Nestlé UK Pension Fund (DB Section) Statement of Investment Principles Implementation Statement

July 2023

Contents

Introduction

This Implementation Statement ("the Statement") has been prepared by the Trustee Board ("the Trustee") of the Nestlé UK Pension Fund ("the Fund").

This Statement is produced by the Trustee as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The regulations state that the Statement must:

- Describe any review of the Statement of Investment Principles ("SIP") during the period covered by the Statement including an explanation of any changes to the SIP.
- Set out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by Trustee or on its behalf) during the year and state any use of the services of a proxy voter during that year.

From 1 October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This statement has been prepared with this guidance in mind.

Based on regulatory requirements, the Statement will cover the period from 1st January 2022 to the end of the Fund's financial year on 31st December 2022. This Statement should be read in conjunction with the Fund's Defined Contribution ("DC") Implementation Statement.

The Statement is split into three sections:

1. An overview of the Trustee's actions and highlights during the period covered (including any reviews and changes to the SIP);
2. The policies set out in the Fund's SIPs for the DB section and the extent to which they have been followed during the reporting period; and
3. The voting behaviour and significant votes undertaken by the fund managers on behalf of the Fund.

Reviews of, and changes to, the SIP

There were no changes to the SIP during the reporting period 1 January 2022 to 31 December 2022, and this statement is based on the latest SIP dated June 2021. The Trustee reviewed and subsequently updated the Fund’s SIP in 2023 to reflect updates to the Fund’s Investment Strategy. Details of these changes will be provided in next year’s SIP Implementation Statement.

Reviews of SIP policies

The table sets out the policies in the Fund's SIP and evidence supporting the extent to which they have been followed. *Please note that references to the Trustee may refer to the Trustee Board and/or the Defined Benefit Investment Committee ("the DBIC").*

Policy	Has the policy been followed?	Evidence
Fund Governance (1)		
The Trustee has taken proper written advice from its investment advisers and consulted the Principal Employer to the Fund in the preparation of this SIP.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee received written advice from its adviser with respect to the contents and wording of the SIP in accordance to Section 35 of the Pension Act 1995. The Principal Employer gave written approval of the contents and wording of the SIP.
The Trustee considers that the governance structure set out in this SIP is appropriate for the Fund as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to its appointed investment managers and/or its advisers as appropriate.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee has established a governance committee, the DBIC, which is responsible for certain investment matters delegated to it under terms of reference set out by the Trustee. The Trustee continues to believe that the governance structure set out in the SIP is appropriate for the Fund.
The Trustee takes advice from its investment advisers to ensure that the assets of the Fund are invested in accordance with the policies set out in this SIP and the requirements of section 36 of the Pensions Act 1995.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee's investment adviser reviews all Fund assets to ensure they are compliant with the policies in the SIP and the requirements of section 36 of the Pensions Act 1995. The Trustee was not informed of any breach of these policies occurring during the reporting period.
Investment Objectives (3)		
Primarily to invest the assets of the Fund to meet its liabilities when they fall due. The Trustee wishes to protect members' accrued benefits, whilst maintaining a reasonable prospect of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee received regular advice from its investment advisers on the Fund's investment strategy. This included quarterly reporting as well as ad hoc updates regarding funding level developments and steps the Trustee could take to achieve its primary funding objective.
Manage the investment risk, including that arising due to mismatch between assets and liabilities, and limit the total risk of the Fund.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee sets a budget on an appropriate risk metric, which was monitored on a quarterly basis. These reports were discussed at the following dates over the reporting period:

