SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME
YEAR ENDED 31 DECEMBER 2023

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 2023. 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 2023 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. Going forwards, 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 broader 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.

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 2023 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.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

Approach to voting	BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty and as a way to 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 within 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 Semiconductor 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. At Besi's 2020, 2021, and 2022 annual general meetings (AGMs), BIS did not support the company's remuneration policy or remuneration report. This is because in BIS' assessment, the remuneration practices led to excessive payouts. At Besi's 2023 AGM, BIS did not support the 2022 remuneration report given they continue to observe areas for improvement. For example, the metrics introduced were not challenging – the long-term incentive plan still vests for underperformance against peers on a total shareholder return basis. BIS also noted that the company used the same metrics in both the short- and long-term incentive plans, resulting in the rewarding of executives for the same performance twice. However, contrary to the past years, at the 2023 AGM, BIS voted in favor of the 2024 remuneration policy. BIS note that Besi eliminated the ability of the remuneration committee to use discretion, introduced more stretching performance conditions, and limited the award potential to a percentage base salary to reduce the likelihood of excessive payouts. Furthermore, the company introduced share ownership guidelines for executives to reinforce their alignment with shareholders' interests and established a more robust peer company selection process. Overall, BIS are highly encouraged by the company's responsiveness to shareholder feedback and supported the 2024 remuneration policy proposal.

Chevron Corporation (Chevron) (US energy company)	Chevron Corporation (Chevron) is a globally integrated energy company headquartered in the U.S. At the May 2023 AGM, a shareholder proposal was up for a vote. This proposal requested that the company rescind a 2021 non-binding shareholder proposal asking the company "to reduce its Scope 3 emissions in the medium- and long-term future.". Chevron's board recommended that shareholders vote against this proposal at the 2023 AGM. The 2021 shareholder proposal passed with 61% support, and the company subsequently took action to include scope 3 greenhouse gas (GHG) emissions in certain of their metrics to help investors understand the company's evolving efforts to mitigate risk. From a governance standpoint, BIS view this as a responsible reaction to shareholder feedback. From a climate risk management perspective, BIS found Chevron's approach to incorporating scope 3 GHG emissions into their Portfolio Carbon Intensity (PCI) targets to be a meaningful way for the company to reduce GHG emissions in their value chain while maintaining the integrity of their core business. The company states that their approach to scope 3 emissions, included in their PCI metric, "provides Chevron the flexibility to grow its Upstream and Downstream businesses provided it remains an increasingly carbon-efficient operator." This is contrary to the assertion in the proposal that the only response for an oil and gas company to scope 3 emissions reductions is through "substantially reducing consumer use of its products." In BIS' view, reducing sales of company products is not the only means to achieving meaningful scope 3 reductions. The proponent's request to rescind a nonbinding shareholder proposal from two years ago, which subsequently passed and upon which the company has already taken action would not represent good corporate governance practice and therefore would not be in the best financial interests of BIS' clients.
Shell plc (Shell) (UK energy company)	Shell plc (Shell) is a globally integrated energy company headquartered in the United Kingdom. A shareholder proposal on the agenda for Shell's May 2023 AGM requested that the company "align its existing 2030 reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C." In BIS' commentary, "Climate-related risk and the energy transition," BIS discuss that, as investors, BIS find it helpful to be able to evaluate companies' assessments of their emissions across their value chain, or scope 3 emissions, where appropriate, and efforts to reduce them over time. A growing number of companies have started disclosing scope 3 emissions estimates, which provide important insight into the full carbon component of companies' goods and services. This further allows investors to evaluate the long-term risks and resilience of companies' value chains. However, BIS recognise that the methodology, accounting, assurance, and regulatory landscape for scope 3 emissions is complex, varied, and still evolving. Double counting is also a legitimate concern. Accordingly, BIS understand that the scope 3 disclosures that companies are able to make at this time will necessarily be on a good faith and best-efforts basis. Currently, Shell has set a target to reduce the net carbon intensity of their energy products by 20% by 2030 compared to 2016. They have also developed and disclosed their approach to demonstrate how their targets are aligned with the goals of the Paris Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

From the shareholder proposal's supporting statement, it appears that the proponent is requesting that the company set an absolute reduction target for their scope 3 GHG emissions. In BIS' view, this is overly prescriptive and unduly constraining on management's decision making. Adhering to the proponent's ask would require Shell to reduce product sales or alter their business composition, which could impact the company's financial strength and unduly constrain management. For those reasons, BIS determined that the shareholder proposal was not aligned with the financial interest of shareholders. As a minority investor on behalf of BIS' clients, BlackRock relies on the boards and management teams of companies to implement the strategies they deem most appropriate with the objective of delivering durable long-term financial returns.

Therefore, BIS did not consider it in the financial interests of our clients to support this shareholder proposal. As discussed above, in BIS' assessment of their Energy Transition Strategy, the company is addressing the risks and opportunities in their business model stemming from a low carbon transition and has demonstrated that they are delivering against their stated plan.

		Year to 31 December 2023
BlackRock Europe Equities (Active)	Votable proposals	859
	% of resolutions voted	83%
	% of resolutions voted against management	7%
	% of resolutions abstained	2%
		Year to 31 December 2023
BlackRock US Equities (Index)	Votable proposals	7,453
	% of resolutions voted	100%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
		Year to 31 December 2023
BlackRock UK Equities (Index)	Votable proposals	14,905
	% of resolutions voted	97%
	% of resolutions voted against management	3%
	% of resolutions abstained	1%
		Year to 31 December 2023
BlackRock Asia Pacific Equities (Index)	Votable proposals	3,107
	% of resolutions voted	100%
	% of resolutions voted against management	11%
	% of resolutions abstained	0%
		Year to 31 December 2023
BlackRock Japan Equities (Index)	Votable proposals	6,062
	% of resolutions voted	100%
	% of resolutions voted against management	4%
	% of resolutions abstained	0%

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

iShares S&P 500 ETF (Index)		**Year to 31 December 2023**
	Votable proposals	7,188
	% of resolutions voted	100%
	% of resolutions voted against management	1%
	% of resolutions abstained	0%
iShares Edge MSCI USA Value Factor ETF (Index) (Bought in February		**Year to 31 December 2023**
	Votable proposals	2,082
	% of resolutions voted	100%
	% of resolutions voted against management	1%
	% of resolutions abstained	0%
iShares MSCI EMU ETF (Index) (Bought in December 2023)		**Year to 31 December 2023**
	Votable proposals	3,998
	% of resolutions voted	99%
	% of resolutions voted against management	8%
	% of resolutions abstained	1%
BlackRock Factor Equities (Active)		**Year to 31 December 2023**
	Votable proposals	2,900
	% of resolutions voted	94%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
BlackRock Thematic Equities (Active)		**Year to 31 December 2023**
	Votable proposals	26,761
	% of resolutions voted	96%
	% of resolutions voted against management	8%
	% of resolutions abstained	2%
BGF Emerging Market Equities (Active)		**Year to 31 December 2023**
	Votable proposals	1,091
	% of resolutions voted	81%
	% of resolutions voted against management	7%
	% of resolutions abstained	3%
BGF Systematic Global Small Cap Fund (Active)		**Year to 31 December 2023**
	Votable proposals	10,292
	% of resolutions voted	89%
	% of resolutions voted against management	7%
	% of resolutions abstained	1%

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

6. Concluding remarks

The Trustee is comfortable that the policies in the SIP have been followed over the year to 31 December 2023. 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 managers.