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

for the year ending 31 December 2022

July 2023

Introduction

Welcome to the Implementation Statement. The purpose of the Implementation Statement is for us, the Trustee of the Nestlé UK Pension Fund (the "Fund"), to explain what we have done during the year ending 31 December 2022 (the "Fund year") to implement our policies and achieve our objectives as set out in the Statement of Investment Principles ("SIP"). This statement includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

The Fund has both a defined benefit ("DB") and defined contribution ("DC") section. This document covers the defined contribution section ("DC Section") only of the Fund.

What is the SIP?

The SIP sets out the investment principles, practices, objectives and beliefs the Trustee follows when governing the Fund's investments.

It describes the objectives for the investment options which you can choose (including the default arrangement if you don't make a choice – "the Default Option"), explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

Why do the Fund's investments matter to me?

The DC Section of the Fund provides you with benefits on a DC basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

Where can I find out more?

If you want to find out more, you can find a copy of the Fund's SIP (and the Fund's DC Chair's Statement) at www.nestlepensions.co.uk/how-the-fund-is-run.

Our conclusion

Based on the activity we have undertaken during the year, we believe that our policies (as set out in the SIP) have been implemented effectively.

In our view, most of the Fund's investment managers were able to disclose good evidence of voting and/or engagement activity. We believe that the activities completed by our managers align with our stewardship priorities – the Nestlé UK Pension Fund ("NUKPF") Core Themes - and that our stewardship policy (as set out in the SIP) has been implemented effectively in practice. This includes the exercise of our voting rights which has been carried out on our behalf by our investment managers.

Some managers however were unable to provide all the information requested regarding their stewardship activities. This includes fund-specific engagement information as well as specific details regarding significant votes cast (e.g., implications of voting outcomes).

We have asked for explanations from these managers and expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Fund through considered voting and engagement. We will engage with them as necessary over 2023 to set expectations regarding the provision of future information.

1. Changes to the SIP during the year

The Trustee reviewed the SIP during the Fund year. The focus of the review was the Trustee's Stewardship Policy within the SIP following the issuance of new guidance by the Department for Work and Pensions ("DWP"). As a result of the review, the following changes were made:

- **Updating the Trustee's Responsible Investment policy** within the SIP to include further detail from the Trustee's separate standalone Responsible Investment Policy. The additional detail covers specific beliefs that the Trustee has in place, including a preference for engagement over divestment and an ambition to achieve alignment with the goals of the Paris Agreement.

- Refining the wording on the description of and **objectives for the Default Option** and the self-select investment options, although there were no material changes to the objectives themselves.

- Updating the **SIP Stewardship Policy** to include further detail from the Trustee's standalone Responsible Investment Policy. This includes the identification of six stewardship priorities (the NUKPF Core Themes) that the Trustee prioritises when reviewing and monitoring the ESG profile of the Plan's investments, as well as further detail on how the Trustee escalates any issues identified with regards to stewardship.

These SIP changes were agreed by the Trustee in April 2023, having considered written advice from our investment advisors and consulting with the Principal Employer, Nestlé. This is in line with our policy regarding the ongoing management of the SIP.

The rest of this statement refers to policies outlined in the latest version of the SIP (dated April 2023).

2. How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP. Policies below have been summarised and should be read in conjunction with the SIP.

1. Introduction 1.2 Fund Governance	While the Trustee retains overall responsibility for Fund management, we have established a DC Sub-Committee ("DCC") who meet at least quarterly to focus on DC related issues. The DCC report back to and make recommendations to the main Trustee Board. During 2022, the DCC met four times as part of business-as-usual activities (e.g. investment monitoring). Our DC investment advisors and the Nestle Investment Executive attended these meetings to support the DCC in its governance activities and provide advice and market updates as needed. The DCC also carried out an investment advisor selection exercise as part of their ongoing governance of the Fund. Following the exercise and review, the DCC made the decision to change investment advisor in June 2022. The DCC and Trustee regularly undertake training from their advisors to ensure their knowledge of investment and regulatory matters remain up to date. During the year the DCC received training on a number of different topics, including impact equity investing, active equity investing and new guidance on stewardship policies. Full details of the training undertaken by the Trustee over the Fund year is included in the Fund's Chair's Statement. **We are comfortable that our governance activities have been carried out appropriately during the year in line with our policies.**
2. Investment Beliefs 2.1 Investment beliefs 2.2 Responsible Investment *(Updated April 2023)*	During the year, the DCC considered the Trustee's collective investment beliefs when making changes to the Fund's investment options. In November 2022, changes were made to the underlying components of three of the Fund's blended funds**:** Blended Assets, Equities and Growth. The State Street Multi-Factor Global Equity Index Sub-Fund was due to close in December 2022 and was used in all three of the above blended funds. In August 2022, the DCC carried out a review to replace the State Street fund and considered the following in their decision-making process: • Objectives of the alternate fund options, including consideration of environmental, social and governance ("ESG") risks and carbon emissions; • How any new fund would sit alongside existing underlying component funds and the impact on the overall risk and return profile; • Hedging and the cost-benefits of implementing a currency hedge; • Diversification, including in terms of index construction (e.g. market capitalisation vs. multi-factor approaches) and across managers; • Costs and charges, including transaction costs involved in making any changes; and • Stewardship and potential influence through voting and engagement.

