustee receives ESG reporting in the quarterly investment report, which includes aggregate and asset class level reporting of ESG scores relative to an appropriate benchmark. The Trustee uses this to measure how the overall Scheme assets are invested and assess the metrics over time.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

5. Voting and Engagement

The Trustee has delegated its voting rights to the Manager. The below sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds, which include physical equity holdings).

The Trustee also expects the Manager, in its capacity as Fiduciary Manager to monitor the voting activity in respect of the underlying strategies to ensure compliance and confirm that it remains a suitable investment for the Scheme. The Trustee is comfortable that under the governance structure the responsibility sits with the Manager to communicate with the underlying managers and on a regular basis collect information as required.

The section below details the approach to voting and engagement as well as some examples of significant engagements these managers have made over the 12 months in respect to the funds in which the Scheme is invested.

In addition, summary voting statistics in respect of the Scheme's equities funds over the year to 31 December 2022 have been included.

BlackRock:

Given the Manager's appointment as both the Fiduciary Manager as well as the investment manager for the Scheme, the Trustee recognises the importance of ensuring that the Manager's own policies and actions are appropriate for the Scheme. The Manager publicises its own policies as well as quarterly updates online (which can be accessed here) which the Trustee has visibility of. This includes details of any changes to policies and also reports at an aggregate level the impact of its voting and engagement. The Trustee is comfortable that the transparency of the Manager in publicising reports and developments online ensures alignment with the interests of the Scheme.

Whilst it is important to monitor the activities of the Manager at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Trustee by the Manager on a more granular level.

The Scheme invests in a combination of both actively and passively managed BlackRock funds. In respect of passive strategies, there is a wide universe of underlying companies which may number in the hundreds if not thousands. Where strategies are actively managed, investments are typically more concentrated. As such, ownership is more concentrated for actively managed strategies and therefore there will be fewer resolutions in which to vote. In addition, actively managed strategies have the option to sell holdings in companies at its discretion. For these reasons, in the context of passive strategies, it is important that voting and engagement rights are exercised and that this is monitored.

Examples of a significant votes are included below. The summary voting statistics below illustrate that the voting rights attached the underlying investments in these instances have been exercised to a large extent.

The Manager's approach to voting is described in the table below, along with summary voting statistics for the equities funds.

SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

5. Voting and Engagement (Continued)

Approach to voting

BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed.

The BlackRock Investment Stewardship team does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance matters and, for those clients who have given BlackRock authority, through voting proxies in the best long-term economic interests of its clients.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ("BIS"), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - 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 each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Whilst BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and it does not blindly follow their recommendations on how to vote. BlackRock does not follow any single proxy research firm's voting recommendations. It subscribes to two research providers and uses several other inputs in its voting and engagement analysis, including a company's own disclosures, public information and ESG research.

BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

BE Semiconduct or Industries N.V (Besi) (Dutch manufacturer)

Besi is a Dutch multinational company that designs and manufactures semiconductor equipment. BIS has regularly engaged with Besi due to poor remuneration practices.

In 2022, BIS voted against Besi's remuneration for generous discretionary rewards to the CEO that had no compelling rationale. The proposed rewards included an additional 103,000 shares worth 5.7m euros. As a result, BIS believed the CEO's overall pay package was excessive and almost 9 times above the company's peer group.

In addition, the company did not submit a new remuneration policy after the former was rejected in 2021. Questions have also been raised on the appropriateness of some of the company's performance metrics where there is double counting of the same performance.

However, following a constant dialogue with the company, BIS and BlackRock's European Equity team have noted significant improvements in the remuneration practices, including:

- Transparency on the approach with a more structure approach in determining pay
 - Introducing a cap that is applicable as a percentage of base salary
-

SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

- Introducing share ownership requirements

BIS look forward to seeing the result of the changes to remuneration practices at the 2023 AGM.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

5. Voting and Engagement (Continued)

Samsung Electronics Co.

(South Korean manufacturer)

Samsung Electronics Co. is South Korea's largest company in market capitalization and one of the world's largest manufacturers of electronics and computer peripherals. Samsung is included in the BIS climate focus universe and BIS has conducted multiple engagements with the company that often involve discussions about climate change and energy transition risks.

In October 2020, the South Korean government announced its commitment to achieve carbon neutrality by 2050 and in 2021, the government enhanced its 2030 Nationally Determined Contribution (NDC) target. Since then, Samsung's current sustainability reporting and disclosures indicate that they have not yet stated any carbon neutrality goals. Additionally, Samsung's greenhouse gas emissions target of 70% reduction from 5.17 tonnes of CO₂e/KRW 100 million in 2009 expired in 2020 and this has not been refreshed.