		24th February 2022 23rd May 2022 18th August 2022 24th November 2022 Over the reporting period, the Fund remained within the risk budget and no corrective action was required. The Trustee employs an investment strategy according to an agreed Strategic Asset Allocation (“SAA”), that invests in a diversified set of assets with characteristics that help to grow the Fund’s assets, limit the mismatch between assets and liabilities, and protect against material investment risks. The Trustee’s SAA targets a de-risked investment strategy that corresponds to a target funding level on a relevant discount basis. Over the reporting period, the Fund continued to transition the portfolio towards the SAA. This activity included the on-going reduction of the Fund’s allocation to Hedge Funds, Property, and Private Equity. The strategic allocation to Global Equity was also reduced, while the strategic allocation to Buy and Maintain Credit was increased. The Fund has fully divested from Multi Class Credit. The remaining changes are currently in progress. During the UK gilt crisis in September and October 2022, the Trustee reviewed the Fund’s prevailing asset allocation against the agreed SAA. To maintain sufficient liquidity and collateral to support the Fund’s hedging strategy, it was necessary to temporarily deviate from the SAA. The Trustee subsequently opted to rebalance the asset allocation back to the existing SAA on a gradual basis. This activity remains ongoing. There were no other deviations from the target strategy during the reporting period.
Maintain suitable liquidity of assets such that the Fund is not forced to sell investments at particular times to pay member benefits or meet potential collateral calls.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee monitored the required and available collateral of the Fund on a quarterly basis at the following dates: 24th February 2022 23rd May 2022 18th August 2022 24th November 2022

		The Fund maintained sufficient liquidity and collateral to pay member benefits and/or meet collateral calls throughout the entire reporting period. During the UK gilt crisis in September and October of 2022, the Fund maintained sufficient liquidity and collateral to maintain its hedging strategy. This was achieved via partial disinvestments in Global Equity and Structured Credit.
In order to help the Trustee achieve its investment objectives, the Trustee has established a Defined Benefit Investment Committee ("the DBIC"), which is responsible for certain investment matters delegated to it under terms of reference agreed by the Trustee from time to time.	Yes, the Trustee is satisfied that this policy has been followed.	The DBIC met 8 times during the reporting period, including 4 ad-hoc meetings during the UK gilt crisis, and carried out its role according to the governance structure as set out in the SIP.
Summary of the Fund's Investment Strategy (4.1) – Investment Allocation Approach		
Assets are invested taking account of the nature and duration of the Fund's liabilities and to ensure appropriate diversification between asset categories	Yes, the Trustee is satisfied that this policy has been followed.	When making investment recommendations to the Trustee, the investment advisers evaluate the suitability of investments in the context of the Fund's liabilities and their contribution to total investment risk. Diversification opportunities are considered as part of this process. As part of this, the Trustee continued to fulfil the Fund's additional commitments in the Aviva Diversified Matching Illiquids Fund and the BlackRock Strategic Alternative Income Fund in the reporting period.
Summary of the Fund's Investment Strategy (4.2) – De-Risking Approach		
The Trustee has agreed to a long-term funding target of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036.	Yes, the Trustee is satisfied that this policy has been followed.	On a quarterly basis, the Trustee reviewed the position of the Fund versus its long-term objective and received advice from its advisers on available courses of action should the Fund's funding level trajectory deviate from the long-term target. Over the period these took place on the following dates: 24th February 2022 23rd May 2022 18th August 2022

		24th November 2022 In addition to these meetings, the Trustee also met on an ad hoc basis regarding liquidity and collateral sufficiency of the Fund during the UK gilt crisis.
Summary of the Fund's Investment Strategy (4.3) – Investment Managers		
The Trustee delegates day-to-day investment decisions to suitably qualified independent investment managers. Investment Managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the Trustee's investment advisers.	Yes, the Trustee is satisfied that this policy has been followed.	Over the reporting period, the Trustee continued to delegate day-to-day investment decisions to its investment managers. The Fund completed a full divestment from the Multi Class Credit allocation (Brigade Offshore Credit Fund) as part of a strategic de-risking exercise. The Trustee appointed PIMCO Europe Ltd to manage a Buy & Maintain Credit mandate (PIMCO Global Buy & Maintain Credit Fund) over the reporting period.
The DBIC selects the Fund's investment managers with an expectation of a long-term appointment, although the legal terms of the contracts may provide for different durations according to asset class.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee continues to have an expectation of long-term appointments for the Fund's investment managers. The decision to fully divest from the Brigade Offshore Credit Fund was made upon the completion of the latest triennial valuation. The Trustee determined that this fund had served its strategic purpose and was no longer necessary in order for the Fund to meet its long-term funding target.
To aid diversification the Trustee employs a number of investment managers with specialisms in different asset classes and regions and varying investment styles, both passive and active.	Yes, the Trustee is satisfied that this policy has been followed.	There were no changes to Trustee's approach during the reporting period. It continues to employ a range of investment managers whose areas of specialism combine to achieve a diversified source of investment returns for the Fund across both passive and active strategies.
Each mandate's performance targets, benchmarks, restrictions and fees are set out in the respective Investment Management Agreements ("IMA") or pooled fund documentation. The documents governing the manager appointments include a number of guidelines which, among other	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee retains records of all IMA and pooled fund documentation and receives advice from its investment adviser when an agreement is amended following a change in circumstance or objective. During the reporting period, the IMA for the PIMCO Global Buy & Maintain Credit Fund was amended to reflect revised guidelines regarding the treatment of

