Yorkshire and Clydesdale Bank Pension Scheme

Annual Implementation Statement – Scheme year ending 30 September 2025

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Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme") covering the Scheme year ("the year") to 30 September 2025.

The purpose of this statement is to:

- Provide details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting (as set out in the Statement of Investment Principles (the "SIP")) have been adhered to during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of services of a proxy voter during that year.
- Provide details and examples of the engagement activities undertaken on behalf of the Trustee during the year

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here

This statement reflects the Scheme year from 1 October 2024 to 30 September 2025. The SIP linked above reflects the latest version of the SIP which is dated October 2024. Prior to this version, the SIP which covered the Scheme year was dated April 2023.

Following a review of the April 2023 SIP the Trustee made the following amendments which are reflected in the October 2024 version:

- Inclusion of wording to reflect the periodic review of the alignment of investment managers' policies with the SIP.

- Removal of the reference to the contingent assets provided by the Principal Employer, following the winding down of the security structure.

The Trustee also competed a review of the October 2024 SIP in August 2025 and it was agreed no changes were required, therefore the October 2024 SIP linked above remains the latest version.

Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- The Trustee policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code 2020 as best practice and encourages its investment managers to comply with the UK Stewardship Code 2020 or explain where they do not adhere to this policy.

- When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment advisors, looks to take account of the approach taken by managers with respect to sustainable investing. This includes considering voting policies and engagement on relevant matters (i.e. the capital structure of investee companies, actual and potential conflicts of interest and other stakeholders), as well as how managers take account of ESG-related risks in their management of the Scheme's assets, and the consistency of this approach with the Trustee's own beliefs.

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, taking into consideration costs, risks and fiduciary duties, the contract with the manager will be terminated and replaced.

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee also invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

- The Trustee appoints its investment managers with an expectation of a long-term relationship and engagement, which encourages active ownership of the Scheme's assets. When assessing a manager's performance the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

The investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and the Trustee otherwise delegates responsibility for the exercising of voting rights to the Scheme's investment managers. Therefore it is the responsibility of the Trustee to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Corporate engagement is the responsibility of the managers of pooled funds and is otherwise delegated to the Scheme's investment managers because the Trustee believes that those managers are best placed to manage this engagement. The Trustee monitors, reviews and engages with the managers on how they have undertaken these activities.

Over the year, the Trustee has undertaken a number of actions in line with these policies as set out below:

- The Trustee met with two of the Scheme's investment managers, LGIM and Aberdeen, as part of its ongoing monitoring of the Scheme's underlying investments. These meetings included discussions on the managers' approaches to sustainable investing, with a particular focus on climate-related risks. LGIM and Aberdeen manage the Scheme's buy and maintain credit mandates, which represent the largest holdings and a significant proportion of the Scheme's carbon footprint. Previously the Trustee has engaged with the buy and maintain managers to include an exclusion policy on future purchases to help manage the Scheme's carbon risk, which remains in place.

- The Trustee also met with BlackRock in light of the reduction in valuation of the Scheme's holding in their Global Renewable Power Infrastructure Fund. This meeting was to discuss the outlook for the fund and how Blackrock intend to maximise the value of their current investments. Alongside this, separate regular catch ups with the Scheme's other illiquid asset managers were completed as part of the Trustee's ongoing monitoring of the Scheme's underlying investments.

- The Trustee's investment advisor produces sustainable investment reports for the Scheme's managers which include information on how the investment managers consider environmental, social and governance factors in their investment processes. The reports also include information on the voting and engagement practices of the managers. At each of these meetings, the Trustee reviewed the manager's sustainable investment report ahead of the manager presentation and subsequently discussed relevant topics with managers.

- The Trustee reviewed the fees of Northern Trust, the Scheme's Custodian and Performance Measurer, in August 2025 to ensure they remained in line with industry standards. This review followed a similar assessment conducted the previous year. The Trustee also reviewed the portfolio turnover levels of the Scheme's underlying investment funds in November 2024 as part of the agreed annual process. The Trustee noted no significant concerns, though higher turnover in the LDI mandate was observed due to the implementation of a new liability proxy and ongoing discretionary trading and rebalancing.

- The Trustee has undertaken a number of actions as part of its ongoing consideration of the potential impact of climate change on the Scheme:

    - Similar to last year, the Trustee has received updates on the estimates of the Scheme's exposures based on a range of carbon metrics, including total carbon emissions and carbon footprint. The metrics have been assessed against the carbon emissions reduction target.

    - The Trustee has requested information on the potential impact of climate change from the Scheme's investment managers when meeting them through the year, as outlined above. The climate risks within the buy and maintain mandates are the most material to the Scheme, due to the size of the mandates.