The DCC concluded that the BlackRock World ESG Equity Index Tracker and BlackRock World Multifactor Equity Index Tracker were the most suitable replacements for the former State Street fund and were best aligned with the stated investment objectives. Implementing these funds has reduced the carbon emissions of the Fund's investments, and one of the funds has an explicit objective to further reduce its carbon emissions each year to achieve net zero emissions by 2050.

The BlackRock ESG funds were implemented into Growth, Blended Assets and the Equities fund in November 2022.

We are comfortable that our activities have been carried out appropriately during the year in line with our Investment Beliefs and Responsible Investment Policy.

3. Investment Objectives

3.1 Objectives for the Default Option

3.2 Objectives for the self-select investment options

3.3 Choosing the default arrangement and investment options

We have made available a Default Option for members who do not wish to make an active investment choice. This investment strategy is designed to be appropriate for the majority of the Fund's membership.

We have also made available a self-select range of investment options covering the major asset classes, which members can choose to invest in.

Over the year to 31 December 2022, the DCC took action to ensure the investment objective of the Default Option and self-select fund range continued to be met:

- The DCC was informed that the State Street Multi-Factor Global Equity Index Sub-Fund was due to close in December 2022 used in Blended Assets, Equities and Growth funds. All three of these funds are used in the Default Option and the Blended Assets and the Equities funds are available as a standalone self-select option. As above, this DCC carried out a detailed review in finding a replacement. Implementing the new BlackRock ESG funds is expected to improve diversification in style and enhance expected risk-adjusted returns by actively considering ESG risks and opportunities.
- The DCC monitored risk and return metrics of the Default Option on a quarterly basis against the inflation related targets and volatility thresholds that they have set. This action helps the DCC ensure that the Default Option's returns are appropriate and members are exposed to appropriate levels of risk during the retirement journey. We recognise that 2022 was a difficult year for markets which was reflected in short term performance. However, members who are close to retirement benefited from the cash allocation in the Default Option which cushioned challenging returns. While members further away from retirement have time to make up any short-term loses, they were also supported by previous strong returns achieved in the growth phase.
- Following the former UK Chancellors 'mini-budget' and subsequent disruption in UK fixed income markets and sterling currency, the Trustee increased the regularity in performance monitoring of the Fund. The DCC reviewed performance against both fund benchmarks, broad market comparators and inflation levels. While short-term performance was challenging, the DCC reflected on the fact that members are invested for the long-term and long-term performance was appropriate.

- In considering member's religious beliefs, over the year we agreed to introduce the Shariah Fund to the self-select range. This fund aims to invest in a way that is consistent with Islamic investment principles. The fund was made available for members to invest in February 2023.

The DCC is due to carry out a review of the continued appropriateness of the Default Option (including but not limited to consideration of the Fund's membership profile, projected retirement pots, investment risk and returns) in 2023, in line with its policy to carry out a more detailed review at least every three years. Information on the previous review (carried out in 2020 and 2021) can be found in the Chair's Statement.

We are comfortable that the Default Option and self-select range are in line with our objectives and have been reviewed appropriately over the year.

4. Summary of the Fund's Investment Strategy

4.1 Investment strategy for the Default Option

4.2 Investment strategy for the self-select investment options

4.3 Additional Voluntary Contributions ("AVCs")

We take advice from our DC investment advisor regarding the appropriateness of the investments for members, reviewing the performance of each individual fund option and the Default Option on at least a quarterly basis via reports received from its advisors. Further information on this performance review process can be found in the proceeding section. No significant performance concerns were raised over the Fund year, although changes were made to the Equities, Blended Assets and Growth funds (as detailed above) due to the closure of the State Street Multi-Factor Global Equity Index Sub-Fund. **We are comfortable that the changes made are in line with the investment strategy for the Default Option and self-select options.**

The DCC reviews the investment options at least every three years. As above, the next review is due to take place in 2023. Details on the previous review (carried out in 2020 and 2021) can be found in the Chair's Statement.

