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

for the year ending 31 December 2021

July 2022

Contents

1 Introduction

This Implementation Statement ("the Statement") has been prepared by the Trustee Board ("the Trustee") of the Nestlé UK Pension Fund ("the Fund").

This is the second Statement produced by the Trustee as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The regulations state that the Statement must:

- Describe any review of the Statement of Investment Principles ("SIP") during the period covered by the Statement including an explanation of any changes to the SIP.
- Set out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and
- Describe the voting behaviour by, or on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) during the year and state any use of the services of a proxy voter during that year.

Based on regulatory requirements, the Statement will cover the period from 1st January 2021 to the end of the Fund's financial year on 31st December 2021. This Statement should be read in conjunction with the Fund's Defined Contribution ("DC") Implementation Statement.

The Statement is split into three sections:

1. An overview of the Trustee's actions and highlights during the period covered (including any reviews and changes to the SIP);
2. The policies set out in the Fund's SIPs for the DB section and the extent to which they have been followed during the reporting period; and
3. The voting behaviour and significant votes undertaken by the fund managers on behalf of the Fund.

2 Reviews of, and changes to the SIP

During the reporting period 1 January 2021 to 31 December 2021, the Trustee reviewed and updated the Fund's SIP. The SIP was updated to reflect:

- An amendment to the Investment Objectives of the Trustee: The Trustee's primary objective is now "*to protect members' accrued benefits, whilst maintaining a reasonable prospect of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036*".

- An amendment to the Fund's Investment Strategy: The Trustee has implemented a formal de-risking approach to ensure it meets its long-term funding target in a risk-managed way. The DB section of the Fund will now look to de-risk the asset allocation based on specified funding level triggers.

- Presentational adjustments that include:
    - The integration of the Trustee's policy concerning "Investment Managers" from a standalone policy to sit within the overall policy detailing a "Summary of the Fund's Investment Strategy".
    - An amendment to the "Investment Objectives" policy to note the establishment of the Defined Benefit Investment Committee ("DBIC"), which is responsible for certain investment matters delegated to it under terms of reference.

The above changes were finalised in June 2021. In addition to the changes mentioned above, the Trustee updated its Responsible Investment Policy in September 2021 – see "Overview of the Trustee's Steward, Voting, and Engagement Policies" in Section 3 below for more details.

3 Reviews of SIP policies

The table sets out the policies in the Fund's SIP and evidence supporting the extent to which they have been followed.

Policy	Has the policy been followed?	Evidence
Fund Governance (1)		
The Trustee has taken proper written advice from its investment advisers and consulted the Principal Employer to the Fund in the preparation of this SIP.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee received written advice from its adviser with respect to the contents and wording of the SIP in accordance to Section 35 of the Pension Act 1995. The Principal Employer gave written approval of the contents and wording of the SIP.
The Trustee considers that the governance structure set out in this SIP is appropriate for the Fund as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to its appointed investment managers and/or its advisers as appropriate.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee established a new governance committee, the Defined Benefit Investment Committee, which is responsible for certain investment matters delegated to it under terms of reference set out by the Trustee. The Trustee continues to believe that the governance structure set out in the SIP is appropriate for the Fund.

The Trustee takes advice from its investment advisers to ensure that the assets of the Fund are invested in accordance with the policies set out in this SIP and the requirements of section 36 of the Pensions Act 1995.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee's investment adviser reviews all Fund assets to ensure they are compliant with the policies in the SIP and the requirements of section 36 of the Pensions Act 1995. The Trustee was not informed of any breach of these policies occurring during the reporting period.
Investment Objectives (3)		
Primarily to invest the assets of the Fund to meet its liabilities when they fall due. The Trustee wishes to protect members' accrued benefits, whilst maintaining a reasonable prospect of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustees received regular advice from its investment advisers on the Fund's investment strategy. This included quarterly reporting as well as ad hoc updates regarding funding level developments and steps the Trustee could take to achieve its primary funding objective.
Manage the investment risk, including that arising due to mismatch between assets and liabilities, and limit the total risk of the Fund.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee sets a budget on an appropriate risk metric, which was monitored on a quarterly basis. These reports were discussed at the following dates over the reporting period: 25th February 2021 26th May 2021 25th August 2021 22nd November 2021 Over the reporting period, the Fund remained within the risk budget and no corrective action was required. The Trustee employs an investment strategy according to an agreed Strategic