In addition to the actions above the Trustee's investment advisor provides ratings for each of the Scheme's investment managers. These ratings are reviewed (and updated where necessary) on a quarterly basis and include considerations relating to sustainable investment. Any changes in these ratings or the investment advisor's opinion of a fund is communicated to the Trustee.

As set out in section 4, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and the Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Section 3: Voting and Engagement

The Scheme is invested in a diverse range of asset classes and the scope for voting and engagement activity varies by asset class. For voting, focus would usually be on the equity investments which have voting rights attached. However the Scheme has not held any equity investments since disinvesting from the asset class in 2022. This section therefore focuses on engagement activites within the buy and maintain credit mandates as these represent a significant proportion of Scheme assets, and one of the main sources of risk to the Scheme.

Engagement Activity

The Trustee's primary focus, from an ESG perspective, is on encouraging its investment managers and advisors to engage with the companies it invests in to better manage risks and improve outcomes. Engagement activities are monitored through the year in a number of different ways, including the annual review of managers' approach to sustainable investment and ratings of those managers, updates from the Scheme's investment consultant on the managers' engagement capabilities (where relevant) and as a part of regular manager meetings.

The Scheme's buy and maintain corporate bond mandates with LGIM and Aberdeen are key mandates for the Scheme from an engagement perspective. They are mandates with a key role to play in the investment strategy for the Scheme due to their cashflow generation and long-term focus. They also represent the majority of the Scheme's holdings in corporate securities. Over the year the Trustee met with both LGIM and Aberdeen to discuss the buy and maintain credit investments and ESG was one of the main topics considered. Within these discussions the Trustee looks for detail on both the process for engagement that each manager follows (including systems and resourcing) as well as examples of the engagement in practice. Specific engagement examples included:

- Aberdeen's engagement with BHP group– BHP currently lacks a net carbon intensity target for its full Scope 3 emissions, having set one only for shipping. To address Scope 3 emissions, BHP applies sustainability criteria to approximately 500 suppliers, requiring them to (a) measure their greenhouse gas emissions and (b) establish net-zero targets or initiatives to reduce emissions over time. Aberdeen recommended that BHP go further by disclosing the proportion of suppliers meeting these criteria.
- Aberdeen's engagement with Rio Tinto – To enhance transparency around decarbonisation, Aberdeen communicated to Rio Tinto that if Scope 2 emissions are material to its decarbonisation strategy, reporting should use **location-based data**. This approach reflects actual emissions from the local grid where operations occur, providing a more accurate picture of real-world impact. In contrast, **market-based reporting** relies on renewable energy certificates or contractual instruments, which can mask underlying emissions by offsetting them rather than reducing them at source. Aberdeen's position emphasises that location-based metrics offer greater integrity and accountability in assessing progress toward net-zero goals.
- LGIM's engagement with Equinor ASA – Following the publication of LGIM's detailed expectations for the oil and gas sector regarding the climate transition, LGIM has continued to assess companies' climate commitments and disclosures against this framework. In 2025, LGIM voted against Equinor's Energy Transition Plan due to concerns over financial risks linked to its international oil and gas expansion, and the potential impact on its ability to meet net-zero targets. Despite the plan receiving 96% shareholder support, LGIM maintains that companies must set robust emissions targets with time-bound milestones and demonstrate financial resilience through transparent disclosures. As a majority state-owned entity, Equinor remains a key focus for ongoing engagement to encourage alignment with LGIM's climate expectations.

- LGIM's engagement with US utilities, including Xcel Energy – LGIM has been actively engaging with US utilities to assess how they are responding to sector-wide pressures such as coal retirement legislation, tax credit changes, affordability concerns, and the increasing frequency of wildfires. A key part of this engagement was a meeting with Xcel Energy's CEO and Head of Investor Relations in May 2025, where LGIM discussed the company's financial results and its approach to these challenges. LGIM views affordability as central to enabling utilities to maintain capital expenditure plans and progress towards grid decarbonisation. LGIM has identified a disconnect in incentives around demand-side response programmes and continues to engage with Xcel Energy and other utilities to encourage more effective regulatory engagement and support for a greener, more customer-centric energy system.

At a higher level, the Trustee monitors the level of climate-related engagements undertaken by its investment managers across the portfolio.

The Trustee also regularly reviews its investment advisor's approach to sustainable investment and credentials in this area.

Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

The compliance of the Scheme's investment managers with the Trustee's voting policies is not assessed here due to Trustee decision to fully disinvest from public equities in October 2022.

The Trustee will continue to monitor its investment managers' stewardship practices on an ongoing basis.