NILGOSC

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

UK Stewardship Code Submission 2025

Important Information

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UK Stewardship Code Submission 2025
For the Year Ended 30 June 2025

Approved by the Northern Ireland Local Government Officers' Superannuation Committee at its meeting
on

24 March 2026

Contents

NILGOSC's history with the UK Stewardship Code

The overriding obligation of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC/the Fund) is to act in the best financial interests of the pension scheme beneficiaries. Within this fiduciary role, NILGOSC takes its responsibilities as an asset owner seriously and believes that effective stewardship can have a positive impact on the performance of its investment portfolios.

In July 2010, the Financial Reporting Council (FRC) published the first version of the UK Stewardship Code (the 'Code'). In response, in September 2010, NILGOSC published its first UK Stewardship Code Statement of Adherence, which laid out how the Fund applied the Principles of the Code. Following the publication of a revision to the Code in 2012, NILGOSC updated its Statement of Adherence and continued to be a signatory until the 2012 Code was discontinued.

The UK Stewardship Code was substantially revised in 2019. The 2020 UK Stewardship Code took effect from January of that year, focusing on the activities and outcomes of stewardship, rather than policy statements alone. In order to become a signatory, organisations were required to produce an annual report explaining how they had applied the Code in the previous 12 months, submitting the report for the FRC's assessment. NILGOSC began to annually report in line with the 2020 Code, submitting its first report for the year ended 30 June 2021, and was pleased to meet the FRC's expected standard of reporting then and in the years since, retaining its status as a signatory to the Code.

In 2024, the FRC initiated a fundamental review of the Stewardship Code, which culminated in publication of the UK Stewardship Code 2026; restructured to ensure that the Code's principles continue to drive the right stewardship outcomes for investors, while not unduly contributing to reporting burdens. To remain a signatory, asset owners, like NILGOSC, are required to deliver their first submission under the 2026 Code ahead of the application window closing on 31 May 2026.

This submission covers the 12-month period ending 30 June 2025 and has been prepared in line with the requirements of the UK Stewardship Code 2026.

Please note that NILGOSC's financial statements are prepared as at 31 March year end. Therefore, figures provided as at 30 June 2025 are unaudited.

The Code

The UK Stewardship Code 2026 defines stewardship as "the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries".

Like its predecessors, the purpose of the relaunched Code is to: establish the core principles of effective stewardship; and to set a high standard of transparency for asset owners and asset managers, and for the service providers that support them. Six principles are applicable to asset owners (like NILGOSC). Applicants must report against the six principles in their annual **Activities and Outcomes Report** (the 'Report); which will be supported by an overarching **Policy and Context Disclosure** (the 'Disclosure').

More information on the two elements of the submission applicants will need to make to become a signatory of the Code, are as follows:

Policy and Context Disclosure (the 'Disclosure')

This should describe an organisation's stewardship policies, governance structures and other contextual information. Given this information typically remains stable over time, organisations need only submit the Policy and Context Disclosure every four years, or when there have been changes at an organisation, to such an extent that their Disclosure no longer aligns with their annual Reports.

Disclosures for asset owners and asset managers:

A. Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.

B. Describe how your resources enable effective stewardship.

C. Describe your stewardship policies and processes, and how you review them.

D. Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.

E. Describe how you maintain a dialogue with clients and/or beneficiaries.

Activities and Outcomes Report (the 'Report')

This annual submission should focus specifically on stewardship activities conducted during the year and their outcomes. It should clearly demonstrate the practical application of stewardship policies and explain how these activities supported the delivery of long-term sustainable value for clients and beneficiaries.

Principles for asset owners and asset managers:

1. Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.
2. Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.
3. Signatories engage to maintain or enhance the value of assets.
4. Signatories actively exercise their rights and responsibilities.
5. Signatories integrate stewardship considerations into their selection and oversight of external managers.
6. Signatories monitor and hold to account stewardship service providers.

Organisations may choose to present the Disclosure and the Report either as separate documents or combined in a single comprehensive submission. For the year ending 30 June 2025, NILGOSC has chosen to present both as one submission. However, it may choose to present separate documents in future periods.

More information about the UK Stewardship Code 2026 is available on the FRC's website.

UK Stewardship Code Submission 2025

Policy and Context Disclosure

Disclosure A: Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.

NILGOSC's purpose

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is a non-departmental public body (NDPB) sponsored by the Department for Communities (Northern Ireland). It was established on 1 April 1950, by the Local Government (Superannuation) Act 1950, to administer and maintain a fund providing pension benefits for employees of local authorities and other admitted bodies in Northern Ireland.

NILGOSC's function is to deliver a pension service to scheme members and employing authorities in accordance with the Local Government Pension Scheme (LGPS) Regulations. Within this narrowly defined remit, focus is placed on providing a high-quality service to all stakeholders in line with continually evolving expectations.

NILGOSC has established a planning process allowing it to identify and achieve its long-term strategic objectives. A strategic review is undertaken every three years, during which NILGOSC's Management Committee (the 'Committee'), along with stakeholder input, conduct a thorough review of the vision, mission, values and strategic aims, ensuring the organisation's strategic direction remains relevant and reflective of the current operating environment. In the intervening period between strategic reviews, NILGOSC reviews and updates its operational business plans annually to help plan resources and measure performance.

NILGOSC's most recent strategic review commenced with a 'Strategic Planning workshop' in May 2024. The review kicked off with an assessment of the current operating environment, followed by a Stakeholder Analysis to identify current stakeholders and their needs and expectations, both at present and in the future. A SWOT analysis was also undertaken to identify and examine NILGOSC's strengths and weaknesses, opportunities and threats. The outcome of the review was a revised statement of NLGOSC's Vision, Mission, Strategic Aims and Values, designed to drive service delivery over the following three-year strategic planning period.

NILGOSC recognises the important role of consultation in the strategic planning process. Keen to ensure that interested parties are given the opportunity to comment on and shape the service that it provides, an eight-week consultation process was launched in September 2024 seeking views from stakeholders in the NILGOSC pension scheme. Scheme employers, staff and other representative groups and organisations were directly invited to take part. The consultation closed in November 2024, and a summary of responses is available on the NILGOSC website.

Seven overarching strategic themes form the basis of the framework upon which strategic planning and decision-making rely: engagement; innovation and operational excellence; collaboration; governance; people; financial sustainability; and stewardship.

NILGOSC's Vision is "*to provide an excellent and sustainable pension scheme*" and its mission statement is "*To operate the pension scheme efficiently and effectively while enhancing the quality of service provided to stakeholders*". In order to achieve both, NILGOSC set six corporate aims which drive its business priorities and activities:

Aim 1 To provide an effective service complying with the pension scheme regulations, good practice, other legislation and stakeholder expectations.

Aim 2 To deliver an effective investment strategy in line with the actuarial profile of the fund.

Aim 3 To promote the scheme and inform members and employers of their pension options.

Aim 4 To influence and inform the debate on the future of the Local Government Pension Scheme.

Aim 5 To undertake business in an efficient, effective and accountable manner as required of a public body.

Aim 6 To promote equality of opportunity, good relations and to fulfil Section 75 obligations.

Each department within NILGOSC undertakes established operational activities, set to fulfil its business objectives, which in turn are designed to satisfy the six corporate aims. A full overview of the relationship between aims, objectives and operational actions is shared in Annex B of NILGOSC's Corporate Plan. For example, under Aim 2: "*To deliver an effective investment strategy in line with the actuarial profile of the fund*", the Investment team are tasked with the objective of ensuring "*effective stewardship in line with responsible investment policy*" [2.5] with the operational actions of: implementing the Statement of Responsible Investment [2.5.1]; and producing an annual Stewardship Report [2.5.2].

The most recent Corporate Plan is available to review on the NILGOSC website, covering the three-year period from 1 April 2025 to 31 March 2028 and laying out NILGOSC's: Vision and Mission; Aims; Key objectives; Administrative budget; Values and service standards.

In carrying out its overarching function, NILGOSC is committed to the following values:

- Member focused service delivery
- Maximising returns within acceptable risk parameters
- Sustainability, both as an investor and as a pension scheme
- Responsiveness, taking action in a timely manner
- Operational excellence through innovation
- Collaboration to achieve shared goals
- Fairness, embracing equality and diversity in its widest sense
- Honesty, integrity and openness in our engagement with stakeholders
- Being understandable, providing simple, clear and complete information

Progress against the Corporate Plan is reviewed and reported annually, and shared publicly in the Annual Report and Accounts, which are available to review on the NILGOSC website. Committee effectiveness is also assessed annually. More information is provided under Disclosure B.

NILGOSC's background and membership profile

The NILGOSC pension scheme is a **defined benefit** scheme. Since 1 April 2015, it has been providing retirement benefits on a 'career average revalued earnings' basis. Prior to that date (since NILGOSC's establishment in 1950) benefits were built up on a 'final salary' basis.

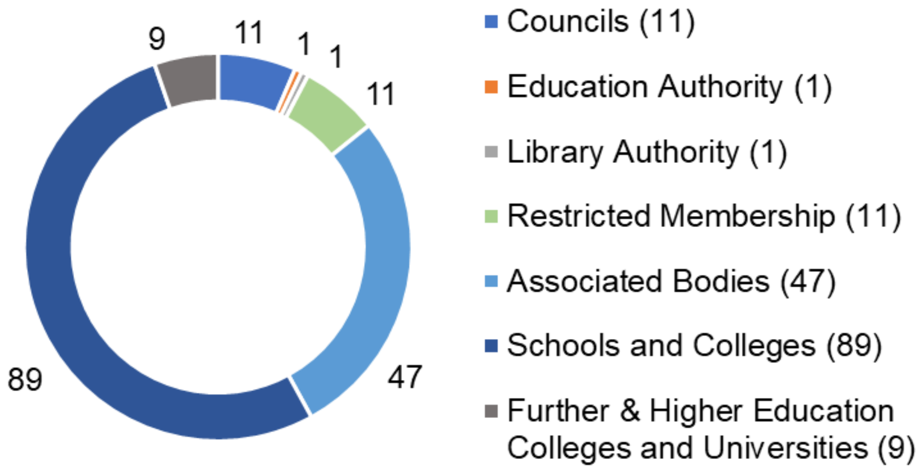
NILGOSC is the administrator of the pension scheme. Although NILGOSC is an NDPB, it receives no funding from central government. It seeks to maximise income and minimise expenditure. The scheme is funded by contributions made by both employees and employers admitted to the pension scheme. All contributions are paid into a fund, the 'Fund', which is used to pay scheme benefits and other payments, as well as the costs of administering the pension scheme and investment fund.

The audited value of the Fund as at 31 March 2025 was £10.952bn (2024: £10.463bn).

At 30 June 2025, 169 (2024: 170) bodies were contributing to the pension scheme and the Fund had a membership of 180,207 (2024: 171,366) which was composed of: 84,176 contributing members, 48,646 pensioners and 37,385 deferred members, plus 10,000 with a miscellaneous classification.

NILGOSC provides pension services primarily to the public sector in Northern Ireland, however a small number of Scheme employing authorities are private sector in nature. A breakdown of employing authorities is disclosed in Figure 1.

Figure 1: Contributing employers as at 30 June 2025



Investment strategy

As set out in NILGOSC's Funding Strategy Statement (prepared in accordance with the Local Government Pension Scheme Regulations (NI) 2014), NILGOSC aims to invest the assets of the Fund prudently over the long-term, ensuring an appropriate balance between risk and return so that the benefits promised to members can be provided, and to provide reasonable stability in contribution rates for the employers.

The regulations require NILGOSC to maintain a fund to provide for the payment of current and prospective benefits to members of the Scheme. In order to ensure that this objective is achieved, NILGOSC must determine a suitable investment strategy.

With advice from its Investment Advisor, NILGOSC sets its long-term investment strategy by taking into account the nature and timing of the Fund's liabilities identified through the triennial actuarial valuation and its investment aims and objectives. NILGOSC's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking a return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance (ESG) factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly.

In setting the Fund's investment strategy, NILGOSC first considers the lowest risk strategy that it could adopt in relation to meeting the Fund's liabilities. The investment strategy is designed to achieve a higher return than the lowest risk strategy, while maintaining a prudent approach to meeting the Fund's liabilities.

The strategy is normally formally reviewed every three years, taking into account the nature and timing of the Fund's liabilities identified through the triennial actuarial valuation. The Fund Actuary has estimated the time period in which the pension scheme is expected to become cashflow negative, at which point, a shift towards increased access to more liquid asset classes will be necessary. In determining its asset allocation, NILGOSC, considers this time horizon, as well as:

- A full range of asset classes and suitability of each;
- The risks and rewards of a range of alternative asset allocation strategies; and
- The need for appropriate diversification.

The Fund is currently cashflow positive, meaning the pension scheme's income is greater than its expenditure, and the fund was in surplus at 30 June 2025, which means that the Fund's assets are in excess of its liabilities. The last actuarial valuation was carried out as at 31 March 2022. The overriding purpose of the exercise is to value the assets and liabilities of the Fund (as required by regulation) and to set contributions payable by each employer in the Fund. Different discount rates are adopted depending on employers' circumstances, including the likelihood of exit and what would happen to the liabilities on exit, and prudence in the valuation is achieved by using discount rates which have a materially 'better than evens' chance of being achieved by the Fund's assets. Risks which could affect the Fund's future cashflows and funding position are considered, including funding risk, regulatory risk, investment risk, and even those relating to climate change and other environmental issues as well as long-term uncertainty around geopolitical, societal, and technological shifts. It is now mandatory to also undertake climate risk scenarios to test the resilience of the Fund and consider the long-term exposure of the Fund to climate-related risks. The next triennial valuation will be as at 31 March 2025. This is currently underway and the results will be finalised by 31 March 2026. This preliminary results of this valuation have been used to set employers' contribution rates from 1 April 2026 to 31 March 2029.

Strategic Asset Allocations

NILGOSC's assets are externally managed. Before selecting managers, risk is first considered by taking advice from the Investment Advisor when setting the Fund's asset allocation. The most recent Statement of Investment Principles (SIP) was agreed in September 2024. It sets out the principles governing decisions about the investment of the Fund's assets. The SIP includes the Fund's strategic asset allocation, which came into effect from 1 January 2022. The table (replicated below) also discloses the real return assumptions for each asset class, expressed relative to CPI. The assumptions do not allow for outperformance from the Fund's active equity and property mandates and are at 30 June 2024 on a 10-year forward-looking basis.

Table 1: NILGOSC's strategic asset allocation

Asset Class	Target Weighting	Real return % per annum
Global Equity	31.50%	4.50%
Emerging Market Equity	2.50%	4.75%
UK Traditional Property	4.00%	4.25%
Private Rental Sector	1.50%	4.25%
Index linked leases	3.50%	3.25%
Global Property	6.00%	3.25%
Infrastructure	7.50%	5.50%
Index Linked Gilts	14.50%	1.25%
Absolute Return Bonds	14.50%	4.25%
Multi Asset Credit	14.50%	4.50%

As at 30 June 2025, the external managers to whom NILGOSC has appointed to manage the Fund's assets are as laid out in Table 2.

All assets are **actively managed**, with the **exception of** the equities and index-linked gilts held in the pooled funds **managed passively** by Legal & General Investment Management (**LGIM**):

Table 2: Unaudited percentage of Fund invested with asset managers as at 30 June 2025

Asset Class	Manager	30.06.25
Global Equity	Baillie Gifford	6.38%
	Unigestion	5.79%
	Harris Associates	5.10%
	LGIM	22.53%
Emerging Market Equity	LGIM*	1.87%
UK Traditional Property	LaSalle Investment Management	3.36%
Private Rental Sector	M&G UK Residential Property Fund	0.98%
Index Linked Leases	LaSalle Investment Management	3.28%
Global Property	CBRE Investment Management	2.13%
	Partners Group	0.26%
Infrastructure *(Primary Funds and co-investments)*	Antin Infrastructure Partners	1.58%
	Copenhagen Infrastructure Partners	0.21%
	DIF Capital Partners	0.83%
	iCON Infrastructure Partners	0.40%
	IFM Global Infrastructure Partners	1.06%
	KKR Infrastructure	0.38%
	Various co-investments	1.31%

Asset Class	Manager	30.06.25
Index Linked Gilts	LGIM	11.88%
Absolute Return Bonds (ARB)	Royal London Asset Management T. Rowe Price	7.54% 6.63%
Multi Asset Credit (MAC)	BlueBay PIMCO	7.17% 6.29%
Other (*cash and cash equivalents*)	Various	3.04%

**Emerging markets should be actively managed, but temporarily under passive management*

NILGOSC requires that its managers monitor investee companies and engage with company management where ESG practices fall short of best practice. The Investment team is responsible for monitoring the ESG performance of external managers. Investment Managers are monitored and assessed against the same pre-determined qualitative and quantitative criteria (quarterly), which includes the assessment of ESG. Please refer to Principle 5 of the Activities and Outcomes report for more information on how managers are monitored.

