NEC Staff Pension Scheme (UK) (the "Scheme")

Annual Engagement Policy Implementation Statement for the Year Ended 30 June 2025

1. Introduction

This statement sets out how, and the extent to which, the Scheme's Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year running from 1 July 2024 to 30 June 2025 (the "**Scheme Year**"). This Statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and subsequent amendments; and the statutory and non-statutory guidance from the Department of Work and Pensions.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIPs that were in place for the Scheme Year, which were the SIP dated 2023 (covering the period from 1 July 2023 to 11 June 2025), and the SIP dated 2025 (covering the period from 12 June 2025 to 30 June 2025).

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers of the Scheme, and also sets out how the Scheme's engagement and voting policy has been followed during the Scheme Year.

The Trustees can confirm that all policies in the SIP on investment rights (including voting) and engagement have been followed during the Scheme Year.

2. Investment Objectives of the Scheme

2.1. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees' overriding objective during the Scheme Year was to invest the Scheme's assets in the best interests of the members and beneficiaries. Within this framework the Trustees have agreed the following objectives to provide guidance in its strategic management of the assets and control the various risks to which the Scheme is exposed. These objectives were in place throughout the Scheme Year.

- The Scheme has been established primarily to pay benefits to members on retiring from the Scheme and benefits to members' dependants on death before retirement. These benefits are funded, in part, by members' contributions. The balance of the cost is met by the Principal Employer and Participating Employers.

- The Trustees' aim is to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided as and when they fall due.

2.2. Review of the SIP

Over the Scheme Year, the Trustees reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). The revised SIP was formally agreed on 12 June 2025, reflecting the agreed changes to the Scheme's long-term target and liability hedging strategy.

2.3. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. A copy of the latest SIP can be found here:

https://necstaffpensionschemeuk.info/wp-content/uploads/2025/09/202506-Statement-of-Investment-Principles-April-2025.pdf

In order to establish these beliefs and produce this policy, the Trustees undertook training provided by their investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing.

The Trustees look to meet with each of the Scheme's managers on a regular basis (at least every two years if possible), at which point the Trustees may ask the investment managers to highlight key voting (where applicable) and engagement activity, and the impact on the portfolio.

3. Engagement Activity

The following work was undertaken during the Scheme Year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

- The Scheme's investment performance report is reviewed by the Trustees on a quarterly basis and includes ratings and ESG assessment from the investment consultant. The majority of the Scheme's managers were highly rated during the year. When appointing a new manager, the Trustees consider the ESG assessment of the manager.
- All the Scheme's managers have confirmed that they remain signatories to the 2020 UK Stewardship Code.
- The Trustees' investment consultant has requested, on behalf of the Trustees, details of relevant engagement activity for the period from each of the Scheme's investment managers.
- The Scheme's investment managers engaged with companies over the period on a wide range of different issues including ESG matters. This included engaging with companies on climate change to understand how companies are making progress in this area and more closely aligning with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in, or about to invest in, which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies in which the investment managers invest, or by voting on key related resolutions at companies' Annual General Meetings.

3.1. Examples of Engagement Activity

The following are examples of engagement activity undertaken (and provided) by LGIM and Beach Point Capital Management (one of the Mercer Multi-Asset Credit underlying sub-investment managers), during the Scheme Year:

LGIM – Nippon Steel – Steel Industry

<u>Engagement:</u> Having identified Nippon Steel as lagging in its policy engagement disclosures in 2022, following continuous engagement and a lack of progress, LGIM co-filed a shareholder resolution requesting greater transparency on their climate policy engagement activities in their 2024 AGM. Since co-filing the shareholder resolution, LGIM have met with Nippon Steel three times. They also attended a site visit – a further step towards transparency and engagement with shareholders. In addition to an increased willingness to acknowledge and listen to the concerns of their global shareholder base regarding decarbonisation, they noted specific intentions regarding improvements in disclosures.

<u>Outcome</u>: LGIM are pleased to see that, ahead of its 2025 AGM, Nippon Steel has published its first ever Industry Association Review and a set of policy positions, including a commitment to positive policy engagement in Japan for policies relating to climate change and energy. This followed disclosures on its direct lobbying activities earlier in the year.

These are encouraging first steps towards aligning the company's policy engagement with its long-term strategy and decarbonisation objectives. LGIM will continue to work with the company, aiming to further strengthen investor confidence and support the integration of transparent and strategic advocacy efforts.

LGIM – Arcelor Mittal – Coal Industry

Engagement: LGIM have been engaging with Arcelor Mittal on climate change since 2020 and have been in regular contact with the company, regarding the steps they are taking to decarbonise their business.

A member of LGIM's Investment Stewardship team was invited, alongside other investors, to attend a site visit to Arcelor Mittal's Sestao steel plant, to learn about and observe their decarbonisation technologies, and gain a deeper understanding of the steps they are taking, and the challenges they face as a company and as part of the steel industry as a whole in reaching net zero. The plant produces low-carbon-emissions steel, which has a significantly lower CO2 footprint than traditional steelmaking and uses the Electric Arc Furnace processes. In addition to seeing these processes in action, including the thin slab direct casting process, the company representatives enabled insightful discussions among the investor attendees.