Although outside of the period covered by this Statement, detail has been included for completeness. In February 2023, the DCC, in conjunction with the investment advisor, commenced the triennial investment strategy review of the DC section which covered. This will cover:

- membership analysis - segmenting the membership and determining projected fund values, to assess how members will take their benefits.
- a review of the Default Option - including a review of the forward-looking risk and return characteristics of the asset classes used in the Default Option, de-risking schedule and the cash target to ensure that it remains appropriate for use by members.
- a review of the self-select fund range - to ensure that the type, number and appropriateness of the self-select funds offered as alternative to the Default Option reflect the needs of the Fund's membership.

This review helps the Trustee and DCC in ensuring the Default Option and self-select options are in line with the objectives and strategy set out in the SIP.

The Fund also has a small amount of legacy AVC assets invested with Standard Life in two with profits funds. Members are no longer able to contribute to this arrangement, but existing assets remain in place. The provider and costs and charges associated with this arrangement are

	monitored as part of the annual Chair's Statement. The DCC has scheduled a more detailed review of the AVC arrangements for 2023. **We are comfortable that our actions over the year relating to investments have been carried out in line with our strategy.**
5. Investment Managers 5.1 Manager incentives 5.2 Manager review and monitoring 5.3 Security of DC assets	During the year, the DCC ensured that all investment manager appointments had appropriate benchmarks in place for monitoring purposes and were appropriately detailed in the Investment Implementation Document. The document was updated in 2022 following the introduction of the Shariah fund and the changes to the Equities, Blended Assets and Growth funds. We carried out our annual Value for Members assessment, which concluded that the DC Section of the Fund continues to be good value for members. In this assessment, investment management charges and investment performance are key considerations. It was concluded that the charges paid by members to invest in the Fund options are reasonable and in line with the wider market. Further detail on this assessment can found in the Fund's Chair's Statement. The DCC monitored performance of the funds held in the DC Section of the Fund on a quarterly basis. The DCC received quarterly monitoring reports from its investment advisor to assist with this. These investment reports include long and short-term performance reporting on all the investment funds relative to their respective benchmarks or targets, and performance commentary which highlights key factors affecting the performance of the funds over the quarter. As part of these quarterly reports, there is a "RAG" (Red, Amber, Green) status that helps identify funds that suffer from prolonged poor performance against their benchmark/target. The DCC also reviewed fund ratings and ESG ratings provided by its investment advisors on a quarterly basis. There were no ratings changes flagged over the year. Further ESG monitoring was undertaken by the DCC over the year via a Watchlist report, which focuses on the Trustee's core ESG themes. The DCC reviewed the number of breaches of the core themes across three of the largest investment funds used by the Fund and also how these investment managers had engaged with the breach companies. This review allowed the DCC to monitor how the investment managers aligned with the Trustee's responsible investment beliefs. No action was required as a result of the monitoring but the DCC agreed to expand the reporting to cover all DC investment funds in the future. **We are comfortable that we have monitored our investment managers in line with our policies over the year.**
6. Costs and charges	We have established a cost-benefit analysis framework in order to assess whether the member borne charges deliver good value for members. This assessment forms part of the annual Chair's Statement and includes benchmarking against broader market practice, reviewing compliance with relevant regulatory guidance, and assessing performance against industry standards. The results of this assessment can be found in the Value for Members assessment section of the Chair's Statement. The DCC also closely monitors costs and charges during any strategy changes both before and after any changes. When changes were made to three of the Fund's blended funds during the Fund year (see above for further detail), the DCC, with support from its investment advisor, considered the impact of transaction costs on members, and how these