The Investment team is also responsible for liaising with the Investment advisor to ensure that ESG and stewardship are taken into account when setting the investment strategy, and when selecting individual funds and managers. Please refer to Principles 1, 5 and 6 of the Activities and Outcomes report for more information on how NILGOSC selects managers and consultants.

The Fund's investments are diversified across various asset classes in order to increase the overall expected returns while reducing the overall level of expected risk. A mixture of passive and active mandates is also used to capture the returns required to meet the Fund's objectives.

Figure 2: Fund's unaudited asset allocation as at 30 June 2025

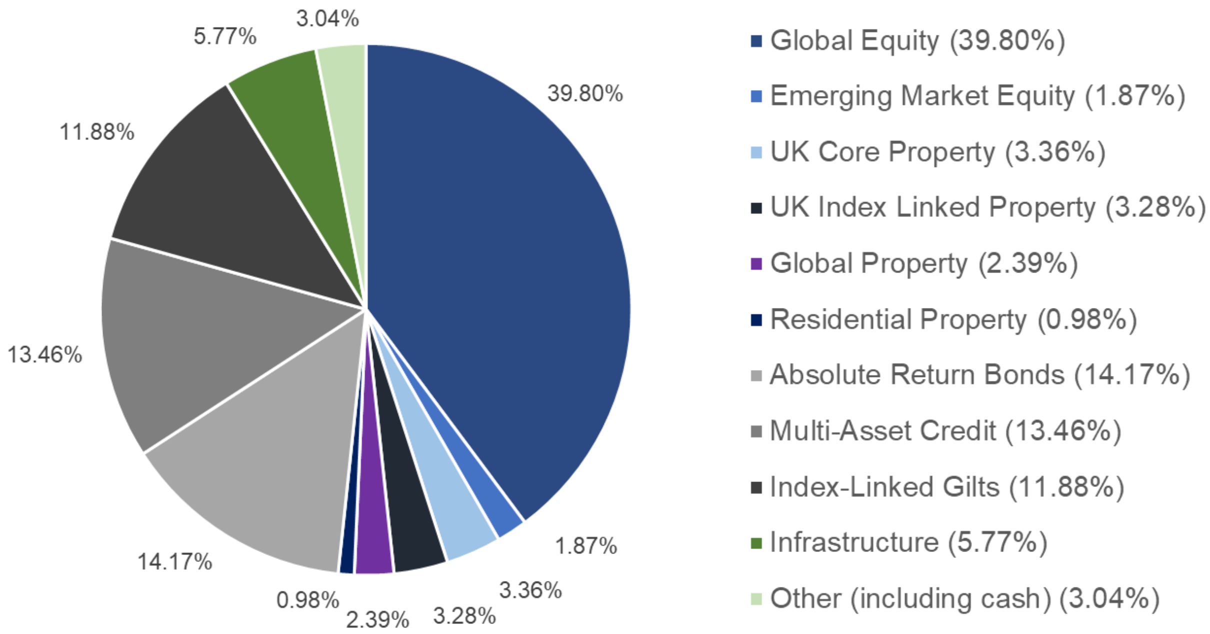
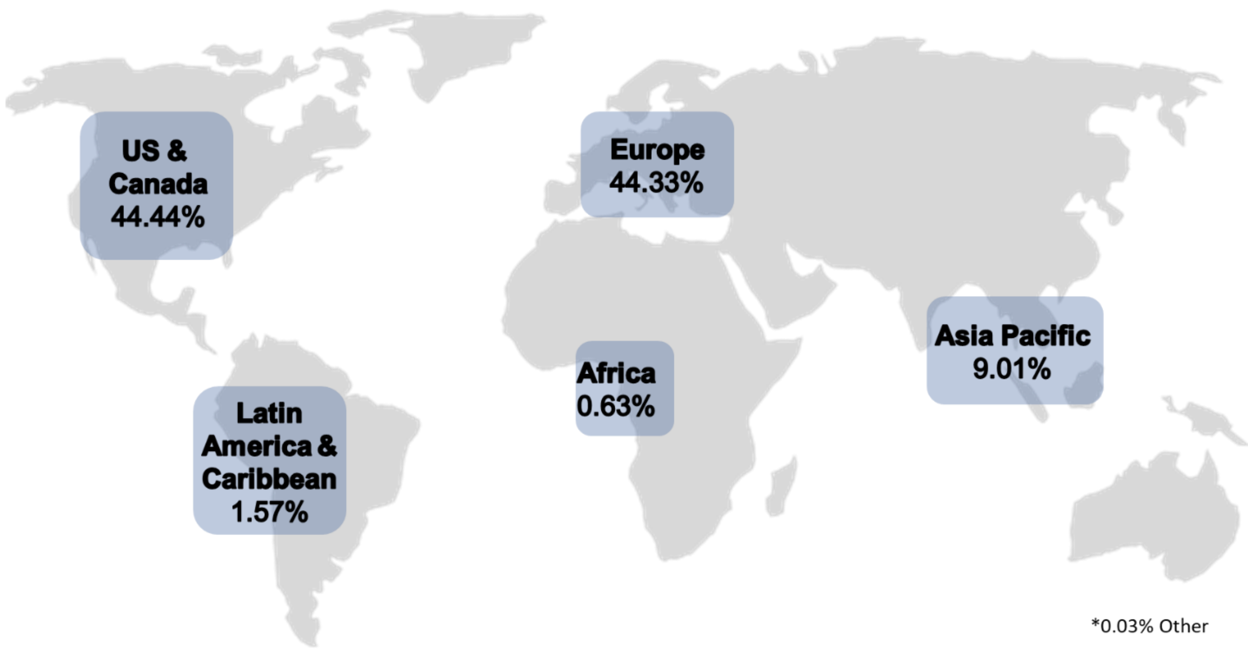


Figure 3: Geographical breakdown of the Fund's assets (excluding cash and cash equivalents) as at 30 June 2025



Investment Beliefs

NILGOSC's investment beliefs are set out in its Statement of Responsible Investment, which is available on the NILGOSC website. These beliefs include the following:

- NILGOSC believes that ESG issues can affect the financial performance of investments.
- NILGOSC considers there to be a risk of underperformance relative to expectations as a result of ESG issues not being reflected in asset prices and/or not considered in investment decision making. Accordingly, NILGOSC believes that these factors should be taken into account when managing the Scheme's assets, subject to the overriding fiduciary duty to maximise the financial return on investments.
- NILGOSC believes that responsible ownership is about recognising that the impacts of corporations on the environment, on workers and on communities can seriously affect shareholder value. It also places a high value on companies' own good governance.
- NILGOSC believes that, as a responsible investor, it has a legitimate interest in the management and corporate governance of the companies in which it invests and supports the use of voting as a means of expressing concern over ESG issues. By exercising its right to vote at company meetings, NILGOSC seeks to improve corporate behaviour and protect shareholder value by maintaining effective shareholder oversight of the directors and company policies, a process on which the current system of corporate governance depends.
- NILGOSC believes that engagement is a key part of any responsible investment (RI) strategy and engages with companies both directly and via its asset managers.
- NILGOSC believes that active engagement is the most effective way to bring about change, both at a policy level and in respect of individual investments. NILGOSC also participates in collaborative initiatives with other like-minded investors and groups, which seek to improve company behaviour, policies or systemic conditions.
- NILGOSC considers divestment can be a blunt instrument which removes the ability to engage effectively with a company or government. Therefore, NILGOSC

does not exclude investments or divest solely on ESG grounds within its actively managed mandates.

- NILGOSC believes that climate change presents a material financial risk to the Fund and will therefore take climate risk considerations into account as part of its investment policy. NILGOSC considers that this approach is consistent with its legal duty to act in the best long-term interests of its members and to deliver the long-term returns necessary to ensure an affordable and sustainable pension fund.
- NILGOSC supports the aims of the Paris Agreement and will work with others to encourage the action necessary to limit global temperature rise to below 2°C above pre-industrial levels.
- NILGOSC believes that robust management of climate risks, together with sound governance practices and responsible behaviour can contribute significantly to the long-term performance of investments.

These investment beliefs are reflected in the Statement of Investment Principles, Climate Risk Statement and Voting Policy (which are reviewed and agreed at regular intervals). More information on policy review is provided under Disclosure C, and more information on the in-house proxy voting undertaken for all actively-held equities is provided under Principle 4 of the Activities and Outcomes report.

Furthermore, NILGOSC's purpose, aims, values, strategy and beliefs (as laid out above) all help set the tone for how NILGOSC as an organisation effectively stewards its assets. as an asset owner, its alignment with its managers, consultants and service providers is also critical to ensuring that effective stewardship is achieved while delivering high-quality service to all of NILGOSC's stakeholders.

Disclosure B: Describe how your resources enable effective stewardship.

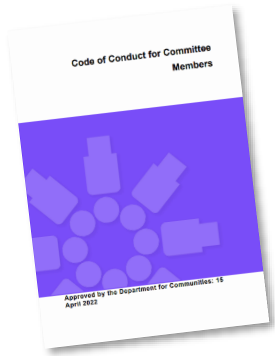
The Committee

NILGOSC is a non-departmental public body (NDPB) sponsored by the Department for Communities ('the Department'). NILGOSC is the corporate body responsible for the administration of the Local Government Pension Scheme (LGPS) in Northern Ireland (NI) and is managed by a Management Committee (the 'Committee'), which is similar to a board of directors or trustees. The Committee normally consists of 12 members and a Chairperson. Membership is composed of: five members nominated by employers' organisations; five members nominated by employees' organisations; and two independent members. In addition, the Department has appointed an observer who may attend the meetings of both the Management Committee and the Audit Committee. Details of the current membership can be found on the NILGOSC website.

The Committee members are appointed by the NI Communities Minister ('the Minister'), via the public appointments process, usually for a four-year term and may be reappointed for a second four-year term at the Minister's discretion. Members meet on a monthly basis with the exception of April, July and October. Minutes of all Committee and sub-committee meetings are recorded. When approved, copies of the Management Committee minutes are published on the NILGOSC website.

The Committee is responsible for approving and monitoring NILGOSC's Investment Strategy. Additionally, the Committee regularly reviews investment-related policies and statements such as the:

- Statement of Investment Principles;
- Funding Strategy Statement;
- Investment Monitoring Guidelines;
- Statement of Responsible Investment;
- Climate Risk Statement;
- Conflicts of Interest Policy; and
- Code of Conduct for Committee Members.



The Committee oversees the appointment, monitoring (via the use of a balanced scorecard) and removal of external investment managers. Although the quarterly monitoring process includes a review of financial returns, given the target for most investments is to deliver over a 'five-year plus' investment horizon, it is important that undue concern is not placed on short-term returns and volatility. Instead, a key part of the ongoing monitoring focuses on consistency with the mandate's core investment philosophy, the retention of suitably skilled personnel, risk management, ESG practices and business strength, as these factors are considered to be the key drivers of future performance. NILGOSC also takes advice from its Investment Advisor, and therefore retains conviction in the underlying investment process adopted by its external asset managers. The Committee receives an annual briefing report on each investment manager, which includes a dedicated section on ESG performance.

All new Committee members receive mandatory induction training and are provided with a Committee Member Handbook (available on the website), which contains key documents, policies and guidance relevant to NILGOSC and their role. A Committee member Knowledge Framework is in place that sets out the skills and knowledge that each individual should possess or acquire to be an effective Committee member, and they are also required to complete The Pension Regulator's Public Service toolkit.

All Committee members are encouraged to meet an annual target of 40 hours of continuing professional development. Training records are maintained and updated on a quarterly basis. Committee training is organised to meet training needs identified via the annual training needs self-assessment.

Regular training on responsible investment (RI), including climate risk, is delivered to the Committee via a combination of in-house training and attendance at external conferences.

NILGOSC has a Committee Effectiveness Framework, which sets out the following eight key sections, and a list of indicators for each which exemplify good practice of an effective Committee, as well as warning signals that a Committee may not be conducting its business effectively:

- Committee Composition and Function;
- Committee Meetings and Support;
- Strategic Planning and Performance Measurement;
- Financial and Project Management;
- Risk, Audit and Governance;
- Pension Scheme Administration;
- Investment of the Fund; and
- Communication and Engagement with Key Stakeholders.

An assessment of the Committee's effectiveness is an essential feature of the Governance Statement that NILGOSC has been required to produce since 2013. Therefore, a key feature of the Framework is an annual self-assessment questionnaire, which is completed online anonymously and aims to identify areas of Committee performance that are strongest and those that need improvement and to identify priority areas for the Committee to focus on over the next twelve months.

Indicators relevant to stewardship include, that "the Committee ensures investments are managed in line with the Statement of Investment Principles and Statement of Responsible Investment" and that "there is evidence that the Committee engages in responsible investment practices". The Chairperson also conducts annual performance appraisals with each member to evaluate their performance in their role as a Committee member and within any sub-committees. Completed appraisals are forwarded to the sponsoring Department for review and sign off. The performance of the Chairperson is evaluated independently on an annual basis in line with Central Government guidance.

The Committee completed its annual self-assessment for the year ended 31 March 2025, and the results were formally discussed by the Committee at its meeting in May 2025. NILGOSC aims to adhere to the highest standards of governance when conducting its business and the outcome of the evaluation for 2024/25 demonstrated that, overall, the Committee operates effectively in the key areas set out above, and that effective processes are in place to ensure robust monitoring of NILGOSC and its performance.

The Committee Effectiveness Framework states that, in addition to an annual self-assessment, the Committee should also consider an external evaluation of its effectiveness every five years. ASM Chartered Accountants, NILGOSC's externally appointed Internal Auditor at the time, completed an external review of Committee effectiveness in May 2019. The latest external review commenced in May 2025.

Administration of the Scheme

NILGOSC publishes its Corporate Plan over a rolling three-year period. The purpose of which is to set out the aims, objectives and service standards set by the Committee, taking into account external factors such as government policy and stakeholder needs. As noted in more detail under Disclosure A, NILGOSC has identified seven overarching strategic themes, which form the framework for strategic planning and decision making. One of these is "*Stewardship: Investing responsibility and encouraging good corporate behaviour*."

The Corporate Plan is reviewed and revised annually, and the Corporate Plan 2025/26 – 2027/28 was approved by the Committee in February 2025. For 2025/26, the strategic objectives linked to NILGOSC's second aim "*to deliver an effective investment strategy in line with the actuarial profile of the fund*" include the objectives:

- to invest scheme funds in accordance with the Statement of Investment Principles;
- to ensure effective stewardship in line with the responsible investment policy;
- to manage the investment risks posed by climate change; and
- to work collaboratively on investment matters when suitable opportunities arise.

The Corporate Plan includes several stewardship-related operational actions to assist in meeting those objectives, such as: to produce annual Stewardship and Climate-related disclosures reports; to undertake carbon intensity and scenario analysis; to implement the Statement of Responsible Investment and Climate Risk Statement; and to collaborate with like-minded investors on ESG matters to support common goals.

The Senior Management Team (SMT) reviews performance against objectives and key performance measures on a quarterly basis, and this is reported quarterly to the sponsoring Department and biannually to the Committee.

