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

July 2024

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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, Trustees (including the most significant votes cast by Trustees or on their 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 2023 to the end of the Fund's financial year on 31st December 2023. 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 SIP for the DB section and the extent to which they have been followed during the reporting period; and
3. The voting behaviour, including significant votes cast, and engagement activity undertaken by the fund managers on behalf of the Fund.

Reviews of, and changes to the SIP

During the reporting period 1st January 2023 to 31st December 2023, the Trustee reviewed and subsequently updated the Fund’s SIP. The SIP was updated to reflect:

- An update to the Fund’s Climate Change policy to reflect the Trustee’s net zero ambition for the Fund.
- An update to the Fund’s Stewardship policy to reflect the Trustee’s chosen priority stewardship themes.
- Presentational adjustments including the integration of the Trustee’s “De-risking Approach” to sit within the overall “Investment Allocation Approach”.

The above changes were finalised in April 2023.

Reviews of SIP policies

The table sets out the policies in the Fund's SIP and evidence detailing how they have been followed. The Trustee is satisfied that it has adhered to the policies in the Fund's SIP during the reporting period.

Policy	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.	The Trustee received written advice from its adviser and consulted with the Principal Employer with respect to the contents and wording of the SIP in accordance to Section 35 of the Pension Act 1995.
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.	The Trustee has established the Defined Benefit Investment Committee, a governance committee responsible for certain investment matters delegated to it under terms of reference set out by the Trustee. The Trustee believes 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.	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.	The Trustees 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 which arises due to a mismatch between assets and liabilities, and limit the total risk of the Fund.	The Trustee sets a budget on an appropriate risk metric, which is monitored on a quarterly basis. 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"). It targets a well-diversified and low-risk portfolio aligned to the long-term funding basis. The Fund has been transitioning its portfolio towards the SAA since 2021. Over the reporting period, further progress was made, including the ongoing reduction of the Fund's allocation to Hedge Funds, Property, Private Equity, the full divestment from Asset Leasing, and investments into Structured Credit.
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.	The Trustee monitored the required and available collateral of the Fund on a quarterly basis. The Fund maintained sufficient liquidity and collateral to pay member benefits and/or meet collateral calls throughout the reporting period.
In order to help the Trustee achieve its investment objectives, the Trustee established a Defined Benefit Investment Committee ("the DBIC"), which is responsible for certain investment matters delegated to it under terms of reference.	The DBIC met 4 times during the reporting period 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.	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.
Summary of the Fund's Investment Strategy (4.2) – 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.	Over the reporting period, the Trustee continued to delegate day-to-day investment decisions to its investment managers.
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.	The Trustee continues to have an expectation of long-term appointments for the Fund's investment managers.

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.	There were no changes to the 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 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.	The Trustee retains records of all IMA and pooled fund documentation and receives advice from its investment adviser on the suitability of any amendments to agreements following a change in circumstance or objective.
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.	The Fund's Global Equity investment was changed to improve its overall ESG characteristics and alignment to the Trustee's ESG objectives. The Trustee also completed several investments in Structured Credit to bring the allocation back towards the target adopted in the SAA. The Trustee's investment advisers provided advice on the suitability of the objectives listed in the pooled fund agreements for both allocations prior to the Fund's investments.
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.	The Fund's investment managers continue to be listed in the Fund's annual report and accounts. A copy of this document can be requested from Nestlé Pensions.
Summary of the Fund's Investment Strategy (4.3) – 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 over short, medium and long-term horizons;	The Trustee reviewed the managers' performance on a quarterly basis, via reporting 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. Additionally, the Trustee interacted with its managers through its advisers on an ad-hoc basis regarding matters relevant to the Fund. This included questions about individual assets held by the managers and the managers' permitted investment opportunity set.

