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

for the year ending 31 December 2023

July 2024

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 2023 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 DC Section of the Fund only.

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 stewardship and 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 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 investment managers and expect improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Fund through considered voting and engagement.

We will continue to engage with them as necessary over 2024 to set expectations regarding the provision of future information and we will continue to undertake regular, detailed ESG monitoring of our managers.

1. Changes to the SIP during the year

Following a review of the SIP in 2022, we, the Trustee, formally adopted these changes in April 2023. The changes were adopted having considered written advice from our investment advisors and consulted with the Principal Employer, Nestlé. This is in line with our policy regarding the ongoing management of the SIP.

As a result of the review, the following changes were made:

- **Updating our Responsible Investment policy** within the SIP to include further detail from our separate standalone Responsible Investment Policy. The additional detail covers specific beliefs that we have 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 our standalone Responsible Investment Policy. This includes the identification of six stewardship priorities (the NUKPF Core Themes) that we prioritise when reviewing and monitoring the ESG profile of the Plan's investments, as well as further detail on how we escalate any issues identified with regards to stewardship.

- Updating the **SIP Climate Change Policy** to reflect our ambition of reaching net zero portfolio emissions by 2050. The SIP Climate Change policy has also been updated to include reference to our wider work on aligning with the recommendations of the Task force on Climate-related Financial Disclosures ("TCFD"), including our TCFD target.

The Fund's latest SIP can be found here: https://www.nestlepensions.co.uk/documents/fund-documents

We note that at the time of writing this statement, the SIP is being updated to account for investment changes made in January 2024 and to reflect our policy on investing in illiquid assets. Given there were no other changes to SIP policies, the rest of this statement refers to the policies outlined in the April 2023 version of the SIP.

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	Whilst the main Trustee Board 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 2023, the DCC met four times are part of business-as-usual activities (e.g. investment monitoring). Our DC investment advisors and the Nestlé Investment Executive attended these meetings to support the DCC in its governance activities and provide advice, training and market updates as needed. The DCC and Trustee regularly undertake training 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: the Fund's With Profits investments, impact equity investing, emerging market equity investing, DC governance requirements, environmental, social and governance ("ESG") monitoring and a range of other topical issues (e.g. decumulation and the post-retirement market). Full details of the training undertaken by the Trustee over the Fund year is included in the Fund's Chair's Statement. Over 2023, we also completed the triennial investment strategy review of the Fund and agreed to make some changes to the investment strategy following advice from our investment advisors. Further detail on these changes is given in the following sections as well as in the annual 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 reviewing and making changes to the Fund's investment options. When discussing and agreeing changes for the investment strategy the DCC: ▪ Amended the risk/return objectives for the Default Option to apply to underlying funds as opposed to phases of the strategy and to be more objectives-focussed; ▪ Considered both past performance and volatility as well as forward looking risk/return expectations of funds and asset classes; ▪ Made decisions based on strategic asset allocation prior to selecting strategies in order to implement the agreed strategy; ▪ Considered diversification and complementarity of different asset classes and management styles; ▪ Reviewed changes to costs and charges incurred by members; and ▪ Considered how any new strategic allocations and funds aligned with the wider ESG beliefs and objectives of the Trustee, including stewardship.

	We are comfortable that our activities have been carried out appropriately during the year in line with our Investment Beliefs and our 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 2023, the DCC took action to ensure the investment objectives of the Default Option and self-select fund range continued to be met: **Default Option** - Monitored risk and return metrics of underlying funds and the overall member experience on a quarterly basis against the set risk and return targets; - Sought to understand why targets had been missed over certain time periods and considered whether any action (including member communication) should be taken. No immediate action was taken as the missed targets were understandable in the context of a difficult few years for financial markets (particularly bonds) but this was considered again as part of the triennial investment strategy review; and - Completed the triennial investment strategy review of the Default Option, which included consideration of the Fund's membership profile (salary, fund value, age), the projected size of members' savings upon reaching retirement and how adequate these outcomes were expected to be, past and future expected investment risk and returns and market developments. **Self-select range** - Added the Shariah fund to the self-select range in February 2023 to offer an investment option that would meet the needs of members with Islamic beliefs; and - Reviewed the self-select range, including utilisation by members and how the investment options compared and had performed relative to their individual objectives. As part of the review of both the Default Option and the self-select range the DCC agreed to make a number of changes in order to improve the options available for members. The changes agreed included: - Amending the structure of the Blended Assets and Growth funds to increase the likelihood of these funds achieving their return targets (subject to an acceptable level of risk) and to improve expected member outcomes; - Amending the structure of the Equities fund to reduce the allocation to emerging markets (to improve the risk/return profile for members) and to utilise an actively managed emerging markets strategy in order to improve future expected investment returns; - Updating the Cash and Pre-Retirement to Cash funds to utilise strategies that explicitly consider ESG factors, in line with the Trustee's responsible investment beliefs;

