

Yorkshire Building Society
Pension Scheme

Implementation Statement

**For year ending 31
December 2024**

May 2025

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Section 1: Introduction

This document is the Annual Implementation Statement (the “Statement”) prepared by the Trustee of the Yorkshire Building Society Pension Scheme (the “Scheme”) covering the “Scheme Year” from 1 January 2024 to 31 December 2024 in relation to the Statement of Investment Principles (“SIP”).

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Scheme’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 has been followed during the year
- detail any reviews of the SIP the Trustee has undertaken and any changes made to the SIP over the Scheme year as a result of the review
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement is made available on the following website:

<https://www.ybspensionscheme.co.uk/>

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated once during the Scheme Year, which was drafted and issued in November 2024. Material changes to the SIP included:

- Updates to the investment strategy of the DB section to reflect the decision to focus on managing the portfolio excluding the buy-in and to allow the asset allocation to vary with market conditions. The target return was thus updated to a target of Gilts + 0.9% to 1.2% pa for the ex-buy portfolio.
- Exclusion of Secure Income Assets from the Section's liability hedging position, due to a reduced allocation to the asset class.
- New wording regarding currency risk management under the Risk and Regulation section for the DB section. The new wording reflects the monitoring of the Section's currency exposure at the portfolio level by the Trustee.
- Addition of the new Short Dated Corporate Bond Fund as a default fund within the investment strategy section for the DC section.
- Other minor wording and formatting changes

The November 2024 SIP is the version referenced in the following Sections of this document, where we set out how the principles have been implemented. Where new Trustee policies have been added to the SIP that was in place at the start of the Scheme year, we have referenced how these have been implemented from the period of adoption to the end of the Scheme year.

Section 3: Adherence to the SIP

In this section, we comment on each of these sections and how the Trustee has implemented the principles within each one.

DB Investment Policy Objectives

The Statement of Investment Principles sets out the principal responsibilities and investment policy objectives of the Trustee for the DB section of the Scheme. The Trustee is satisfied that the objectives, as set out in this section of the SIP, have been followed during the Scheme year. During the year the Trustee reviewed the DB investment strategy as part of the continued strategy transition post the gilts crisis in 2022. An increase in the allocation to synthetic equities was agreed in order to increase the expected return on the portfolio following a reduction in allocation to Secure Income Assets.

DC Investment Policy Objectives

With regard to the DC section, the Trustee is satisfied as of the date of this statement:

- a) A range of lifestyle options (including a default lifestyle option) and self-select funds across different asset classes are available for members to invest in, enabling them to mitigate a range of risks and to meet different pension objectives
- b) The trustee last reviewed a Value for Money (VfM) assessment in May 2024, as provided by WTW. As part of the assessment, WTW reviewed whether the charges, Scheme governance and management, Investment services, Admin services, and Communications services were being provided at fair value to DC members. Following the review, the Trustee deemed that no action was required, and the next VfM assessment is due to be reviewed in Q2 2025.

Through 2024, the following strategic changes were implemented within the DC section, as agreed upon as part of the investment strategy review in 2023.

- To switch 50% of the allocation to the YBS Pre-Retirement Fund, within the Flexible and Lump Sum Lifecycle strategies, to a new fund – the YBS Short Dated Corporate Bond Fund – in order to better manage risk for members as they progress towards their retirement date
- To switch the assets in the Over 5 Year Index Linked Gilt Fund to the LGIM Inflation-Linked Annuity Aware Fund so as to provide a better match for members intending to purchase an inflation-linked annuity at retirement

Other investment policies

The Trustees take the considerations below into account when selecting and monitoring the performance of investment managers.

Policy area	Approach and actions taken over the Scheme Year
Section 13 – DB section The expected return of an investment will be monitored regularly and will be directly related	The Trustee reviews the expected return on the Scheme's assets in conjunction with reviewing its long-term objectives for the Scheme as part of regular IRM reporting at each Investment Sub-committee and Trustee meeting. The Trustees agreed to update key reporting metrics within this document through 2024 as a result of the DC

to the Scheme's investment objective.

investment strategy review in 2023 and the DB investment strategy review in 2024.

Section 15 - DB section

There will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances.

The Trustee undertakes several measures to ensure there is sufficient liquidity within the Scheme's assets. Firstly, the Trustee holds liquidity within the Trustee bank account to manage day-to-day ongoing cashflow requirements. Secondly, the Trustee holds liquidity accounts managed by Insight, which invest in short-term money market securities. The majority of the Scheme's investment managers also distribute income to the Scheme periodically and the Trustee review the cashflow position of the Scheme on an ongoing basis.

Section 26 – DC Section

Monitor the range of options regularly and at least every 3 years to ensure that the investment options are sufficiently diverse and consistent with the risk profile of DC members.

