Novartis UK Pension Scheme (the "Scheme") Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Scheme's Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 December 2025 (the "Scheme year").

The statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and subsequent amendments, and the guidance published by the Pensions Regulator and the Department of Work and Pensions.

The Scheme's SIP was updated in June 2025 principally to reflect changes to the Scheme's liability hedging targets and to set out in more detail the Trustee's policy on Additional Voluntary Contributions ("AVCs"). It was also updated to take account of Environmental, Social and Governance ("ESG") related targets for the Buy & Maintain Credit mandates and changes to how ESG is assessed. For the purposes of this Statement, we focus on the June 2025 SIP that was in place at the end of the Scheme Year.

The statement does not include detailed reference to Additional Voluntary Contribution ("AVC") and Voluntary Purchase Account ("VPA") assets held by the Scheme in the context of the Scheme's Engagement Policy as these form a small proportion of total Scheme assets.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objectives for the Scheme specified in the SIP dated June 2025, which was adopted during the Scheme year, are as follows:

"The primary objective of the Trustee is to ensure that members' benefits are payable as they fall due. From an investment perspective, this involves (given the agreed Schedule of Contributions, if applicable) balancing a wish to generate investment returns to meet payments with a wish to limit the potential (downside) volatility of the returns (and the consequent impact on member benefit security). The view of what is and is not acceptable to the Trustee in investment terms ties in with funding and covenant considerations.

The Trustee recognise that the Scheme liabilities are long term (several decades) and hence the investment time horizon is potentially also very long term. They also recognise the potential for risk transfer opportunities e.g. through bulk annuities which could reduce the investment time horizon substantially for a proportion of the invested assets."

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. A copy of the latest SIP can be found here: https://novartis.compendiatouch.co.uk/media/ankjhe2v/sip-june-2025.pdf

The Trustee has also adopted a Responsible Investment ("RI") Policy document, which sets out the Trustee's Responsible Investment beliefs and policies in more detail.

The Trustee's policy in relation to ESG factors, stewardship and climate change over the course of the year, as set out in the SIP, is as follows:

"The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes and will therefore be considered as part of the Scheme's investment process. The Trustee also recognises long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting an investment strategy, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy.

The Trustee will ensure that an appropriate governance budget is available for developing and implementing ESG and Climate Change related governance policies. The Trustee will adhere to the annual reporting requirements under the Task Force on Climate-Related Financial Disclosures ("TCFD") regulations.

The Trustee's intention is to align the Scheme's investments with the targets set under the Paris Agreement (which aims to limit climate change to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels) in relation to greenhouse gas emissions and carbon neutrality, to the extent that this is consistent with overall risk and return considerations (including for example, avoiding, a material detriment to return expectations through the existence of "green premia" or a concentration of risk that could result from an excessively narrow investment universe). Further detail on the Trustee's beliefs and policies in relation to ESG factors and Climate Change is set out in the Trustee's Responsible Investment Policy document.

Subject to this Policy the Trustee has given the appointed investment managers full discretion when evaluating ESG factors, including climate change considerations, and in exercising voting rights and stewardship obligations attached to the Scheme's investments, in accordance with their own corporate governance policies and taking account of current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee has engaged with both of the Scheme's buy & maintain corporate bond managers in order to incorporate climate and ESG-related targets in their portfolio guidelines. Where investment is in multi-investor pooled funds, the Trustee will consider the guidelines of the relevant pooled fund when deciding to appoint or retain the manager. The Trustee expect its managers to take these factors into account as appropriate to the mandate in the selection, retention and realisation of investments. This covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental and social impact and corporate governance.

The Trustee will review periodically the responsible investment policies and practices of the appointed investment managers, with the assistance of their advisers. The Trustee will, where it is deemed appropriate, engage the managers in discussion on their responsible investment policies and may request the managers consider collective engagement further. It will however be made clear to the managers that any decisions taken by the managers should be in the best long term financial interest of the Scheme and its members.