	- Updating the Ethical Growth fund to ensure the fund would deliver more in line with the fund's objectives and members' expectations; - Updating the Corporate Bonds fund to improve diversification and consideration of ESG risks; - Amending the design of the Default Option to improve expected outcomes for members; and - Adding additional lifestyle options alongside the Default Option to increase choice for members and reflect that different members may want to take their benefits in different ways. The changes above will be implemented in stages over 2024. The first set of changes were completed in January 2024. More information on the review can be found in the Chair's Statement. **We are comfortable that the Default Option and self-select range are designed to deliver in line with the set objectives.**
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. The DCC reviews 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 following section. No significant performance concerns were raised over the Fund year, although the DCC did decide to make changes to the Equities, Blended Assets, Corporate Bonds, Ethical Growth, Cash and Pre-Retirement to Cash funds (as detailed above) following the 2023 triennial strategy review. We are comfortable that the changes agreed are in line with the overall investment strategy for the Default Option and self-select range as set out in the SIP. The DCC has a policy to carry out a strategic review of the investment options at least every three years. As above, the most recent review took place in 2023. 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 Value for Members assessment, the outcome of which is summarised in the Chair's Statement. The DCC scheduled a more detailed review of the AVC arrangement in 2023 but have postponed this to 2024 in light of wider administration projects. **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	The DC Section of the Fund invests entirely in pooled funds via the Fidelity Investment Platform. During the year, the DCC ensured that all investment manager appointments had appropriate benchmarks in place for monitoring purposes that were in line with our investment policies and were appropriately detailed in the Investment Implementation Document. The document was updated in April 2023 to reflect the introduction of the Shariah fund and changes made to the Equities, Blended Assets and Growth funds at the end of 2022.

	As part of the agreed investment changes, the DCC selected some new funds to be used within the Fund's investment strategy. As part of the fund selection process, our DC investment advisor supported us in ensuring all managers up for consideration had appropriate investment guidelines and offered competitive charging structures. 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 Chair's Statement. The DCC monitored performance of the funds held in the DC Section of the Fund on a quarterly basis, as well as carrying out an additional review as part of the triennial investment strategy review. 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 rating changes or areas of concern flagged over the year. A separate ESG monitoring exercise was undertaken by the DCC which considered a number of areas including: ▪ Investigating any breaches of the Trustee's Core Themes as detailed in the Appendix of the SIP; ▪ Reviewing wider ESG scores and climate metrics; and ▪ Reviewing manager engagement with companies identified as breaching the Core Themes or companies that form part of the Climate Action 100+ list. This review allowed the DCC to monitor how the Fund's investments and appointed managers align with the Trustee's responsible investment beliefs. No action was required as a result of the ESG monitoring exercise. **We are comfortable that we have monitored our investment managers in line with our policies over the year and that the structures in place ensure that managers are appropriately incentivised to deliver good outcomes for members whilst also offering good value.**
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 agreed to a selection of the Fund's blended funds during the year (see above for further detail), the DCC, with support from our DC 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. 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 held suitably diversified portfolios and were able to invest/divest payments in a timely manner over 2023. No restrictions were placed upon the Fund's investments over the year. The DCC received information on historic performance from its investment advisor via quarterly investment monitoring reports over 2023. No significant performance concerns were raised in 2023, although funds flagged as underperforming benchmarks and/or market expectations were reviewed in further detail as part of the triennial investment strategy review. Long-term return expectations were also analysed and considered as part of the Fund's 2023 triennial investment strategy review. The DCC considered the level of projected member retirement outcomes relative to the PLSA Retirement Living Standards; they looked at factors such as actual fund performance and forward-looking return expectations and how this could impact members' benefits upon reaching retirement age. The changes agreed by the DCC to the investment strategy are expected to improve projected member outcomes. Further detail is set out above and in the Chair's Statement. **We are comfortable that the types of investments available in the DC Section remain appropriate for our members to invest in and should support us in achieving our overall objective of delivering good member outcomes.**
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 investment managers' approaches to responsible investing through both the annual implementation statement process and the ESG monitoring exercise. As part of the production of this statement, we have received 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 and we are of the view that overall, our manager policies and activities align with our own beliefs. As detailed in Section 5 above, the ESG monitoring report focuses on breaches of the Trustee's Core Themes, wider ESG insights (such as ESG scores and policies in place), exposure to companies on the Climate Action 100+ list and how managers have engaged and voted in