		Asset Allocation ("SAA"), that invests in a diversified set of assets with characteristics that help to grow the Fund's assets, limit the mismatch between assets and liabilities, and protect against material investment risks. During the reporting period, the Trustee updated its SAA to target a de-risked investment strategy following funding level improvements on the relevant discount basis. This included the removal of the Fund's strategic allocation to Diversified Risk Premia, Hedge Funds, Property, Multi Class Credit, and Private Equity. The strategic allocation to Global Equity was also reduced, while the strategic allocation to Buy and Maintain Credit was increased. Following these changes, the Fund has fully divested from Diversified Risk Premia and reduced its allocation to Multi Class Credit and Global Equity. The remaining changes are currently in progress. There was no evidence to suggest any other deviations from the target strategy during the reporting period.
Maintain suitable liquidity of assets such that the Fund is not forced to sell investments at particular times to pay member benefits or meet potential collateral calls.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee monitored the required and available collateral of the Fund on a quarterly basis at the following dates: 25th February 2021 26th May 2021 25th August 2021 22nd November 2021 The Fund maintained sufficient liquidity and collateral to pay member benefits and/or meet collateral calls throughout the entire reporting period.

In order to help the Trustee achieve its investment objectives, the Trustee has established a Defined Benefit Investment Committee ("the DBIC"), which is responsible for certain investment matters delegated to it under terms of reference agreed by the Trustee from time to time.	Yes, the Trustee is satisfied that this policy has been followed.	The DBIC met six times during the reporting period and carried out its role according to the governance structure as set out in the SIP.
Summary of the Fund's Investment Strategy (4.1) – Investment Allocation Approach		
Assets are invested taking account of the nature and duration of the Fund's liabilities and to ensure appropriate diversification between asset categories	Yes, the Trustee is satisfied that this policy has been followed.	When making investment recommendations to the Trustee, the investment advisers evaluate the suitability of investments in the context of the Fund's liabilities and their contribution to total investment risk. Diversification opportunities are considered as part of this process. As part of this, the following investment changes were made in the reporting period: - Increased the allocation to the Aviva Diversified Matching Illiquids Fund during Q3 2021. - Committed to increasing the allocation to the BlackRock Strategic Alternative Income Fund.

Summary of the Fund's Investment Strategy (4.2) – De-Risking Approach		
The Trustee has agreed to a long-term funding target of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036. Note: the previous policy prior to the update described in section 2 was *"The Trustee has a long-term objective to manage the SAA in a manner that reflects the Fund's maturity and funding level."*	Yes, the Trustee is satisfied that this policy has been followed.	On a quarterly basis, the Trustee reviewed the position of the Fund versus its long-term objective and received advice from its advisers on available courses of action should the Fund's funding level trajectory deviate from the long-term target. Over the period these took place on the following dates: 25th February 2021 26th May 2021 25th August 2021 22nd November 2021 In addition to these meetings, the Trustee also met on an ad hoc basis on the advice of their investment advisors regarding the Trustee's funding level trigger framework associated with the long-term funding target.
Summary of the Fund's Investment Strategy (4.3) – Investment Managers		
The Trustee delegates day-to-day investment decisions to suitably qualified independent investment managers. Investment Managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the Trustee's investment advisers.	Yes, the Trustee is satisfied that this policy has been followed.	Over the reporting period, the Trustee continued to delegate day-to-day investment decisions to its investment managers. The Fund fully divested from the Man Group Diversified Risk Premia fund as part of a strategic de-risking exercise. There were no new investment managers employed by the Trustee during the reporting period.

