Northern Foods Pension Builder
Statement of Investment Principles - Annual Implementation Statement

Scheme year ending 31 March 2023

1 Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustees of the Northern Foods Pension Builder ("the Scheme") covering the Scheme year to 31 March 2023 ("the year"). The purpose of this statement is to:

- set out how, and the extent to which, in the opinion of the Trustees, the Scheme's engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;

- describe the voting behaviour by, or on behalf of, the Trustees (including the most significant votes cast by Trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a Diversified Growth Fund, pooled Liability Driven Investments and cash funds; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees have delegated some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme's DB assets on a discretionary basis. The Fiduciary Manager's discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee's SIP.

A copy of this Implementation Statement will be made available on the following website www.nfpensions.com

2 Voting and engagement

Trustees' engagement policy

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustees' view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in its investment manager research.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

Further information on the voting and engagement activities of the manager is provided in the table on page 3.

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustees). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Investment Consultant represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network

- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
Manager A – Diversified Growth Fund	Pooled multi-asset fund	Number of eligible votes: **99,252** Percentage of eligible votes cast: **99.8%** Percentage of votes with management: **77.4%** Percentage of votes against management: **21.9%** Percentage of votes abstained from:**0.7%** Percentage of votes against recommendation of proxy advisor: **12.5%**	Company: Royal Dutch Shell Plc Resolution: Approve the Shell Energy Transition Progress Update Decision: Against Rationale for voting decision: Climate change: A vote against is applied, though not without reservations. Manager A acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, they remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses. Rationale for inclusion: Manager A considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	Manager A's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by Manager A and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.
			Company: Rio Tinto Limited Resolution: Approve Climate Action Plan Decision: Against Rationale for voting decision: Climate change: Manager A recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while the manager acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner. Rationale for inclusion: Manager A considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	
			Company: NextEra Energy, Inc. Resolution: Elect Director Rudy E. Schupp Decision: Against	

			Rationale for voting decision: Diversity: A vote against is applied as Manager A expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. The manager is targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as Manager A expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Rationale for inclusion: Manager A views diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf.	