things, are designed to ensure that only suitable investments are held by the Fund. Investment managers have discretion to buy and sell investments within the terms of their agreements.		securities that experience a change in credit quality during the investment period. Additionally, the IMA for the LGIM LDI portfolio was updated to reflect an update to third party manager data that is incorporated into the LGIM mandate.
When investing in a pooled investment fund, the DBIC ensures the investment objectives and guidelines of the fund are consistent with the Trustee's investment policies. Where segregated mandates are used, the DBIC may set explicit guidelines within the IMA where it is appropriate to do so.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee invested in the PIMCO Global Buy & Maintain Credit Fund on a segregated basis. The DBIC has engaged with the manager (via their investment adviser) to incorporate the Trustee's investment policy into the IMA. Additional investments were made to two of the Fund's existing allocations, the Aviva Diversified Matching Illiquids Fund and the BlackRock Strategic Alternative Income Fund. The Trustee received advice from their investment advisers concerning the ongoing suitability of the objectives listed in the pooled fund agreement for the Aviva Diversified Matching Illiquids Fund. When new investments were previously made, the Trustee's investment advisers provided advice on the suitability of the objectives listed in the pooled fund agreement and advised on the necessary guidelines to be included in the IMA.
Investment managers are listed in the Fund's annual report and accounts, which also contains information about investment performance, asset allocation and major investment decisions taken during the year.	Yes, the Trustee is satisfied that this policy has been followed.	The Fund's investment managers continue to be listed in the Fund's annual report and accounts, which can be found online.
Summary of the Fund's Investment Strategy (4.4) – Manager Review and Monitoring		
The Trustee and/or DBIC regularly monitors the Fund's investment managers to consider the extent to which the investment strategy and decisions of the managers are aligned with the Trustee's policies. This includes: The managers' performance (net of fees and costs) against a benchmark appropriate to each manager, taking into account the level of risk taken by each manager. Performance targets are monitored	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee reviewed the managers' performance on a quarterly basis, following advice from their investment adviser. The Trustee considered the performance of each manager across a variety of time horizons and, where applicable, against appropriate benchmarks. This included the manager's engagement with investee companies and annual management fees and costs. During the reporting period this took place on the following dates:

over short, medium and long-term horizons; The extent to which the managers make decisions based on assessments about medium- to long-term performance and engage with underlying investee companies in order to improve their performance in the medium- to long-term; The managers' approach to responsible investment and alignment with the Trustee's policies in this area; The managers' fees and costs related to portfolio turnover.		24th February 2022 23rd May 2022 18th August 2022 24th November 2022 Additionally, the DBIC interacted with its managers through its advisers on an ad-hoc basis. Specific examples during the reporting period include: - Requesting details from LGIM, one of the Fund's Buy & Maintain Credit managers, concerning the emissions profile of the portfolio versus a representative benchmark. - Requesting PIMCO to examine the level of Paris alignment of both the Global Buy & Maintain Credit Fund portfolio and the existing benchmark universe. The Trustee also conducted detailed reviews of the stewardship and engagement activity by managers of the Fund's key strategic portfolios and whether the managers were taking sufficient action to align the characteristics of the portfolios with the Trustee's investment and responsible investment policies. This was conducted on 18th August 2022. No material changes were made to this approach over the reporting period.
Should the Trustee's monitoring process reveal that a manager's investment strategy and investment decisions are not aligned with the Trustee's policies, the Trustee and/or DBIC will engage with the manager to discuss how alignment may be improved. This includes specific consideration of the Fund's responsible investment policies.	Yes, the Trustee is satisfied that this policy has been followed.	Over the reporting period, the Trustee did not find that the Fund's managers' investment strategies or decisions were misaligned with the Trustee's policies.
Costs and Charges (5)		
Fees are charged by the Trustees' managers either as a proportion of the assets under management or are related to performance targets. They are negotiated individually when a manager is appointed and are reviewed periodically. The	Yes, the Trustee is satisfied that this policy has been followed.	Over the reporting period there were no changes to existing fee arrangements, which are all either as a proportion of the assets under management or are related to performance targets. In Q3 2022, the Trustee's investment advisers completed a review of the fees