The Trustee considers the ESG credentials of investment managers in the selection and ongoing monitoring of investment managers, making use of Mercer's ESG ratings and investment reports. Given a shortlist of highly rated strategies, the Trustee would consider those strategies with positive ESG tilts more favourably and under normal circumstances, the Trustee would not expect to appoint a strategy that is afforded the lowest rating by their adviser in relation to ESG.

The Trustee will consider the ESG policies and practices of prospective annuity providers to the extent possible. Furthermore, the Trustee will consider the ESG policies and practices of AVC providers noting that the impact of AVC performance is on individual members, but notes also that these contracts are a small proportion of total assets and hence will not have a significant impact on the Scheme's overall ESG."

Engagement

The following work was undertaken during the Scheme year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

- All of the Scheme's investment managers confirmed that they are signatories of the current UK Stewardship Code.

- Managers are expected to report on their own ESG related policies and activities as and when requested by the Trustee. Over the Scheme year, the Trustee asked their investment managers to summarise their approach to ESG when presenting at Trustee or Investment Sub-Committee ("ISC") meetings. Aviva and L&G presented at meetings during 2025.

- The Scheme's investment performance report is reviewed by the Trustee on a quarterly basis. This includes the investment consultant's assessment of the extent to which ESG factors are integrated into the managers' investment processes against their specific mandates. In asset classes where ESG factors are assessed by the investment consultant as relevant and potentially material to risk and return outcomes, ESG factors are fully integrated into the managers' investment processes for each of the Scheme's mandates.

- In July 2025, the Trustee published the Scheme's third annual TCFD report. The report outlines how the Trustee has established and maintained oversight and processes to ensure that relevant climate related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Scheme.

- The Trustee also requested details of relevant engagement activity over the year from each of the Scheme's investment managers, noting that the Scheme does not invest in equity mandates and therefore its managers have little or no ability to influence investee companies through voting activity.

    - The Scheme's investment managers engaged with companies over the year on a wide range of different issues, including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris agreement).

    - The Scheme's managers provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives were driven mainly through regular engagement meetings with the companies that the managers invest in, or by voting on key resolutions at companies' Annual General Meetings. Examples are set out below. The Trustee notes that, while it does not invest in Equity mandates, its appointed managers do manage equities for other investors, and expects its managers to apply its views consistently across mandates and for this to influence the behavior of investee companies. Examples of key activities are shown on this basis.

Engagement activity

The following is based on information provided to the Trustee by the Scheme's investment managers:

L&G

L&G's investments and stewardship teams made 192 engagements on ESG issues with 103 companies within the Scheme's Buy & Maintain Credit Fund over the Scheme year, focussing on corporate strategy, climate change and remuneration policy. Two examples are set out below:

Microsoft

L&G's engagement with Microsoft in 2025 focused on transparency and governance of artificial intelligence ("AI"), human rights related to AI and data governance, and oversight of AI data usage amid evolving regulatory and reputational risks.

Microsoft is a leader in integrating AI through its software and cloud operations. L&G believes such companies must be transparent about AI use and risk management. Given Microsoft's global scale, human rights risks in its operations and value chain are significant.

L&G first engaged with Microsoft on AI governance in 2023, after publishing its 'safe AI' expectations. In late 2025, L&G met Microsoft before their AGM to discuss shareholder resolutions on AI, data governance, and human rights, seeking to understand Microsoft's risk management measures.

Following stakeholder feedback and corrective actions, L&G voted against two human rights resolutions at the 2025 AGM but supported a proposal for a report on AI data usage oversight, reflecting fast-changing regulations and risks including copyright issues.

Microsoft has improved transparency on AI governance and human rights. While disclosures are generally stronger than peers, L&G sees room for better data governance disclosures, especially on government content removal requests and user data. Microsoft's updated risk classification for projects requiring human rights due diligence is positive.

