

Northern Foods Pension Scheme
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 Northern Foods Trustees Limited as Trustee of the Northern Foods Pension Scheme (“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 Trustee, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year; and
- describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year and state any use of services of a proxy voter during the year.

The Scheme makes use of a wide range of investments; 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 Trustee delegates 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

Trustee’s 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 Trustee’s view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee 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.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes, one of those deemed most significant by the Trustee have been shown below. The Trustee is in the process of identifying their priorities for voting and engagement and, for this year's statement, has allowed the Fiduciary Manager to select "significant" votes which align with their identified priorities for voting and engagement – human and labour rights, and climate – where the data has allowed. Over the course of the Scheme year, the Scheme held five pooled equity funds:

- Manager A – Global equities
- Manager B – Developed Market equities
- Manager C – Global equities
- Manager D – Emerging Market equities
- Manager E – Global equities

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 Trustee). 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

Further information on the voting and engagement activities of the managers is provided below:

Manager and strategy	Voting activity	Most significant votes cast	Use of proxy voting
Manager A – Global equities	<p>Number of eligible votes: 7,175</p> <p>Percentage of eligible votes cast: 98.0%</p> <p>Percentage of votes with management: 78.0%</p> <p>Percentage of votes against management: 22.0%</p> <p>Percentage of votes abstained from: 0.6%</p> <p>Percentage of votes against recommendation of proxy advisor: 13.7%</p>	<p>Company: Citigroup Inc.</p> <p>Resolution: Report on respecting indigenous peoples' rights</p> <p>Decision: For</p> <p>Rationale for voting decision: Given recent controversies surrounding Citigroup with indigenous leaders calling Citigroup to stop financing oil and gas projects in the Amazon, it is significant that Citigroup are considering both climate impact and social impact on communities in regards to supporting and financing fossil fuel projects.</p> <p>Rationale for inclusion: Large holding in portfolio and importance of social issue.</p>	<p>Manager A uses a third party, ISS Corporate Solutions, to implement their voting policy, overriding the proxy's recommended action when it differs from their General Principles on standards for good corporate governance and management of environmental and social issues.</p>

<p>Manager B – Developed Market equities</p>	<p>Number of eligible votes: 845</p> <p>Percentage of eligible votes cast: 99.1%</p> <p>Percentage of votes with management: 96.7%</p> <p>Percentage of votes against management: 3.3%</p> <p>Percentage of votes abstained from: 0.0%</p> <p>Percentage of votes against recommendation of proxy advisor: 3.7%</p>	<p>Company: Royal Dutch Shell Plc</p> <p>Resolution: Approve the Shell Energy Transition Progress Update</p> <p>Decision: Against</p> <p>Rationale for voting decision: The manager deemed that a vote against this resolution is warranted. The Company's Scope 3 targets relate to intensity reduction, rather than absolute emission reduction. Additionally, there is a lack of detail on the Company's Scope 3 emissions and on how it intends to meet its associated targets. More granular and explicit disclosure should be provided to enable stakeholders to make the connection between the Company's goals and the relevant IEA net zero pathways. Furthermore, the plans are partly reliant on technologies, such as CCS, and on offsets (nature-based offsets)</p> <p>Rationale for inclusion: Climate related vote.</p>	<p>The Firm maintains a Proxy Voting Policy that is designed to ensure that the Firm will make a best efforts attempt to vote proxies with respect to client securities in the best interests of its clients. The Firm has engaged a service provider, ISS Europe Limited ("ISS") to provide corporate research and to facilitate the voting process, but it has not delegated the proxy voting decisions. Since January 2021 all strategies have subscribed to the ISS Sustainability Policy.</p>
<p>Manager C – Global equities</p>	<p>Number of eligible votes: 420</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 94%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 0%</p> <p>Percentage of votes against recommendation of proxy advisor: 7%</p>	<p>Companies: Amazon</p> <p>Resolution: Report on Efforts to Reduce Plastic Use</p> <p>Decision: For</p> <p>Rationale for voting decision: Promotes transparency around environmental issues</p> <p>Rationale for inclusion: The manager considers environmental issues an important consideration in brand reputation and long-term company performance.</p>	<p>Manager C utilizes the services of ISS for voting proxies and record keeping. Manager C also utilizes ISS and MSCI to provide research that they utilize in making proxy voting decisions in accordance with Manager C's proxy policies.</p>

<p>Manager D – Emerging Market equities</p>	<p>Number of eligible votes: 440</p> <p>Percentage of eligible votes cast: 100.0%</p> <p>Percentage of votes with management: 94.1%</p> <p>Percentage of votes against management: 3.9%</p> <p>Percentage of votes abstained from: 2.1%</p> <p>Percentage of votes against recommendation of proxy advisor: 12.7%*</p>	<p>Company: Hangzhou Tigermed Consulting Co., Ltd.</p> <p>Resolution: Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights for H Shares</p> <p>Decision: Against</p> <p>Rationale for voting decision: On the one hand, shareholders should have pre-emptive rights for large stock issues or have an opportunity to review and vote on such issuances, but on the other, companies should also have the flexibility to transact ordinary business without undue burden or cost. Therefore, the need for flexibility must be balanced with providing reasonable protection for shareholder interests. As such, the aggregate share issuance limit (inclusive of share reissuance limit, if any) should be no more than 10 percent of the relevant class of shares and the discount limit should not exceed 10 percent.</p> <p>Rationale for inclusion: The criteria the manager selected to assess the "significance" of the vote were the dissent level, shareholder proposals voted FOR, times voted AGAINST management or ISS, historical votes on similar proposals, and overall relevance to the strategy.</p>	<p>Manager D uses ISS, Glass Lewis, and SES (for India Holdings) standard voting policy.</p> <p>*Since Manager D uses multiple proxy advisor services this number can vary, however, this percentage is based on ISS recommendations.</p>
<p>Manager E – Global equities</p>	<p>Number of eligible votes: 2,548</p> <p>Percentage of eligible votes cast: 98.5%</p> <p>Percentage of votes with management: 87.6%</p> <p>Percentage of votes against management: 10.8%</p> <p>Percentage of votes abstained from: 1.6%</p> <p>Percentage of votes against recommendation of proxy advisor: 10.5%</p>	<p>Companies: Cigna Corporation</p> <p>Resolution: Report on gender pay gap</p> <p>Decision: For</p> <p>Rationale for voting decision: The manager supports disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.</p> <p>Rationale for inclusion: Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.</p>	<p>EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.</p>