The DBIC selects the Fund's investment managers with an expectation of a long-term appointment, although the legal terms of the contracts may provide for different durations according to asset class.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee continues to have an expectation of long-term appointments for the Fund's investment managers. The decision to fully divest from the Man Group Diversified Risk Premia fund was made upon the completion of the latest triennial valuation. The Trustee determined that this fund had served its strategic purpose and was no longer necessary in order for the Fund to meet its long-term funding target.
To aid diversification the Trustee employs a number of investment managers with specialisms in different asset classes and regions and varying investment styles, both passive and active.	Yes, the Trustee is satisfied that this policy has been followed.	There were no changes to Trustee's approach during the reporting period. It continues to employ a range of investment managers whose areas of specialism combine to achieve a diversified source of investment returns for the Fund across both passive and active strategies.
Each mandate's performance targets, benchmarks, restrictions and fees are set out in the respective Investment Management Agreements ("IMA") or pooled fund documentation. The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund. Investment managers have discretion to buy and sell investments within the terms of their agreements.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee retains records of all IMA and pooled fund documentation and receives advice from its investment adviser when an agreement is amended following a change in circumstance or objective. During the reporting period, the IMA between the Trustee and LGIM concerning the Liability-Driven Investment portfolio was amended to update the liability benchmark to reflect the new discount basis agreed as part of the most recent triennial valuation exercise. The Power Of Attorney agreement linked to the IMA between the Trustee and Aviva concerning the Diversified Matching Illiquids Fund was amended to reflect an update to the conditions of the management of assets within the fund to reflect the additional investment into the Fund.

When investing in a pooled investment fund, the DBIC ensures the investment objectives and guidelines of the fund are consistent with the Trustee's investment policies. Where segregated mandates are used, the DBIC may set explicit guidelines within the IMA where it is appropriate to do so.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee did not invest in any new funds during the reporting period. An additional investment was made to one the Fund's existing allocations, the Aviva Diversified Matching Illiquids Fund, and the Trustee committed to increasing its allocation to the BlackRock Strategic Alternative Income Fund, although no capital had been allocated by the end of the Fund's financial year reporting period. The Trustee received advice from their investment advisers concerning the ongoing suitability of the objectives listed in pooled fund agreement. Since financial year end the Fund has increased its allocation to the BlackRock Strategic Alternative Income Fund following capital calls by the investment manager. When new investments were previously made, the Trustee's investment advisers provided advice on the suitability of the objectives listed in pooled fund agreement and advised on the necessary guidelines to be included in the IMA.
Investment managers are listed in the Fund's annual report and accounts, which also contains information about investment performance, asset allocation and major investment decisions taken during the year.	Yes, the Trustee is satisfied that this policy has been followed.	The Fund's investment managers continue to be listed in the Fund's annual report and accounts, which can be found online.

Summary of the Fund's Investment Strategy (4.4) – Manager Review and Monitoring		
The Trustee and/or DBIC regularly monitors the Fund's investment managers to consider the extent to which the investment strategy and decisions of the managers are aligned with the Trustee's policies. This includes: The managers' performance (net of fees and costs) against a benchmark appropriate to each manager, taking into account the level of risk taken by each manager. Performance targets are monitored over short, medium and long-term horizons; The extent to which the managers make decisions based on assessments about medium- to long-term performance and engage with underlying investee companies in order to improve their performance in the medium- to long-term; The managers' approach to responsible investment and alignment with the Trustee's policies in this area; The managers' fees and costs related to portfolio turnover.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee reviewed the managers' performance on a quarterly basis, following advice from their investment adviser. The Trustee considered the performance of each manager across a variety of time horizons and, where applicable, against appropriate benchmarks. This included the manager's engagement with investee companies and annual management fees and costs. During the reporting period this took place on the following dates: 25th February 2021 26th May 2021 25th August 2021 22nd November 2021 Additionally, the DBIC interacted with its managers through its advisers on an ad-hoc basis. Specific examples during the reporting period include, requesting details from LGIM, the Fund's Buy & Maintain Credit manager concerning the emissions profile of the fund versus a representative benchmark. The Trustee also conducted detailed reviews of the stewardship and engagement activity by managers of the Fund's key strategic portfolios and whether the managers were taking sufficient action to align the characteristics of the portfolios with the Trustee's investment and responsible investment policies. This was conducted on 25th February 2021. No material changes were made to this approach over the reporting period.