L&G will continue monitoring Microsoft's progress. These engagements help L&G understand challenges companies face on emerging issues and assist Microsoft in recognising the financial importance of these risks. L&G looks forward to ongoing discussions on AI governance and environmental topics.

Shell

L&G's engagement with Shell is a key part of its stewardship approach to managing climate-related risks in the oil and gas sector. The focus has been to understand the balance sheet risks from Shell's growing exposure to liquified natural gas ("LNG"), a complex part of its energy transition strategy. L&G seeks to ensure Shell shows business resilience across multiple climate transition scenarios, reflecting the challenges of moving to a low-carbon economy.

L&G has held detailed discussions with Shell's management to assess the credibility of its climate transition plans, especially how it manages financial risks linked to LNG assets. L&G stresses the need for transparent and comprehensive reporting, encouraging Shell to disclose stranded asset risks and the financial resilience of its LNG portfolio.

Shell has responded positively, committing to improve its reporting to better meet L&G's expectations. This includes clearer disclosures on the financial impacts of climate change on LNG operations. L&G sees these as important steps toward transparency and accountability, helping investors assess Shell's readiness for the energy transition.

L&G continues to engage with Shell, pushing for ongoing improvements in disclosure and risk management. The goal is for Shell to meet current expectations and proactively address emerging climate challenges. By focusing on decision-useful information and clear communication, L&G supports Shell in navigating the complex energy transition and safeguarding long-term investor value.

RLAM

RLAM made 80 engagements over the Scheme year at a portfolio level, engaging with companies on a number of issues, including climate change (transition and physical risks), nature and biodiversity, corporate governance, social and financial inclusion, innovation, technology, and Just Transition. Two such examples are set out below.

<u>Lloyds Banking Group plc</u>
RLAM engaged with Lloyds as part of their long-running engagement with banks on Just Transition. Lloyds has embedded Just Transition principles across its decarbonisation strategy, committing £1 billion to its Regional Impact Fund to tackle regional inequality and promote inclusive economic growth. The bank has formed partnerships to channel private investment into green infrastructure and expanded its 'Eco Home Reward' scheme, providing up to £2,000 cashback for energy efficiency measures, returning over £2 million to customers in 2025. Lloyds is collaborating with Octopus Energy to reduce heat pump installation wait times and exploring property-linked financing. Prior to mortgage policy changes, Lloyds conducted analysis to ensure alignment with Just Transition principles. RLAM will continue to engage with Lloyds regarding Just Transition.

<u>Yorkshire Water</u>
RLAM engaged with Yorkshire Water to assess its climate resilience and pollution control strategies. Yorkshire Water is investing £1.5 billion to upgrade storm overflow systems and implement nature-based solutions such as wetlands and tree planting to enhance water quality and biodiversity. The company is deploying monitoring technologies and intelligent pumps to prevent failures, supported by digital transformation and green skills development for its workforce. Financially, Yorkshire Water is focusing on inflation-linked debt and reducing leverage to maintain stability. RLAM will continue to track progress on biodiversity initiatives and resilience disclosures.

Aviva

Aviva has stated that the concept of engagement and voting in Real Assets (such as property), or private markets, is fundamentally different to listed equity and fixed income. This is because:

- Where real assets managers invest in companies, the companies are not listed and so don't operate a traditional listed company voting system.

- Where real assets managers invest directly, the manager's staff make decisions about how the asset is managed, so there is no 'company' to engage with.
- Where real assets managers invest in private debt, the opportunity to engage with counterparties concerns only the management of the secured asset, and not the general management of the borrowing company itself.

Based on these factors, Aviva Investors believe engagement in real assets should focus on structured interaction on environmental and social issues with the occupier, sponsor or counterparty. The engagement should be carried out through the transaction process, or through ongoing asset management, dependent on the asset class.

Aviva's property engagement has focussed on occupiers and providing support for decarbonisation of their assets and energy efficiency in line with the occupier's own business priorities / ambitions. Aviva have made engagements with 40 separate entities over the Scheme year. An example of Aviva's engagement activity is set out below.