- 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. 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. If, following engagement with the manager, it is the view of the Trustee and/or IC that the degree of alignment remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.	The Trustee considered whether the managers of the Fund's key strategic portfolios are taking sufficient action to align the portfolios with the Trustee's investment and responsible investment policies, as well as the managers' stewardship and engagement approach. Over the reporting period, the Trustee did not find that the Fund's managers' investment strategy or decisions were misaligned with the Trustee's policies. The change to the Fund's Global Equity allocation was not made due to the misalignment of the previous manager, but rather to further improve the alignment 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 Trustee and/or DBIC takes advice from its investment advisers to ensure that fees are commensurate with the services provided.	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. The Trustee completed its annual review of a report prepared by its investment advisers that assesses the fees paid to the Fund's investment managers. The adviser's report found the fees paid to managers to be market competitive given the mandates' size and scale.
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.	There were no reports of materially high portfolio transaction and turnover costs over the period. The transaction costs associated with changes to the Fund's Global Equity and Structured Credit investments 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.	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.	The Trustee's investment adviser provided quarterly reports outlining the expected level of investment return and risk of the Fund. They were assessed to be within acceptable levels throughout the reporting period.
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 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.	In accordance with the SIP, the Fund's progress against its strategic objectives is managed and monitored using a Pensions Risk Management Framework ("PRMF"), which is prepared by the investment adviser and is reviewed by the Trustee on at least a quarterly basis. 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 maintained sufficient liquidity and collateral to maintain its hedging strategy. - The Fund's liability hedging strategy remained broadly in line with the agreed proportion of the Fund liabilities. The Trustee is satisfied that the implementation of the risk management and monitoring strategy was consistent with the SIP and 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 and explained more fully in the Responsible Investment policy. It 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. The Trustee is satisfied that their responsible investment policies were adhered to during the reporting period.

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?

During the reporting period, a new manager was selected for the Fund's Structured Credit allocation. The manager's positive ESG and Stewardship characteristics were considered when making the decision. No other new asset managers were selected during the reporting period.

The Trustee adopted a new SAA in 2021 and is in the process of divesting from several asset classes. These divestments were not made on purely ESG grounds, however consideration was given to the ESG 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 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 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 managers of the Diversified Matching Illiquids allocation reported that they had completed an investment that will support UK household energy efficiency, contributing to the UN's affordable and clean energy target.

The Fund is currently in the process of de-risking its portfolio as it transitions to a long-term 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 for segregated mandates and the Pooled Fund Agreements in place for pooled funds. Examples of the activities undertaken during the reporting period are shown below:

- IMA for segregated mandate: Updated the investment objective of one of the managers of the Buy & Maintain Credit allocation to target a portfolio temperature alignment consistent with the successful realisation of the Paris Agreement goal, subject to maintaining a diversified portfolio.
- Pooled Fund Agreement for pooled fund: The Fund's Global Equity allocation was changed to improve its overall ESG characteristics and alignment to the Trustee's ESG objectives. Specifically, the new Fund incorporates the UN Global Compact principles and a set of ESG specific and climate-related exclusionary screens. The Trustee determined that the new Fund was expected to maintain the investment characteristics of the Fund's Global Equity allocation.

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 DBIC 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 managers' 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 majority of the Fund's investment managers are signatories to the UK Stewardship Code and therefore have committed to perform good stewardship, including the responsible allocation, management, and oversight of capital, to create long-term value on the Fund's behalf. Only two managers are not current signatories due to the private nature of the assets which they invest in on the Fund's behalf. The Trustee does not have immediate concerns with these managers' non-signatory status.

The use of voting rights is most likely to be facilitated in the sections of the portfolio where physical equities are held. This is only relevant for the Fund's Global Equity allocation. Due to its structure, the voting rights for this mandate are held by the investment manager 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.

Throughout the reporting period, the Trustee considered means to improve the alignment of the voting activity undertaken on the assets within its Global Equity allocation with the Trustee's core ESG themes and climate-related ambitions. This included the use of third-party voting providers and adoption of alternative investment benchmarks. In Q1 2024 the Trustee decided to adopt the voting policy of a third-party provider for the Global

Equity allocation. This decision was taken with regard to the Fund's governance constraints and the in the best interest of the Fund's members. Details of this change will be included in the Fund's next Implementation Statement.

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.