Trustee and/or DBIC takes advice from its investment advisers to ensure that fees are commensurate with the services provided.		paid to the Fund's investment managers. This was reviewed by the Trustee on 24th November 2022. The adviser found the fees paid to managers to be market competitive given the size and scale of the mandates.
Portfolio turnover costs are a necessary cost to generate investment returns and the level of these costs varies across asset classes and manager. The Trustee and/or DBIC keeps them under review with the help of its investment advisers to ensure that they are appropriate. No specific ranges are set for portfolio turnover costs.	Yes, the Trustee is satisfied that this policy has been followed.	There were no reports of materially high portfolio transaction and turnover costs over the period. During the reporting period, the Fund increased its allocation to the Aviva Diversified Matching Illiquids Fund and the BlackRock Strategic Alternative Income Fund. The transaction costs associated with additional capital deployed by the manager were reviewed and deemed to be within an appropriate range.
Types of Investments Held (6.1) – Investments in DB Section		
Assets are diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the Fund as a whole.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee was satisfied that the Fund retained a sufficient level of diversification between asset classes during the reporting period.
Types of Investments Held (6.3) – Expected Returns on Investments		
The Trustee receives professional independent investment advice on the expected levels of investment returns (after the deduction of expected charges) and risks for the funds to ensure that they are consistent with the Trustee's objectives.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee's investment adviser provided quarterly reports outlining the expected level of investment return and risk of the Fund. During the reporting period advice in these areas was provided on the following dates: 24th February 2022 23rd May 2022 18th August 2022 24th November 2022 The DBIC also received investment advice during 4 ad-hoc meetings during the UK gilt crisis.
Risk Management and Monitoring (8)		
All pension schemes are exposed to various risks. The Trustee recognises the importance of how these key risks interact with each	Yes, the Trustee is satisfied that this policy has been followed.	In accordance with the SIP, the Fund's progress against its strategic objectives is managed and monitored using a Pensions Risk Management Framework ("PRMF"),

other and with other risks the Fund is exposed to in relation to its funding level and the Fund's sponsor (the risk that, for whatever reason, the sponsoring employer is unable to support the Fund as anticipated). The Trustee also has in place processes to consider and monitor these non-investment risks on a regular basis and takes an integrated approach to managing investment and non-investment risks.		which is prepared by the investment adviser and is reviewed by the Trustee on at least a quarterly basis. Over the reporting period these took place on the following dates: 24th February 2022 23rd May 2022 18th August 2022 24th November 2022 During the meetings on the dates detailed above, the Trustee used the PRMF to monitor various risks as outlined in the SIP, and in particular to ensure that: The expected return on investments was close to the return required to meet the primary funding objective of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036. Investment risk (including that which arises due to mismatch between assets and liabilities) was being kept within agreed budgets. The Fund's liability hedging strategy remained broadly in line with the agreed proportion of the Fund liabilities, An update to the liability benchmark to reflect the new discount basis following the latest triennial valuation took place across December 2021 and January 2022, and the Fund's liability hedging strategy has since been realigned to the target level. During the UK gilt crisis in September and October of 2022, the Fund maintained sufficient liquidity and collateral to maintain its hedging strategy via disinvestments in Global Equity and Structured Credit. The Trustee is satisfied that the implementation of the risk management and monitoring strategy was consistent with the SIP and is appropriate for the circumstances of the Fund during the reporting period.