relations to any companies identified. Again, no significant concerns were raised as a result of the report.
The DCC received quarterly reports from our investment advisors, which included an ESG rating for each manager. All ratings over 2023 were in line with expectations and no concerns were raised.

The DCC explicitly considered potential managers’ approach to responsible investment and the extent to which ESG issues are factored into investment decision making as part of the triennial investment strategy review and the strategic asset allocation changes agreed. This included consideration of the net-zero alignment target for the Fund. All new funds selected by the DCC are expected to increase consideration of responsible investment issues across the investment strategy and support us in meeting our net-zero ambition.

The Fund’s second TCFD report was completed in July 2023. Information gathered, including carbon emissions data, supported the Trustee in understanding the climate-related risks and opportunities the Fund is exposed to. At the time of writing, the Fund’s third TCFD report (as at 31 December 2023) is currently being completed and will be published in July 2024.

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 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 2023, risk exposures were generally higher given a continued challenging market environment, particularly for fixed income investments. 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 were considered further as part of the triennial investment strategy review. The DCC decided to increase the growth potential within the Blended Assets, Growth and Ethical Growth funds to reduce the risk of members not accumulating enough retirement savings to support their expected retirement lifestyle. These changes were made with consideration to potential impacts on volatility and risk.

The DCC also decided to add additional lifestyle options to support members in taking their benefits in the most appropriate form for them, whilst also offering them the benefits of automatic switching from higher growth potential (and higher volatility) investments to more diversified, lower expected volatility investments over time.

	We are comfortable that over the year, we considered all investment risks appropriately 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 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 2023. 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 2023.

	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*]	7,383	97%	2%	0%
BlackRock ACS World Multi-Factor ESG Equity Tracker[1*]	3,816	86%	5%	1%
LGIM Ethical Global Equity Index	16,787	100%	19%	0%
HSBC Islamic Global Equity Index[*]	1,726	96%	23%	0%
Schroders Sustainable Future Multi-Asset Fund[1]	9,286	94%	11%	1%
State Street Emerging Markets ESG Screened Index[1*]	35,921	97%	18%	2%
Standard Life Pension With Profits One 2006 Fund[2]	*Not provided*			
Standard Life Pension With Profits One Fund[2]	*Not provided*			

Source: Managers 1. Used within the Default Option, the Lifetime Pathway Fund. 2. The Fund has AVCs invested with Standard Life. Standard Life have been approached for data but have not provided a response.
** The voting statistics provided by BlackRock, HSBC, Schroders and State Street suggest that abstained votes are being counted as votes against management resulting in double counting within the voting statistics. The sum of 'Votes supporting Management', 'Votes against Management' and 'Votes abstained' adds up to more than 100%.*

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.

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.