Performance against the Corporate Plan is also reported in the Annual Report at the end of each financial year. During the year under review, progress against the

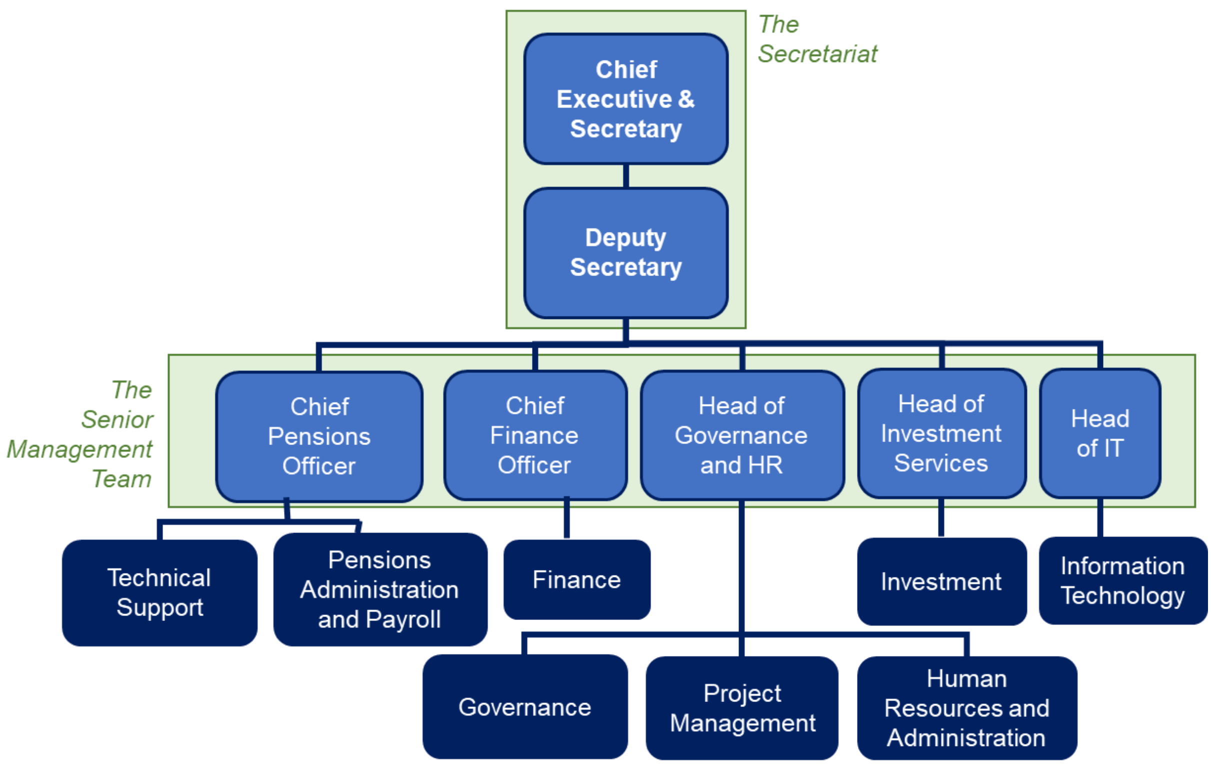
Corporate Plan objectives for the year to 31 March 2025 was reported to the Committee as at 30 September 2024 (at which point 88.9% of the corporate plan objectives remained on target to be achieved or substantially achieved by 31 March 2025) and at 31 March 2025 (at which point 84 out of 99 actions had a green status, translating to an achievement rate of 85% for the year).

The Chief Executive & Secretary is responsible for the operational management of the organisation and for providing strategic advice to the Committee.

Day-to-day administration of the Scheme is performed by the Secretariat (the Chief Executive & Secretary, and the Deputy Secretary), who report to the Committee at each of the regular Management Committee meetings. Neither are Committee members.

The Secretariat is supported by a team of 5 senior managers across each function (Investment, Finance, Pensions Services, Governance and HR and IT) and a workforce of approximately 87 staff within those functions, as shown in Figure 4 below.

Figure 4: Organisational Structure Chart



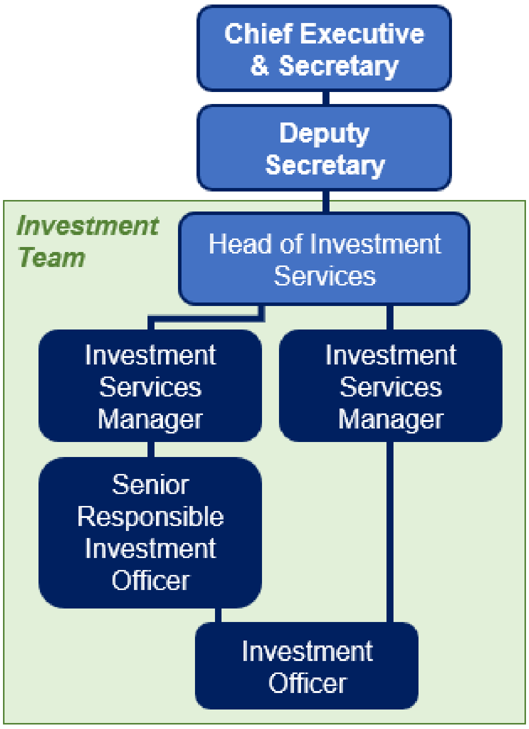
Implementation of NILGOSC's responsible investment strategy is delegated to the Secretariat and the Investment team. The Investment team is responsible for managing the investment of the pension fund, which includes aiming to maximise performance of the Fund whilst managing risk and appropriately considering responsible investment.

NILGOSC has a small, experienced investment team, which, is made up of: the Head of Investment Services; two Investment Services Managers; a Senior Responsible Investment Officer (SRIO); and an Investment Officer.

The Head of Investment Services and Investment Services Managers (in addition to the Secretariat, to whom they report) are Chartered Accountants. Holding the professional qualification is a mandatory requirement of each of the roles, and in order to retain membership, each is obligated to develop and maintain professional skills relevant to the nature of their work. Each undertakes annual continuing professional development, which includes staying up to date on developments in topics that are relevant to the delivery of their roles, such as responsible investment.

The SRIO position was established in June 2023, to bolster resource in the team dedicated to RI, with a particular focus on: reviewing, maintaining and overseeing the implementation of the Committee's RI policies in line with ESG and Stewardship best practice; and ensuring NILGOSC adheres to its responsibilities as a signatory to the many collaborative bodies it is a signatory and supporter of. The SRIO reports directly to the Investment Services Manager, who is charged with leading and advising the Committee on NILGOSC's RI strategy; promoting transparency around NILGOSC's stewardship activities; and leading on the development of NILGOSC's climate mitigation strategy, amongst other duties; and who in turn reports to Head of Investment Services. The Investment Officer, whose role is also heavily weighted to RI (particularly casting votes in line with the Voting Policy) reports to both the SRIO and the Head of Investment Services.

Figure 5: Investment team structure



The Secretary, Deputy Secretary, Head of Investment Services, Investment Services Managers, SRIO and Investment Officer all have specific RI and stewardship obligations written into their appraisal objectives, ranging from delivery of the RI objectives identified in the Corporate Plan, representing NILGOSC on relevant forums, or identifying third-party stewardship service needs. Staff objectives are set annually during a formal appraisal process. Progress against those objectives is reviewed by both the staff member and their direct manager on an annual basis (the appraiser), and the resultant written appraisals are reviewed and countersigned by the appraiser's manager for full oversight.

NILGOSC's status as an NDPB means that it is required to adopt public sector pay scales, and therefore does not utilise a bonus structure or incentivisation pay as part of its employee reward package.

Service Providers

NILGOSC has appointed a specialist corporate governance partner, Minerva, to coordinate its corporate governance and voting activities. NILGOSC avails of Minerva's corporate governance research service, which provides detailed information and financial analysis for each of its actively managed equity holdings.

An operational manual of detailed voting guidelines is generated from NILGOSC's bespoke voting policy template, which details how NILGOSC will vote on specific issues. These guidelines are applied uniquely and only to NILGOSC's accounts, and the criteria are applied consistently across all resolutions. Recommendations are proposed in line with the NILGOSC voting policy standards, and the information is used by the Investment team at NILGOSC to make informed voting decisions, using the Minerva voting platform. All parties are responsible for implementing the policies that are in place, and adhering to the strict review timelines (under the instruction of

NILGOSC's internal Governance team), at which point all parties review and agree updates, which are in turn reviewed and agreed by the Committee. Responsible parties meet regularly to discuss updates and progress. More information on the review of policies can be found at Disclosure C.

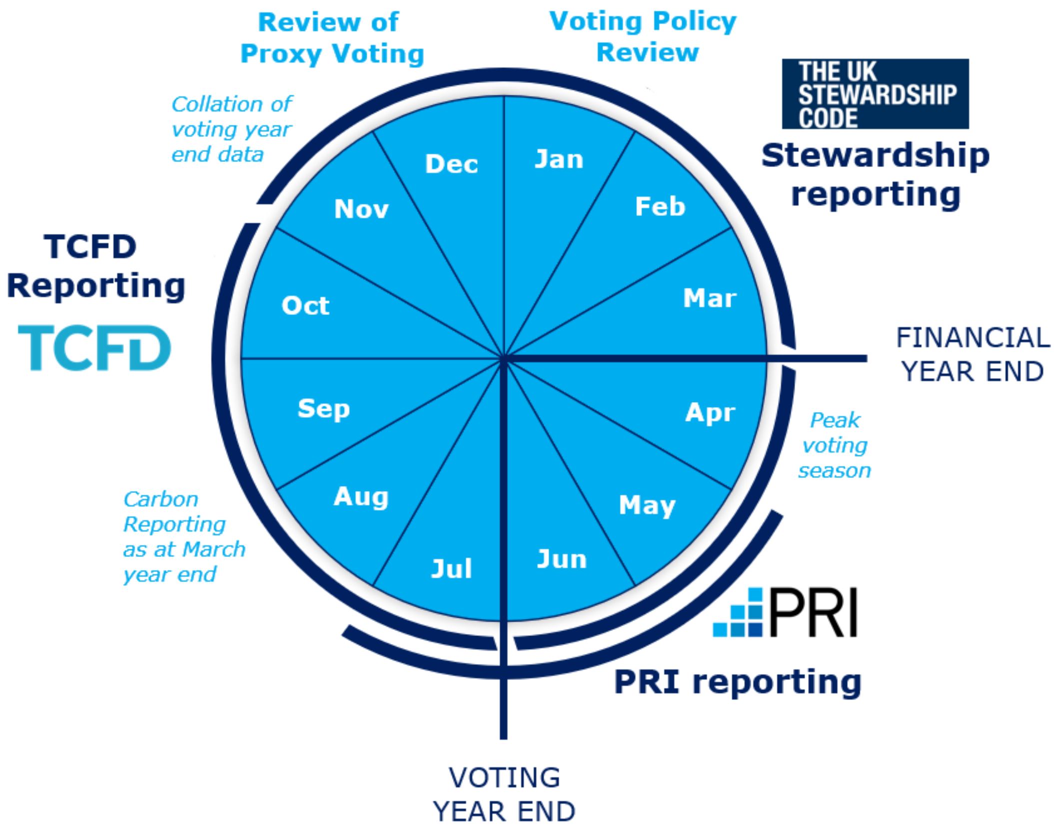
The Investment team undertake activity, such as:

- **Voting** (*Principle 4 in the Activities and Outcomes Report*): NILGOSC believes that there should be no grey area when it comes to voting and have adopted a policy of not abstaining from votes to ensure that dissension from management recommendations is accurately recorded. Peak voting season runs from April to June, and voting activity is reported for the 12 months to 30 June each year.
- **Direct engagement** (*Principle 3 in the Activities and Outcomes Report*) with UK and European companies in which NILGOSC holds shares: writing to outline rationale for voting against resolutions at Annual General Meetings (AGMs).
- Performance **monitoring** (*Principles 1 and 5 in the Activities and Outcomes Report*): NILGOSC requires its investment managers to monitor best practice and ensure that ESG considerations, where relevant, are taken into account. The investment managers report quarterly, and both NILGOSC and its investment advisor review the managers' quantitative and qualitative performance quarterly. Infrastructure managers are reviewed annually.
- **Collaboration** with other likeminded investors (*Principles 3 and 4 in the Activities and Outcomes Report*): NILGOSC does what it can to use its influence in respect of its holdings. One way to amplify its voice is to collaborate with other likeminded investors and groups, and NILGOSC is a signatory/member of initiatives including: the Principles for Responsible Investment (PRI); the CDP (formerly the Carbon Disclosure Project); Climate Action 100+; the Institutional Investors Group for Climate Change (IIGCC); and the Asset Owner Council (AOC).
- **PRI reporting** (*Principle 3 in the Activities and Outcomes Report*): NILGOSC reports on its implementation of the PRI's principles via annual reporting. Reporting in full for 2025 was optional for investor signatories who had reported in 2024 and met the minimum requirements (like NILGOSC). NILGOSC's commitment to transparency meant that the decision was made to voluntarily report on all modules in 2025. More information on NILGOSC's latest results can be found on NILGOSC's website.

- **TCFD reporting** (*Principle 2 in the Activities and Outcomes Report*): Although TCFD-aligned reporting is not yet mandatory for NILGOSC, as an official supporter of the (now-disbanded) taskforce, NILGOSC prepared its first climate related disclosures report in alignment with TCFD recommendations for the year to 31 March 2021, in November 2021, and has continued to do so annually. NILGOSC's latest report, for the year ended 31 March 2025, was published in October 2025, and is available on NILGOSC's website.
- **Class actions** (*Principle 4 in the Activities and Outcomes Report*): NILGOSC takes part in class actions against investee companies where there have been corporate governance failings, serving to both maximise income from Fund assets, and to influence investee company behaviour aligned with the Statement of Responsible Investment.

The team's annual reporting responsibilities can be mapped as follows:

Figure 6: NILGOSC's annual Responsible Investment reporting responsibilities



Disclosure C: Describe your stewardship policies and processes, and how you review them.

NILGOSC's approach to how ESG issues are incorporated into its investment practices is set out in its Statement of Responsible Investment. Although NILGOSC delegates the selection of investments to its investment managers and does not currently impose restrictions with respect to ESG issues, NILGOSC seeks to ensure that the managers and consultants appointed are capable of appropriately considering ESG issues. NILGOSC requires its managers to monitor investee companies and engage with company management where ESG practices fall short of best practice; and requires all investment managers, regardless of asset class, to report quarterly on activity undertaken.

NILGOSC recognises climate risk as a key investment risk to pension scheme investments and capital markets more broadly. Accordingly, NILGOSC has set out a series of actions it will take in its Climate Risk Statement which includes working with others to engage with governments and companies, engaging with the Fund's investment managers to monitor how climate change risk is being taken into account and continuing to explore opportunities in low-carbon transition sectors, such as wind and solar, energy-from-waste, and public transport.

As part of its global stewardship activities, NILGOSC retains voting rights over its shares in each of its actively managed equity mandates, exercising its right to vote. NILGOSC's bespoke Voting Policy, sets out and advances it's expectations for good corporate governance. NILGOSC expects the companies in which it invests to comply with ESG best practice, and the policy provides a basis for communicating with investee companies and holding directors accountable.

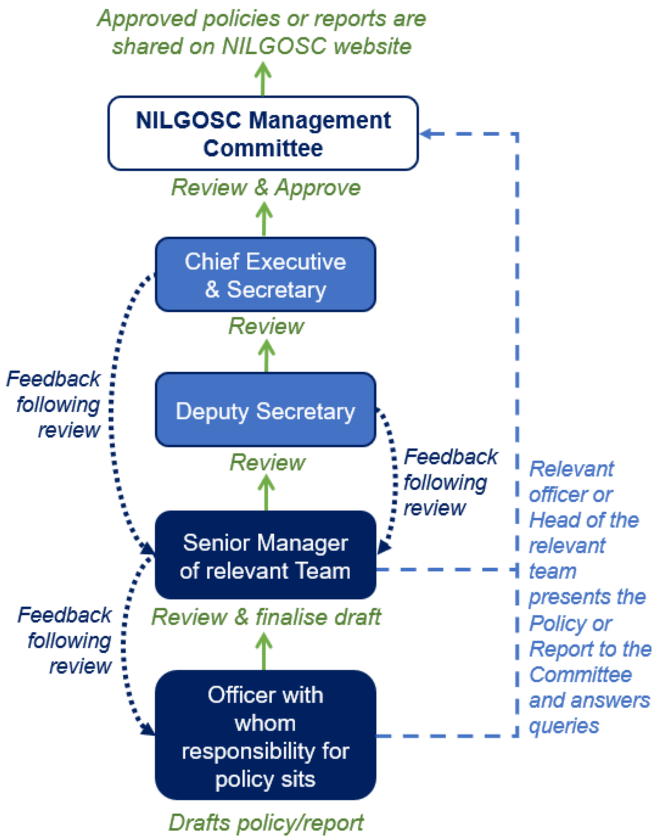
In January 2025, NILGOSC commenced using 'pass-through voting' for the meetings of companies held in both: it's passively managed fund investments; and in NILGOSC's actively managed equity portfolios. When a meeting occurs for such a company, NILGOSC will: exercise its voting rights in the actively managed equity portfolio as normal; and can also direct how a proportional share of the votes for the passively managed holding are placed, through an arrangement with its passive investment manager. Doing so should increase alignment of voting decisions across NILGOSC's equity holdings.

Overall, NILGOSC's approach to Responsible Investment (RI) is consistent in terms of objectives and beliefs. There are differences in terms of application across asset classes to reflect the different nature and ownership rights available for listed securities vis a vis real asset classes (such as property and infrastructure), as well as differing levels of data available to investors. Across the board, NILGOSC believes that RI involves investors using their power as shareholders in the companies they invest in. NILGOSC does this by voting at shareholder meetings and by engaging, both directly and indirectly, with company senior management when ESG issues of concern are identified.