The Trustee reviews the DC investment strategy on a three-yearly basis or when considered necessary. The most recent review concluded in 2023, with changes (outlined earlier in this Statement) implemented through 2024. The review included consideration of the self-select fund options, and the Trustee is satisfied that these offer sufficiently diverse choices for members.

Section 30 – DB and DC

Take advice from the investment consultant to ensure the investment strategy and selected investment managers are suitable for the Scheme and review the suitability of the funds offered from time to time. Undertake due diligence on investment managers prior to appointment and subject to any concerns about the investment manager or change to the fund structure.

The Trustee reviews the DB and DC investment strategies on a three-yearly basis or when considered necessary. The most recent review of the DC Section concluded in 2023 and included consideration of the suitability of funds and fund managers. The Trustee reviewed the strategy for the DB Section through 2024, and this resulted in an increased allocation to synthetic equities in order to maintain return expectations following the completion of disinvestment from the BlackRock SAIF (illiquid fund). The decision was also made to allow the asset allocation to vary over time in response to market conditions rather than rebalancing to a defined Strategic Asset Allocation. Instead, the Trustee focuses on maintaining a range of portfolio risk and liquidity metrics within tolerance.

Section 31 – DB and DC

Set general investment policy and delegate the responsibility for selection of specific investments to appointed investment managers.

The Trustee, upon advice from its investment consultant, sets the asset allocation in line with the Scheme's overall objectives. This allocation is allowed to vary with market conditions, with the Trustee monitoring overall exposure to key asset classes and portfolio level risk and liquidity metrics. The selection of specific investments remains delegated to the Scheme's investment managers, and the Trustee reviews the performance of the managers against appropriate benchmarks on a quarterly basis.

Section 32 – DB and DC

The Trustee, upon advice from its investment advisor, has set measurable objectives for each of the Scheme's funds to monitor

Maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, at an acceptable level of risk.

performance against and reviews this performance on a quarterly basis.

To undertake additional monitoring of the Scheme's investments, the Trustee invites its managers to attend annual operational due diligence meetings. As part of these meetings, the Trustee reviews any portfolio changes over the year or changes at the manager, as well as reviews performance and the manager's sustainability practices. The Trustee last met with managers in Q1 2025 and noted no particular concerns. The Trustee used these meetings to understand each manager's approach to climate risk and ESG and to encourage further progress in this area. The Trustee also receives regular updates from the investment managers either directly or via its investment advisor and has noted no concerns or action at this time.

Section 33 – DB and DC

Review the policies of each of the investment managers from time to time.

The Trustee has not reviewed the investment policies of the Scheme's investment managers over the scheme year. However, the Trustee met with the Scheme's investment managers in Q1 2025 as part of the annual operational due diligence meetings, where no significant changes in the managers' policies were noted since the last review at the previous year's meetings.

Section 35 – DB and DC

Monitor both sections' investment performance and adherence to respective mandates and review the nature of the investments held periodically.

The Trustee reviews and discusses quarterly monitoring reports provided by the Scheme's investment advisor at each ISC and Trustee meetings. These reports cover both the DB and DC sections of the Scheme and utilise information provided by the investment managers to provide detailed insights into a range of qualitative and quantitative factors. As part of reviewing these reports, the Trustee considers whether the level of diversification within the Scheme's assets is sufficient to mitigate the risks faced by the Scheme and whether the DC lifestyle and self-select options remain aligned with the Scheme's objectives.

The Trustee has also appointed an independent performance measurer who collates and calculates performance for the DB section of the Scheme. This was previously provided by the Scheme's pensions team. The Trustee considers this performance data as part of its review process.

Section 36 – DC

Review the extent to which the return on investments relating to the default arrangement is consistent with the aims and objectives of the Trustee in respect of the default arrangement.

Please see Section 35.

In 2024, the Trustee reviewed the performance of the default and alternative lifestyle options through a "strategy monitoring report" provided by the investment adviser. This report considered the expected outcomes for members and how these are impacted by actual performance and future expected returns.

Section 37 – DB and DC

Appoint investment managers with an expectation of a long-term partnership in order to encourage active ownership of the Scheme’s assets.

When reviewing the performance of the Scheme’s investment managers on a quarterly basis, the Trustee assesses performance over 3 and 5 years, as well as on a shorter-term basis, to ensure it focuses on long-term outcomes. The Trustee also considers the active ownership of the Scheme’s assets by reviewing its investment managers as part of annual due diligence meetings and the Scheme’s annual Sustainable Investment review.

During the Scheme year, the Trustee noted no factors or concerns that would warrant the termination of any of the Scheme’s investment managers. However, a reduction in holdings in the BlackRock SAIF was completed to increase portfolio liquidity.

Section 38 – DB and DC

Ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with the Trustee’s policies.

Set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee’s policies, where relevant to the mandate.