Outcome: It was an incredibly insightful trip. Seeing this scale of engineering in person really puts a company's decarbonisation efforts, and the challenges they face, into perspective. One of LGIM's key 'take-aways' was the role of policy and demand creation in shaping decarbonisation efforts, which emphasises for LGIM the importance of continuing to broaden their engagement across value chains, and of continuing to use their influence as an asset manager to encourage effective decarbonisation at the policy level.

Mercer MAC underlying sub-investment manager – Beach Point Capital Management

Engagement: The manager engaged with Commscope as part of the Carbon Disclosure Project (CDP) 2023/2024 Science Based Targets (SBT) Campaign, a collaborative engagement bringing together a coalition of capital markets actors with an ask directed at high impact / high emitting companies to set a 1.5ºC aligned science-based target.

The manager selected companies from the CDP's targeted groups that are held in their portfolios. As part of this campaign, they co-endorsed letters, alongside other financial participants, backing the request to set science-based targets. By partnering with the CDP in this campaign, the manager and the engaged companies gained access to Science Based Targets initiative (SBTi) resources and guidance to help develop targets and commitments aligned with the best-available climate science.

Outcome: The success of this campaign is assessed by looking at how many of the targeted companies joined the SBTi during the time of the campaign, including committing to or setting science-based targets. The company responded by committing to setting science-based targets within the timeframe of the campaign. The manager recognises that this is an evolving process for issuers and can take time and resources to put validated decarbonization targets in place. Therefore, the manager regards certain aspects of this overall engagement to be successful in that they worked to raise awareness for issuers around emissions target-setting and best climate practices and saw the company committing to setting a science-based target.

3.2. Voting Activity during the Scheme Year

The Trustees have defined as most significant votes, those related to:

- Climate change (low-carbon transition and resilience to physical damages);
- Diversity, equity and inclusion ("DE&I") (inclusive and diverse decision-making); and
- Human rights (modern slavery, pay & safety in workforce and supply chains and abuses in conflict zones).

The Trustees have deemed that, to be classed as most significant vote, a vote must be in relation to one of the Trustees' engagement priorities and be in relation to a holding that makes up more than 0.5% of the investment fund which invests in it.

The Trustees will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustees did not inform the manager of what they considered to be the most significant votes in advance of voting.

The Trustees have delegated their voting rights to the investment managers.

Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually. Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds in which the Scheme's assets are invested for which voting was possible.

The Trustees do not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustees.

During the Scheme Year, the Trustees have not actively challenged any of their investment managers on their voting activity. Going forwards, the Trustees may be more active in reviewing and challenging voting activity, particularly in respect of its beliefs on climate change.

LGIM

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote on clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

LGIM All World Equity Index Fund and LGIM All World Equity Index Fund GBP Currency Hedged

- Number of votable meetings – 6,507
- Number of eligible resolutions LGIM have voted on – 62,894 (99.9% of total resolutions)
- Number of resolutions LGIM voted with management – 50,542 (80.4% of voted resolutions)
- Number of resolutions LGIM voted against management – 11,195 (17.8% of voted resolutions)
- Number of resolutions where LGIM abstained – 1,157 (1.8% of voted resolutions)

⊗ Resolution **not** passed ✓ Resolution passed

Holding Details	Resolutions details	How the Manager voted	Rationale of Manager vote	Outcome of the vote	Why vote is significant
Company Name: Meta Platforms, Inc. **Approx. size of holding as at date of the vote:** 1.5%	**Summary:** Elect Director Peggy Alford **Date of Vote:** 28 May 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.
Company Name: Alphabet Inc. **Approx. size of holding as at date of the vote:** 1.2%	**Summary:** Elect Director John L. Hennessy **Date of Vote:** 6 June 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.
Company Name: Broadcom Inc. **Approx. size of holding as**	**Summary:** Elect Director Henry Samueli **Date of Vote:** 21 April 2025	Voted Against the Resolution	A vote against is applied as the company is deemed not to have made sufficient progress against LGIM's climate expectations and red lines. LGIM will continue to engage with their investee companies, publicly advocate their	✓	Is related to the Trustees' priority of **Climate Change**