Overview of the Trustee's Stewardship, Voting, and Engagement Policies

The Trustee's responsible investment belief concerning stewardship and engagement is:

"Engagement is the preferred means of aligning the Fund's investments with the goals of the Trustee, but the Trustee will consider an exclusion and divestment strategy where engagement fails to yield meaningful alignment and where consistent with the Trustee's fiduciary duties."

The Trustee's policy concerning Stewardship, Voting, and Engagement is summarised in its Statement of Investment Principles. A more detailed description, which draws on the Trustee's Statement of Investment Principles and the Responsible Investment policy is characterised by the four sections below:

- Selecting the Fund's Investments
- Appointment, review and monitoring of the Fund's asset managers
- Stewardship – "A responsible owner of our assets"
- Addressing the risks (and opportunities) of climate change

Additional detail on these policies, and evidence demonstrating how they have been followed during the reporting period, is provided below.

Selecting the Fund's Investments

The Trustee's policy with regard to selecting the Fund's investments includes:

- All else being equal, the Trustee will allocate the Fund's DB assets to asset classes where Environmental, Social, Governance ("ESG") can be integrated into decision making.
- ESG risks will be assessed along with other factors such as investment risk and return.
- The Trustee will not divest the Fund's DB assets from existing asset classes for ESG reasons alone but consider its function within the broader portfolio along with other factors such as investment risk and return.

How have the policies been followed by the Trustee?

The Trustee has, in its opinion, followed the responsible investment policies concerning the selection of the Fund's investments during the reporting period.

The PIMCO Global Buy & Maintain Credit Fund was introduced to the Fund's Strategic Asset Allocation. As part of its IMA, the Trustee requires the manager to account for and report on portfolio carbon emissions and apply an ESG exclusion policy. When constructing the portfolio, the Trustee required PIMCO to seek to minimise the owned absolute carbon emissions such that they are equivalent or lower than that of the reference universe and simultaneously seek to ensure the portfolio has a yield (in GBP hedged terms) that is equivalent or higher than that of the reference universe.

No other new investments were incorporated into the Fund's current or strategic asset allocations; however, the Trustee adopted a new strategic asset allocation in 2021 and are in the process of divesting from several asset classes. These divestments were not made on purely ESG grounds, however consideration was given to its impact.

Appointment, review and monitoring of the Fund's asset managers

The Trustee's policy with regard to the appointment, review and monitoring of the Fund's asset managers includes:

- In relation to the appointment of new investment manager(s), the integration of ESG into their investment process is considered as a key selection factor used to assess the manager(s) during the investment due diligence process.
- Once appointed, the Trustee requires its appointed investment managers to be cognisant of climate change risks and opportunities within their investment processes as applied to the assets of the Fund.
- The extent to which managers integrate ESG and specifically climate-related factors into their investment process is monitored to ensure it is sufficient for the characteristics of the asset class and aligned to the Trustee's responsible investment policies.
- The Trustee requires all the Fund's asset managers to provide reporting on ESG factors, including climate change, where possible.

How have the policies been followed by the Trustee?

The Trustee has, in its opinion, followed the responsible investment policies concerning the appointment, review and monitoring of the Fund's asset managers during reporting period.

The Trustee expects its managers to be signatories to the UN Principles of Responsible Investment (UN PRI). At the end of the reporting period, all the Fund's Investment Managers were signatories to the UN PRI.

Over the period, the integration of ESG, and specifically climate-related, factors continued to be an explicit topic of discussion between the Trustee and its investment adviser. The Fund's asset managers provided quarterly reporting on the integration of and risks related to ESG and climate-related factors pertinent to the assets they manage on the Fund's behalf, as well as specific ad hoc ESG reporting. This included, for example, carbon emissions and social impact metric reporting in addition to case study evidence. These topics were the subject of focussed discussion during the quarterly review meetings with the managers, with examples provided by the managers of specific ESG integration within their portfolios, where relevant. For example, one of the Fund's managers, BlackRock, began to analyse and report on the CO2 emissions of the Strategic Alternative Income Fund to identify and prioritise any building works that could be done to improve the annual CO2 emissions offset of the portfolio.