BBC Worldwide
Aviva recognizes that proactive tenant engagement and sustainability initiatives can enhance asset value and energy performance. At BBC Worldwide's London HQ, part of the former TV Centre and owned by the Fund since 2015, Aviva conducted a Net Zero Carbon Audit in collaboration with the tenant to identify energy efficiency improvements, including degasification of the building. Aviva agreed to contribute £941,000 towards these works, resulting in a restructured lease with a 10-year extension, a revised rent review clause, and a 20% rent reduction. This initiative increased the investment's value by approximately £3.3 million (around 4%), delivered a 29% return on capital employed, and secured a 25-year inflation-linked cash flow from a core tenant, while future-proofing the property through decarbonization and enhanced energy efficiency.

Wellington

Wellington see opportunity to supplement their knowledge of companies and enhance their influence on their long-term success, through engagement. They have regular conversations with management and boards in order to establish a two-way dialogue. They believe their exchanges help them assess companies for their corporate culture, adaptability, responsiveness and their alignment with incentives of sustainable long-term targets.

Over the reporting period, 1,167 engagements with the fund's held names were conducted by Wellington on a firm-wide basis, on a broad range of ESG topics. Wellington assign an ESG rating between 1 and 5 by scoring a series of ESG data indicators for a given issuer that are material within that issuer's peer universe. A rating of 1 is the most positive ESG rating, indicating that the company is a leader among its peers in managing material ESG risks. A rating of 5 is the most negative, indicating that the company may be lagging its peers in managing certain material ESG risks.

Limak Renewable Energy

In 2025, Wellington engaged with Limak Renewable Energy to ascertain information on various sustainability-related issues. Firstly, Wellington enquired whether emissions would be tracked for Limak Renewables, noting that while these metrics were tracked for other Limak Group businesses, they were not reported for the subsidiary. Wellington was reassured that Limak Renewables' 2023 and 2024 Scope 1 and Scope 2 emissions would be reported in the report due in August 2025.

Another aspect of the engagement was to better understand how the issuer monitors and mitigates the impact of hydroelectric operations on local aquatic ecosystems and what steps are taken to protect biodiversity near dams. Limak provided Wellington with insight into their assessment process, philosophy, and analysis. This included explanation of the Ecosystem Assessment Report and how activities are monitored, with mitigation measures to preserve habitats. The issuer assured Wellington that environmental impacts are continuously monitored, with evaluations focusing on identifying opportunities and assessing mitigation measures across all sites.

Wellington was satisfied that Limak provided thoughtful and detailed responses to all questions, which has provided Wellington with better insight into their sustainability operations and policies.

Voting Activity

The Scheme's current investment strategy is composed of fixed income and property portfolios only. These portfolios do not typically have securities that hold voting rights. However, the Trustee is required to identify key themes and priorities as part of what constitutes a significant vote. The Trustee has previously completed an ESG beliefs session and have a Responsible Investment policy in which their beliefs are set out. The Trustee will follow their Responsible Investment Policy to determine significant voting activity and report them as such.

The Trustee has delegated its voting rights to the investment managers. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustees does not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

Three of the stock holdings within the Wellington fund, Becton Dickinson & Co, Lincoln National Corporation and MongoDB Inc carried voting rights and Wellington cast votes during meetings in 2025. Details are set out below. The Trustee has not challenged this activity.

No voting activity was provided by any of the Scheme's other investment managers for the year to 31 December 2025.

Company	Date	Proposal	Wellington vote for/against management	Outcome of Vote
Lincoln National Corp.	22 May 2025	Shareholder Proposal Regarding Independent Chair	Against	Fail
		Elect Deirdre P. Connelly	Against	Pass
Becton Dickinson & Co.	28 January 2025	Elect Jeffrey W. Henderson	Against	Pass
MongoDB Inc	30 June 2025	Elect Peter Thomas Killalea	Withhold	Pass