Should the Trustee's monitoring process reveal that a manager's investment strategy and investment decisions are not aligned with the Trustee's policies, the Trustee and/or DBIC will engage with the manager to discuss how alignment may be improved. This includes specific consideration of the Fund's responsible investment policies.	Yes, the Trustee is satisfied that this policy has been followed.	Over the reporting period, the Trustee did not find that the Fund's managers' investment strategy or decisions were misaligned with the Trustee's policies.
Costs and Charges (5)		
Fees are charged by the Trustees' managers either as a proportion of the assets under management or are related to performance targets. They are negotiated individually when a manager is appointed and are reviewed periodically. The Trustee and/or DBIC takes advice from its investment advisers to ensure that fees are commensurate with the services provided.	Yes, the Trustee is satisfied that this policy has been followed.	Over the reporting period there were no changes to existing fee arrangements, which are all either as a proportion of the assets under management or are related to performance targets. In Q3 2021, the Trustee's investment advisers completed a review of the fees paid to the Fund's investment managers. This was reviewed by the Trustee on 25th August 2021. The adviser found the fees paid to managers to be market competitive given the size and scale of the mandates.
Portfolio turnover costs are a necessary cost to generate investment returns and the level of these costs varies across asset classes and manager. The Trustee and/or DBIC keeps them under review with the help of its investment advisers to ensure that they are appropriate. No specific ranges are set for portfolio turnover costs.	Yes, the Trustee is satisfied that this policy has been followed.	There were no reports of materially high portfolio transaction and turnover costs over the period. During the reporting period, the Fund increased its allocation to the Aviva Diversified Matching Illiquids Fund. The transaction costs associated with additional capital deployed by the manager were reviewed and deemed to be within an appropriate range. The Trustee committed to increasing its allocation to the BlackRock Strategic

		Alternative Income fund, although no capital had been allocated by the end of the Fund's financial year reporting period.
Types of Investments Held (6.1) – Investments in DB Section		
Assets are diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the Fund as a whole.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee was satisfied that the Fund retained a sufficient level of diversification between asset classes during the reporting period.
Types of Investments Held (6.3) – Expected Returns on Investments		
The Trustee receives professional independent investment advice on the expected levels of investment returns (after the deduction of expected charges) and risks for the funds to ensure that they are consistent with the Trustee's objectives.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee's investment adviser provided quarterly reports outlining the expected level of investment return and risk of the Fund. During the reporting period advice in these areas were provided on the following dates: 25th February 2021 26th May 2021 25th August 2021 22nd November 2021

Risk Management and Monitoring (8)		
All pension schemes are exposed to various risks. The Trustee recognises the importance of how these key risks interact with each other and with other risks the Fund is exposed to in relation to its funding level and the Fund's sponsor (the risk that, for whatever reason, the sponsoring employer is unable to support the Fund as anticipated). The Trustee also has in place processes to consider and monitor these non-investment risks on a regular basis and takes an integrated approach to managing investment and non-investment risks.	Yes, the Trustee is satisfied that this policy has been followed.	In accordance with the SIP, the Fund's progress against its strategic objectives is managed and monitored using a Pensions Risk Management Framework ("PRMF"), which is prepared by the investment adviser and is reviewed by the Trustee on at least a quarterly basis. Over the reporting period these took place on the following dates: 25th February 2021 26th May 2021 25th August 2021 22nd November 2021 During the meetings on the dates detailed above, the Trustee used the PRMF to monitor various risks as outlined in the SIP, and in particular to ensure that: The expected return on investments was close to the return required to meet the primary funding objective of being fully funded on the long-term funding basis of Gilts +0.5% p.a. by 31 December 2036. *Note: the previous primary funding objective was to reach full funding on a prudent technical provisions basis by 2022*. Investment risk (including that which arises due to mismatch between assets and liabilities) was being kept within agreed budgets. The Fund's liability hedging strategy remained broadly in line with the agreed proportion of the Fund liabilities, however the Trustee's investment advisors noted that between 30th September 2021 and 31st December 2021, following the conclusion of the most recent triennial valuation exercise, the liability hedging strategy moved away from the target level. This was due to a timing mismatch between the adoption of the new long-term funding target and the associated discount basis, and the update to the liability benchmark that was completed to

		reflect the new discount basis. This update took place across December 2021 and January 2022, and the Fund's liability hedging strategy has since been realigned to the target level. The Fund maintained suitable liquid assets such that the Fund would not be forced to sell return-seeking investments to pay member benefits or meet potential collateral calls. The Trustee performed a qualitative assessment of the risk to the sponsor's funding covenant due to climate-related factors on 12th November 2021. The Trustee is satisfied that the implementation of the risk management and monitoring strategy was consistent with the SIP and is appropriate for the circumstances of the Fund during the reporting period.