The Trustee appointed PIMCO as an additional Buy & Maintain Credit manager alongside LGIM and continued to fulfil the Fund's additional commitments in the Aviva Diversified Matching Illiquids Fund and the BlackRock Strategic Alternative Income Fund. During discussions with the manager surrounding the type of assets they would be investing in, the Trustee made clear its desire for ESG to play a prominent role in the manager's investment choices.

The Fund is currently in the process of de-risking its portfolio as it transitions to a new strategic asset allocation. During this process, for both existing and new mandates, the Trustee is exploring ways to further incorporate ESG and climate-related considerations into the Investment Management Agreements ("IMAs") in place with its asset managers of segregated mandates, where the Trustee is better able to influence manager decision-making, and the Pooled Fund Agreements in place with the asset managers of pooled funds. Examples of the activities undertaken can be found below:

- optimising a portfolio's emissions profile versus a representative benchmark to reduce the overall climate risk;
- considering the temperature alignment of a mandate's emissions; and
- excluding assets which are in breach of the United Nations Global Compact Principles.

Stewardship – "A responsible owner of our assets"

In order to focus the Trustee's stewardship efforts, it has selected six core ESG themes. The core ESG themes have been selected based on advice as to their likely financial materiality to the Fund and alignment with the United Nations Global Compact principles. The core ESG themes are:

- Environment
- Climate Change
- Human Rights
- Labour Rights
- Corporate Governance
- Corruption

The core themes are kept under review by the Trustee and may be updated or added to periodically.

The Trustee and/or IC monitors the managers' track record of engaging with companies based on the Trustee's six core ESG themes. The framework identifies companies to which the Fund has material exposure whose business operations are deemed to cross materiality thresholds set by the Trustee against which the core ESG themes are judged. It also identifies whether a manager has engaged with companies on topics relevant to the core ESG themes. The Trustee uses this framework to define the most significant vote reporting shown in the Voting Behaviour section below.

The Trustee's policy regarding stewardship & engagement includes:

- The Trustee has delegated all voting and engagement activities to the Fund's investment managers. It is the Trustee's responsibility to monitor and oversee how the manager stewards assets on its behalf, including the casting of votes in line with each manager's individual voting policies. The Trustee reviews manager voting and engagement and escalation policies on an annual basis to ensure they are in line with the Trustee's expectations and in members' financial best interests. Prospective investment managers are also required to provide this information for the Trustee to review in advance of any new appointment.

- Managers are expected to employ the full range of engagement tools at their disposal and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest). Managers are expected to escalate their engagement activities consistent with their own stewardship policies, which should reflect leading industry standards.

- The Trustee expects their asset managers to be signatories to the FRC's UK Stewardship Code (or regional equivalent) and be able to demonstrate that they act in accordance with its 12 principles. Where a manager is not a signatory, the Trustee will seek to understand why this is the case and encourage them to become signatories. The Trustee recognises that stewardship expectations vary across different asset classes and are currently highest for managers of listed equity and corporate bond portfolios. For multi-asset, alternative, and illiquid investment managers, the Trustee relies on its advisors to appraise the quality of managers' stewardship as appropriate.

- While the Trustee delegates voting and engagement activities to the Fund's managers, it recognises its responsibility to oversee the voting and engagement activities carried out by managers on its behalf. The Fund's investment managers are therefore required to provide qualitative and quantitative data to the Trustee and/or IC on a regular basis regarding their recent voting and engagement activities.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager to discuss the rationale behind their voting and engagement activity and how alignment may be improved. If, following engagement with the manager, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.

How have the policies been followed by the Trustee?

The Trustee has, in its opinion, followed the stewardship and engagement policies during the Fund Year.

Stewardship and engagement, including the use of voting rights, is most likely to be facilitated in the sections of the portfolio where physical equities are held. Given that the majority of the Fund's assets are invested with investment managers that solely hold fixed income securities in their portfolios, voting is only relevant for investments held with BlackRock. Due to its structure, the voting rights for this mandate are held by the investment manager, who is responsible for voting and engagement on the underlying assets rather than the Trustee. As a result, the Trustee's ability to influence voting activities undertaken is limited. An overview of votes cast during the year by this manager can be found in the Voting Behaviour section of this statement.

