

Engagement Policy Implementation Statement for the Year Ended 31 December 2025

Northumbrian Water Pension Scheme (“the Scheme”)

1. INTRODUCTION

The Engagement Policy Implementation Statement (known as the “Statement”) presents the Trustee’s assessment of adherence to their engagement policy and policy concerning the exercise of rights (including voting rights) attaching to the Scheme’s investments throughout the one-year period ending 31 December 2025 (the “Scheme Year”).

The Trustee’s policies are outlined in their Statement of Investment Principles (SIP). The SIP was last reviewed in March 2026. A copy of the Trustee’s SIP is available at [NWPS | Scheme Documents](#).

This Statement has been prepared in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* and the guidance published by the Department for Work and Pensions.

The day-to-day management of the Scheme’s assets over the Scheme Year was delegated to Cardano Risk Management Limited (the “Outsourced Chief Investment Officer” – the “OCIO”). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme’s assets and the OCIO’s policies were aligned with the Trustee’s own policies. The Trustee continues to monitor the OCIO, as part of their regular interactions.

After the Scheme Year End, the acquisition of the OCIO by Mercer completed on 1 January 2026. Following the integration of the OCIO and Mercer, the Scheme’s contract remains with the OCIO (now called Mercer Risk Management Limited) (“MRML”).

The Trustee monitors the voting and engagement activity of the Scheme’s investment managers, and, through the OCIO, challenges their decisions as appropriate.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that the OCIO has an appropriate approach to assess the stewardship and voting policies for all investment managers.

Section 2 of this Statement outlines the Trustee’s Socially Responsible Investment Policy and evaluates the extent to which it has been followed during the Scheme Year.

Section 3 sets out the Trustee's policy regarding the exercising of rights, including voting rights (which is covered as part of the Trustee's Socially Responsible Investment policy) attached to the Scheme investments. This Section also provides detailed information on the voting activities undertaken by third-party investment managers appointed within the OCIO's Funds during the Scheme Year.

Considering the analysis presented in Sections 2 to 3, the Trustee believes that its policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year.

2. TRUSTEE'S SOCIALLY RESPONSIBLE INVESTMENT POLICY INCLUDING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, AND CLIMATE CHANGE

"Stewardship" is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

The below outlines the Trustee's Socially Responsible Investment Policy ("the Policy"):

"For most of the Scheme's investments, the Trustee expects the Fiduciary Manager to select investment managers with a medium to long time horizon, consistent with that of the Scheme. In particular areas such as equity and credit, the Trustee expects the Fiduciary Manager to work with investment managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that the Fiduciary Manager may invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

The Trustee recognises that an investment's long-term financial success is influenced by a range of financially material factors including environmental, social and governance ("ESG") issues. The Trustee considers itself to be a long-term investor."

The OCIO is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the OCIO monitors voting records and the level of engagement with underlying investments.

The Trustee has selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, and aim to improve sustainability within the portfolio and have a direct real world impact to our members' current and future landscape. The Trustee's three stewardship priorities are:

- Climate Crisis (with a focus on climate change and net zero greenhouse gas emissions)
- Environmental Impact (with a focus on biodiversity, deforestation and water)

- Human Rights (with a focus on living wages, gender equality, and health & nutrition)

Strong governance underpins each of these priorities, and the Trustee expects managers to uphold high governance standards in their investment processes. This includes robust oversight of company boards, transparency in decision-making, and clear accountability mechanisms to ensure meaningful action across Climate Crisis, Environmental Impact, and Human Rights.

How the Policy has been implemented over the Scheme Year

The Trustee holds investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, and in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing the Scheme’s overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our OCIO appoints act consistently with the Scheme’s Policy.

The Trustee assesses that the OCIO has been aligned with our Policy throughout the year. The OCIO has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the OCIO is a member of a range of sustainable investment organisations, some of which are noted below.



To manage engagement efficiently, the Trustee has delegated the day-to-day implementation of our beliefs to the OCIO, having concluded that the OCIO’s core beliefs are consistent with our own. The beliefs driving the OCIO’s approach to engagement are as follows.

Quality over quantity

- The OCIO is interested in a few meaningful quality engagements, with strong reporting (rather than being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

- The OCIO encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

- The OCIO is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

- Some engagement, perhaps even most engagement, will be unsuccessful. The OCIO is realistic, and they prefer transparency from managers

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The OCIO encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

- The OCIO welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

- The OCIO is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

3. TRUSTEE'S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

Manager selection and monitoring

When selecting investment managers, the OCIO scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Policies. The OCIO monitors our investment managers on an ongoing basis; ensuring their activities align with our Policies and engaging with our investment managers to help them improve their stewardship approach. The OCIO closely

monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the OCIO. We categorise our managers according to how material voting and engagement is in their mandate, focusing efforts on managers where voting and engagement is material.

Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having suitable policies in place and using our OCIO to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
BlackRock Global Event Partners	ISS and Glass Lewis
Cardano Sustainable Transition Equity Fund	Use Glass Lewis as a proxy provider to deliver vote recommendation and execution services. Glass Lewis applies the custom voting policy of Cardano and an audit process is in place with Glass Lewis to ensure the policy is applied correctly.
Kadensa	ISS
Polar Capital	ISS
Sands	Use ISS and Glass Lewis for guidance in decision on votes
Sunriver	ISS
Westfield	ISS

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly, some managers have chosen not to provide certain information – the OCIO continues to engage with these managers to encourage improved transparency.

Fund	Total Proposals		Vote Decision			Meetings	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No.	Against
BlackRock Global Event Partners	983	98%	88%	6%	0%	96	30%
Cardano Sustainable Transition Equity Fund	24729	100%	75%	22%	1%	1917	77%
Kadensa	1005	100%	87%	11%	2%	N/A	N/A
Polar Capital	414	100%	84%	16%	0%	51	16%
Sunriver	170	95%	90%	3%	7%	20	11%
Westfield	537	100%	93%	7%	0%	68	26%

Notes: % may not sum up to 100% due to rounding

Most Significant Votes

Significant Votes: The Trustee has based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on the Scheme's stewardship priorities. The *most* significant proposals reported below relate to the companies with a relatively larger weight in each fund (relative to other companies in the full list of significant proposals), while considering the stewardship priorities.

Where available, information on next steps and plans to escalate are included in the table below.

Fund	Company	Proposal	Manager Vote Decision	Proposal Outcome
BlackRock Global Event Partners	Meta (holding size 0.2%)	Shareholder proposal regarding report on hate targeting marginalised communities	For - Supported enhanced reporting to better evaluate the platform's impact on marginalised communities and identify ways to improve protections for users	Vote failed
Cardano Sustainable Transition Equity Fund	Alphabet (holding size 1.5%)	Shareholder proposal regarding disclosure related to 2030 climate goals	Against - While the manager acknowledged Google provides detailed information and data on its carbon reduction goals and is transparent about the challenges, a vote for this resolution was warranted, in line with Cardano's climate ambitions. Cardano viewed that greater transparency on how the company intends to meet its decarbonisation targets, particularly with respect to addressing the significant increase in its Scope 2 emissions, would give investors stronger confidence that the company will achieve its 2030 goal	Vote failed, majority voted with management Cardano will continue to support climate related shareholder resolutions where they fit out sustainable investment framework and beliefs.
	Apple (holding size 4.5%)	Shareholder proposal regarding abolishing Inclusion and Diversity Program and Policies	Against - The proposal filed by the National Center for Public Policy Research, asked Apple to consider abolishing its Inclusion & Diversity program, policies, department and goals. In the supporting statement, the proponent cites the US Supreme Court's rulings in SFFA v. Harvard and Muldrow v. City of St. Louis which have raised legal concerns regarding corporate Diversity, Equity, and Inclusion (DEI) programs. Despite these decisions, Cardano voted against the proposal, in line with management recommendations. There are several federal laws prohibiting various types of job discrimination (including the Civil Rights Acts of 1964 and 1991 and the Equal Pay Act of 1963), which the company must adhere to. Additionally, Cardano believes that inclusive and diverse workplaces benefit companies by creating a more innovative, productive and equitable environment, ultimately improving business performance. Asking the company to abolish its existing practices on the topic is contrary to these beliefs.	Vote failed, majority voted with management

Polar Capital	Novo Nordisk (holding size 2%)	Shareholder proposal regarding regulated working conditions at construction sites	Against - Vote in line with both policy (ISS) and management. While there were important issues raised in this proposal, it lacked a compelling rationale.	Vote failed Proposal lacked compelling rationale. The explanation provided by management referred to an agreement in sentiment but the legal and logistical difficulties in instigating these proposals across global locations and subcontracting companies. ISS aligned with this rationale, simply stating a lack of compelling rationale for the proposal.
	Vertex Pharmaceuticals (holding size 2%)	Shareholder Rights & Protections; Executive Compensation; Corporate Governance Framework	For - Vote in line with policy (ISS) and against management recommendation due to a lack of reasonable severance arrangements currently in place. The current policy does not allow excessive cash severance to be payable without shareholder approval. Our request would ensure these shareholder protections.	Vote failed

4. MANAGER ENGAGEMENT ACTIVITY

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship.

The tables below provide examples of engagement activity of the Scheme’s investment managers where engagement should be a material activity in the management of the assets.