	can be minimised where possible. The total costs associated with the transition were in line with similar transactions of that scale and were lower than the anticipated costs calculated prior to the transition. The DCC also decided to reimburse members for the transaction costs incurred. Overall, we consider the costs and charges borne by members to be reasonable compared to other similar schemes. **We are comfortable that the costs and charges associated with the DC investments were reasonable over the year.**
7. Types of investments held 7.1 Realisation of investments 7.2 Expected returns on investments	Through its investment monitoring processes, the DCC is comfortable that all investment managers were able to invest/divest payments in a timely manner over 2022. No restrictions were placed upon the Fund's investments over the year. The DCC received information on historic performance and forward-looking market expectations from its investment advisor via quarterly investment monitoring reports over 2022. While 2022 was a difficult year for markets, and most asset classes did not perform in line with the expectations set out in the SIP, it is expected that this is a short-term issue and that longer-term performance will be in line with expectations. More detailed, long-term return expectations will be analysed and considered as part of the Fund's triennial investment strategy review which is scheduled to take place in 2023. As part of this triennial review, the DCC will consider changes in projected member retirement outcomes. This analysis looks at factors such as actual fund performance and forward-looking return expectations and how this may impact members' benefits when they reach retirement age. Should there be any notable change in projected member outcomes, the DCC and Trustee may consider taking action, for example making changes to the investment strategy or communicating with members. **We are comfortable that the types of investments available in the DC Section remain appropriate for our members to invest in.**
8. Responsible Investment 8.1 **Stewardship** *(Updated February 2023)* **8.2 Climate change** *(Updated February 2023)* **8.3 Non-financial factors**	The DCC reviewed the platform provider's and fund managers approaches to sustainable investing through both the annual implementation statement process and the Watchlist report. Through the production of this statement, the DCC and Trustee receive information on our managers' voting policies, engagement policies as well as statistics and examples on how they have voted and engaged during the previous year. No significant concerns were raised as a result of this exercise in 2022 and we were of the view that overall, our manager policies and activities aligned with our own beliefs. As detailed in Section 5 above, the Watchlist report focuses on breaches of the Trustee's core themes and how managers have engaged and voted in relations to companies breaching these themes. Again, no significant concerns were raised as a result of the report, but its structure is being adapted to report on a wider range of funds in future. The DCC received quarterly reports from our investment advisors, which included an ESG rating for each manager. All ratings over 2022 were in line with expectations and no action was required. The DCC explicitly considered potential managers' approach to responsible investment and the extent to which ESG issues are factored into their decision making, as part of the review of potential replacements for the closing State Street fund. This review included consideration of the net-zero alignment target for the Fund. The selected funds offered full

	ESG integration across the portfolio and significantly lower carbon intensity and higher ESG ratings than the existing fund. The Fund's first TCFD report was completed for the Fund in July 2022. Information gathered, including carbon emissions and climate-change scenario analysis supported the Trustee in understanding the climate-related risks and opportunities the Fund is exposed to. At the time of writing, the Fund's second TCFD report (as at 31 December 2022) is currently being completed and will be published in July 2023. The Trustee and DCC recognise that some members will have strong personal views or ethical / religious convictions that influence where they believe their savings should, or should not, be invested. In light of this, the Trustee took steps to make available a Shariah compliant self-select option. This fund was launched on the platform in December 2022 and was made available to members in February 2023. **We are comfortable that based on our monitoring activities carried out, we have acted in line with our Responsible Investment policy over the year.**
9. Risk Management and monitoring 9.1 Principal investment risks 9.2 Other investment risks	The DCC received quarterly investment monitoring reports from our investment advisors over the year to support with managing the different types of risks faced by members. Over 2022, risk exposures were generally higher given a difficult market environment. However, most of these risks (inflation and market volatility) are outside of the Trustee's control and likely to be a short-term issue. The DCC was comfortable, having received advice from their advisors, that no immediate action was needed to manage these risks in both the Default Option and the self-select range. The risks will be considered further as part of the triennial investment strategy review scheduled for 2023. **We are comfortable that over the year, we considered all investment risks appropriately and in line with our policies.**

3. The exercise of our voting rights

The DC Section invests in pooled funds, and we have delegated responsibility for the selection, retention and realisation of investments to the Fund's appointed investment managers. We have also delegated our stewardship activities, including the exercise of our voting rights, to our managers. 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.

The rest of this section sets out the stewardship activities, including the exercise of our voting rights, carried out on our behalf over the year to 31 December 2022.

Based on the information provided, we are comfortable that most managers are carrying out stewardship activities that are in line with our expectations and policies set out in the SIP.