The Trustee, as part of its quarterly monitoring, considers and reviews each of the investment objectives of the Scheme’s DB and DC fund ranges to ensure that the funds are performing in line with their stated objectives. The Trustee has set guidelines for its segregated mandates after taking advice from its investment consultant that these guidelines are appropriate for the policies and objectives of the Scheme.

Section 39 – DB and DC

Maintain alignment by providing managers with the most recent version of the Scheme’s Statement of Investment Principles on a regular basis and confirm with the managers that the management of the assets are consistent with those policies relevant to the mandate in question.

Confirm with managers whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the

During 2024, the Trustee shared the Scheme’s SIP with the investment managers, who confirmed that they manage the Scheme’s assets in line with the investment guidelines. The majority confirmed that they believe these guidelines to be consistent with the Scheme’s SIP. In some instances, the managers were not able to confirm compliance with the SIP, but overall, following advice from the investment advisor, the Trustee noted no concerns.

manager’s approach to sustainable investment, and the Trustee’s policies.

Section 40 – DB and DC

Engage with the investment manager to ascertain the reasons if, for pooled funds, a fund’s objectives and guidelines, or an investment manager’s approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee’s policies, and determine whether closer alignment can be achieved.

Include specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers’ engagement activities as part of this monitoring process.

Terminate and replace a manager if, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory.

Alongside reviewing performance reporting on the Scheme’s investments, the Trustee also receives a Sustainable Investment report from its investment advisor on an annual basis (with the last review being undertaken in November 2024). This report assists the Trustee in reviewing its investment managers’ sustainable investment practices, reporting and engagement levels to understand whether the manager and strategy’s approach to sustainability is aligned with the Trustee’s policy.

Over the scheme year, the Trustee did not find any circumstances of misalignment to warrant further engagement with any of the Scheme’s investment managers.

Section 42 – DB and DC

Review the costs incurred in managing the Scheme’s assets regularly, which includes the costs associated with portfolio turnover.

The Trustee undertakes regular reviews of the costs of managing the Scheme’s assets including the costs incurred with Fidelity (the DC scheme provider) and WTW (investment advisors). During the scheme year, the Trustee has reviewed investment manager fees incurred including transaction costs and noted no concerns. The Trustee also reviewed the DB Section’s investment manager fees relative to comparable mandates. The Trustee has also reviewed portfolio turnover levels and noted no concerns. The Trustee also reviewed the overall costs of the DC Section’s default strategies and, with the support of WTW, produced an annual value for money assessment as part of the Scheme’s Chairs statement. The Trustee noted no concerns, and no action was deemed necessary from the review.

Section 48 – DB and DC**Take into account ESG factors, including climate change, when reviewing current and new investment opportunities.**

The Trustee reviewed how ESG factors are incorporated into the Scheme's current investments through the annual Sustainable Investment review in November 2024. No action was deemed necessary as a result of the review.

In the DB Section, the Trustee did not consider any new investment opportunities during the scheme year.

In the DC Section, the Trustee considered ESG factors and climate change as part of the process for selecting the new Short Dated Corporate Bond Fund with BlackRock. The fund scored well under the sustainability criteria considered.

Section 50 – DB and DC**Delegate the responsibility to take ESG principles into account to its investment managers, and periodically review these policies through reporting or direct engagement with investment managers as appropriate.**

The Trustee recognises that there is a variety of Environmental, Social and Governance (ESG) risks and, to understand these risks further, undertook a Sustainable Investment review in November 2024.

As part of this, the Trustee reviewed information on its managers' approaches to sustainability integration, as well as voting and engagement activities where appropriate. The Trustee also ensures that it remains up to date with any regulatory requirements regarding sustainability as part of these reviews and more frequently if required. The Trustee does not undertake feedback on member views on sustainability over the scheme Year as they do not believe it is appropriate or practical for the Scheme at this time.

No specific action was deemed necessary as a result of the Trustee's review.

Section 52 – DB and DC

Delegate the exercise of voting rights to the investment managers.

The Trustee receives and reviews information on its investment managers' voting activity and the ESG impact of its investments, and this is carried out annually as part of writing the Trustee's implementation statement and the annual Sustainable Investment review provided by its investment consultant. More details on this can be found in Section 4 of this statement.

Encourage managers to vote in line with their guidelines in respect of all resolutions.

Overall, where applicable, the Trustee is comfortable with the managers' voting behaviour over the scheme Year and took no action as a result of the information provided.

Expect managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.

Section 53 – DB and DC

Expect the investment managers to invest with a medium to long time horizon and use voting activity to drive improvements in performance.

As part of the Scheme's annual Sustainable Investment Review, the Trustee reviews the engagement activity of the Scheme's investment managers, where appropriate.