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

	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."
HSBC	"We use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. We review voting policy recommendations according to the scale of our overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines."
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. We receive 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."
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 prioritisation. 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	597	Not provided	Environment – Climate Risk Management Social – Human Capital Management Governance – Remuneration, Board Composition and Effectiveness, Corporate Strategy	Climate change, Labour, Corporate Governance
BlackRock ACS World Multi-Factor ESG Equity Tracker	399	Not provided	Environment – Climate Risk Management Social – Human Capital Management Governance – Remuneration, Board Composition and Effectiveness, Corporate Strategy	Climate change, Labour, Corporate Governance
Fidelity Sterling Corporate Bond Fund	*50*	*1,758*	Environment – Climate Change, Natural Resource Use/Impact Governance – Remuneration, Shareholder Rights Strategy, Financial and Reporting – Strategy/Purpose	Climate change, Environment, Corporate Governance
LGIM 70:30 Hybrid Property Fund	196	Not provided	Environment – Climate Impact Pledge Social – Ethnic Diversity, Gender Diversity Governance – Remuneration, Nomination & Succession	Climate change, Labour, Corporate Governance
LGIM Ethical Global Equity Index	380	Not provided	Environment – Climate Change, Climate Impact Pledge Social – Gender Diversity Governance – Remuneration, Board Composition, Nominations & Succession Other – Corporate Strategy	Climate change, Labour, Corporate Governance
LGIM - Future World Annuity Aware Fund	168	Not provided	Environment – Climate Change, Energy Governance – Remuneration, Board Composition, Nominations & Succession Other – Corporate Strategy, Company Disclosure & Transparency	Climate change, Corporate Governance
HSBC Islamic Fund	77	2,310	Environment – Climate Change Social – Conduct, Culture and Ethics (e.g. tax, anti-bribery, lobbying), Human Capital Management (e.g. inclusion & diversity, employee terms, safety) Governance – Remuneration Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting)	Climate change, Labour, Corporate Governance, Corruption
Schroders - Sustainable Future Multi-Asset Fund	1,075	6,724	Environment – Climate Change Social – Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality Governance – Board effectiveness, Remuneration Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting), Strategy / Purpose	Climate change, Labour, Corporate 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	4	Not provided	Governance – Board Structure Strategy – Capital Related, Strategy & Risk & Control Other – Overall compensation matters	Corporate Governance
PIMCO - GIS Income Fund	152	>1,355	Environment – Climate change Governance – Board effectiveness, Remuneration, Shareholder rights Strategy, Financial and Reporting – Capital allocation, Financial performance, Strategy/purpose	Climate change, Corporate Governance

Source: Managers.

Data limitations

At the time of writing, the following investment managers did not provide all the information we requested:

- BlackRock and LGIM did provide fund level engagement information but not in the industry standard Investment Consultants Sustainability Working Group ("ICSWG") template. Additionally, BlackRock, LGIM and State Street did not provide any firm level engagement information.
- Standard Life did not provide any information requested regarding the AVC With Profits funds.

This report does not include commentary on certain asset classes such as gilts or cash 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 more than 18,000 shareholder meetings, taking a case-by-case approach to the times 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 resolution to assess the extent of the restriction 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. We will vote in favour of proposals where we support the approach taken by a company's management of where we have engaged on matters of concern and anticipate management will address them. BlackRock will not support management proposals where we believe the board or management may have not adequately acted to 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 not supporting 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. This involves engaging with the companies in which we invest, to address risks and opportunities – both company-specific and market-wide. At the same time, the Investment Stewardship team works with regulators, policymakers and our industry peers to tackle systemic issues. Our 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."… 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. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries. All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies."	▪ Focus on creating sustainable value and wider benefits for the economy. This algins with the Trustee belief that consideration of ESG factors can reduce risk, enhance returns and potentially contribute to secure a sustainable world for society. ▪ LGIMs stewardship themes (climate, nature, people, health, governance and organisation) 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	▪ Policy aims to create, sustain and protect value which is in line