Overview of the Trustee's Stewardship, Voting, and Engagement Policies

The Trustee's responsible investment belief, as set out in its Responsible Investment Policy, concerning stewardship and engagement is:

"Engagement is the preferred means of aligning the Fund's investments with the goals of the Trustee, but the Trustee will consider an exclusion and divestment strategy where engagement fails to yield meaningful alignment and where consistent with the Trustee's fiduciary duties."

The Trustee's policy concerning Stewardship, Voting, and Engagement is summarised in its Statement of Investment Principles. A more detailed description of this policy is detailed in the Trustee's Responsible Investment Policy, characterised by four sections:

- Selecting the Fund's Investments
- Appointment, review and monitoring of the Fund's asset managers
- Stewardship – "A responsible owner of our assets"
- Addressing the risks (and opportunities) of climate change

Additional detail on these policies, and evidence demonstrating how they have been followed during the reporting period, is provided below.

Selecting the Fund's Investments

The Trustee's policy with regard to selecting the Fund's investments includes:

- All else being equal, the Trustee will allocate the Fund's DB assets to asset classes where Environmental, Social, Governance ("ESG") can be integrated into decision making.
- ESG risks will be assessed along with other factors such as investment risk and return.
- The Trustee will not divest the Fund's DB assets from existing asset classes for ESG reasons alone but consider its function within the broader portfolio along with other factors such as investment risk and return.

How have the policies been followed by the Trustee?

The Trustee have, in their opinion, followed their responsible investment policies concerning the selection of the Fund's investments during the reporting period.

No new asset classes were incorporated into the Fund's current or strategic asset allocations; however, the Trustee did adopt a new strategic asset allocation that saw several divestments begin to take place or be completed, the proceeds of which were invested in the Fund's Liability Driven Investment ("LDI") portfolio. These divestments were not made on purely ESG grounds, however consideration was given to its impact.

Appointment, review and monitoring of the Fund's asset managers

The Trustee's policy with regard to the appointment, review and monitoring of the Fund's asset managers includes:

- In relation to the appointment of new investment manager(s), the integration of ESG into their investment process is considered as a key selection factor used to assess the manager(s) during the investment due diligence process.
- Once appointed, the Trustee requires its appointed investment managers to be cognisant of climate change risks and opportunities within their investment processes as applied to the assets of the Fund.
- The extent to which managers integrate ESG and specifically climate-related factors into their investment process is monitored to ensure it is sufficient for the characteristics of the asset class and aligned to the Trustee's responsible investment policies.
- The Trustee requires all the Fund's asset managers to provide reporting on ESG factors, including climate change, where possible.

How have the policies been followed by the Trustee?

The Trustees have, in their opinion, followed the responsible investment policies concerning the appointment, review and monitoring of the Fund's asset managers during reporting period.

The Trustee expects its managers to be signatories to the UN Principles of Responsible Investment (UN PRI). At the end of the reporting period, all the Fund's Investment Managers were signatories to the UN PRI and are all rated A+, except for Insight Investment, which have been awarded an A, and Brigade who are signatories but have yet to receive a rating. The Fund is in the process of fully exciting their investment with Brigade, expected to be completed in 2022.
Over the period, the integration of ESG, and specifically climate-related, factors continued to be an explicit topic of discussion between the Trustee and its investment adviser. The Fund's asset managers provided quarterly as well as specific ad hoc reporting, for example on the use of "Green Gilts"[1], on the integration of, and risks related to, ESG and climate-related factors. These topics were the subject of focussed discussion during the quarterly review meetings with the managers, with examples provided by the managers of specific ESG integration within their portfolios, where relevant. For example, one of the Fund's

[1] "Green Gilts" represent debt obligations of the UK Government specifically related to the financing of projects that will help tackle climate change and other environmental challenges. For more information, please see UK Government Green Financing Framework.pdf

managers, Aviva Investors, introduced sustainability-linked objectives into the covenant of one of the projects they have helped to finance, while another manager, LGIM, successfully participated in a primary issuance of a bond that will be used to improve the ESG profile of the issuing company and hence the overall portfolio.

The Trustee did not appoint any new investment managers during the reporting period; however, it did increase its allocation to the Aviva Investors Diversified Illiquids Fund and commit to increasing its allocation to the BlackRock Strategic Alternative Income Fund. During discussions with the manager surrounding the type of assets they would be investing in, the Trustee made clear its desire for ESG to play a prominent role in the manager's investment choices.