Where managers have been unable to provide the requested information, our investment advisors are engaging with these managers to set expectations regarding the provision of this data in the future.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, **engaging** with investees/issuers, and **exercising voting rights**.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We have delegated the exercise of our voting rights to our investment managers, and we expect the Fund's equity-owning investment managers to responsibly exercise their voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Voting statistics

The table below shows the voting statistics for each of the Fund's funds that have voting rights attached to them for the year to 31 December 2022.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
BlackRock ACS World ESG Equity Tracker[1,4]	5,424	95%	4%	0%
BlackRock ACS World Multi-Factor ESG Equity Tracker[1,4]	3,064	94%	5%	0%
LGIM Ethical Global Equity Index	16,528	100%	18%	0%
Schroders Sustainable Future Multi-Asset Fund[4]	8,467	94%	8%	1%
State Street Emerging Markets ESG Screened Index[4]	33,127	97%	18%	3%
State Street Multi-Factor Global Equity Index Sub-Fund[2,4]	19,573	99%	9%	1%
Standard Life Pension With Profits One 2006 Fund[3]	*Not provided*			
Standard Life Pension With Profits One Fund[3]	*Not provided*			

Source: Managers

1. Only invested in from November 2022.

2. Data as at 30 September 2022, since the fund closed in December 2022. Assets held in this fund

were divested in November 2022.
3.The Fund has AVCs invested with Standard Life. Standard Life have been approached for data but have not provided a response.
4. Used within the Default Option, the Lifetime Pathway fund

Use of proxy voting advisors

Many investment managers use proxy voting advisors to help them fulfil their stewardship duties. Proxy voting advisors provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Fund's managers use proxy voting advisors.

Why use a proxy voting advisor?

Outsourcing voting activities to proxy advisors enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

	Description of use of proxy voting advisor(s) *Wording provided directly by investment managers*
BlackRock	"We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision. While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research."
Legal and General Investment Management ("LGIM")	"LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions."
Schroders	"Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by our in-house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For our smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for us, with only a few resolutions referred to Schroders for a final decision."
State Street Global Advisors ("State Street")	"We use a variety of third-party service providers to support our stewardship activities. Data and analysis from service providers are used as inputs to help inform our position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with our in-house policies and views, ensuring the interests of our clients remain the sole consideration when discharging our stewardship responsibilities. We have contracted Institutional Shareholder Services (ISS) to assist us with managing the voting process at shareholder meetings. We use ISS to: (1) act as our proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying our voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances. In addition, we also have access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement our in-house analysis of companies and individual ballot items. All final voting decisions are based on our proxy voting policies and in-house operational guidelines."
Standard Life	*Data not provided.*

Source: Fund Managers

Voting policies

We have delegated the exercise of our voting rights to our investment managers, and therefore take responsibility for how they cast votes on our behalf. A summary of each manager's voting policy, and how this aligns to our stewardship priorities - the NUKPF Core Themes - is included in the Appendix.

As a reminder, the NUKPF Core Themes include:

- Environmental
    1. Environment
    2. Climate change
- Social
    3. Human rights
    4. Labour
- Governance
    5. Corporate Governance
    6. Corruption

Further details on these core themes can be found in the SIP.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Fund's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Fund's funds. Given the very large number significant votes identified by the investment managers, a sample of these significant votes can be found in the Appendix. The sample of votes chosen have been selected based on relevance of the voting theme to the NUKPF Core Themes set out above.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Fund's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Fund.

Funds	**Number of engagements**		**Themes engaged on at a fund-level**	**NUKPF Core Theme alignment**
	Fund specific	Firm level	*Provided by manager*	
BlackRock ACS World ESG Equity Tracker	592	Not provided	Environment - Climate Risk Management Governance - Remuneration, Board Composition and Effectiveness, Corporate Strategy Social - Human Capital Management, Social Risks and Opportunities	Environmental; Social; Governance
BlackRock ACS World Multi-Factor ESG Equity Tracker	320	Not provided	Environment - Climate Risk Management Governance - Board Composition and Effectiveness, Remuneration, Corporate Strategy, Governance Structure Social - Human Capital Management	Environmental; Social; Governance
Fidelity Sterling Corporate Bond Fund			*Not provided*	
LGIM 70:30 Hybrid Property Fund	80	Not provided	Environment - Climate change Social - Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Diversity, Leadership - Chair/CEO, Remuneration, Shareholder rights Strategy, Financial and Reporting - Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting)	Environmental; Social; Governance
LGIM Ethical Global Equity Index	338	Not provided	Environment - Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality Governance - Board effectiveness - Diversity, Leadership - Chair/CEO, Remuneration Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)	Environmental; Social; Governance
LGIM - Future World Annuity Aware Fund	169	Not provided	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Board effectiveness - Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose	Environmental; Social; Governance
Schroders - Sustainable Future Multi-Asset Fund	>900	>2,800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Remuneration Strategy, Financial and Reporting - Capital allocation	Environmental; Social; Governance