As noted in response to Disclosure B, NILGOSC's Management Committee is responsible for approving and monitoring NILGOSC's investment strategy (which includes its responsible investment strategy), as well as the formal policy statements that support them.

Operationally, policies are first drafted or reviewed by a suitably knowledgeable officer within the NILGOSC team with whom responsibility for the policy sits. For example, the Investment team are charged with responsibility for the Statement of Responsible Investment, and the Governance team are responsible for the Conflicts of Interest Policy. (More information on the teams and lines of reporting is provided under Disclosure B). Following initial amendments which may be made for reasons such as: compliance with policy changes; legislative updates; or to incorporate feedback from consultants or service providers; a review and further amendments are made by the relevant Senior Manager.

Figure 7: Review and approval process for NILGOSC Policies and Reports



Following that level of review and sign off, updated policies or statements are sent through to the Deputy Secretary for approval (or amendments). The Chief Executive & Secretary will provide the next level of review and oversight. If required, which is often the case for investment or governance related policy changes, updated policies or statements will be brought to the Management Committee for review and to seek approval (except in the case of only minor changes). As laid out under Disclosure B, the Committee includes five members nominated by employers' organisations and five members nominated by employees' organisations. Therefore, in accordance with NILGOSC's values (see Disclosure A), which commit it to "being understandable, providing simple, clear and complete information", this process provides a level of assurance that the outputs are fair, balanced and understandable, with input from representatives of the Fund's stakeholders.

Further, all policies are shared online and available to review on NILGOSC's website. NILGOSC is committed to making its website accessible, in accordance with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018, as amended (the 'accessibility regulations'). As a result, all documents issued post 23 September 2018, must comply with accessibility regulations, as audited by Shaw Trust Accessibility Services.

A similar approach is utilised for NILGOSC's reporting of both of the annual TCFD aligned reporting and Stewardship reporting, which are prepared by the investment team (with input from other internal teams and external service providers as required), reviewed and approved by the Secretariat (the Deputy Secretary, followed by the Chief Executive & Secretary); and presented to the Management Committee for final review, queries or challenge, followed by formal approval prior to publication. Review and oversight by each separate party helps assure the representations made within such documents are fair, balanced and understandable. The documents are also written and published in compliance with accessibility regulations.

All RI related policies are reviewed every three years (or more frequently as required).

Table 3: Frequency of formal review and last review date for the investment related policies

NILGOSC Policy/Statement	Frequency of formal review	Last reviewed
Statement of Investment Principles	Triennially	September 2024
Funding Strategy Statement	Triennially	March 2025
Statement of Responsible Investment	Triennially	November 2023
Climate Risk Statement	Triennially	November 2023
Voting Policy	Annually	February 2025
Conflicts of Interest Policy	Triennially	November 2023[1]
Code of Conduct for Committee members	Triennially	April 2022

NILGOSC's Voting Policy is reviewed annually to make sure it stays up to date with global best practice. To assist with this process, NILGOSC's proxy voting provider, Minerva Analytics Ltd (Minerva), conducts a comprehensive review of global governance and voting guidelines to ensure that the Minerva Voting Template system accurately reflects current good practice. This entails a review of each market for which Minerva offers customised analysis/voting for and of global good practice developments. NILGOSC uses this to review both its Voting Policy and operational Voting guidelines manual, and ensure that they continue to be in line with best practice. The most recent review of the Voting Policy was completed in February 2025.

NILGOSC believes that transparency is an important tool, making policies, statements and reports available on its website for all stakeholders or interested parties to review.

[1] *As noted under Disclosure D, following its separation from the Code of Conduct for Committee members in 2022, the newly created Conflicts of Interest Policy was reviewed, and a new version was published in November 2023, in compliance with updated Guidance from the Department of Finance (NI).*

Disclosure D: Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.

Asset managers

More than half of NILGOSC's assets are managed by Investment Managers, with whom NILGOSC holds segregated mandates. The exceptions are: LGIM, who manage the passive holdings of the Fund; M&G, who manage the Fund's exposure to UK residential property; and the infrastructure managers. One of the benefits of utilising segregated mandates is that NILGOSC can negotiate the terms that apply to how those managers hold and manage Fund assets, including specifying RI clauses.

For example, managers are asked to incorporate ESG factors into their investment and stewardship activities, and are required to comply with RI communication and reporting obligations, including on stewardship activities and the results. NILGOSC does not require managers to operate exclusion lists, although some of its managers do so.

One of NILGOSC's other requirements is that its investment managers have and maintain an effective conflict of interest policy which addresses real or potential conflicts of interest. The processes for identifying, managing, and recording conflicts of interest are incorporated into the Investment Management Agreement (IMA) for each manager. Managers are permitted to effect transactions which involve or may involve a potential conflict as long as NILGOSC's interests are not negatively affected, or at risk of damage. A sample of the template IMA goes on to stipulate:

> *Under the FCA Rules, the Manager is prohibited from accepting and retaining any fees, commission or monetary benefits, or accepting any non-monetary benefits other than minor non-monetary benefits, where these are paid or provided by any third party or a person acting on their behalf.*
>
> *The Manager's Conflicts of Interest Policy sets out the types of actual or potential conflicts of interest which affect the Manager's business, and provides details of how these are managed. Conflicts, if any, which the Manager is not able to manage effectively, are disclosed. The Manager will notify the Customer of any additional conflicts of interest to which it or any Associate is or may become subject in relation to the Fund and which the Manager is not able to manage effectively in accordance with its Conflicts of Interest Policy.*

NILGOSC's Investment team have copies of the managers' policies, covering how the managers identify both conflicts and potential conflicts of interest, and the procedures and controls that have been adopted to prevent or manage conflicts. Potential conflicts may arise when managers are trading for multiple clients (including order execution, order allocation and cross-trade policies). Managers have various processes for mitigating such risks or potential risks such as: independent oversight by an Investment Stewardship Committee; or formal escalation processes to make sure conflicts are managed in the long-term interests of the client.

Infrastructure manager, IFM, provided their **Conflicts Management Policy**. The policy applies to all IFM staff, providing an overview of what to do to effectively identify, record, manage and monitor conflicts of interest or duty (actual, potential or perceived). The policy provides examples of conflict scenarios that may arise and the minimum controls to be implemented in each case, two of which are detailed below:

Investment Manager: *IFM (Infrastructure manager)*
Scenario: *Situations where IFM or staff member are likely to make a financial gain from an investment decision, which may or may not be aligned with the interests of an investor or client.*
Conflict which may arise: *Staff member has improperly influenced the investment decision-making body or held undue influence over the investment team.*
Control examples: *Staff member to declare their interest in the target entity to the investment lead. Staff member's interest should already be recorded in the compliance system, MyComplianceOffice (MCO); consideration should be given to removing that staff member from any influence in the assessment of and decisions on the investment in the asset.*

Scenario: *A staff member is offered or accepts a gift or entertainment from an investor, investee or service provider, the value or nature of which might reasonably imply a level of influence. This applies equally to the giving of gifts or entertainment or political donations*
Conflict which may arise: *Perception may be that staff member's dealings with that body are not objective; that body may have unreasonable or unrealised expectations of service levels with IFM.*
Control examples: *Refuse the gift or entertainment; if the gift or entertainment is proposed to be accepted, ensure that it is submitted through MCO for pre-approval; people leader to consider removing the staff member from any commercial dealings with the donor.*

Similarly, Infrastructure fund manager **Antin** (with whom NILGOSC has invested in five primary funds and five co-investment funds) includes clauses related to the **mitigation of conflicts of interest** within their Code of Ethics in their 2024 Universal Registration Document, an extract of which follows, noting no conflicts were reported in the period:

"Management of conflicts of interests: The Board of Directors has implemented a policy for managing conflicts of interests (see Article 2 of the Internal Rules) which ensures that any Director shall inform the Chairman of his or her knowledge of any conflict of interest (even potential), whether or not it concerns him or her directly, specifying whether the interest is direct or indirect and the nature of the interest. The Director concerned is then required to abstain from participating in the part of the Board or committee meetings in which the situation giving rise to the conflict of interest is discussed and does not receive the preparatory support documentation and the relevant section of the minutes.

In addition to the above and in accordance with the Internal Rules, the Directors are also required to:

- *notify the Board of Directors and the Chair of the Nomination and Compensation Committee before accepting any personal duties in companies or business activities that compete with Antin. The Board will then determine whether it is feasible for the concerned Director to continue as a director of the Company in view of the duties carried out in the entity exercising a competing activity, and the conditions under which his or her directorship within the Company could be continued. In particular, it will assess the restrictions to be implemented with regard to the sharing of competitively sensitive information, and whether the Director in question will still be able to perform his duties, and comply with his obligations of attendance, diligence, and involvement*
- *more generally, inform the Board of Directors of any offices held in other French or foreign companies, including any seats held on the Board committees of these companies*

No conflicts of interest or potential conflicts of interest between any of the Directors' duties in respect of the Company and their private interests or other duties were brought to the attention of the Chairman or the Board of Directors or the Company in 2024."

NILGOSC

In respect of conflicts of interest within NILGOSC, Committee members adhere to a Code of Conduct which includes express provisions on the disclosure and handling of actual and potential conflicts of interest. In addition, in order to achieve the maximum degree of openness and impartiality, NILGOSC maintains a Register of Members and Officer's Interests. The Register is available for inspection by appointment at the Committee's offices and is published on the NILGOSC website in compliance with Freedom of Information legislation. Members and senior officers are required to register their interests on appointment and, thereafter, at the beginning of each financial year. Prior to participation in any procurement tender exercise, all panel members must complete a declaration of interests form.

All Committee members must comply with the Code of Conduct for Committee Members and the Conflicts of Interest Policy, complete the Register of Interests and declare at the start of each meeting any potential conflict of interest relevant to the matters under discussion. Committee members with a potential conflict of interest should not participate in the discussion or determination of the matter of which a potential conflict of interest exists and should normally withdraw from the meeting.

In 2022, the Code of Conduct for Committee Members was reviewed and updated, and a new, separate Conflicts of Interest Policy was created to comply with Department of Finance (NI) guidance. Both were adopted by the Committee in May 2022. The Code of Conduct for Committee Members was also approved by NILGOSC's sponsoring Department ahead of adoption.

In the months that followed, the Committee considered and deliberated its conflicts of interest procedures, holding discussions in January 2023 regarding practices up to that point and the potential for future conflicts of interest to arise. The Conflicts of Interest Policy was subsequently reviewed to comply with new guidance issued by the Department of Finance (NI) and an updated policy was published in November 2023.

During the year, the Committee declared a number of conflicts which were recorded in the minutes of the relevant meeting. All declared conflicts were managed in accordance with the Conflicts of Interest Policy in place at the time of declaration.

In the absence of specific direction in the Standing Orders, the Code of Conduct for Committee Members, or the Conflicts of Interest Policy, the Chairperson shall determine the method of managing the potential conflict of interest. The Code of Conduct for Committee Members and Conflicts of Interest Policy can be found on NILGOSC's website under the Member handbook.

Disclosure E: Describe how you maintain a dialogue with clients and/or beneficiaries.

Stakeholder considerations

Communication and member engagement remains a strategic priority for NILGOSC, and it continues to monitor member satisfaction and behaviour. NILGOSC maintains a Communication policy (last updated in August 2024) outlining how it will communicate with members, representatives of members, prospective members and employing authorities. Engagement has been strengthened by the use of online platforms, particularly the member self-service facility 'My NILGOSC Pension Online' which provides 24/7 access for members to view their pension records. Utilisation of the platform has continued to grow, with nearly 65,500 members registered at 30 June 2025.NILGOSC has moved the default delivery setting for all active and deferred members to 'electronic', subject to individual member preference. NILGOSC also utilises social media (X and LinkedIn) as a means of updating followers.

A stakeholder satisfaction survey for the year 2024/25 was undertaken in February 2025 to measure the satisfaction levels of active members, deferred members, pensioners and employers. The aggregate satisfaction rate across all stakeholder groups was 91% (2023/24: 92%). 94% of member respondents and 91% of employers rated NILGOSC communications as being 'Good' or 'Excellent'. Respondents were also asked to rate the look, usefulness, and quality of content on the NILGOSC website. Satisfaction across all stakeholder groups was high, with 95.17% of respondents rating the NILGOSC website as 'Good' or 'Excellent'. NILGOSC does not explicitly take into account the views of members and beneficiaries in relation to ESG impact. With that said, the Committee, as noted in Disclosure B, includes five members nominated by employers' organisations and five members nominated by employees' organisations. As a result, by default, beneficiaries' views are represented at Committee level, which is the decision-making body for investment policy, including stewardship.

Responsible investment and, more recently, climate risk forms a key part of member engagement. NILGOSC produces annual newsletters aimed at active, deferred and current pensioner members, which include a section on responsible investment, summarising NILGOSC's activity in this sphere during the year, and directing members to the website where they can find a dedicated Responsible Investment section with information on Stewardship, Voting activity and Climate Risk. The latest newsletters (published in April and May 2025) can be found on NILGOSC's website at: Member newsletters.

NILGOSC makes available a wide range of stewardship-related information through its website, including:

- **Policies and statements**: Funding Strategy Statement; Statement of Investment Principles; Climate Risk Statement; Statement of Responsible Investment; and Voting Policy.
- **Reporting**: TCFD-aligned reporting; Stewardship reporting; Annual Review of Proxy voting; Monthly voting reports; and PRI Reporting Framework Transparency and Assessment Reports.
- **Engagement and Initiatives**: a list of Industry groups and initiatives NILGOSC is a member of or signatory to; and a list of ESG related activity by year; in addition to relevant hyper-links or NILGOSC news articles providing additional context.

Additionally, NILGOSC frequently receives and responds to requests from members on Responsible Investment topics, made under the Freedom of Information Act 2000. Often the data is available on the website, and signposting the information is sufficient to close off such member queries.

In the year to 30 June 2025 the website had 390,881 users, 406,555 individual sessions and 410,994 page views. More information on NILGOSC's approach to Responsible Investment can be found at Being a responsible investor.

UK Stewardship Code Submission 2025

Activities and Outcomes Report

Principle 1: Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.

Asset Management

NILGOSC's primary concern is to act in the best financial interests of the Fund and its beneficiaries. It sets a long-term investment strategy, which is reviewed and evaluated triennially, taking into account a range of factors, including: the nature and timing of the Fund's liabilities; required return levels; and appropriate levels of risk (which includes the risk of failing to understand and evaluate ESG risk).

NILGOSC's assets are externally managed, and the selection of investments is delegated to its managers. NILGOSC does not currently impose any investment restrictions with respect to ESG issues. However, when appointing a new manager, NILGOSC assesses the manager's ability to include ESG issues within the investment decision making process. Any manager not able to demonstrate such a capability will be excluded from the next stage of the selection process. Once a successful manager is appointed, NILGOSC requires all of its managers to monitor investee companies and engage with company management where ESG practices fall short of best practice.

NILGOSC's Climate Risk Statement also requires that, where climate change produces a financial risk for an investment, NILGOSC expects this to be a fundamental part of the investment decision making process and will monitor such decisions accordingly.

Furthermore, NILGOSC has instructed its Investment consultant to consider the impact and opportunities presented by climate change in the provision of advice, both at an overall strategy level and individual investment level.

NILGOSC also has a bespoke Voting Policy which sets out its expectations for good corporate governance, including how companies manage their impact on society and the environment. This policy sets out how NILGOSC addresses sustainability related resolutions when conducting proxy voting, including specific reference to climate risk and climate related financial disclosures. Full disclosure of NILGOSC's voting policies and records is available on NILGOSC's website.

NILGOSC seeks to collaborate with like-minded investors and shares knowledge and resources on managing climate risk through its membership of industry initiatives including: the Principles for Responsible Investment (PRI); the CDP (formerly the

Carbon Disclosure Project); Climate Action 100+; and endorses the PRI's Advance and Spring initiatives. Over the period, NILGOSC was and continues to be a member of: the Institutional Investors Group on Climate Change (IIGCC); the UK Pension Fund RI Roundtable; and the Asset Owner Council (AOC). More information is provided under Principle 3.

Monitoring effectiveness

The Investment team are also responsible for liaising with the Investment consultant to ensure that climate risks and opportunities are taken into account when setting the investment strategy, and when implementing it (for example in the selection of individual funds and managers), as noted above.

Once appointed, the Investment team are responsible for: monitoring the ESG performance of external managers, specifically managers' compliance with NILGOSC's Climate Risk Statement. Quarterly reporting requirements, including engagement activity, are set out in contractual arrangements and are subject to ongoing review.