The following investment managers of the Fund are signatories of the UK Stewardship Code 2020: Aviva Investors, BlackRock Inc, Insight Investment, Legal & General Investment Management ("LGIM"), PIMCO Europe Ltd., M&G Investments. The code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value. There are no immediate concerns with the fact that the other investment managers used by the Fund are not signatories to the UK Stewardship Code 2020.

Recognising the importance of employing good stewardship on its more material investment allocations, the Trustee also reviews the stewardship activity of its managers that invest in publicly traded corporate debt given the relative size of the Fund's exposure to these assets.

To do so, the Trustee completed its annual in-depth review of the stewardship activities carried out by BlackRock and LGIM for the Aquila Life MSCI World fund and Buy & Maintain Credit mandate, respectively. These mandates were selected given their size in the total portfolio, the relative influence the Trustee can have on the managers' stewardship and engagement activities, and the asset classes' long-term strategic importance to the Fund's overall investment strategy.

As part of this review, the strategies' exposure to the core ESG themes based on the United Nations Global Compact principles was assessed and a watchlist of companies whose exposure to these themes was deemed to be material was established for ongoing review. The reporting highlighted that the proportion of NUKPF's portfolio that is exposed to companies on the watchlist decreased from c.6% to c.3% over 2021.

In addition, the Trustee reviewed the engagement record of the two managers with specific consideration of the managers' participation in company resolutions and volume of engagement actions undertaken. The managers were also required to provide case study examples of engagement with companies on the watchlist, including the target of the engagement and the outcome. Following this assessment, the Trustee engaged with LGIM to understand the rationale for including these companies in the portfolio, and what efforts were being undertaken by the manager to ensure the companies improve their ESG characteristics over time. The Trustee also engaged with BlackRock with the intention of improving the reporting provided on ESG engagement carried out on behalf of the Trustee.

Addressing the risks (and opportunities) of climate change

The Trustee's climate change policy includes:

- Climate change is a potential long-term material financial risk for the Fund which could impact the Fund's investments, the Fund's sponsor and the world into which our members will retire.

How have the policies been followed by the Trustee?

As part of the assessment of core ESG themes, the Trustee measured the climate-related risk of companies within the BlackRock Aquila Life MSCI World fund and LGIM Buy and Maintain Credit mandate. Companies that displayed a high degree of climate-risk were added to a watchlist and flagged for ongoing monitoring. As part of this assessment process, the Trustee evaluated the extent to which the managers performed specific and targeted engagement with the most at-risk companies in the portfolio previously flagged and included in the watchlist.

In line with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which are based upon disclosures in line with the current recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Trustee completed climate scenario analysis on the Fund's Investment and Funding Strategy. The scenario analysis results demonstrated that the Fund's long-term funding and investment strategy is likely to be resilient to climate change effects on the whole, however there is still likely to be some impact owing to the manifestation of climate-related transition risks[1] and physical risks[2]. The Trustee assesses the results of these climate scenarios on the Fund's investment strategy and incorporates these (as well as the impact of any climate-related investment opportunities) into the investment decision-making process.

In addition, the Trustee completed an assessment of the absolute emissions, carbon footprint, and degree of alignment to the goals of the 2015 Paris Agreement of the Fund's investment portfolio. For more information on the methodology and results of this analysis, please refer to the Trustee's 2022 TCFD Statement, found here: www.nestlepensions.co.uk/downloads/tcfd_report_2022.pdf

The Trustee does not take non-financial factors into account in the selection, retention and realisation of investments in the Fund.

Voting Behaviour

Below is information on the voting activity over the period for the Fund's investment managers which held listed equities over the period. This section includes information related to the most significant votes by considering items associated with the Trustee's six core ESG themes.

The Trustee does not set its own voting policy but delegates to the investment managers, as it considers this more effective and cost efficient. The Trustee selects and engages with the investment managers regularly regarding its voting policy and activity to ensure it aligns with the Trustee's Responsible Investing policy. It is the Trustee's belief that the policies set out in the SIP regarding the exercise of voting rights attached to investments and the undertaking of engagement activities in respect of the investments has been followed over 2022. No further follow up is required.