	meetings globally, unless we are restricted from doing so. Our house voting policy is refreshed annually to capture market changes and evolving best practice. 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."	with the Trustee's fiduciary duty to members. ▪ Schroders thematic priorities align with NUKPF Core Themes.
Standard Life	*Not provided*	-
State Street	"Our Stewardship team's activities are overseen by our ESG Committee who are responsible for reviewing our stewardship strategy, engagement priorities and proxy voting guidelines, and monitors the delivery of voting objectives. In addition, our ESG Committee provides oversight of our Stewardship team, reviews departures from our proxy voting guidelines, and reviews conflicts of interest involving proxy voting. We vote at over 20,000 meetings on an annual basis and prioritizes companies for review based on factors including the size of our holdings, past engagement, corporate performance and voting items identified as areas of potential concern. Based on this assessment, we will not only allocate appropriate time and resources to shareholder meetings, but will also assign specific ballot items of interest to ensure maximization of value for our clients. All voting decisions are exercised exclusively in accordance with our in-house policies and/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. In this regard, 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"	▪ 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.
PIMCO	"At the firm level, on an annual basis, our team of over 80 credit analysts conduct more than 5,000 meetings and calls with company management teams. In addition to discussing financial matters, we also focus on strategic issues that relate to ESG risks and sustainable business management practices. For portfolios that do not follow sustainability strategies and guidelines, this engagement is focused on material ESG issues that can have significant impacts on the credit profile of the issuer. Moreover, our portfolios that do not follow sustainability strategies and guidelines might benefit from the engagement work pursued in the portfolios that follow sustainability strategies and guidelines, given that issuers may be held in both strategies. However, there is no obligation from the portfolio manager to own securities where PIMCO's ESG analyst team is in the midst of a deep dive engagement as sustainability engagement is not an objective of our portfolios that do not follow sustainability strategies and guidelines. PIMCO aims to have an industry leading engagement program among fixed income asset managers. By investing across diverse asset classes and types of issuers – including corporates and sovereigns – we believe PIMCO's engagement practices are ideally positioned to help influence positive change, rather than through exclusions alone. In our experience, and given	▪ Focus on creating sustainable value and wider benefits for the economy. This algins with the Trustee belief that consideration of ESG factors can reduce risk, enhance returns and potentially contribute to secure a sustainable world for society. ▪ PIMCO's thematic approach to stewardship covering environmental factors

	the strength and history of our platform, we have found that a collaborative approach with issuers has the potential to result in tangible outcomes. Beyond issuer engagement, PIMCO frequently receive requests to join different initiatives that support 3rd party sponsored ESG frameworks. Our ESG leadership team vets and reviews each potential opportunity to ensure it aligns with our ESG philosophy and approach. We are highly involved with ESG and other sustainability efforts globally, helping to define global sustainability standards and to encourage greater disclosure from issuers. Our relative focus depends on a variety of factors, including our assessment of the impact we think we can make with potential engagement. Please refer to the Engagement Section of PIMCO's Sustainable Investment Policy for further details."	aligns with the NUKPF Core Themes.

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

BlackRock ACS World ESG Equity Tracker	**Company name**	Shell Plc
	Date of vote	23-May-2023
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.
	Summary of the resolution	Approve the Shell Energy Transition Progress
	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	Overall, Shell has and continues to provide a clear assessment of their plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their Energy Transition Strategy. Given that the speed and shape of a low carbon transition are unclear, company disclosures that include scenario analysis and provide context on the transition plan and targets, help investors' understanding of company-specific risks and opportunities. In our view, Shell's reporting and approach are aligned with our clients' long-term financial interests; therefore, we supported the management resolution.
	Implications of the outcome	*Not provided*
	Criteria on which the vote is considered significant?	Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: https://www.blackrock.com/corporate/insights/investment-stewardship#vote-bulletins Further information on this vote can be found here: https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-shell-may-2023.pdf
	Relevance to NUKPF Core Themes	Environment – Climate Change
BlackRock ACS World Multi-Factor ESG Equity Tracker Fund	**Company name**	Koninklijke Ahold Delhaize NV
	Date of vote	12-Apr-2023
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.
	Summary of the resolution	Approve Remuneration Report
	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 supported the advisory vote to approve the 2022 remuneration report, following engagements with company management and members of the board of directors. This recognizes the year-over-year progress that Ahold Delhaize has made in addressing prior shareholder concerns regarding their remuneration policies and related disclosures.
	Implications of the outcome	*Not provided*
	Criteria on which the vote is considered significant?	Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here:

		https://www.blackrock.com/corporate/insights/investment-stewardship#vote-bulletins The bulletin for this vote can be found here: https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-ahold-delhaize-april-2023.pdf
	Relevance to NUKPF Core Themes	Governance: Corporate Governance
LGIM Ethical Global Equity Index Fund	**Company name**	NIKE, Inc
	Date of vote	12-Sep-2023
	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 the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Summary of the resolution	Report on Median Gender/Racial Pay Gap
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.33%
	Outcome of the vote	Fail
	Rationale for the voting decision	Shareholder Resolution - Inequality - Gender Pay Gap transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.
	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?	Thematic - Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
	Relevance to NUKPF Core Themes	Social: Labour
HSBC Islamic Global Equity Index Fund	**Company name**	Microsoft Corporation
	Date of vote	07-Dec-2023
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	No
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.6%
	Outcome of the vote	Pass
	Rationale for the voting decision	We consider the quantum of the total pay excessive. The vesting period is not sufficiently long. The performance measurement period is not sufficiently long.
	Implications of the outcome	We will likely vote against a similar proposal should we see insufficient improvements.
	Criteria on which the vote is considered significant?	The company has a significant weight in the portfolio, and we voted against management.
	Relevance to the NUKPF Core Themes	Governance: Corporate Governance
Schroders Sustainable Future Multi-Asset Fund	**Company name**	McDonald's Corporation
	Date of vote	25-May-2023
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	We may tell the company of our intention to vote against the recommendations of the board before voting, in particular if we are large shareholders or if we have an active engagement on the issue. We always inform companies after voting against any of the board's recommendations.
	Summary of the resolution	Issue Transparency Report on Global Public Policy and Political Influence

	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
	Outcome of the vote	Fail
	Rationale for the voting decision	Additional disclosure of the company's global public policy and political influence, as well as board oversight mechanisms would help shareholders better assess the risks and benefits, including regulatory, legal and reputational, associated with the company's participation in the public policy process. We believe that how we have voted is in the best financial interest of our clients' investments.
	Implications of the outcome	We monitor voting outcomes particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing or intensifying an engagement. As part of this activity we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors
	Criteria on which the vote is considered significant?	Social
	Relevance to the NUKPF Core Themes	Governance: Corruption
State Street Emerging Markets ESG Screened Index	**Company name**	Emirates Telecommunications Group Co. PJSC
	Date of vote	11-Apr-2023
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	Not provided
	Summary of the resolution	Approve Amended Board Remuneration Policy
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.32%
	Outcome of the vote	Pass
	Rationale for the voting decision	The company failed to disclose adequate information on this proposal.
	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
	Relevance to the NUKPF Core Themes	Governance: Corporate Governance

Source: Managers

Appendix 3 – Engagement Examples (Default Option managers)

BlackRock	In 2023, BlackRock engaged with Siemens AG on the topics of "Corporate governance and shareholder rights". Blackrock engaged with Siemens to ensure that their management proposals were not likely to undermine shareholder rights. Blackrock determined that shareholders would be able to make statements, ask questions, submit proposals and enter objections during the meeting. They considered this a pragmatic approach and following their engagement with Siemens they were able to vote for the management proposal.
Schroders	"We began to engage with Ecora Resources on climate change in 2022, encouraging them to set emissions reduction targets for scopes 1, 2 and 3. The UK small and mid-cap team, together with sustainability colleagues, first met with Ecora Resources' management in November 2022. We engaged with the company across a range of climate issues including offsets, their ESG screening process, sustainability targets in remuneration and in particular setting science-based targets. We introduced the company to the Science-Based Target initiative's (SBTi) small and medium-sized enterprise (SME) framework. As a company with only 14 employees, this option allowed Ecora to overcome capacity constraints, whilst allowing it to set an industry-standard science-based target. Initially there were concerns over the suitability of this pathway as a royalty company since Financial Institutions are exempt from the SME route. However, we were able to provide an example of a precious metals streaming company peer which had a validated goal via this route. After this meeting, the company agreed to discuss and consider if this could be a viable next step for them."
State Street	*Not provided*
PIMCO	In 2023 PIMCO engaged on the topics of "Strategy, Financial and Reporting (e.g. audit, accounting, sustainability reporting)" with a Global Bank. They discussed the structure of the Bank's bonds, including the appropriateness of including subprime auto loans and the importance of alignment of the UN adopted Sustainable Development Goals (SGSs). They also provided feedback on the impact metrics shown for Affordable Housing and Clean Transportation. The bank issued a sustainability bond in September 2023 with the use of proceeds, targeting primarily net new lending for electric vehicles (EVs) and EV infrastructure. PIMCO plans to monitor progress on the use of proceeds and the Bank's funded projects, as well as their impact disclosures and any additional ESG-labelled bond issuances.

Source: Managers