Standard Life Pension With Profits One 2006 Fund			*Not provided*	-
Standard Life Pension With Profits One Fund			*Not provided*	-
State Street - Emerging Markets ESG Screened Index	220	220	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Remuneration, Board effectiveness - Independence or Oversight, Leadership - Chair/CEO Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)	Environmental; Social; Governance
State Street - Multi-Factor Global Equity Index Sub-Fund	220	220	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Remuneration, Board effectiveness - Independence or Oversight, Leadership - Chair/CEO Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)	Environmental; Social; Governance
PIMCO - GIS Income Fund	220	>4,000	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Public health Strategy, Financial and Reporting - Capital allocation, Financial performance, Strategy/purpose	Environmental; Social; Governance

Source: Managers. The following managers did not provide fund level themes; themes provided are at a firm-level:
- *State Street*
- *PIMCO*

Data limitations

At the time of writing, the following managers did not provide all the information we requested:
- Fidelity did not provide any information requested for the Fidelity Corporate Bond Fund.
- BlackRock and LGIM did not provide firm level engagement information or fund level engagement examples, with State Street also not providing fund-level engagement examples.
- Schroders provided the voting information needed but not in the industry standard template. We encourage managers to use standard templates – specifically the PLSA voting template – to improve comparability of information across managers and also to align with guidance issued by the Department of Work and Pensions (“DWP").
- Standard Life did not provide any information requested regarding the AVC With Profits funds.

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on the Fund’s gilt or cash investments because of the limited materiality of stewardship to these asset classes.

Appendix 1 – Voting Policies (Default Option managers)

The table below summarises the voting policies each manager has in place as well as how this aligns to the NUKPF Core Themes.

Manager	Policy	Alignment with NUKPF Core Themes
BlackRock	"BlackRock votes annually at approximately 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Our analysis is informed by our internally developed proxy voting guidelines, our pre-vote engagements, research, and the situational factors at a particular company. We aim to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. We generally prefer to engage with the company in the first instance where we have concerns and give management time to address the issue. BIS have Engagement Priorities in place which reflect the five themes on which we most frequently engage companies, where they are relevant, as these can be a source of material business risk or opportunity. BIS five Engagement Priorities are: 1)Board quality and effectiveness; 2) Strategy, purpose, and financial resilience; 3) Incentives aligned with financial value creation; 4) Climate and natural capital; and 5) Company impacts on people. We will vote in favour of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where we believe the board or management may not have adequately acted to and advance the interests of long-term investors. We ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement our voting intention. In all situations the economic interests of our clients will be paramount. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. We review our voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year. Our market-specific voting guidelines are available on our website at https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines"	▪ Policy focuses on both voting and engagement ▪ Engagement priorities align with NUKPF Core Themes ▪ Focus on creating value for long-term investors which aligns with Trustee's fiduciary duty
LGIM	"Investment stewardship means the responsible oversight of capital that we allocate on behalf of our clients in order to generate sustainable benefits for the economy, the environment and society. Our Investment Stewardship team exercises voting rights globally across LGIM's active and index funds, holding companies to account on the issues that matter most to our clients. These range from climate change to board independence and diversity. In 2021, we focussed our active ownership activities on: policy advocacy and collaboration; taking action on diversity; fair pay; advocating for good governance; environment and climate; healthcare and human rights; and championing investor rights. LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. https://www.lgim.com/uk/en/capabilities/corporate-governance/policies-and-voting-disclosures-uk-en/"	▪ Focus on creating sustainable value and wider benefits for the economy. This aligns with the Trustee belief that consideration of ESG factors can reduce risk, enhance returns and potentially contribute to secure a sustainable world for society. ▪ LGIM's 2021 stewardship priorities align with the NUKPF Core Themes.
Schroders	"On behalf of our clients, we vote to hold management and boards to account and ensure they're managing the business for the long term. We do this to create, sustain and protect the value of our clients' money. As active owners we vote on all resolutions at all shareholder meetings globally, unless we are restricted from doing so. Our house voting policy is refreshed annually to capture market changes and evolving best practice.	▪ Policy aims to create, sustain and protect value which is in line with the Trustee's fiduciary duty to members.