The Committee reviews performance on a quarterly basis by way of a balanced scorecard, which assesses investment managers against a range of qualitative criteria, one of which relates to the inclusion of ESG factors in the decision-making process. Please refer to Principle 5 for more information on how managers are monitored.

Asset Managers

NILGOSC asked its asset managers to provide some information and case studies over the period, demonstrating how ESG considerations have or will impact their investment decision making, a sample of which follows:

- Listed Equity

Equity manager, **Baillie Gifford**, considers ESG factors that may have a material impact on an investment over the long-term as part of their bottom-up investment analysis before acquisition. They also provided examples illustrating how engagement insights are integrated into investment decision-making alongside financial and strategic analysis:

Holding: *PDD Holdings Inc*

In 2024, we reduced our holding in Chinese ecommerce firm PDD due to concerns over the sustainability and regulatory exposure of Temu, its online international marketplace. Extensive engagement during 2024, including independent external research, interviews, and site visits, reinforced our core investment thesis of a lean, execution-focused organisation. At the same time, however, our work also identified a potentially material governance risk related to the concentration of revenues and profits within PDD's Variable Interest Entity (VIE) following Temu's rapid growth.

We engaged with the company on potential changes to the VIE structure and on strengthening supply-chain due diligence, while Temu began adapting its operating model by shifting part of USfulfilment to domestic warehouses, offering some regulatory defence. We then made a small addition to the holding in 2025, while remaining alert to residual regulatory and disclosure risks.

Holding: *Tesla Inc*

Over the course of 2024, LTGG significantly reduced its holding in Tesla amid concerns about intensifying competition, margin pressure, softening EV (electric vehicle) demand, and increasing distraction from the CEO's political activities. Our long-standing and intensive engagement with the company included discussions on governance changes, leadership succession, and, in late 2024, a meeting with the Chair to assess whether the CEO could maintain sufficient focus on the business while holding a political advisory role. We were not reassured and following Elon Musk's direct entry into government in early 2025, we sold out of our remaining holding.

- Property

NILGOSC's UK property manager provided details of their approach to incorporating ESG issues when acquiring real estate assets:

***Investment Manager:** LaSalle Investment Management (UK property manager)*

When acquiring real estate assets, we integrate Net Zero Carbon (NZC) principles into our due diligence process which are then built upon once the asset is in the Fund's ownership. We also assess new investment against our Sustainable Investment Principles at Investment Committee stage and throughout due diligence, which cover the following twelve areas:

1. *Physical Climate Risk*
2. *Energy Performance Rating*
3. *NZC alignment / potential*
4. *Building use (fossil fuel exposure)*
5. *Wellness and Wellbeing*
6. *Travel, Transport and Accessibility*
7. *Operator capabilities and commitments*
8. *Occupier commitments and incentives*
9. *Property and facilities management*
10. *Biodiversity*
11. *Waste management*
12. *Regulation*

Evaluating physical climate risk is a key area of focus at acquisition. We evaluate data from climate risk data providers with the aim of identifying location-specific climate risks. As part of this, we consider measures which might be implemented to prevent and/or mitigate loss for any identified climate-related risks. If these risks are intolerable, then the asset will not be acquired.

Fixed Income

ESG considerations also impact decisions in fixed income portfolios, BlueBay provided information about improvements in their ESG integration practices and activities in 2024:

***Investment Manager**: BlueBay (RBC GAM) (Multi Asset Credit manager)*

ESG integration:

- *Climate-related research: In 2024, we advanced research on climate-related topics including: a framework for assessment of corporate climate transition plans, portfolio carbon attribution analysis, portfolio optimization for emissions reduction targets, and a framework for assessing corporate issuers' exposure to climate-related risks and opportunities.*
- *ESG Education: We continued our efforts to provide investment teams with up-to-date information and research on ESG topics. For example, in the reporting year, we held education sessions on the global election cycle and implications for investors, board governance best practices with a focus on diversity, the clean tech industry, and data security and the intersection with human rights. These sessions provided an opportunity for our investment teams to hear from internal and external experts and to share their own perspectives. Following the successful launch of its monthly internal newsletter in 2021, the RBC GAM Responsible Investment (RI) team has continued to circulate this monthly bulletin for our investment and distribution teams highlighting the latest ESG news and research.*
- *Human Rights: In 2024, RBC GAM joined the SHIFT Investor Practice Group on human rights to discuss and advance knowledge on the consideration of material human rights issues as part of the investment process.*
- *Climate Dashboard: Investment teams can assess and monitor climate-related risks and opportunities on an ongoing basis through the Climate Dashboard, which is an interactive online tool that provides a suite of climate metrics at the portfolio level, with detailed breakdowns by sector and top holdings. The Climate Dashboard is produced for equity and fixed income portfolios and is updated on a quarterly basis. Starting in 2024, carbon emissions data for sovereign bonds was included in the Climate Dashboard. As new data becomes available, additional metrics and insights may be added.*

Principle 2: Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.

Corporate Risk Register

NILGOSC has put in place a robust risk management framework as a means of identifying, recording and managing those risks which could prevent it from achieving its strategic objectives. NILGOSC has a single corporate risk register which is subject to formal quarterly reviews to ensure it remains relevant and accurately reflects the risks facing the organisation. Risks are classified into one of six categories: Investment; Financial; Reputational; Political/Strategic; Compliance; and Operational. Each category has its own risk appetite, which is the amount of risk NILGOSC is willing to accept to achieve its objectives. Ultimate responsibility for the Risk Register sits with the Management Committee.

NILGOSC's Risk Management Policy was updated in June 2024. It sets out the organisation's risk control framework and appetite to risk. The ongoing system of internal control is designed to: identify and prioritise the risks to each business area to achieving the Committee's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. A dedicated risk owner is assigned at management level to each risk to provide clear lines of accountability across the organisation. Risk owners review the risks that have been assigned to them on a quarterly basis and submit a Statement of Assurance to confirm that the existing controls are still effective, and whether or not the risk score needs to be re-assessed. The Senior Management Team considers these Statements during its quarterly review of the Risk Register and makes changes to the risk scores, if necessary. A report and any revisions are considered by the Audit and Risk Assurance Committee (ARAC), prior to submission to the full Management Committee for approval. During the year under review, the Risk Register was reviewed quarterly by the Committee in August and December 2024, and February and June 2025.

More information on how NILGOSC gains assurance from its risk management framework is provided in the Risk Management Policy. NILGOSC operates a 'three lines of defence' model, which delegates and co-ordinates risk management roles and responsibilities within and across the organisation as follows:

1) First line of defence: Management Control/Internal Measures:
    - Identify, assess, own and manage risks
    - Design, implement and maintain effective internal control measures
    - Supervise execution and monitor adherence
    - Implement corrective actions to address deficiencies
2) Second line of defence: Governance Team (Risk & Compliance Function):
    - Set the boundaries for delivery through the definition of standards, policies, procedures and guidance
    - Assist management in developing controls in line with good practice
    - Monitor compliance and effectiveness
    - Agree any derogation from defined requirements
    - Identify and alert senior management, and where appropriate governing bodies, to any emerging issues and changing risk scenarios
3) Third line of defence: Internal Audit
    - Provide an objective evaluation of the adequacy and effectiveness of the framework of governance, risk management and control
    - Provide proactive evaluation of controls proposed by management
    - Advise on potential control strategies and the design of controls

In this model, the Secretariat (Chief Executive & Secretary, and Deputy Secretary) and the Committee are not considered amongst the lines of defence as they collectively have responsibility and accountability for setting NILGOSC's objectives, defining strategies to achieve those objectives and establishing roles, structures and processes to best manage the risks in achieving those objectives successfully.

NILGOSC outsources its internal audit function to Sumer NI (previously ASM) to provide assurance on the effectiveness of the governance, risk management and control environment in the organisation. Sumer NI works to an agreed audit plan, carried out in accordance with the Public Sector Internal Audit Standards. The work of internal audit concentrates on areas of key activities determined by analysis of the areas of greatest risk. Findings from work carried out during the year are presented to the ARAC and copies of all final reports are sent to the Chief Executive & Secretary. In addition, the Head of Internal Audit provides an annual written statement to the ARAC, setting out a formal opinion on the adequacy and effectiveness of NILGOSC's risk management, control, and governance processes.

Non-departmental public bodies (NDPB) in Northern Ireland are subject to the requirements of Managing Public Money Northern Ireland (MPMNI) and, as such, are required to establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards. Therefore, an internal audit service is a mandatory requirement for NILGOSC as an NDPB, and is also essential to help it achieve its strategic aims and objectives and to fulfil statutory reporting requirements. In addition to reporting outcomes to ARAC regularly, the Internal Audit findings are fed back to the sponsoring Department via regular Departmental Assurance Statements.

Other sources of independent external assurance are provided from external auditors, chiefly the Northern Ireland Audit Office, who have a statutory responsibility for the certification of the Annual Report and financial statements; the sponsoring Department; the Pensions Regulator and external system/accreditation reviews.

Investment Risk

There are two risks on the Risk register relating specifically to responsible investment:

- Responsible investment considerations are not taken into account in the implementation of the investment strategy, which could have the impacts of: reduced investment returns; reputational risk resulting in loss of confidence in the pension scheme; and adverse publicity.
- Inaction to address and limit exposure to climate change risk will adversely affect investment returns, with the primary impacts listed as: sub-optimal returns; reduced investment returns; increasing deficit; and insufficient funds to pay retirement benefits and pensions.

The Statement of Investment Principles and Statement of Responsible Investment set out NILGOSC's approach to incorporating responsible investment considerations, including systemic risks such as climate risk, into its investment strategy and decision-making process. The Climate Risk Statement acknowledges the individual importance of climate risk as an investment issue and sets out the steps which will be taken to address it, both at a policy and portfolio level. In addition to setting out how climate risk is taken into account across the range of assets in which it invests, the Statement also sets out how NILGOSC will consider the opportunities that the changing climate presents.

Investment Strategy

The focus on long-term Scheme sustainability and the achievement of steady long-term returns from a suitably diversified investment portfolio is an important part of NILGOSC's on-going risk management process. In addressing its strategic theme of long-term Scheme sustainability, NILGOSC undertook its latest triennial Investment Strategy Review during 2025/26 to ensure it remained appropriate from both a risk and return perspective. It concluded that the overall investment target remains suitable to meet the long-term needs of the fund, but that this target could be achieved with reduced risk if some minor changes were made to the strategic asset allocation The review was informed by the current funding position, as well as future capital market and demographic expectations. Risk based statistics, primarily Value at Risk (VaR), form a key component when modelling and selecting the preferred investment strategy.

Sustainability was a key focus during the review, which critically assessed NILGOSC's existing investment strategy in the context of the economic conditions and expected future investment returns. The review addressed further integration of ESG into the strategy, ensuring that NILGOSC's Statement of Responsible Investment remained embedded in decision making, as well as taking steps to mitigate climate risk in the Fund.

Investment Managers

As described in Principle 5, a robust quarterly investment monitoring process is in place, assessing both the managers' quantitative performance and the supporting qualitative features of each mandate. Risk is reflected in the balanced scorecard through the inclusion of the information ratio as a criterion which assesses the risk-adjusted return relative to the relevant benchmark. Different managers and mandates have been selected as a result of their overall fit with NILGOSC's investment objective and will perform differently in certain market cycles. NILGOSC's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking a return that is consistent with a prudent and appropriate level of risk.

NILGOSC instructs its active investment managers to take account of climate risk considerations in their decision-making processes, provided the primary financial obligation is not compromised. Where climate change produces a financial risk for a particular investment, NILGOSC expects this to be a fundamental part of the investment decision making process and will monitor such decisions accordingly.

PIMCO manage an Multi Asset Credit (MAC) mandate for NILGOSC, managing 6.29% of the Fund's assets as at 30 June 2025. Their approach to climate-related risks (in particular) is described below:

- *PIMCO believes that climate-related factors may have material impacts on issuers' credit quality (now and over the long term), affecting the full range of fixed income and related asset classes e.g. mortgage-backed securities, corporate credit, sovereigns and municipalities. While your PIMCO portfolio is not managed to any particular climate risk targets, climate risk is integrated into the firm's overall investment process through top down and bottom up research.*
- *We view the energy transition and global temperature rise as of utmost importance for fixed income investors, considering the ever-growing evidence of meaningful economic impacts and credit risks. In the last few years alone, markets saw the consequences of climate-related catastrophes including deadly wildfires, hurricanes, typhoons and other anomalies across the globe. Climate risk (including transition risk) is integrated into the firm's overall investment process and at the portfolio level through our ESG assessments. Furthermore, we support a number of climate-related organizations (e.g. IIGCC), as well as*

the Paris Agreement and we have developed a number of internal proprietary tools to assess climate change-related risks in our portfolios.

- *At the overall firm investment process level, PIMCO has incorporated climate change analysis into the secular forum where we form our five year investment views. As part of the forum process, we invite external speakers that provide their views on a wide range of topics. With respect to sustainability, we have invited external analysts and scholars, such as experts focused on long-term climate change or responsible investment trends, to share their expertise on financial and economic issues that are germane to the outlook. For example, PIMCO has had Anne-Marie Slaughter from the New America Foundation, Daniel Yergin from the IHS Markit, former Secretary of Defence and Director of the CIA Leon Panetta, and Dr. Michael Greenstone from the Massachusetts Institute of Technology discuss climate change from a geopolitical and policy perspective in past forums.*
- *At the portfolio level, PIMCO's climate change framework is integrated into our investment process through PIMCO's ESG assessments. We use a proprietary methodology and analysis that reflect fixed income's specific features, and we actively engage with issuers on climate change mitigation and readiness. In PIMCO's portfolios that follow sustainability strategies and guidelines, we embed climate change into our three-step approach of exclusion, evaluation, and engagement.*
- *The investment implications of climate change, in both the short and long term, stem primarily from two main types of risks: transition risks (e.g., business risks prompted by the energy transition, such as tighter regulations on carbon emissions) and physical risks (e.g., how climate change affects natural resources upon which the issuer depends). We endorse the SDGs as the holistic reference framework to assess these wide ranging risks.*
- *Our transition risk scores are typically favorable for the most carbon-efficient issuers and for those proactively seeking to align with the Paris Agreement, the global accord to limit the global temperature rise by 2100 to 1.5°C – 2°C above preindustrial levels. This includes companies reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures*

(TCFD), which was created by the Financial Stability Board (FSB) to foster best practices.

- *Our sector-based and bottom-up analysis involves a focus on issuers' carbon emissions intensity using production-based metrics, such as emissions per barrel equivalent for oil and gas companies. A lifecycle methodology enables some comparison within the sector and over time, as well as in relation to climate scenarios and our forward-looking view. For instance, PIMCO's fundamental analysis of credits in the energy sector closely examines companies' exposure to different types of energy sources, environmental and regulatory risks to their business activities, the relative cost positions of companies and their commitments, and steps taken to diversify into lower-carbon sources of energy. Ultimately, we look to map the extent to which long-term climate risks are reflected in our credit views and bond prices, and, if they are not, what this could mean for issuers' credit quality considering bond characteristics (e.g., duration) over time. For portfolio construction, we evaluate credits based on attractive valuations and strong climate scores.*

CBRE IM manage a global property portfolio for NILGOSC, which accounted for 2.13% of the Fund's assets at 30 June 2025. The manager's approach to addressing climate risks is included below:

Long-term ESG risks and opportunities primarily relate to those associated with climate change. Climate related risks are initially identified, assessed and mitigated through the proprietary Sustainability Assessment Framework. The identified risks and mitigation plans are discussed and documented through the various stages of the investment process.

In 2024, we switched from Moodys to Climate X for portfolio risk screening and prioritisation, which flags materiality of physical climate risks relevant for real estate and is intended to inform us where a detailed vulnerability assessment might be required. The physical risks of climate change affecting the Indirect Real Estate portfolio are a combination of the underlying assets' potential exposure, resilience or vulnerability to climate hazards.

Climate X's Spectra tool, looks at 11 climate hazards: river flooding, coastal flooding, surface flooding, subsidence, landslide, wildfires, storms, storm surge, tropical cyclones, drought and extreme heat with a 2020 to 2050 horizon every five years, which allowed us to review our prior base case and select 2045 as the most significant timeframe for our investments, considering the typical core nature of our AUM and a next investor's holding period of 10 years. The tool offers the option to consider river and coastal defences already in place, which has been applied in our scenarios.