Manager	Engagement theme	Industry	Engagement Activity	Outcome
Cardano Sustainable Transition Equity Fund	Climate change	Banking	<p>The manager participated in ShareAction’s Climate Transition Banking Program, an investor-led engagement initiative focused on aligning major EU and UK banks with the Paris Agreement. As part of this programme, the manager engaged with the company, recognising its significance as one of Europe’s largest banks and its material influence on global capital flows.</p> <p>Engagement with the company has taken place since 2023 and has focused on the alignment between the company’s net-zero commitments and its financing activities, particularly fossil fuel financing. In 2024, alongside other investors, the manager co-filed a shareholder resolution requesting that the</p>	<p>The shareholder resolution received 24% support, signalling meaningful investor concern regarding the pace of the company’s climate transition. Following the vote, the company agreed to hold annual meetings with the CEO and senior management, improving investor access and dialogue at the most senior level.</p> <p>Through continued engagement, the company provided greater insight into the strategic and regulatory challenges influencing its climate positioning, particularly its exposure to the US market. While the bank has retained its climate</p>

			<p>company phase out financing for fossil fuel companies misaligned with Paris goals.</p> <p>Following the AGM, the company agreed to hold an annual meeting between the CEO, senior management and the investor group. In 2025, the group met with the company and discussed potential improvements, including stronger public advocacy and clearer external confirmation of the bank's continued commitment to its climate strategy.</p>	<p>commitments and enhanced some transition-plan disclosures, the manager considers that further progress is required to achieve credible alignment between stated ambitions and financing activities.</p> <p>The manager will continue to engage with the company, prioritising clearer public signals, stronger advocacy and measurable actions to support alignment with global climate goals.</p>
Kadensa	Human rights	Engineering	<p>The manager participated in 5 meetings covering ESG matters since mid-2023 with IR. Initially covered areas of improvement e.g. highlighted that lower than expected Social score was due to employee pay not being linked to company performance, and followed up 3 months later for progress on the matter (Sustainability Improvement Group was established and management compensation linked to company and business unit performance).</p> <p>The manager subsequently raised the company's weapons business and sought transparency on "controversial weapons". More recent dialogue has focused on commitment to ESG and ongoing investment in environmental products given backtrack on ESG from the Trump administration and indeed customer interest for environmental solutions also lightening alongside. The company remains committed to R&D on environmental technologies and products regardless.</p>	<p>The manager is satisfied with the engagement to date on a number of topics and have established a healthy dialogue on ESG matters. They view ESG as a relevant risk factor and are comfortable with this risk factor for this portfolio holding.</p>
Polar Capital	Governance	Pharmaceuticals	<p>Engagement took place in 2025, following outreach from the company to its investors. The Fund Manager participated in a dedicated meeting with the company to discuss governance practices and recent developments as the business transitioned to a commercial stage.</p> <p>The discussion covered updates to the company's board structure, the rationale for governance decisions, and expectations around governance standards as the company matures. The engagement also broadened into a wider ESG discussion, including feedback on the company's approach to ESG disclosure and its draft ESG factsheet.</p> <p>The engagement was led by the Fund Manager and involved direct dialogue with company representatives responsible for governance and investor engagement. The approach was constructive and non-escalatory, reflecting the company's openness to feedback and willingness to improve practices.</p>	<p>The engagement met its immediate objectives. Dialogue with the company was constructive, and the company demonstrated openness to investor feedback on governance and ESG practices. Following the engagement, the company published an updated ESG factsheet, improving transparency around its approach to ESG considerations.</p> <p>While the company has not formally attributed the publication solely to investor engagement, the timing and content suggest that investor dialogue played a meaningful role in shaping disclosure. Improved governance awareness and ESG transparency support better risk management as the company scales its operations, providing long-term financial and stewardship benefits.</p>

			<p>This was a standalone engagement rather than a collaborative initiative, and voting actions were not impacted at this stage. The Fund Manager intends to maintain an ongoing dialogue as disclosures and practices continue to evolve.</p>	<p>The engagement is expected to continue. The Investment Manager plans to re-engage in 2026 to review progress, assess improvements against best practice, and identify remaining gaps, particularly given the company's evolving operational profile.</p>
Westfield	Governance	Biotechnology	<p>ESG engagements focused on governance / board effectiveness / diversity.</p> <p>Several written and virtual interactions with the company, starting in the summer of 2024 with a letter to the full board of directors, following up with a letter to the independent board of directors in May of 2025 and another follow-up note in the fall of 2025.</p>	<p>In the specific example, they felt that having a constructive dialog with the company's management and working towards implementing board changes (including appointing a lead independent director) would have a positive effect on the company's performance, as well as on the convictions of its shareholders.</p>