



Stephenson Harwood Pension Scheme (Scheme)

31 January 2026

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of the Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [stephensonharwood-pension-scheme-statement-investment-principles.pdf \(stephensonharwood.com\)](https://www.stephensonharwood.com/scheme-statement-investment-principles.pdf) and changes to the SIP are detailed on the following pages.

The Implementation Statement details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 January 2026 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

Summary of key actions undertaken over the Scheme reporting year

- The Trustee reduced investment risk by halving the equity allocation held with Columbia Threadneedle.
- The Trustee also rebalanced the interest rate and inflation hedging to target 100% of Technical Provisions liabilities.
- Following the reporting year-end, the Trustee has agreed a new strategic asset allocation, which is currently being implemented, with ESG factors forming a key consideration.

This report demonstrates that the Stephenson Harwood Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	The current hedge ratio target is 100% of interest rates and inflation risks on a Technical Provisions Basis.	Over the year, the Trustee decided to increase the target interest rate and inflation hedge level from c.90% to c.100% on a Technical Provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI/synthetic equity manager.	The Scheme's assets are invested directly with the managers, with a collateral waterfall in place with the LDI manager. Other assets of the Scheme are sufficiently liquid.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	During the year, the Scheme was invested in various funds across different asset classes and managers, therefore diversifying this risk.
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	Over the year, the Scheme has been invested in pooled credit funds which invest across a variety of geographies and sectors, diversifying the underlying credit risk. The Scheme also invests across multiple asset classes diversifying this indirect credit risk.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory <p>The Trustee monitors the managers on an ongoing basis.</p>	As part of the investment management of the Scheme's assets, the Trustee is expected to, where relevant, assess the integration of ESG factors in the investment process of underlying managers by considering the ESG ratings provided by the Investment Advisor.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes where possible.	All of the Scheme's assets are denominated in GBP share classes.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Changes to the SIP

Over the period to 31 January 2026, the Trustee did not make any amendments to the SIP. However, a disinvestment from half of the equity holdings was carried out, and the Scheme's interest rate and inflation hedge was increased to 100% on a Technical Provisions Basis. Post year end, the Trustee agreed to a new strategy, implementation of this strategy is underway, and the SIP will be updated.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Risk Management	<ol style="list-style-type: none">1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme.2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee.
Approach / Framework	<ol style="list-style-type: none">3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.4. ESG factors are relevant to investment decisions in all asset classes. The Trustee aims to align their assets with net zero greenhouse gas emissions by 2050 where practicable as this is expected to help reduce the risks to the Scheme from climate change.5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none">6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge.8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none">9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.10. Engaging is more effective in seeking to initiate change than disinvesting.

Collaboration

11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why.
12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

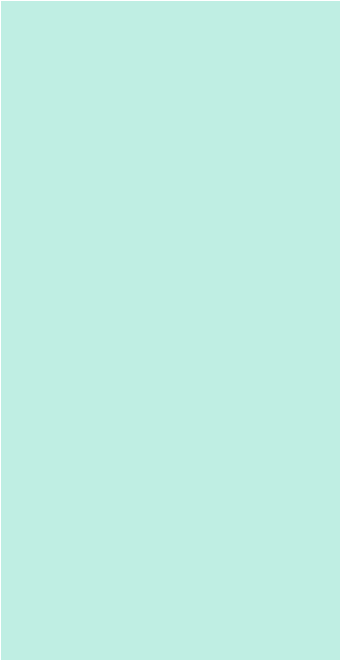
Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 December 2026. This is still relevant as at the scheme year end date of 31 January 2026.