NILGOSC holds units in M&G's UK Residential Property Fund, which has been categorised as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR), meaning it is one which "*promotes, among other characteristics, environment or social characteristics or a combination of those characteristics*". M&G provided an explanation of their approach to considering Biodiversity within the investment process:

At the real estate investment level, for assets being acquired as developments or major refurbishments (either as direct holdings or fundings) we apply the M&G Sustainable Development and Refurbishment Framework which sets out the minimum standards we seek to be achieved. As part of the Framework, from a biodiversity perspective, teams are encouraged to enhance site ecology as far as possible, to protect and restore habitat, and consider opportunities to enhance occupier's connectivity to the natural environment through design. The Framework outlines a requirement target of a 10% net increase in biodiversity (relative to the predevelopment condition) to promote ecological enhancement and a minimum target of a 20% net increase unless it is demonstrated to be unfeasible. It should be noted that Fund's ability to influence biodiversity in a specific project may be limited by the timing of investment, e.g. where construction has already commenced.

Equity manager Harris Associates (5.10% of Fund assets as at 30 June 2025) provided an overview of how the systematic risk of climate change is built into engagement with underlying holdings, providing an example:

Investment Manager: *Harris Associates (Global equity manager)*

Holding: *ConocoPhillips*

In August 2024, we engaged ConocoPhillips, a US-based oil and gas producer, focusing on the company's climate risk assessment and planning. During our conversation with executives from the sustainable development and legal teams, we addressed the company's long-term view of climate risk and efforts to reduce direct (Scope 1 and 2) emissions. In the long term, ConocoPhillips identifies an economy-wide shift away from fossil fuels as a significant business risk. In the short term, the company is making investments in emissions reduction projects, and we focused on the economics of these. For example, ConocoPhillips invested approximately $150 million on Scope 1 and 2 emissions reductions and low carbon opportunities in 2022. This engagement helped us to better understand the financial case for these investments and likely emissions reduction pathways up to current targets in 2030, and beyond. We also discussed the company's policy on using offsets to meet emissions reduction targets and its lobbying activities related to climate change. As a result of this engagement, we believe that ConocoPhillips is taking concerted action to reduce Scope 1 and 2 emissions while also making appropriate plans for a low carbon transition in the longer term, in ways that are likely to contribute to this transition as well as being aligned with the financial interests of shareholders. We will continue to monitor the company's activities in this area and to hold further engagements as needed.

Collaboration as a form of risk management

During the reporting period, NILGOSC was a signatory to a number of engagements:

- the 2024 Global Investor Statement to Governments on the Climate Crisis, calling on global governments and policy-makers to urgently raise their climate ambition in line with the goal of limiting global temperature rise to 1.5°C.

- the Asset Owner Statement on Climate Stewardship, developed by a coalition of asset owners (totalling over $1.5 trillion USD in AUM) led by the People's Pension, Brunel Pension Partnership and Scottish Widows. The statement was drafted in response to complaints from asset managers of inconsistent demands from asset owners. It sets out key and consistent climate stewardship expectations, intended to: promote constructive dialogue; generate greater alignment between asset owners and managers; and ultimately raise the bar on climate stewardship across the investment sector.

NILGOSC also continued its support for various global climate initiatives including the Principles for Responsible Investment's (PRI) Spring Initiative, a new stewardship initiative designed for institutional investors to use their influence to halt and reverse global biodiversity loss by 2030, and the CDP's 2025 Non-Disclosure Campaign.

More detail regarding collaborative engagements is provided under Principle 3.

NILGOSC believes that such engagement is the key to establishing long-term policies which will ultimately shape a low carbon future. It accepts that there are differing views as to how to expedite the carbon transition but continues to believe that the best way to bring about change in corporate behaviour is to remain an active, influential and transparent investor. Throughout 2024/25 NILGOSC continued to use its voting rights (as detailed under Principle 4) to encourage the disclosure of carbon emissions, as well as the inclusion of climate risk mitigation within the business strategy of investee companies. The value of having a seat at the table at a company or within an industry with the power to address climate change should not be underestimated if the goals of the Paris Agreement are to be met.

TCFD Reporting

NILGOSC considers the disclosure of climate risks and opportunities to be essential if shareholders are to determine whether the companies in which they invest are adequately addressing the changing climate.

In 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. In 2017, the TCFD released its recommendations, and as a result of the TCFD's success in developing a framework that has become the foundation for many national and international climate-related disclosure requirements, the taskforce was disbanded in 2023.

NILGOSC was named on the official list of supporters in June 2020, publishing its inaugural Climate-related Disclosures Report the following year, utilising the TCFD's framework to describe and communicate the steps taken to manage climate-related risks and incorporate climate risk management into NILGOSC's investment process.

NILGOSC has continued to voluntarily report on an annual basis. Disclosures are organised around the TCFD's four thematic areas, representing the core elements of how organisations operate: governance; strategy; risk management; and metrics and targets. NILGOSC's most recent TCFD-aligned report for the year ended 31 March 2025 was published in October 2025, and is available to review at: NILGOSC Climate-related Disclosures Report demonstrating that the portion of the NILGOSC portfolio that can be measured (primarily composed of its actively-managed and passively-managed equity holdings) continues to emit less Scope 1 and 2 carbon dioxide equivalents than the benchmark comparator.

In the UK, regulations came into force in 2021 for Occupational Pension Schemes in Great Britain to produce and publish TCFD reports. The consultation for equivalent regulations for Local Government Pension Schemes in England and Wales ended in November 2022, and legislation is expected to follow. In Northern Ireland, it is expected that the Department for Communities will introduce equivalent legislation in due course, as part of the growing global effort to address climate change.

Full implementation of the TCFD reporting framework can take many years, with learnings along the way which help reporting bodies adapt and optimise disclosures. Therefore, NILGOSC's publication of its fifth report built upon the context and disclosure provided in previous years, helping it get ahead of the regulatory curve.

In 2023, NILGOSC procured the long-term provision of TCFD-aligned carbon analytics as part of the remit of its global custodian, Northern Trust. The custodian utilises the data feed of external specialist provider ISS ESG, which is the responsible investment arm of Institutional Shareholder Services Inc. Disregarding a temporary allocation to cash held at year end, it was possible to analyse 48.6% of the of the Fund's holdings (primarily composed of NILGOSC's listed equity and corporate fixed income assets) at 31 March 2025. The NILGOSC part-portfolio was compared to the performance of a portfolio replicating a global market equity index[2], and at a high level compared favourably, reporting: 63% lower Scope 1 and 2 emissions at an absolute emissions level; a 62.9% lower carbon footprint (i.e. normalised emissions based on funds invested); and a 38.9% lower weighted average carbon intensity (WACI), which normalises emissions based on sales. Although Scope 3 emissions are less readily available, in the interests of transparency, Scope 1, 2 and 3 emissions were also disclosed collectively at an aggregate portfolio basis within the report, and collectively Scope 1, 2 and 3 emissions are also lower than benchmark (-51.6%).

Northern Trust also undertook a scenario analysis of the part-portfolio as part of the assessment, comparing NILGOSC's holdings at 30 September 2024 with three carbon pathways. The analysis demonstrates that the trajectory of the part-portfolio is Paris-aligned until approximately 2030, at which point, if no changes were made to the 30 September 2024 holdings, the portfolio will contribute towards an over 1.5°C warming outcome by 2050. The slope of the portfolio line is influenced by the portfolio composition and the ownership ratio, and also takes into consideration emission reduction targets, meaning the expected trajectories of companies will be adjusted downwards if companies set either ambitious targets, committed or approved science-based targets. Therefore, the output can be influenced by continued engagement with asset managers and the underlying holdings, and will be closely monitored.

To help plug some of the coverage gap, in addition to securing Northern Trust's analysis, over the period, NILGOSC also requested that all of its investment managers complete the Carbon Emissions Template (CET) developed by the joint Pensions and Lifetime Savings Association (PLSA), Investment Association (IA) and Association of British Insurers (ABI) working group, of which NILGOSC partook. Managers were asked to complete data as at 31 March 2025, and NILGOSC was keen to work with managers to understand both the availability and limitations of the data sets, as well as updates to methodologies, with the expectation that data outputs will strengthen and converge over time. Therefore, metrics were compared to Northern Trust's where possible, but focus was placed on comparing the managers' own year-on-year submissions; the results of which are used as a tool for

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[2] *The portfolio was compared to the performance of a portfolio replicating the MSCI World Index (MSCI World).*

engagement with each party. More detail is provided in the [2025 Climate-related Disclosures Report], but continued engagement with the managers has led to improved disclosure and improved data availability.

The results of engagement and stewardship activity can be difficult to quantify. For example, engagement can take a number of years before requested changes materialise and that can be a function of other contributing factors, or in the case of carbon footprint data, different allocation bases or differing assumptions by data providers can result in disparities. For that reason, there will be challenges ahead for asset owners and asset managers to provide external assurance on the effectiveness of their stewardship activities. Measures like the scenario analysis described may help to provide insight, albeit on only that topic. The compilation of the annual Activities and Outcomes Report to support an application to a signatory to the UK Stewardship Code will continue to be a useful tool in bringing together each strand of an organisation's activities over the period, and providing management and other stakeholders the opportunity to review activity in the round.

Continued and improving disclosure year on year will undoubtedly assist in monitoring effectiveness on an organisational basis. Furthermore, learnings gained through collaboration and comparison with peers will also assist in developing more effective engagement methods.

Principle 3: Signatories engage to maintain or enhance the value of assets.

Engagement

NILGOSC believes that engagement is a key part of any Responsible Investment strategy and engages with companies both directly and via its investment managers.

Day-to-day responsibility for the management of investments is delegated to the managers. NILGOSC requires its managers to monitor investee companies and engage on NILGOSC's behalf where ESG practices fall short of best practice, and where this is likely to have a detrimental effect on the long-term value of holdings. All managers are required to report quarterly on activity undertaken, the issues engaged on and any outcomes. The managers' ability to provide evidence that they are taking ESG issues into account during the investment process forms part of NILGOSC's quarterly evaluation of their performance (Principle 5). In addition, NILGOSC will not appoint managers who are unable to demonstrate capabilities in this area.

NILGOSC

Where possible, NILGOSC also engages directly with the companies in which it invests. For companies listed in the UK or Europe, where NILGOSC intends to vote against management at a company's Annual General Meeting, a letter will be issued to the company to advise of the voting decisions and to provide a rationale. In the 12 months to 30 June 2025, NILGOSC issued engagement letters to 29 companies, where votes were cast against management recommendations.

The main issues which caused NILGOSC to vote against management were:

- Concerns regarding the company's remuneration policy;
- No evidence that an external auditor has taken climate risks into account on their report;
- The board seeking to permit the holding of virtual only general meetings absent exceptional circumstances. and
- Board Governance Issues (primarily issues surrounding the board evaluation process and the holding of NED only meetings).

One of the letters resulted in further engagement with the company contacted to address some of NILGOSC's concerns, notably, Moncler SpA provided additional information about their remuneration policy.

While the other letters did not result in continued engagement with the investee companies over the year, NILGOSC continues to believe that by providing this explanation, it can help companies understand their investors' concerns, and the flow of information between companies and their shareholders can be improved.

Collaboration.

Collaborative groups

NILGOSC believes that collaborative engagement is a key part of any responsible investment strategy and will seek to work collectively with other like-minded investors in order to maximise its influence on individual companies.

NILGOSC is aware that it is just a small voice, and one way to amplify that voice is to collaborate with other likeminded investors and groups.

Table 1: The collaborative engagement bodies of whom NILGOSC are supporters.

Signatory to:	Description:
UN Principles of Responsible Investment (PRI) *(Since 2007)*	An international network of investors working together to implement six aspirational ESG principles
CDP (formerly the Carbon Disclosure Project) *(Since 2007)*	A not-for-profit charity that runs the global disclosure system for reporting and managing environmental impacts
Climate Action 100+ *(Founder supporter signatory)*	An investor-led initiative focusing on 167 of the world's largest greenhouse gas emitters
Member/Supporter of:	**Description:**
Institutional Investors Group of Climate Change (IIGCC)	European membership body for investor collaboration on Climate Change
The Asset Owner Council (AOC) *(inaugural member)*	Collective group of asset owners working together to promote responsible investment and high standards of stewardship. Formed in 2024 following the merger of the UK Pension Scheme RI Roundtable and the OPSC, both of which NILGOSC was a member of.

Signatory to:	Description:
Task Force on Climate-related Financial Disclosures (TCFD) *(Since June 2020)*	A (now disbanded) working group tasked with creating a set of comparable and consistent disclosures to demonstrate climate change resilience. The framework of recommendations has become the foundation for many national and international climate-related disclosure requirements

NILGOSC identifies suitable collaborative initiatives with other like-minded signatories (seeking to improve company behaviour, policies or systemic conditions) via participation and engagement with the above organisations and collaborative groups. NILGOSC may also, on occasion, co-file shareholder resolutions with other like-minded investors at a company meeting in order to influence change at the company provided that it is considered to be in the best interest of shareholders. The decision on whether to participate in potential initiatives is based on fund exposure, compatibility with NILGOSC's responsible investment policies and resources required to do so, and is approved by the Investment Services Manager and Deputy Secretary.

Collaborative activity in the 12 months to 30 June 2025

During the reporting period, NILGOSC participated in a number of collaborative engagements, mainly focused on climate risk and ESG-related disclosure. Engagement is focused at both a government/policy level and a corporate level, as NILGOSC believes both are key in order to help make lasting improvements and to act as good stewards. It is not always possible to distinguish specific outcomes as a result of individual calls to action, but with continued engagement and multi-year collaborative campaigns, it is hoped that continued, purposeful dialogue (even one-sided) will lead to improvements. For example, CDP report that companies engaged in their annual Non-Disclosure Campaign are more than twice as likely to disclose[3]. Collaborative engagements undertaken by NILGOSC over the period include:

- Signatory to the 2024 Global Investor Statement to Governments on the Climate Crisis, calling on global governments and policy-makers to urgently raise their climate ambition in line with the goal of limiting global temperature rise to 1.5°C.

[3] *https://www.cdp.net/en/campaigns/non-disclosure-campaign*

- Co-signed and supported the launch of the Asset Owner Statement on Climate Stewardship, developed by a coalition of asset owners (totalling over $1.5 trillion USD in AUM) led by the People's Pension, Brunel Pension Partnership and Scottish Widows. The statement was drafted in response to complaints from asset managers of inconsistent demands from asset owners. It sets out key and consistent climate stewardship expectations, intended to: promote constructive dialogue; generate greater alignment between asset owners and managers; and ultimately raise the bar on climate stewardship across the investment sector.
- Alongside 222 other financial institutions representing nearly US$23 trillion in assets, NILGOSC renewed its signatory status to the CDP's 2025 Non-Disclosure Campaign (NDC). In the 2025 campaign, co-signers engaged with 1,314 of the world's highest-impact companies to demand that they disclose environmental data (on climate, forests and/or water security) via CDP questionnaires. CDP signatories that participate can either be a lead or a co-signer: lead signatories are responsible for selecting the non-disclosing companies to target and manage the overall engagement, with administrative and logistical support from CDP; and co-signers (like NILGOSC) demonstrate their support by undersigning all company-specific engagement letters sent by the lead signatories to the targeted companies. Per the CDP[4], companies were targeted as follows:
    - *919 companies targeted to disclose on climate*
    - *307 companies targeted to disclose on forests*
    - *712 companies targeted to disclose on water*

  According to the CDP, "Companies engaged by FIs during the campaign were 2.4x more likely to disclose on climate change, 2.9x more likely to disclose on forests, and 2.1x more likely to disclose on water security compared to those in the control group. These impact ratios closely align with previous years providing ongoing evidence that proactive FI engagement is driving increased transparency in portfolio companies."

  The full summary of results is available from the CDP website.

[4] *https://cdp.net/en/campaigns/non-disclosure-campaign*

A full list of NILGOSC's collaborative engagements and stewardship activity since 2007 can be found on its website at: Snapshot of NILGOSC's ESG activity.

Looking forward

During the 2025/26 year, NILGOSC will continue to monitor upcoming opportunities to collaborate, with a view to participation in relevant engagements and consultations, particularly those with a focus on Climate risk.

NILGOSC will also continue to engage with and encourage its managers and consultants to participate in collaborative engagement activity.

Principle 4: Signatories actively exercise their rights and responsibilities.

NILGOSC believes that, as a responsible investor, it has a legitimate interest in the management and corporate governance of the companies in which it invests and supports the use of voting as a means of expressing concern over ESG issues.

Actively Managed Equities

NILGOSC retains voting rights over its shares in each of its actively managed equity mandates. By exercising its right to vote at company meetings, NILGOSC seeks to improve corporate behaviour by maintaining effective shareholder oversight of the directors and company policies, a process on which the current system of corporate governance depends.