The Trustee completed its annual in-depth review of the stewardship activities carried out by the managers of the Global Equity and Buy & Maintain Credit allocations. These asset classes 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' importance to the Fund's long-term investment strategy.

As part of this review, the managers' exposure to the core ESG themes was assessed and a watchlist of companies whose exposure to these themes was deemed to be material was established for review. The reporting highlighted that less than 5% of the Fund's portfolio was allocated to companies on the watchlist. In addition, the Trustee reviewed the managers' engagement record, specifically assessing their participation in company resolutions and the number of engagement actions undertaken.

<u>Addressing the risks (and opportunities) of climate change</u>

The Trustee's climate change policy includes:

- The Trustee has developed a monitoring process, which includes the setting of climate change-related goals/targets for the Fund, in support of the Trustee's commitment to manage and integrate the consideration of these issues within the Fund.
- The Trustee has set an interim target to achieve 60% of financed emissions in companies assessed as having a verified Paris Aligned temperature pathway, or for high impact companies that are flagged as not having a Paris-Aligned pathway, ensuring these companies are subject to structured engagement. This target currently applies to NUKPF's public equity and corporate bonds and the timeframe for achieving this target is 2027.

How have the policies been followed by the Trustee?

In addition to broader ESG risks, the Trustee's annual monitoring assessment of the core ESG themes was used to identify companies with a high degree of climate risk. The managers were asked to provide details of their engagement activity with these companies, including details of positive climate-related outcomes.

The Trustee completed an assessment of the climate-related engagement activity of the managers of the Global Equity and Buy & Maintain Credit allocations. The managers were asked to provide case study examples of their engagements selected companies, including the rationale and outcomes. The companies were identified based on their degree of alignment to the Climate Change core ESG theme or if they qualified as "high impact" and without a verified Paris-aligned pathway, as described in the Trustee's climate target.

In line with interim target, during the period the Trustee also 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 2023 TCFD Report, which can be found on the Nestlé Pensions website.

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 investment manager of the Fund's Global Equity allocation 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.

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 2023. No further follow up is required.

Voting statistics summary (01.01.2023 - 31.12.2023): Global Equities – BlackRock

VOTING STATISTICS	RESPONSE
How many meetings were you eligible to vote at?	966
How many proposals were you eligible to vote on?	14,706
What % of proposals did you vote on for which you were eligible?	97.9%
Of the proposals on which you voted, what % did you vote with management?	92.3%
Of the proposals on which you voted, what % did you vote against management?	5.6%
Of the proposals on which you voted, what % did you abstain from voting?	0.7%
In what % of meetings, for which you did vote, did you vote at least once against management?	32.1%
% of resolutions where manager voted contrary to recommendation of proxy adviser	N/A
Any use of proxy voting services during the period?	BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams. 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.

Significant votes summary (01.01.2023 - 31.12.2023)

	Chevron Corporation	Kraft Heinz Company	Canon Inc
Summary of the resolution	Adopt Medium-Term Scope 3 GHG Reduction Target	Report on Metrics and Efforts to Reduce Water-related Risk	Election of Board Chair and CEO
Criteria on which the vote is considered "significant"	Core Theme – Climate Change	Core Theme – Environment	Core Theme – Labour
How you voted	Against	Against	Against

Rationale for the voting decision	BIS did not support this shareholder proposal because it believed that the company had already taken actions to incorporate scope 3 emissions into their carbon intensity targets.	BIS did not support this shareholder proposal because, in its view, the company already has robust disclosures addressing these risks.	BIS did not support the election of the company's Board Chair and CEO, due to concerns about the composition of the board. BIS noted that Canon had no female directors, making them an outlier amongst large Japanese companies and putting them at risk of not meeting the government's requirement of 30% female board directors by 2030.
Outcome of the vote	Fail	Fail	N/A