Holding Details	Resolutions details	How the Manager voted	Rationale of Manager vote	Outcome of the vote	Why vote is significant
at date of the vote: 1.0%			position on this issue and monitor company and market-level progress.		
Company Name: Berkshire Hathaway Inc. **Approx. size of holding as at date of the vote:** 0.9%	**Summary:** Elect Director Charlotte Guyman **Date of Vote:** 5 May 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	Resolution passed	Is related to the Trustees' priority of **DE&I**.
Company Name: Exxon Mobil Corporation **Approx. size of holding as at date of the vote:** 0.6%	**Summary:** Elect Director Darren W. Woods **Date of Vote:** 28 May 2025	Voted Against the Resolution	A vote against is applied as the company is deemed not to have made sufficient progress against LGIM's climate expectations and red lines, as set out in their sector guides through LGIM's dial-mover engagement programme. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	Resolution passed	Is related to the Trustees' priority of **Climate Change**.
Company Name: Mastercard Incorporated. **Approx. size of holding as at date of the vote:** 0.6%	**Summary:** Oversee and Report on a Racial Equity Audit **Date of Vote:** 24 June 2025	Voted For the Resolution	A vote in favour is applied as LGIM support such information and risk management approach to Diversity. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	Resolution not passed	Is related to the Trustees' priority of **DE&I**.
Company Name: Walmart Inc. **Approx. size of holding as at date of the vote:** 0.5%	**Summary:** Elect Director Randall L. Stephenson **Date of Vote:** 5 June 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	Resolution passed	Is related to the Trustees' priority of **DE&I**.

__LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund and LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund GBP Currency Hedged__

- Number of votable meetings – 3,402
- Number of eligible resolutions LGIM have voted on – 38,089 (99.9% of total resolutions)
- Number of resolutions LGIM voted with management – 30,372 (79.7% of voted resolutions)
- Number of resolutions LGIM voted against management – 7,161 (18.8% of voted resolutions)
- Number of resolutions where LGIM abstained – 556 (1.5% of voted resolutions)

Resolution **not** passed   Resolution passed

Holding Details	Resolutions details	How the Manager voted	Rationale of Manager vote	Outcome of the vote	Why vote is significant
Company Name: Alphabet Inc. **Approx. size of holding as at date of the vote:** 1.4%	**Summary:** Elect Director John L. Hennessy **Date of Vote:** 6 June 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.
Company Name: Meta Platforms, Inc. **Approx. size of holding as at date of the vote:** 1.1%	**Summary:** Elect Director Peggy Alford **Date of Vote:** 28 May 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.
Company Name: Berkshire Hathaway Inc. **Approx. size of holding as at date of the vote:** 0.9%	**Summary:** Elect Director Charlotte Guyman **Date of Vote:** 5 May 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.
Company Name: Exxon Mobil Corporation **Approx. size of holding as at date of the vote:** 0.9%	**Summary:** Elect Director Darren W. Woods **Date of Vote:** 28 May 2025	Voted Against the Resolution	A vote against is applied as the company is deemed not to have made sufficient progress against LGIM's climate expectations and red lines, as set out in their sector guides through LGIM's dial-mover engagement programme. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **Climate Change.**
Company Name: Shell Plc **Approx. size of holding as at date of the vote:** 0.9%	**Summary:** Request Company Disclose Whether and How Its: Demand Forecast For LNG; LNG Production And Sales Targets; And New Capital Expenditure In Natural Gas Assets; Are Consistent With Climate Commitments, Including Target To Reach Net	Voted Against the Resolution	While LGIM recognise the intent behind the resolution, they have decided to vote against it following careful consideration. This decision follows a series of constructive engagements with Shell's leadership, during which the company committed to improving disclosures on stranded asset risks and financial resilience related to its LNG operations. LGIM acknowledge meaningful progress in Shell's reporting, which now provides a clearer basis for assessing climate-related risks. In light of these developments, they believe the resolution's key objectives are being addressed through ongoing company actions. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✗	Is related to the Trustees' priority of **Climate Change.**

Holding Details	Resolutions details	How the Manager voted	Rationale of Manager vote	Outcome of the vote	Why vote is significant
	Zero Emissions By 2025 **Date of Vote:** 20 May 2025				
Company Name: Walmart Inc. **Approx. size of holding as at date of the vote:** 0.6%	**Summary:** Elect Director Randall L. Stephenson **Date of Vote:** 5 June 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.
Company Name: CVS Health Corporation **Approx. size of holding as at date of the vote:** 0.5%	**Summary:** Elect Director C. David Brown, II **Date of Vote:** 15 May 2025	Voted Against the Resolution	A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✓	Is related to the Trustees' priority of **DE&I**.

Future World Net Zero Buy & Maintain Fund

Please note, due to the nature of the fund having a fixed-income oriented investment strategy, the underlying assets have no exercisable voting rights to report.

Mercer

Multi-Asset Credit Fund

Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund's underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period and may include information in relation to funds that the Scheme's assets were no longer invested in at the Scheme year end. The statistics are drawn from the Glass Lewis system (via the custodian of the Mercer Funds).

- Number of votable meetings – 4
- Number of eligible resolutions Mercer have voted on – 34 (100.0% of total resolutions)
- Number of resolutions Mercer voted with management – 34 (100.0% of voted resolutions)
- Number of resolutions Mercer voted against management – 0 (0.0% of voted resolutions)

There were no significant votes reported under the Trustees' definition of significant themes.

Absolute Return Fixed Income Fund and Private Investment Partners V Illiquid Credit

Please note, due to the nature of the funds having a fixed-income oriented investment strategy, the underlying assets have no exercisable voting rights to report.