NILGOSC has a bespoke Voting Policy (available online) which is reviewed annually. The policy covers all actively managed equity holdings in the Fund, and sets out NILGOSC's expectations for good corporate governance. NILGOSC expects the companies in which it invests to comply with ESG best practice, and the policy provides a basis for communicating with investee companies and holding directors accountable.

NILGOSC's Voting Policy is applied globally. NILGOSC recognises that many countries or regions now have corporate governance codes that operate only within those specific jurisdictions, and NILGOSC will support compliance with those codes. However, the scope and detail of those codes vary considerably, and while some are well established, others have only recently been introduced, and their guidelines have not yet become common practice. Additionally, a number of the codes fail to recommend adherence to the standards NILGOSC would eventually hope to see implemented. Therefore, in some instances, NILGOSC's Voting Policy specifies a minimum standard which it would expect all companies to adhere to, while expecting that market-specific best practice guidelines be followed where they recommend a higher standard.

NILGOSC's Voting Policy sets out how NILGOSC addresses sustainability related resolutions, including specific reference to climate risk and climate related financial disclosures. For example, NILGOSC believes that good corporate governance includes the management of a company's impact on the environment. The Voting Policy states that all companies in which NILGOSC invests should disclose and report their policies on sustainability, identify significant ESG risks and opportunities, including climate risk, and take account of widely accepted reporting standards such as the Global Reporting Initiative and the recommendations of the TCFD. It also: covers disclosure on social and ethical management; references workforce-reporting; supports the recommendations of the FTSE Women Leaders Review and the Parker Review on board diversity; and expects companies to implement the UN Guiding Principles on Business and Human Rights (UNGPs). Shareholder resolutions on social factors are approached on a case-by-case basis, taking into consideration whether the resolution is in line with NILGOSC policy and whether it is appropriate to the circumstances at the targeted company. NILGOSC expects the companies in which it invests to comply with best practice in terms of corporate governance. NILGOSC's Voting Policy also covers governance factors such as Audit and Reporting, Board Composition, Remuneration and Shareholders rights.

NILGOSC exercises its voting rights at all company meetings within its actively managed equity portfolios, where possible, and will vote against management where there are significant ESG or corporate governance failings. Coverage has also been extended to include equity holdings held in fixed income portfolios (often as a result of a debt-to-equity restructure).

NILGOSC's proxy voting service provider, Minerva, monitors the voting rights attached to NILGOSC's actively managed equity holdings and alerts NILGOSC to upcoming votes on an ongoing basis by email and through its online voting platform. In addition, NILGOSC's Global Custodian alerts NILGOSC to any additional actions which may be necessary to maintain voting rights, such as having relevant Powers of Attorney in place for certain jurisdictions.

Securities lending

NILGOSC participates in a Securities Lending Programme managed by its Global Custodian for its actively held equities. It is not NILGOSC policy to recall lent stock for voting purposes. However, NILGOSC retains the right to do so in the event of a contentious vote or in relation to engagement activities. While there have been no instances of shares being recalled for voting purposes during the period covered by this report, in the past: shares have been recalled after NILGOSC was alerted to an important vote by one of its investment managers; and, following NILGOSC co-signing a shareholder resolution at an investee company, shares were recalled so that NILGOSC could vote at the meeting and support the resolution. For the passively managed equities, LGIM operate a securities lending programme on behalf of its clients for non-UK equities, operating within LGIM's risk control parameters.

Proxy voting in the year to 30 June 2025

NILGOSC reports on its stewardship activity via an annual report prepared by its proxy voting service provider, Minerva Analytics Ltd (Minerva), extracts of which are shared below. NILGOSC's voting activity for the 12 months to 30 June 2025, in addition to the two preceding years, is publicly available on the website (Annual Voting reviews). NILGOSC also publicly shares detailed disclosure of shareholder resolutions voted on during the reporting period, along with rationale.

In the year ended 30 June 2025, NILGOSC voted at 212 shareholder meetings held by 192 companies (2024: 229 meetings held by 193 companies), listed in the following jurisdictions: Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Netherlands, Singapore, South Korea, Spain, Switzerland, Taiwan, the United Kingdom, and the United States.

NILGOSC voted on 2,840 resolutions (2024: 2,919), voting contrary to management recommendations on 43.94% of resolutions (2024: 46.62%).

Table 2: Summary of NILGOSC's voting over 12 months to 30 June 2025

Resolution Category	Total number of resolutions proposed	NILGOSC Dissent	Average Shareholder Dissent*
Audit & Reporting	287	72.82%	2.28%
Board	1695	36.92%	4.59%
Capital	232	20.69%	2.37%
Charitable Activity	7	0.00%	1.02%
Corporate Actions	51	5.88%	3.14%
Other	9	100.00%	-
Political Activity	8	75.00%	15.49%
Remuneration	296	73.65%	8.23%
Shareholder Rights	136	30.88%	8.44%
Sustainability	119	73.11%	11.75%
Total	**2,840**	**43.94%**	**5.03%**

* Average Shareholder Dissent calculated from resolutions in respect of which shareholder voting results were available. No poll data was collected for nine Any Other Business resolutions in the 'Other' category, as no shareholders proposed an agenda item for consideration.

In the period to 30 June 2025, four management-proposed resolutions NILGOSC voted against were defeated. The resolutions related to the approval of Molina Healthcare Inc and Warner Bros Discovery Inc's remuneration reports and director elections at Netflix Inc and Phillips 66. In the prior year, only one of the management-proposed resolutions NILGOSC opposed was defeated. That resolution concerned the approval of the remuneration report at Salesforce Inc.

NILGOSC utilises its ownership rights globally to ensure that corporations provide accurate and timely disclosure of the material risks and opportunities associated with climate change. Through the exercise of its voting rights and through targeted engagement, NILGOSC aims to encourage companies to be transparent and accountable in respect of their impact on the environment, for example through the setting of targets and timeframes for the reduction of greenhouse gas emissions.

During the reporting year, NILGOSC supported 34 shareholder resolutions concerning environmental practices. These proposals covered topics such as climate change, biodiversity, water risk management and the use of plastics. The environmental proposals received 13.60% average support, and none were successful.

NILGOSC also supported a further 92 shareholder resolutions, of which there were: 45 related to human rights and workforce issues; 7 on board related issues, such as the adoption of a policy requiring the chair to be an independent director; 5 on political activity, mainly requesting enhanced disclosure or prohibition of, political donations and/or lobbying; 18 on shareholders rights; 11 remuneration-related proposals; and 6 proposals on other ESG issues. Four of these shareholder proposals were successful. Notably, all successful proposals in 2025 related to governance issues such as shareholder rights, political expenditure transparency and board composition:

- **Shareholder Rights:** a proposal asking for the introduction of the shareholder right to take action by written consent (CDW Corp); and a proposal seeking enhanced shareholder ability to call special general meetings (Molina Healthcare Inc.);
- **Board:** one proposal asking the board to adopt annual director elections (Charles Schwab Corp); and
- **Political Activity:** one proposal requesting asking for enhanced reporting on the policies and procedures for making political expenditure and the disclosure of monetary and non-monetary contributions and expenditure for political purposes on a semi-annual basis. (CBOE Global Markets Inc).

The year to 30 June 2025 continued to demonstrate the consecutive decline in average shareholder support on shareholder proposals. The downward trend of shareholder proposals receiving a lower level of average support (i.e. votes cast in favour) than in the year prior continued (15.42% compared to 18.28%) and the number of shareholder proposals NILGOSC supported which were successful decreased from nine in 2024, to four in the period ended 30 June 2025.

NILGOSC also publishes full details of votes cast on its website. This information is updated on a quarterly basis and can be found under Monthly Voting Reports. Monthly voting reports also include a brief rationale for votes against management's recommendation and for all votes on shareholder resolutions.

Passively Managed Equities

For passively managed equities, which made up 24.4% of the fund assets at 30 June 2025 (2024: 21.7%), votes are cast by NILGOSC's passive manager, LGIM, according to its own voting policies. LGIM provides NILGOSC with quarterly ESG reports on both engagement and ESG metrics, forming part of the quarterly evaluation of their performance. The reports include:

- **Summary of activities**, including the publication of any new policies and the market-wide engagement and policy work LGIM undertaken during the quarter;
- Examples of the **engagement activity** undertaken on behalf of clients, naming the companies involved, a summary of issues, explanation of LGIM's response, engagement progress and impact of any subsequent changes at the companies;
- Analysis and breakdown of the **voting activity** during the quarter, by region, vote instruction, topic, meeting type, number of companies; and
- Analysis and breakdown of the **engagement activity** undertaken, highlighting the number of meetings including environmental and social topics.

LGIM's annual Active Ownership report sets out their approach to stewardship and their activities during the year, and a web-based Voting Tool allows investors full access to review LGIM's votes on an individual stock basis over a number of categories, such as: alignment with management; votes cast by proposal category; and meetings by market.

For the year ending 30 June 2025, LGIM provided some case studies detailing significant votes, two of which are provided below:

Investment manager: *Legal and General Investment Management (LGIM)*

Holding: *Alibaba Group Holding Limited (Alibaba)*

Summary of the Resolution: *Elect Director Irene Yun-Lien Lee*

LGIM Vote: *Against*

Communication of Voting decision: *LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.*

Rationale for the Voting Decision:

Classified board: A vote against is applied as LGIM supports a declassified board as directors should stand for re-election on an annual basis.

Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.

Board mandates: A vote against is applied because we have concerns regarding the time commitment required to manage all board positions and how this may impact their ability to remain informed and effectively contribute to board discussions.

Outcome of the Vote: *Pass (12.96% dissent)*

Implications of the Outcome: *LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.*

Criteria for "significant" vote**:** *Thematic - Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.*

Investment manager: *Legal and General Investment Management (LGIM)*

Case Study: *The Procter & Gamble Company*

Summary of the Resolution: *Elect Director Jon R. Moeller*

LGIM Vote: *Against*

Communication of Voting decision: *LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.*

Rationale for the Voting Decision: *Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.*

Outcome of the Vote: *Pass (93.8%)*

Implications of the Outcome: *LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.*

Criteria for "significant" vote: *Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.*

In both cases, NILGOSC held these companies in its actively managed equities portfolios, and therefore voted on the resolutions also. In both cases, NILGOSC also voted against management recommendation for similar reasons as LGIM detailed above, board diversity concerns in the case of the Alibaba resolution, and for the Procter & Gamble proposal, that NILGOSC policy also calls for the separation of the roles of Chairman and CEO.

Pass-through-Voting

In January 2025, NILGOSC commenced using Pass-through Voting (PtV) to further expand its stewardship of the Fund's assets, allowing the Investment team to indicate a preference on how votes are placed on a proportionate share of the passively-managed equities held in the LGIM pooled funds in which NILGOSC invests. When a meeting occurs for a company held in both: its passively managed fund investments; and in its actively managed equity portfolios, NILGOSC will: exercise its voting rights in the actively managed equity portfolio as normal; and can also direct how a proportional share of the votes for the passively managed holding are placed. Subject to some restrictions, the use of PtV during the last peak voting period has helped NILGOSC to vote consistently across the equities that it holds in both its actively-managed mandates and in the passively-managed funds. Of the 212 meetings at which NILGOSC voted in the year to 30 June 2025, pass through voting was used to cast votes at 118 of them.

An overview of responsible investment activities during the financial year, including voting figures and details of direct and collaborative engagement, is set out in NILGOSC's Annual Report & Accounts, which is also available on the website under Annual Reports.

NILGOSC's escalation in the best interests of beneficiaries

On occasion, NILGOSC may choose to escalate activity, principally through engagement activity via PRI-facilitated and other collaborative engagements.

For example, as a CDP signatory, over the reporting period, NILGOSC participated in the CDP's 2025 Non-Disclosure Campaign, which focused on companies that failed to respond to CDP's climate change, forests and water security questionnaires in previous years. CDP assert that the campaign is a proven way to scale the availability of environmental data. NILGOSC considers the disclosure of climate risks and opportunities to be essential if shareholders are to determine whether the companies in which they invest are adequately addressing the changing climate. Co-signers like NILGOSC demonstrated their support for the campaign by undersigning all company-specific engagement letters sent by the lead signatories to the targeted companies. The campaign has had noted success, with names such as Alphabet Inc disclosing on water security for the first time following the 2025 campaign, alongside Verbund AG, and a first time disclosure from Snowflake Inc on climate[5]. More information is provided under Principle 3.

NILGOSC also seeks to recover all monies due to it from settled class actions and will consider, on a case-by-case basis, being party to class actions against investee

[5] https://assets.ctfassets.net/v7uy4j80khf8/1GLG9zyQA37QY4A2veZeBA/865f05efe23c0bd59e78418def4e3ca1/CDP_Non-Disclosure_Campaign_Report_2025.pdf

companies arising from failings in corporate governance. During the 12 months to 30 June 2025, NILGOSC received £9079 (2024: £7,551) from class action settlements.

Principle 5: Signatories integrate stewardship considerations into their selection and oversight of external managers.

Alignment with third parties

NILGOSC will only appoint investment managers who have demonstrated that they meet an acceptable threshold for ESG capabilities and have the necessary expertise in assessing climate risk.

When appointing a new manager, NILGOSC assesses the manager's ability to include ESG issues within the investment decision making process. Any manager not able to demonstrate such a capability will be excluded from the next stage of the selection process. For example, during the most recent tender exercise for a new global equity manager, initial pass/fail screening included a question seeking confirmation that prospective managers had an ESG policy, and requesting a summary of how that policy and ESG risks are incorporated into the investment process. Tenderers were asked to demonstrate the ability to comply with NILGOSC's Statement of Responsible Investment and Climate Risk Statement, and also to detail compliance with the UK Stewardship Code 2020. Assuming the managers passed the first screening, the main body of the tender included an RI section, made up of nine detailed questions, covering beliefs, practices (including the application of the PRI principles in the investment process), engagement and conflict policies. A minimum quality threshold was applied to this section, and any tenderer's submission which failed to meet the minimum score was not considered for appointment. Once a successful manager is appointed, NILGOSC requires all of its managers to monitor investee companies and engage with company management where ESG practices fall short of best practice.

NILGOSC's formal monitoring in the year to 30 June 2025

Over the 12 months to 30 June 2025, the Committee were presented with the following investment-related papers (as laid out in Table 3) for note or approval.

Table 3: Committee meeting months and the investment-related papers presented.

Meeting Date	Committee Paper
August 2024	• Alternative Investments Briefing Note for the year to 31 March 2024 • Performance assessment of Investment Advisors to 31 March 2024. • T Rowe Price manager presentation (*ARB*) • Review of Investment Advisor Contracts • Retention Review of appointed manager
September 2024	• 2024 Q2 Investment consultant's report on quarterly performance • 2024 Q2 Monitoring scorecard for investment managers • Statement of Investment Principles Review • Climate-related disclosures report for the year ended 31 March 2024 • CBRE IM manager presentation (G*lobal property*) • Appointment of Investment Advisor – Tender process
November 2024	• PIMCO manager presentation (*MAC*) • Investment costs report for year ended 31 March 2024
December 2024	• Unigestion manager presentation (*Global equity*) • 2024 Q3 Investment consultant's report on quarterly performance • 2024 Q3 Monitoring scorecard for investment managers
January 2025	• Partners Group manager presentation (G*lobal property*) • Appointment of Investment Advisory Services Provider
February 2025	• BlueBay manager presentation (*MAC*) • LGIM manager presentation (*Passive funds*)
March 2025	• Baillie Gifford manager presentation (*Global equity*) • 2024 Q4 Investment consultant's report on quarterly performance • 2024 Q4 Monitoring scorecard for investment managers • Stewardship Report for the year ended 30 June 2024
May 2025	• Royal London Asset Management manager presentation (*ARB*) • Harris Manager presentation (*Global equity*)
June 2025	• LaSalle manager presentation (*UK Core & Index-linked property*) • 2024 Q1 Investment consultant's report on quarterly performance • 2024 Q1 Monitoring scorecard for investment managers • Annual Report of the Audit and Risk Assurance Committee • Appointment of an Emerging Markets Manager – selection process

Additionally, the Risk Register and the Corporate Plan are reviewed and revised by the Committee annually. The Corporate Plan (spanning the period 1 April 2025 to 31 March 2028) was approved by the Committee in February 2025; and the Annual Review of the Risk Register for 2024/25 was signed off at the June 2025 meeting. Progress against both is undertaken more frequently: the Corporate Plan is reviewed by the Committee biannually (November 2024 and May 2025); and the Risk Register is reviewed every quarter (August 2024, December 2024, February 2025 and June 2025). Over the period, the Management Committee Terms of Reference and Standing Orders were also reviewed and approved to comply with the TPR General Code of Practice (March 2025). Every six months the Committee is presented with the Departmental Assurance Statement (six months to 30 September 2024 was presented in December 2024, and six months to 31 March 2025 was presented in June 2025).