	Siemens AG	**Yum! Brands, Inc.**	**Shell plc**
Summary of the resolution	Approve Virtual-Only Shareholder Meetings Until 2025	Shareholder Proposal Regarding Issuance of a Report on Efforts to Reduce Plastics Use	Align Shell's Existing 2030 Reduction Target Covering the Greenhouse Gas Emissions of the Use of its Energy Products with the Goal of the Paris Climate Agreement
Criteria on which the vote is considered "significant"	Core Theme – Corporate Governance	Core Theme – Environment	Core Theme – Climate Change
How you voted	For	Against	Against
Rationale for the voting decision	BIS supported these management proposals because they were aligned with regulatory requirements and, in its assessment, the company was taking the necessary steps to ensure that shareholder rights were respected.	BIS did not support this proposal as Yum!'s existing disclosures on plastics use – particularly their new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks of plastics use.	BIS did not support this shareholder proposal because in its view, it was overly prescriptive and unduly constraining on management's decision making.
Outcome of the vote	Pass	Fail	Fail

Engagement Activity

This section includes information on the engagements carried out on the Trustee's behalf related to the Trustee's six core ESG themes. Below are case studies provided by the investment managers on their engagement activity during the reporting period:

Manager: BlackRock

Private Credit
Topic for this engagement: *Climate and Environment*

Project Aurora is a loan to finance the secondary buy-out of a market-leader in supply chain risk management solutions made in 2021. ESG ratchets where applied from January 2023 to encourage the company to prioritize and achieve their ESG-related commitments on a best-efforts basis. The company has four ESG criteria, out of which one is a 5% carbon reduction target by 2025.

Real Estate Equity
Topic for this engagement: *Climate and Environment*

Project Blue Diamond was the acquisition of a portfolio of garden centres from a leading garden centre operator. The BlackRock team is engaging with tenants to try and encourage decarbonisation of their estate in conjunction with Blue Diamond's exploration of ways to reduce their energy costs. Following discussions, a new solar panel system has been installed at one of their garden centres in 2023, which will generate >30% of their electricity needs and substantially reduce the carbon produced by the property.

Commercial Property
Improved Scope 3 Data Collection
Topic of Engagement: *Climate Change*

Data collection has always been and will continue to be a major focus for the portfolio. As outlined in our commitments within the SFDR Article 8 classification, we have committed to actively engage to reduce tenant-consumed energy and Scope 3 emissions. Gathering tenant-consumed energy data / Scope 3 emissions remains a challenge for the entire real estate market. In 2023, the Fund partnered with a third-party consultant to help us gather Scope 3 / tenant level electricity data, which through tenant consent, gathers utility data directly from the National Grid. This is a major win for the Fund as it will help us in terms of data visibility, create tenant level engagement, and help us set the baseline for establishing target reductions which will help with our overall commitment to achieve net zero by 2050.

Commercial Property
Topic of Engagement: *Environment*

In the fourth quarter of 2023, the Fund agreed to three ESG linked Key Performance Indicators (KPIs) on the £200 million revolving credit facility in place with a bank. After having agreed to the three KPIs, the facility is labelled a Sustainability Linked Loan. In summary, the three KPIs relate to the Fund's year on year carbon intensity reductions, energy intensity reductions, and maintaining a certain GRESB rating. We are very pleased to say that the Fund performed against all three KPIs in 2023, resulting in a reduction in the margin.

Manager: LGIM

Topic of engagement*: Climate Change (Climate Impact Pledge)*

Why was the company the subject of engagement?

In line with LGIM's Climate Impact Pledge, they identified an Oil & Gas producer whose climate policies, actions, disclosures, and net zero transition plans have the potential for significant influence across the industry, and particularly in the US.

How did you engage with the company?

LGIM's regular engagements with the Oil & Gas producer have focused on their expectations under the Climate Impact Pledge, as well as several other material issues for the company, including capital allocation and business resiliency. As a form of escalation, LGIM and CBIS co-filed a shareholder resolution at the company's 2023 AGM, requesting the company to disclose the quantitative impact of the IEA NZ scenario on all asset retirement obligations. The proposal was centred around disclosure and seeking greater insight into the potential costs associated with the decommissioning of Exxon's assets in the event of an accelerated energy transition.

What was the outcome of the engagement?

