

Newcastle Building Society Pension and Assurance Scheme - Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Newcastle Building Society Pension and Assurance Scheme Stewardship Policy for the year ending 30 June 2024.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 July 2023 to 30 June 2024.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to:

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

The Scheme's Stewardship Policy is reviewed at least every three years in line with the Scheme's Statement of Investment Principles (SIP) review which was last reviewed and completed in October 2024.

You can review the Scheme's Stewardship Policy (October 2023 version) which can be found within the Scheme's Statement of Investment Principles, at <https://www.newcastle.co.uk/about-us/governance/statement-of-investment-principles/>

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager. The Trustees believe 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 Trustees' own engagement activity is focused on their dialogue with their investment manager which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their manager and the Trustees consider manager exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor their 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 Trustees seek to ensure that their manager is exercising voting rights and where appropriate, to monitor the managers' voting patterns.

The Trustees have investment in equity assets solely through the funds managed by Legal & General Investment Management ('LGIM'). LGIM have reported on how votes were cast in aggregate across all of the Scheme's equity holdings in the table below:

	Diversified Growth Fund	World Index Fund
No. of meetings eligible to vote at during the year	8,997	2,982
No. of resolutions eligible to vote on during the year	93,090	37,017
% of resolutions voted	99.79%	99.87%
% of resolutions voted with management	76.58%	79.09%
% of resolutions voted against management	23.13%	20.8%
% of resolutions abstained	0.29%	0.11%
% of meetings with at least one vote against management	73.61%	75.34%

Source: LGIM, data as at 31 March 2024

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

- Board Leadership;
- Diversity and;
- Climate.

Significant votes

The Trustees have asked LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. LGIM were asked to explain the reasons why votes identified were significant, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote.

From the managers' reports, the Trustee have identified the following votes as being of particular relevance to the Scheme:

Vote 1: Diversity

- On the 28th of February 2024, LGIM voted against Apple's report on the Risks of Omitting Viewpoint and Ideological Diversity from EEO policy. In their view, Apple appeared to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts, and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.

Vote 2: Board Leadership

- On the 15th of Nov 2023, LGIM voted for Oracle Corporation's Resolution- Require Independent Board Chair. LGIM expects companies to establish the role of independent Board Chair.

Engagement activity

The Trustees meet with LGIM once a year and use the opportunity to discuss stewardship issues in further detail, amongst other things. In addition, the investment advisor monitors the Scheme's investment manager on an ongoing basis, including a formal assessment of the manager's approach to responsible investment. This provides the mechanism for the Trustees to understand wider responsible investment issues and subsequently challenge the Scheme's investment manager where appropriate.

Summary of manager engagement activity

LGIM have actively engaged with both funds on 2771 occasions over the past 12 months. These engagements have been on the following topics (noting that an engagement can cover more than a single topic, so the numbers won't sum):

	Diversified Growth Fund	World Index Fund
Total number engagements	1910	861
Environment issue engagement	1186	374
Governance issue engagement	407	289
Social issue engagement	201	122
Other*	116	76

Source: LGIM. *Including engagements in relation to company disclosure and strategies. Data as of 31 March 2024.

The individual subject areas which LGIM have most frequently engaged with companies on over the Scheme year were in relation to:

- Climate change and related activities;
- Remuneration;
- Board composition
- Deforestation;
- Corporate strategy.

Use of a proxy advisor`

LGIM have appointed ISS ProxyExchange to advise on voting and/or conduct company engagement.

Review of policies

The Trustees have committed to reviewing their investment managers' RI policies on an annual basis. This review was last undertaken by the Trustees on in December 2023. The review considered LGIM's broader approach to responsible investment including compliance with industry governance codes. The Trustees also considered changes to their managers voting policies.

The Trustees and their advisors remain satisfied that the responsible investment and voting policies of the investment manager remain suitable for the Scheme.

Signed for and on behalf of the Trustees of the Newcastle Building Society Pension and Assurance Scheme

Mick Thompson

Chair of Trustees