Investment Managers

All of NILGOSC's managers work to long-term investment horizons, and accordingly, NILGOSC is not unduly concerned with short term volatility in investment returns. A robust quarterly investment monitoring process is in place, which aims to look beyond returns to uncover the underlying cause of any underperformance. Therefore, in addition to monitoring financial returns, NILGOSC reviews a number of key qualitative factors such as investment style and team, business strength, ESG practices, risk management, and the managers' level of assets under management. This takes the form of a quarterly balanced scorecard which rates managers against each criterion. Should the scorecard generate an overall 'red' rating, then a formal retention review is triggered. NILGOSC also takes advice from its Investment consultant and thereby retains conviction in the underlying investment process adopted by its asset managers to deliver the target level of return over a three-to-five-year investment horizon.

NILGOSC has a fiduciary duty to monitor the performance of its managers. At the end of each calendar quarter the Committee is presented with:

- a report prepared by the Head of Investment Services, which includes a completed Investment Monitoring Scorecard (assessing the managers against a series of predetermined qualitative and quantitative criteria, including 'ESG capabilities' within which stewardship is included); and

- a report from the Fund's Investment consultant which summarises market background, strategic performance, notable changes and/or issues for each manager and an investment update.

Once a year, the Committee receives an annual briefing report on each individual investment manager prepared by either the Head of Investment or the Investment Services Manager, and based on the investment team's engagement with and monitoring of the manager over the course of the year. The briefing reports provide an overview of performance, highlight both the positive performance, as well as any ongoing issues, breaches or areas of concern. The briefing report is followed by a presentation delivered by the individual investment manager, which includes a dedicated section on ESG performance and provides the Committee with an opportunity to engage directly and ask the manager questions.

In 2022, the Committee discussed the scheduling of manager presentations and the potential need to expand the agenda to include greater focus on ESG issues. The Chief Executive & Secretary presented a paper in May 2022, summarising how NILGOSC holds its investment managers to account on ESG issues and giving Committee members options on further ways to challenge. The Committee agreed to:

- Ensure that the verbal presentation by the manager covers any specific ESG issues identified by the Investment team;
- Skew proposed questions more towards ESG matters, perhaps especially when performance is in line with or ahead of expectations; and
- Adjust the agenda running times when there are ESG matters that may require more time to discuss.

During the reporting period, the Committee asked ESG related questions to each of the Managers when they presented to the Committee. The managers were asked about a range of ESG topics, for example: assessment of climate related risks (Partners Group;) engagements at a corporate or sovereign issuer levels (T.Rowe Price); ESG initiatives and positive asset engagements within the portfolio (CBRE), the importance of ESG risk (PIMCO); and engagement with potentially controversial holdings (Baillie Gifford).

Fund Managers

In addition to investment managers, NILGOSC also invests a small portion of its assets (5.77% of the Fund as at 30 June 2025) with fund managers, with whom NILGOSC enters into a Limited Partnership Agreement, with little scope for bespoke terms and conditions. Before entering such arrangements (e.g. infrastructure funds), thorough due diligence (DD) is carried out by NILGOSC and other third parties, such as NILGOSC's Investment consultant, and appointed tax and legal counsel. The DD covers a range of topics, including: a detailed review of the fund's investment strategy and process, the manager's track record, fund structure, attractors, risks and mitigants, and a full review of ESG considerations. The NILGOSC officer conducting the DD draws upon the analysis conducted by our tax advisors and legal advisors, as well as data room documentation, references from other Limited Partners, media reports and discussions with the management, before presenting the DD to senior management for review, and ultimately to the Committee for sign off in the case of a new fund manager.

The alternative investment funds are long-term investments and although the investment team monitor performance at least quarterly (via reports, attendance at investor meetings and seats on some of the infrastructure fund advisory committees), performance is formally measured once a year and noted by the Committee, via the 'Alternative Investments Briefing Note' paper.

Bespoke ESG reporting

During the 12 months to 30 June 2025, NILGOSC has continued to work with its Investment Managers to improve reporting with regards to ESG integration and stewardship, especially in relation to Climate Risk. Reporting requests are tailored to the different asset classes. For example, while all managers are asked about the portfolio's carbon footprint, active equity and fixed income managers are asked to provide examples of ESG integration and engagement, and property managers are asked about sustainable asset management practices, the consideration of investment opportunities in low carbon real estate and engagement with tenants or the local community on ESG issues. NILGOSC's passive manager is asked to provide voting records. As all NILGOSC's managers are signatories to the Principles for Responsible Investment (PRI), they are also asked to provide PRI Transparency and Assessment reports. NILGOSC asks managers to confirm whether they reported against TCFD recommendations and the Stewardship Code, or an applicable equivalent. NILGOSC also asks managers whether they are considering biodiversity and nature loss, and to provide information about any internal or third-party assurance processes used to verify the information reported. This is an ongoing process which will continue to evolve as new requirements on ESG reporting take effect.

For example, LGIM, with whom NILGOSC has passively held equity and index linked gilts (accounting for 39.16% of the Fund's assets at 30 June 2025) provided an overview of their overall approach to stewardship and direct engagement with issuers:

"At a firm level, our stewardship activity is guided by our global stewardship themes. These themes reflect systemic ESG issues affecting the global markets and companies in which our clients are invested, and where we believe we can have an impact. Our themes are organised into six 'super themes' of climate, nature, people, health, digitisation and governance, within which there are 21 'sub-themes', covering topics such as income inequality, biodiversity, deforestation and investor rights. Within our respective themes, our Investment Stewardship team uses our LGIM ESG scores to identify companies with which we plan to engage – this data-driven approach to company engagement helps us identify 'leading laggards' on which to concentrate our direct engagement activities. These companies are those that have been identified as influential in their sectors, where we believe that we can effect ESG improvements through engagement, and which will then have a knock-on, positive impact across the relevant sector. This supports our overall aim of improving ESG standards not just at individual companies, but across the global markets in which our clients are invested."

Asset manager engagement in the 12 months to 30 June 2025

NILGOSC asked its asset managers to provide examples of portfolio specific engagements undertaken over the year, a sample of which are included below.

Fixed income

Investment Manager: *T. Rowe Price (TRP) (Absolute Return Bonds manager)*

Holding: Vistra *(integrated retail electricity and power generation company.)*

Engagement Objective: *We engaged with Vistra on emissions and green data centers.*

Engagement: *We met with Vistra to discuss the data center opportunity and convey our view on relevant environmental considerations. In our meeting, the company emphasized the improving efficiency of gas peakers, the strategic use of combined cycle gas plants, and the importance of nuclear assets.*

Vistra noted the significant water requirements for certain types of power generation, particularly for combined cycle gas plants. The company mentioned that newer gas turbines, such as those used in peakers, are designed to be more efficient and consume less water compared with older technologies. The expectation is that, although demand for power may increase (and subsequently increase water consumption), advancements in energy efficiency and the strategic use of renewables and peakers may limit the overall increase in water consumption from combined cycle plants.

Outcome: *The engagement allowed us to provide our views on the importance of mitigating excess water consumption and the continual strides toward energy efficiency improvements.*

Global Equity

Investment Manager: *Harris (Global equity manager)*

Holding*: Kering SA (Kering SA designs, manufactures, and retails luxury apparel and accessories through brands including Gucci, Yves Saint Laurent, and Bottega Veneta.)*

Issue: *Modern slavery and human rights risk in the supply chain.*

Engagement: *Analysts met with the company's Lead Independent Director, Chief Sustainability Officer, and General Counsel in November 2024. The meeting included a conversation on supplier audits. Kering disclosed the firm conducts ~4,500 audits on suppliers each year and has a history of removing suppliers for not meeting its standards. As the business operates in apparel and accessories retail, it has the potential to be exposed to modern slavery and human rights risk in the supply chain. This issue is coming under increasing attention because of legislation such as the Australian Commonwealth Modern Slavery Act 2018, the UK Modern Slavery Act 2015, and equivalent legislation in Canada and New Zealand. We believe that Kering is adequately managing the modern slavery risk in its supply chain with robust internal processes, controls and governance principles. The CEO has ultimate responsibility for human rights, with operational implementation by individual business groups. Human rights audits are carried out by Kering's supplier risk management team of 37 people, and external auditors. Kering has used guidance from international standards including the International Labor Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights (UNGP) to inform their human rights practices, Code of Ethics and the Suppliers' Charter. Kering participates in industry collaboration groups on supply chain management for information sharing.*

Outcome: *In our view, Kering has demonstrated adequate management of human rights and modern slavery risks, and we will continue to monitor this issue and conduct further engagement as needed.*

Passive Equity

Investment Manager: *Legal and General Investment Management (LGIM)*

Holding: *PepsiCo*

Context: *PepsiCo (ESG score: 58; unchanged) has ambitious commitments and targets related to plastics and sustainable packaging, but its progress has stalled for a few years.*

Engagement: *We signed a joint letter with the Dutch Association of Investors for Sustainable Development (VBDO), calling on intensive users of plastic packaging to take urgent action, which was sent to PepsiCo in May 2023. We then followed this up in 2023 and 2024 with a collaborative engagement that we led alongside our peers to discuss the requests made.*

In 2024, as part of the Plastic Solutions Investor Alliance, convened by NGO As You Sow and comprising over 50 asset managers and asset owners89, we co-led our engagement with PepsiCo to discuss its approach to plastics and the steps it is taking to transition to more sustainable packaging.

Our specific objective was for the company to transition away from single-use (fossil-fuel-based) plastics. We also expect it to support the GPT and refrain from negative lobbying regarding it or any other plastic-related regulations (e.g. Extended Producer Responsibility (EPR)).

We expect the company to disclose information on how it aims to transition away from single-use plastics by boosting sales of reusable products and concentrate (e.g. Sodastream), increasing recycled content in its packaging and reducing virgin plastics, tackling challenges related to flexible packaging, and advocating for a supportive regulatory backdrop.

Outcome: *Although the company has not been able to decouple its business growth from its packaging waste yet, it communicated during our engagement that it is sharing regulatory best practice across markets, so that recycled food-grade packaging is accepted locally. While it remains difficult to recycle flexible packaging, PepsiCo has also committed to switching to paper packaging where possible and focusing on finding solutions at its R&D centre in Texas. We will continue to engage and monitor its progress.*

La Salle Investment Management manage both traditional and index linked property portfolios for NILGOSC, which accounted for 6.64% of the Fund's assets at 30 June 2025.

UK Traditional Property

***Investment Manager**: LaSalle Investment Management*

Case Study: engagement with tenants and local community on ESG issues

***Asset**: Merlin Park, Birmingham (industrial estate)*

A refurbishment of the vacant units 1A/1B was completed during the year and solar panels were installed on the roof. As part of a new lease signed with the NHS, we held discussions with the incoming tenant and agreed to sell the power generated by these panels back to them over the duration of their lease. This has reduced the carbon emissions of the unit and will generate an additional income stream and return for NILGOSC.

***Asset:** Omega North, Warrington (industrial unit):*

We discussed installing solar panels with the unit's occupier (Brake Bros) during the year, proposing that the landlord installs the panels and sells the generated electricity back to the tenant. The tenant ultimately declined this arrangement but proceeded to install the panels themselves using their own capital - a substantial array of 3,262 panels. NILGOSC benefits from the associated carbon emissions reduction without having committed any capital to achieve this outcome.

Index linked leases

***Investment Manager**: LaSalle Investment Management*

General Tenant engagement on Sustainability:

***Asset:** Motel One (hotel occupier in the Index-linked property portfolio) - Discussions were held with the occupier's asset management / NZC lead to discuss their wider sustainability strategy. We have advised them of the decarbonisation initiatives identified in our NZC report and have proposed a follow-up meeting to discuss implementation opportunities.*

***Asset:** Sainsbury's (supermarket in the index linked property portfolio) – we meet regularly with Sainsbury's to discuss sustainability. The tenant is now providing all of their energy data for NILGOSC's two supermarkets and has shared their projected implementation plans with us. Sainsbury's is unlikely to require any landlord capital expenditure, as they have a decarbonisation roll-out programme in place across their wider portfolio, which they are funding themselves.*

Principle 6: Signatories monitor and hold to account stewardship service providers.

Proxy voting service provider

NILGOSC receives monthly voting reports from its proxy voting service provider, detailing all votes cast. This information is reviewed against NILGOSC's internal voting data, and any inconsistencies are investigated. An annual review meeting is undertaken as part of the contract management, which took place in December 2024. The review includes an assessment of Minerva's performance against a series of pre-agreed key performance indicators (KPIs), in tandem with a discussion of both what has gone well over the period, and areas that need improvement going forward, as well as general updates from both parties.

Investment consultants

NILGOSC will only appoint investment consultants who have demonstrated that they meet an acceptable threshold for ESG capabilities and have the necessary expertise in assessing climate risk.

ISIO was appointed the pension scheme's Investment Advisor, effective from 1 April 2025, following a procurement exercise. The tender questionnaire was extensive, including a section on how a prospective consultant would support NILGOSC in implementing its Statement of Responsible Investment and Climate Risk Statement in the delivery of investment advice, against which prospective parties and their capabilities were assessed.

A substantial portion of the agreed expert advice, which ISIO are contracted to provide to NILGOSC, includes ongoing advice in respect of:

- the impact of ESG issues on the investment strategy;
- incorporating risks and opportunities presented by climate change into its investment portfolio;
- views and ongoing monitoring of investment managers' capabilities from an environmental, social and governance perspective, specifically including the integration into the mainstream investment process.

- the ESG capabilities of potential investment managers, and to identify and provide advice on suitable opportunities for responsible investments, particularly in relation to low carbon and climate resilient investments.
- assist NILGOSC in fulfilling its ESG related reporting obligations.
- ensure that ESG considerations are explicitly considered, where appropriate, when providing wider investment advice to NILGOSC.
- advise on RI and stewardship policies, styles and tools across any or all asset classes and the implementation of RI and stewardship strategies.
- To advise on Climate scenario analysis and impact on portfolio including advice on Net Zero commitment.

In compliance with the Investment Consultancy and Fiduciary Management Market Investigation Order 2019, NILGOSC formally assesses the performance of its Investment consultants on an annual basis.

During the year under review, both: NILGOSC's outgoing Investment consultant, **Aon**; and NILGOSC's infrastructure co-investment partner, **LPFI Ltd**, were assessed against predetermined criteria, and the assessments are carried out to a March year end. The results for the period to 31 March 2025 were presented to the Management Committee in August 2025.

In alignment with best practice, the strategic objectives against which both consultants are assessed are reviewed on a triennial basis. The Committee reviewed and agreed the objectives for both in March 2023 for the three years spanning 1 April 2023 to 31 March 2026. Following review, it was agreed the objectives remained consistent with the service offered and continued to be appropriate.

One of the objectives against which Aon was assessed is: 'To provide clear and relevant advice on ESG issues and specifically climate risk'. Aon were aware of NILGOSC's focus on ESG, and worked with the investment team, adjusting the type and level of support that NILGOSC required depending on the engagement. For example, the implementation stage of the 2021 Review of Investment Strategy included a focus on incorporation of the Committee's views on responsible investment, with one of the outcomes being a recommendation to switch passive equities to a Low Carbon Transition Fund managed by Legal & General. As a significant portion of the Fund's equity is held passively, prior to the move no active decision-making could be undertaken. However, a decision can be made in the selection of which index to track. Therefore, as a means of mitigating climate risk in the Fund's passive equity portfolio, £2.8bn of investments were transitioned in February 2022 to a fund which tracks the 'Solactive L&G Low Carbon Transition Developed Market' index and seeks to replicate the performance.

The strategy behind the index is to self-decarbonise by reducing exposure to carbon emissions over time. The index has an overall objective, which is to meet the stricter of: a 'carbon emission intensity reduction objective' of at least 70% (except for the UK region, where the reduction is set to 60%) compared to the base regional index; or a 'decarbonisation objective' of at least 7% year-on-year. The universe of holdings within the index covers all developed markets but excludes companies on LGIM's Future World Protection List, namely: companies considered as perennial violators of the United Nations Global Compact (UNGC); certain companies involved in controversial weapons manufacturing and production; and certain companies with involvement in mining and extraction of thermal coal, thermal coal power generation or oil sands. Each holding within the remaining universe is assigned a 'carbon score', based on three indicators: emissions intensity; reserves intensity; and green revenues. Using the overall climate scores, an adaptive tilt away from climate laggards and towards climate leaders is applied to capital allocation within the index.