Voting statistics summary (01.01.2022 - 31.12.2022): BlackRock Aquila Life MSCI World Fund

VOTING STATISTICS (APPLICABLE TO THE FUND'S REPORTING PERIOD)	RESPONSE
How many meetings were you eligible to vote at?	934
How many resolutions were you eligible to vote on?	14,200
What % of resolutions did you vote on for which you were eligible?	87.4%
Of the resolutions on which you voted, what % did you vote with management?	93.9%

[1] Transition Climate Risk - The impacts of the global transition towards a low-carbon economic system. This could include changes in industry regulation, consumer preferences and technology that will impact current and future investments.
[2] Physical Climate Risk - The physical impacts of a changing climate on businesses directly or indirectly through their supply chain. This could include increasing temperatures, changing weather patterns, sea level rise and severe weather events.

Of the resolutions on which you voted, what % did you vote against management?	6.1%
Of the resolutions on which you voted, what % did you abstain from voting?	0.9%
In what % of meetings, for which you did vote, did you vote at least once against management?	29.4%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.4%

Significant votes summary (01.01.2022 - 31.12.2022)

	Glencore Plc	Equinor ASA	Ocado Group Plc	TotalEnergies SE
Summary of the resolution	Approve Climate Progress Report	Action Plan For Quality Assurance and Anti-Corruption	Amend Value Creation Plan	Approve Company's Sustainability and Climate Transition Plan
Criteria on which the vote is considered "significant"	Core Theme – Climate Change	Core Theme – Corruption	Core Theme – Corporate Governance	Core Theme – Environment, Climate Change
How you voted	For	For	Against	For
Rationale for the voting decision	BIS supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan. BIS do, however, believe there are areas where the company could enhance its disclosure.	BIS supported this shareholder proposal because, in their view, these are material issues for the company, and believed this to be in the best interests of shareholders.	BIS did not support the extension of the Value Creation Plan introduced in 2019 due to their concerns about its appropriateness as a tool for measuring performance and incentivising management.	BIS supported this proposal in recognition of the company's clearly disclosed climate transition plan to manage climate-related risks and opportunities and the progress made against this strategy.
Outcome of the vote	Pass	Fail	Fail	Pass

	J Sainsbury Plc	Royal Dutch Shell Plc	Santos Limited
Summary of the resolution	Resolution on Living Wage Accreditation	Approve the Shell Energy Transition Progress Update	Climate-related Lobbying
Criteria on which the vote is considered “significant”	Core Theme – Labour Rights	Core Theme – Climate Change	Core Theme - Climate Change
How you voted	Against	For	Against
Rationale for the voting decision	BIS supports companies paying their workers a wage equal to or above current real living wage rates. However, BIS did not support the shareholder proposal as they did not believe it is consistent with their clients’ long-term interests.	BIS supported this proposal in recognition of the company’s disclosed energy transition plan to manage climate-related risks and opportunities and the company’s progress against this strategy.	BIS did not support the resolution as, based on their analysis, they found it to be overly prescriptive given that it seeks to direct the company’s climate-related lobbying activities.
Outcome of the vote	Fail	Pass	Withdrawn

Due to reasons beyond the Trustee’s control, BlackRock were unable to exercise their delegated voting rights for US companies held in the Aquila Life MSCI World Fund during the reporting period. The Trustee’s advisor engaged with the manager to understand the issue, and to limit the possibility of this reoccurring in the future. The advisor will monitor progress by the manager to resolve this issue ahead of publishing the Fund’s next annual Implementation Statement.

Grosvenor Robusta Absolute Return Fund

The Robusta Absolute Return Fund is classified as a Fund of Hedge Funds. It is structured such that Grosvenor allocate the capital invested by the Nestlé UK Pension Fund to a range of underlying hedge funds, who distribute the capital in a manner that they see fit according to their stated investment philosophy.

Under such a structure, Grosvenor therefore do not possess the voting rights attached to the underlying holdings of the Robusta Absolute Return Fund so are unable to report on the exercise of voting rights for the Nestlé UK Pension Fund.

HarbourVest International Private Equity Fund

Given the private nature of the assets in the portfolio, HarbourVest do not vote proxies for the Nestlé UK Pension Fund, and therefore cannot provide data on votes cast for the Nestlé UK Pension Fund.