Since 2021, LGIM have seen notable improvements from the company regarding their key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, improved disclosure of lobbying activities and more recently, the commitment made by the company to join the leading global partnership on methane, OGMP 2.0. However, there are still key areas which require further improvements. The company remains on LGIM's divestment list (for relevant funds) and their engagement with them continues.

Topic of engagement*: Social human rights and freedom of association*

Why was the company the subject of engagement?

This company was accused of interfering with efforts by its workers to unionise. This activity has since been investigated and the US National Labor Relations Board Region declared the company's conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards. LGIM wanted to see how the company planned to improve its disclosure and transparency on civil rights, equity, diversity and inclusion.

How did you engage with the company?

LGIM escalated its engagement by supporting a number of shareholder resolutions (i.e. voting against management) in the company's 2022 AGM and 2023 AGM. Proposals that LGIM supported included requests for a report on median and adjusted gender/ racial pay gaps, a third-party assessment on the company's commitment to freedom of association and collective bargaining, and a third-party audit on working conditions.

What was the outcome of the engagement?

LGIM have seen some developments from the company including the publication of policies, a 'Human Rights Impact Assessment', and identifying key areas for improvement. The company has also undertaken to conduct a racial equity audit, under pressure from shareholders. We continue to ask the company to provide disclosure on their gender and racial pay gaps, and we saw the related proposal at their 2023 AGM gain support from nearly a third of shareholders. However, the company remains unresponsive to some of LGIM requests and they remain engaged with the company to try to push for some further change.

Manager: PIMCO

Topic of engagement*: Human Capital Management and Labour Rights*

Why was the company the subject of engagement?

From initial conversations, PIMCO identified an opportunity to engage with a Telecommunications company on material topics including governance practices, specifically focusing on balance sheet strategy and human capital management, following the issuer's merger with a peer. In this particular case, PMICO hoped to prompt improved disclosures on diversity, equity, and inclusion (DEI) efforts, as they believe this information can be material from an investment perspective.

How did you engage with the company?

In their engagement with the company, PIMCO acknowledged their progress, identified areas for improvement in data privacy, and discussed potential risks. PIMCO advised them to include their human capital management approach in their upcoming ESG report. PIMCO continues to engage the issuer on key social topics, including labour management, human capital management, digital inclusion, and data protection and offered recommendations for increasing transparency in several areas related to restructuring processes, workforce breakdown, as well as diversity, equity, and inclusion (DEI) efforts, and suggested linking ESG metrics to executive compensation.

What was the outcome of the engagement?

The issuer provided satisfactory details on their privacy measures and showed openness to PMICO's suggestions and agreed to consider enhancing their DEI disclosure in their 2023 reporting. The issuer then went on to successfully implement all of PIMCO's recommendations on enhancing their DEI disclosure, including a comprehensive breakdown of their workforce.

Topic of engagement*: Greenhouse Gas Emissions, Engagement Frameworks*

Why was the company the subject of engagement?

PIMCO identified a Utility company whose position in their home country's utility sector, focus on their own climate transition and receptiveness to PIMCO's initial engagement efforts made them a strong subject for further, increasingly impactful engagement. PIMCO hoped to support the climate transition of the individual issuer as well as prompt such a transition in the regional utility sector, as well as supporting the growth and credibility of the sustainability-linked bond market for the benefit of investors overall.

How did you engage with the company?

PIMCO'S ESG and credit teams engaged with the issuer on the strength of their renewable energy targets and broader greenhouse emission reduction strategy. PIMCO supported the issuer in the definition of the sustainability-linked bond structure and served as the anchor investor to their issuance of their first sustainability-linked bond.

What was the outcome of the engagement?

Over 2022, the issuer's decarbonization roadmap was certified by the Science Based Targets initiative (SBTi) as consistent with limiting global warming to the more stringent temperature rise of 1.5ºC, hence aligned to the most ambitious temperature goal of the Paris Agreement adopted by the United Nations in 2015. PIMCO continues to engage on progress made on the issuer's carbon targets and challenges, including the contribution of the different drivers, and provides recommendations on its sustainability-linked bonds progress reporting.