Due to the absence of meaningful targets and lack of disclosures, investors are limited to assess the company's ability to navigate the energy transition and how this might impact their long-term economic interests. A vote was proposed in March 2022 to elect directors. The Board recommended voting FOR this shareholder proposal. BlackRock voted FOR the proposal because the company indicated that it was in the final review stage of a revised climate strategy and thus the election of directors would allow the plan to be released in the months after the vote.

Rio Tinto Group (Rio Tinto plc and Rio Tinto Limited)

(Anglo-Australian metals and mining corporation)

The Rio Tinto Group engages in the exploration, mining, and processing of minerals globally.

BIS has a long history of engagement with Rio Tinto Group where they have discussed topics including board quality and company impacts on people. In addition, Rio Tinto Group will play a critical role in the global energy transition. BIS continues to develop an understanding of their approach to climate-related risks and opportunities, as well as their strategy to transition to a low-carbon economy.

At the 2022 AGM there were ten shareholder proposals and a number of key resolutions. One management proposed vote was on the group's Climate Action Plan as set out in the group's report "Our Approach to Climate Change 2021". The Climate Action Plan articulates the steps the group will take to align their commitment to net zero by 2050. For example, the group aims to reduce their scope 1 and scope 2 emissions by 15% in 2025 and 50% in 2030 in line with the Paris Agreement. The Climate Action Plan also considers a \$7.5 billion capital investment between 2022 and 2030 to deliver the group's decarbonization strategy.

The Board recommended voting FOR this shareholder proposal. BlackRock voted FOR this shareholder proposal because as the world transitions to a low-carbon economy, BIS seeks to hear from companies on how they are assessing and managing the risks and opportunities from the global energy transition, while also managing a reliable energy supply.

BIS are encouraged by the actions the group has taken to improve their transparency in their long-term climate change strategy. BIS will continue to engage with the group to further assess their progress.

Year to 31 December 2022

SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME
YEAR ENDED 31 DECEMBER 2022

BlackRock Europe Equities (Active)	Votable proposals	906
	% of resolutions voted	79%
	% of resolutions voted against management	8%
	% of resolutions abstained	2%

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

5. Voting and Engagement (Continued)

		Year to 31 December 2022
BlackRock US Equities (Index)	Votable proposals	7,013
	% of resolutions voted	99%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
		Year to 31 December 2022
BlackRock UK Equities (Index)	Votable proposals	14,904
	% of resolutions voted	96%
	% of resolutions voted against management	4%
	% of resolutions abstained	2%
		Year to 31 December 2022
BlackRock Asia Pacific Equities (Index)	Votable proposals	3,310
	% of resolutions voted	100%
	% of resolutions voted against management	12%
	% of resolutions abstained	0%
		Year to 31 December 2022
BlackRock Japan Equities (Index)	Votable proposals	6,200
	% of resolutions voted	100%
	% of resolutions voted against management	3%
	% of resolutions abstained	0%
		Year to 31 December 2022
iShares FTSE MIB ETF <i>(Sold in July 2022)</i>	Votable proposals	6,700
	% of resolutions voted	99%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
		Year to 31 December 2022
iShares S&P 500 ETF <i>(Bought in October 2022)</i>	Votable proposals	487
	% of resolutions voted	100%
	% of resolutions voted against management	18%
	% of resolutions abstained	0%
		Year to 31 December 2022
BGF Emerging Markets Fund	Votable proposals	1,165
	% of resolutions voted	92%

SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

% of resolutions voted against management	6%
% of resolutions abstained	4%

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

5. Voting and Engagement (Continued)

		Year to 31 December 2022
BlackRock		
Factor Equity Fund	Votable proposals	2,162
	% of resolutions voted	95%
<i>(Bought in March 2022)</i>	% of resolutions voted against management	4%
	% of resolutions abstained	1%
		Year to 31 December 2022
BGF Multi-Theme Equity Fund	Votable proposals	3,866
	% of resolutions voted	91%
	% of resolutions voted against management	5%
	% of resolutions abstained	1%
		Year to 31 December 2022
BGF Systematic Global Small Cap Fund	Votable proposals	10,803
	% of resolutions voted	91%
	% of resolutions voted against management	8%
	% of resolutions abstained	2%
		Year to 31 December 2022
BGF Systematic China A-Share Opps Fund	Votable proposals	6,112
	% of resolutions voted	100%
	% of resolutions voted against management	10%
	% of resolutions abstained	0%

6. Concluding remarks

The Trustee is comfortable that the policies in the SIP have been followed over the year to 31 December 2022. As this is the third year the Implementation Statement has been required, the Trustee expects that the format and content will evolve over time, in line with guidance and to reflect any future changes in the SIP.

The Trustee recognises the responsibility that institutional investors have or promote high standards of investment stewardship and will continue to use the influence associated with the Scheme's assets in order to positively influence the Scheme's investment