	Voting decisions are made using a framework developed by our Active Ownership team. Our team includes experts with local market knowledge who collaborate with the wider Sustainable Investment team, as well as our investment professionals on key resolutions. We're committed to voting in the best interests of our clients and see taking a considered approach to voting as part of our fiduciary duty, as well as a key part of the investment process. That is why we do not rely solely on third party recommendations and use both external and our own proprietary research and consider resolutions on a case-by-case basis. We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy. The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues. We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, applying our voting policy and guidelines (as outlined in our Environmental, Social and Governance Policy) to each agenda item. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. Schroders have six core themes for active ownership: climate change; natural capital and biodiversity; human rights; human capital management; diversity and inclusion; and corporate governance."	▪ Schroders thematic priorities align with NUKPF Core Themes.
Standard Life	*Not provided*	-
State Street	"We use our stewardship tools to engage with investee companies on environmental, social, and governance (ESG) issues to seek long-term value. Through engagements, proxy voting, and thought leadership, we take an outcome-oriented approach to managing ESG risks and opportunities to our investments. All voting decisions are exercised in accordance with our in-house guidelines or specific client instructions. We have established robust controls and auditing procedures to ensure that votes cast are executed in accordance with our instructions. Transparency on these key issues is vital. With regards to this, we publish a record of our global voting activity on the Asset Stewardship section of our website. https://www.ssga.com/it/en_gb/intermediary/ic/capabilities/esg/asset-stewardship/asset-stewardship-report-library Particularly, our Stewardship team works closely with our global client relationship teams to maintain an open and constructive dialogue with clients on the delivery of our stewardship activities. This provides an opportunity for clients to understand our approach, to provide feedback on our objectives and priorities, and to hold us accountable for their delivery. In addition, our network of global clients provides invaluable inputs into our Stewardship team's understanding and analysis of local market trends and specific company events. The combination of local and global perspectives strengthens the Stewardship Team's ability to promote long-term value for our diverse global client base. We regularly identify thematic focus areas that guide our proxy voting and engagement efforts. Within these focus areas, we elevate outcome-oriented stewardship priorities each year based on factors including client demand, stakeholder interest, market trends, and financial materiality, among others."	▪ Focus on achieving long-term value in line with Trustee fiduciary duty to members. ▪ State Street's thematic approach to stewardship covering environment, social and governance factors and their intersections aligns with the NUKPF Core Themes which also come under the same three headings.

Source: Managers

Appendix 2 – Significant Voting Examples

In the table below are some significant vote examples provided by the Fund's managers. We consider a significant vote to be one which the manager considers significant and that aligns with the NUKPF Core Themes. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below. Note the managers provided a longer list per fund and the Trustee has picked the one it considers to be most significant based on the Trustee's core themes.

BlackRock ACS World ESG Equity Tracker; BlackRock ACS World Multi-Factor ESG Equity Tracker	**Company name**	Rio Tinto Plc
	Date of vote	08-Apr-2022
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	Not provided
	Summary of the resolution	Approve Climate Action Plan
	NUKPF Core Themes	Environmental; Environment; Climate Change
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
	Outcome of the vote	Pass
	Rationale for the voting decision	BIS voted FOR the management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan, which is described in the report "Our Approach to Climate Change 2021." The group's climate action plan, targets, and disclosures are consistent with what we look for and, in our assessment, demonstrate management and board responsiveness to shareholder feedback. Accordingly, BIS determined that it is in the best interests of our clients as long-term shareholders to support the proposal to approve the Climate Action Plan. Further information is available here.
	Implications of the outcome	Not provided
	Criteria on which the vote is considered significant?	Not provided
LGIM Ethical Global Equity Index	**Company name**	Apple Inc.
	Date of vote	04-Mar-2022
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM (Annual General Meeting) as our engagement is not limited to shareholder meeting topics.
	Summary of the resolution	Report on Civil Rights Audit
	NUKPF Core Theme	Social: Labour
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.0%
	Outcome of the vote	Pass
	Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria on which the vote is considered significant?	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
Schroders - Sustainable Future Multi Asset Fund	**Company name**	Klabin SA
	Date of vote	23-Mar-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	Not provided