Manager and Fund	Engagement summary	Commentary
Columbia Threadneedle - Net Zero transition Low Duration Credit Fund	<p>Total engagements: 383 Number of entities engaged: 70</p> <p>Environmental: 72 Of which relating to Climate change: 44 Waste reduction: 3</p> <p>Social: 138</p> <p>Governance: 123 Of which related to board diversity: 5</p> <p>Financial: 39</p> <p>Other: 11</p>	<p>Columbia Threadneedle provided a fund policy document that sets out the engagement activities undertaken throughout the year. These are to mitigate climate change, encourage workplace diversity and reduce corporate waste.</p> <p>An example of significant engagement includes: GE HealthCare Technologies Inc – Columbia Threadneedle engaged with GE HealthCare to assess the financial materiality of its artificial intelligence (AI) strategy and its role in driving margins and competitive advantage. Discussions focused on how AI integration delivers productivity gains for hospital customers and supports long-term value creation. GE HealthCare outlined its four-tier AI strategy, spanning embedded hardware AI, hospital workflow support, product development, and back-office operations. A key example was AIR Recon DL, which reduces MRI scan times from around 60 minutes to 40 minutes, enabling higher patient throughput and supporting premium pricing.</p> <p>The Scheme is comfortable that the manager is aligned with the Scheme's general stewardship focus, as demonstrated by the engagement summary.</p>

<p>Columbia Threadneedle - Sterling Liquidity Fund</p>	<p>Total engagements: 10 Number of entities engaged: 3 Environmental: 0 Social: 2 Governance: 5 Of which related to board diversity: 0 Financial: 3 Other: 0</p>	<p>Columbia Threadneedle provided a fund policy document that sets out the engagement activities undertaken throughout the year. These are to mitigate climate change, encourage workplace diversity and reduce corporate waste.</p> <p>An example of significant engagement includes: KBC Group NV Columbia Threadneedle engaged with KBC Group to understand how its long-standing PEARL+ cultural framework contributes to sustained outperformance within European banking. Discussions focused on how PEARL+ balances local autonomy with group-wide collaboration and remains embedded in decision-making more than a decade after its introduction. KBC explained how the framework is reinforced through executive committee representation. Engagement also covered how PEARL+ underpins KBC’s demographic and technological strategy, including tailored pension products, digital engagement with younger customers, and the rollout of “Kate,” its AI-enabled operational platform. Columbia Threadneedle continues to monitor how KBC’s cultural governance and technology integration support long-term competitiveness across its core European markets.</p> <p>The Scheme is comfortable that the manager is aligned with the Scheme’s general stewardship focus, as demonstrated by the engagement summary.</p>
<p>Columbia Threadneedle, Liability Driven Investment (“LDI”) Funds</p>	<p>Total engagements: 0</p>	<p>Columbia Threadneedle do not provide engagement data for their LDI funds.</p> <p>Columbia Threadneedle see responsible investing and broader investment stewardship as part of our duty as an investor acting in the best interests of our clients and key to managing risk and supporting long term returns. CT engage where they can with investee companies and financial counterparties, and this includes LDI counterparties.</p>

<p>Legal & General - Low Carbon Transition Global Equity Funds</p>	<p>Total engagements: 1,594</p> <p>Environmental engagements: 1,292</p> <p>Social engagements: 35</p> <p>Governance engagements: 179</p> <p>Other engagements: 88</p>	<p>L&G provided a fund policy document that sets out the engagement activities undertaken throughout the year. An example of significant engagement includes:</p> <p>Microsoft Corporation</p> <p>L&G voted against the re-election of Satya Nadella as a Director at the 2025 AGM, in line with its policy stance on board leadership. This vote reflects L&G's expectation that the roles of Chair and Chief Executive Officer should be separated to ensure effective oversight and robust risk management.</p> <p>L&G publicly disclosed its voting intention and rationale in advance through its voting instructions, consistent with its standard practice. While the resolution passed with 94% shareholder support, L&G considers this vote significant as part of a thematic escalation of its vote policy on combined Chair/CEO roles. L&G will continue to engage with Microsoft and other investee companies on board leadership structures, publicly advocate its position, and monitor progress at both company and market level.</p> <p>The Scheme is comfortable that the manager is aligned with the Scheme's general stewardship focus, as demonstrated by the engagement summary.</p>
<p>Pyrford, Global Total Return Fund</p>	<p>Total engagements: 6</p> <p>Number of entities engaged: 6</p> <p>Environmental: 2 Of which relating to Climate change: 1 Waste reduction: 0</p> <p>Social: 1</p> <p>Governance: 3 Of which related to board diversity: 0</p> <p>Financial: 0</p> <p>Other: 0</p>	<p>Pyrford provided a fund policy document that sets out the engagement activities undertaken throughout the year. These are to mitigate climate change, and achieve other stewardship objectives. An example of significant engagement includes:</p> <p>ASMPT</p> <p>Pyrford engaged with ASMPT following a downgrade in its MSCI ESG rating from AA to BBB, to better understand the drivers of the downgrade and to encourage improved governance and social disclosure practices. The engagement focused on conduct, culture and ethics, with particular attention to board governance, independence, diversity, and transparency around executive remuneration. During engagement, Pyrford raised concerns regarding long-term incentive disclosure, board tenure, over-boarding, and declining board</p>