Over the scheme year, the Trustee was comfortable with the high level of engagement and voting undertaken by the investment managers, where appropriate. No action was taken as a result.

Section 54 – DB and DC

Recognise the UK Stewardship Code as best practice and encourage their Investment Managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy

As part of the Scheme's 2024 Sustainable Investment review the Trustee received confirmation that their investment managers comply with the UK stewardship code, with the exception of Nephila, who manages the Scheme's investment in reinsurance. As the strategy invests in over-the-counter non-tradeable contracts without voting rights attached, certain aspects of stewardship are less applicable for this strategy relative to other assets the Scheme invests in. The Scheme is also in the process of disinvesting from this fund.

Section 55 and 56 – DC

Policy on investing in illiquid investments in relation to the DC default arrangements.

The DC default arrangements do not invest directly in illiquids but may access indirectly (at the discretion of the investment manager) through the holding in the Diversified Investments Fund. The Trustee discussed this with LGIM as part of the 2025 due diligence day meetings and will continue to monitor this in the future.

Section 4: Voting and engagement

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers. However, to monitor how the Scheme’s investment managers integrate ESG and undertake stewardship activities on the Trustee’s behalf, the Trustee undertakes an Annual Sustainable Investment review via analysis provided by its Investment Advisor. These reports contain information on ESG integration and a traffic light rating for the investment managers’ capabilities in this area, as well as data on voting and engagement where applicable. As part of this report, the Trustee also reviewed, where applicable, an analysis of the ESG scoring of the underlying holdings of the Scheme’s listed investments.

Overall, following the review carried out this year, the Trustee remained comfortable with the investment managers’ approach to ESG integration and noted no cause for concern.

As part of monitoring the stewardship of the Scheme’s investments, the table below sets out the voting activities of the Scheme’s investment managers. This includes any votes cast on the Trustee’s behalf, details on the Scheme’s investment manager’s use of proxy voting and examples of votes cast that they deem to be significant. Some of the Scheme’s underlying investment strategies, such as fixed income (where these holdings do not have voting rights attached) or property (where voting is not applicable due to the high level of ownership and control), have been excluded from the table below.

The table below reflects the voting data as provided by the Scheme’s investment managers. The Trustee has also set out further detail in a Supplementary Voting Activity Report on voting activities that the Scheme’s investment managers have carried out on behalf of the Scheme throughout the scheme Year. At the beginning of 2024, the Trustee undertook a training session on ESG in which the stewardship priorities of climate change and DEI (diversity, equity and inclusion) were chosen. The choice of most significant votes reflects these stewardship priorities.

Scheme section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
DC	BlackRock Emerging Markets Fund	Pooled Equity Fund	22,910 (voted on 99.2% of eligible resolutions) 11.8% of votes against management / 3.4% abstained	Accton Technology Corp (DEI) Agriculture Bank of China Limited (Climate Change) Air China Limited (Climate Change)	BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis. BlackRock have outlined that they do not follow any single proxy research firm’s voting recommendations but use Institutional Shareholder Services’ (ISS) electronic platform to execute its vote instructions.
DC	HSBC Islamic Global Equity Index Fund	Pooled Equity Fund	1,677 (voted on 94.0% of eligible resolutions) 22.0% of votes against management / 0.0% abstained	Apple Inc. (DEI) Amazon.com, Inc. (Climate Change) Broadcom, Inc. (DEI)	HSBC uses the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own bespoke voting guidelines.

DC	LGIM Diversified Fund	Pooled Multi-Asset Fund	108,048 (voted on 99.8% of eligible votes) 23.4% of votes against management / 0.9% abstained	Shell Plc. (Climate Change) National Grid Pls (Climate Change) Unilever Plc (Climate Change)	Uses proxy voting recommendations to augment its own research, but ultimately all voting decisions are made by LGIM
DC	LGIM World ex UK GBP Hedged Equity Index Fund	Pooled Equity Fund	33,453 (voted on 99.7% of eligible votes) 21.6% of votes against management / 0.3% abstained	Meta Platforms, Inc. (DEI) Exxon Mobil Corporation (Climate Change) United Health Group Incorporated (DEI)	
DC	LGIM MSCI Adaptive Capped ESG Index Fund	Pooled Equity Fund	35,924 (voted on 99.7% of eligible votes) 20.2% of votes against management / 1.39% abstained	HCA Healthcare, Inc. (DEI) United Rentals, Inc. (DEI) Holcim Ltd. (Climate Change)	
DC	LGIM UK Equity Index Fund	Pooled Equity Fund	10,188 (voted on 100.0% of eligible votes) 6.1% of votes against management / 0% abstained	Shell Plc (Climate Change) Unilever Plc (Climate Change) Glencore Plc (Climate Change)	

Section 5: Summary and conclusions

The Trustee consider that all SIP policies and principles were adhered to over the Scheme Year.