	Summary of the resolution	Elect Fiscal Council Members
	NUKPF Core Theme	Governance: Corporate Governance
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
	Outcome of the vote	Pass
	Rationale for the voting decision	Concentrating votes on minority candidate.
	Implications of the outcome	Not provided
	Criteria on which the vote is considered significant?	Shareholder Governance Proposal; Votes against management
State Street - Emerging Markets ESG Screened Index	**Company name**	Naspers Ltd.
	Date of vote	25-Aug-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	We do not publicly communicate our vote in advance.
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	NUKPF Core Theme	Governance: Corporate Governance
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%
	Outcome of the vote	Pass
	Rationale for the voting decision	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
	Implications of the outcome	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.
	Criteria on which the vote is considered significant?	Compensation
State Street - Multi-Factor Global Equity Index Sub-Fund	**Company name**	Johnson & Johnson
	Date of vote	28-Apr-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	We do not publicly communicate our vote in advance.
	Summary of the resolution	Product Toxicity and Safety
	NUKPF Core Theme	Social: Human Rights
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.1%
	Outcome of the vote	Did not pass
	Rationale for the voting decision	This proposal does not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.
	Implications of the outcome	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.
	Criteria on which the vote is considered significant?	SH - E&S Proposal

Source: Managers

Appendix 3 – Engagement Examples (Default Option managers)

BlackRock	BlackRock was unable to provide examples of engagement activities over the Fund year.
Schroders - Sustainable Future Multi-Asset Fund	**"**Schroders engaged with North American Bank on Climate change - Climate alignment - decarbonising and minimising emissions. This is part of the ongoing dialogue we've been having with the Bank since 2021 relating to their response to climate-related financial risks. The Bank were keen to share their views on Say on Climate resolutions, and provide an update on their activities. We are continuing to encourage the Bank to strengthen its approach to climate change. In this meeting, we emphasised the important of disclosure about the Bank's activities to support its clients transition to net zero. We will provide further feedback once we have completed our North American benchmarking exercise. In 2022, there were a total of seven different engagements with this Bank. This included a collaborative engagement with the Institutional Investors Group on Climate Change ("IIGCC"), sending a letter to convey our Net Zero expectations. This communication mirrored what we had requested in 2021. The letter was followed by a group call with the company, in which we voiced our concerns that despite the recent progress made in setting scope 3 financed emissions targets, the Bank's current fossil fuel policies and approach to setting targets for financed emissions, will not be sufficient to achieve the bank's Net Zero goals. To make a final decision, we sought clarification on commitments and progress from the Chair of the board. While we felt the Bank is a laggard by global standards, the company seemed satisfied with this standing so long as they were not behind their local market (which we considered to be a low bar). We proceeded to support the "Say on Climate" resolution and voted against the Chair of the board. Towards the end of the year, we held a meeting on the company's views on the Say on Climate resolutions and related activities. During the discussion, we shared our views on good practice in the European market. Overall, the Bank is making some progress against the initial objectives, although this is a low bar. The company's willingness for an open dialogue on the climate transition has been encouraging. We will continue pushing the company for more ambitious climate action, monitoring progress, and escalating concerns where needed.**"**
State Street (firm level)	"We engaged with HSBC Holdings Plc on key remuneration issues for 2022 and provided input on proposed 2023 remuneration measures. Within the remuneration conversation, topics discussed included the implementation of executive directors' remuneration policy, with key focus on the change of Group CFO from January 1, 2023 as well as human capital management considerations of the greater workforce. For the CEO's remuneration we cited the need for balance between financial and non-financial performance metrics, structure of the incentive scorecard, and considerations around the 2:1 cap where variable pay is capped at 200% of fixed pay. We will continue to engage with the company to track its progress."
PIMCO - GIS Income Fund	"In 2022, PIMCO engaged on the topics "Social - Supply Chain Management" and "Environmental - Climate Change ESG Bonds". PIMCO engaged on that topic as the issuer is a company leading in the development, sale and repair of computers and related products, PIMCO saw that it could make an impact through engagement as it noted that the issuer labour right issues and have been working on improving their responsible sourcing practices, with a focus on sustainable targets. They are now very close to best practice in their industry. As an outcome of this engagement the company confirmed their audits cover much of their supply chain. They also updated disclosure on RMAP-conformant supplier list to maintain transparency. PIMCO would note that good progress has been made on scope 1 and 2 carbon emission reductions but still needs improvement on scope 3 emissions. In terms of next steps: the issuer is working to achieve 100% RMAP conformance for the relevant conflict minerals. PIMCO will continue to engage on supply chain transparency and traceability. Finally, the issue is exploring the use of SBTi for net zero validation and starting to evaluate options in the ESG bond space."

Source: Managers