independence, as well as the company's approach to ethical oversight, staff training, and talent pipeline development. ASMPT provided clarification on its governance arrangements, confirmed steps taken to address issues and outlined its ethics policies, audit processes, and employee training programmes.

Pyrford will continue to encourage enhanced disclosure. The engagement may inform future voting decisions, with no portfolio allocation changes made at this stage.

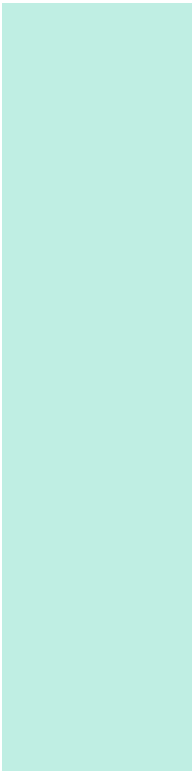
The Scheme is comfortable that the manager is aligned with the Scheme's general stewardship focus, as demonstrated by the engagement summary.

Voting (for equity/multi asset funds only)

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2025. This data remains appropriate for the Scheme year end date of 31 January 2026. The Trustee has not set their own stewardship priorities but monitor the activities of managers in line with their ESG policy. The Trustee has adopted the managers definition of significant votes, examples of which are included below.

Manager and Fund	Voting summary	Examples of most significant votes	Commentary
Legal & General, Global Equities	<p>Votable Proposals : 49,232</p> <p>Proposals Voted : 49,202</p> <p>For votes : 38,381</p> <p>Against votes : 10,314</p> <p>Abstain votes : 537</p> <p>Withhold votes : n/a</p> <p>Non-proxy agent votes : 5,164</p> <p>Proxy agent votes : 44,038</p>	<p>An example of a significant vote includes:</p> <p>Tesla, Inc.</p> <p>L&G voted against the re-election of Ira Ehrenpreis as a Director at Tesla's 2025 AGM, reflecting multiple governance-related concerns. These included excessive board and committee chair tenure impacting independence, the continued use of a classified board structure, insufficient board refreshment, and gender diversity levels on both the board and executive committee falling below L&G's minimum expectations.</p> <p>The vote also formed part of L&G's escalation strategy on board accountability. L&G publicly disclosed its voting rationale in advance and will continue to engage with Tesla, advocate for stronger governance and diversity practices, and monitor progress at both company and market level.</p>	<p>90% of the votes were enacted by a proxy agent.</p> <p>L&G adopts a robust approach to investment stewardship, focused on the responsible oversight of capital to support sustainable long term outcomes for the economy, the environment and society.</p> <p>L&G have put in a custom voting policy, to ensure this proxy voting aligns with their position on ESG.</p>
Pyrford, Global Total Return Fund	<p>Votable Proposals : 1,009</p> <p>Proposals Voted : 906</p> <p>For votes : 871</p> <p>Against votes : 35</p>	<p>An example of a significant vote includes:</p> <p>Metro Inc.</p> <p>Pyrford voted against a shareholder resolution on</p>	<p>97% of the votes were enacted by a proxy agent.</p>



Abstain votes : 0
Withhold votes :
Non-proxy agent votes : 26
Proxy agent votes : 880

auditor rotation at Metro Inc.'s AGM in January 2025. While Pырford generally supports strong audit independence, it considered this proposal inappropriate given the company's sound corporate governance, its long-standing and constructive relationship with the external auditor, and ongoing regular dialogue with management. Pырford noted that changing auditors can be costly and operationally disruptive, particularly in a year of senior leadership transition, with a new CFO due to take office. On balance, Pырford concluded that maintaining audit continuity was in shareholders' best interests at this time.

Pырford has policies in place to ensure alignment with their stewardship policy.

Pырford did not abstain on any votes throughout the year.