The Fund is currently in the process of de-risking its portfolio as it transitions to a new strategic asset allocation. During this process, for both existing and new mandates, the Trustee is exploring ways to further incorporate ESG and climate-related considerations into the Investment Management Agreements ("IMAs") in place with its asset managers of segregated mandates, where the Trustee is better able to influence manager decision-making, and the Pooled Fund Agreements in place with the asset managers of pooled funds. Examples of the activities undertaken can be found below:

- optimising a portfolio's emissions profile versus a representative benchmark to reduce the overall climate risk;
- considering the temperature alignment of a mandate's emissions; and
- excluding assets which are in breach of the United Nations Global Compact Principles.

Stewardship – "A responsible owner of our assets"

The Trustee's policy regarding stewardship & engagement includes:

- The Trustee prefers engagement over disinvestment when considering good stewardship of their investments. This means that where voting rights are held (e.g. through the ownership of shares), these rights should be exercised where appropriate. The Trustee also expects managers without voting rights to engage with companies on issues that are material to the performance of the asset.

- The Trustee has delegated the execution of voting and engagement activity to the Fund's asset managers. Such managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest). The Fund's investment managers are required to provide qualitative and quantitative data to the Trustee on a regular basis regarding their recent voting and engagement activities.

- The Trustee monitors the managers' track record of engaging with companies using a responsible investment framework agreed with the Trustee's investment advisers. The framework identifies certain core ESG themes as a priority for engagement based on advice as to their likely financial materiality to the Fund and alignment with the United Nations Global Compact principles.

How have the policies been followed by the Trustee?

The Trustees have, in their opinion, followed the stewardship and engagement policies during the Fund Year.

Stewardship and engagement, including the use of voting rights, is most likely to be financially material in the sections of the portfolio where physical equities are held. Given that the majority of the Fund's assets are invested with investment managers that solely hold fixed income securities in their portfolios, voting is only relevant for investments held with BlackRock and Man Group (note, the Fund divested from the mandate with Man Group in July 2021). Due to their respective structures, the voting rights for these mandates are held by the investment managers whom are responsible for voting and engagement on the underlying assets rather than the Trustee. As a result, the Trustee's ability to influence voting activities undertaken is limited. An overview of votes cast during the year by these managers can be found in the Voting Behaviour section of this statement.

The following investment managers of the Fund are signatories of the UK Stewardship Code 2020: Aviva Investors, BlackRock Inc, Legal & General Investment Management ("LGIM"), M&G Investments and Man Group. The code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value. There are no immediate concerns with the fact that the other investment managers used by the Fund are not signatories to the UK Stewardship Code 2020.

The Trustee completed its annual in-depth review of the stewardship activities carried out by BlackRock and LGIM for the Aquila Life MSCI World fund and Buy and Maintain Credit mandate respectively. These mandates were selected given their size in the total portfolio, the relative influence the Trustee can have on the managers' stewardship and engagement activities, and the asset classes' long-term strategic importance to the Fund's overall investment strategy.

As part of this review, the strategies' exposure to the core ESG themes based on the United Nations Global Compact principles was assessed and a watchlist of companies whose exposure to these themes was deemed to be material was established for ongoing review. In addition, the Trustee reviewed the engagement record of the two managers with specific consideration of the managers' participation in company resolutions and volume of engagement actions undertaken. Following this assessment, the Trustee engaged with LGIM to understand the rationale for including these companies in the portfolio, and what efforts were being undertaken by the manager to ensure the companies improve their ESG characteristics over time. The Trustee also engaged with BlackRock with the intention of improving the reporting provided on ESG engagement carried out on behalf of the Trustee. Specifically, the manager was asked to provide more detailed case study examples of active engagement and the resulting impacts of this engagement on the assets of the Fund.

Addressing the risks (and opportunities) of climate change

The Trustee's climate change policy includes:

- Climate change is a potential long-term material financial risk for the Fund which could impact the Fund's investments, the Fund's sponsor and the world into which our members will retire.

How have the policies been followed by the Trustee?

As part of the assessment of core ESG themes, the Trustee measured the climate-related risk of companies within the BlackRock Aquila Life MSCI World fund and LGIM Buy and Maintain Credit mandate. Companies that displayed a high degree of climate-risk were added to a watchlist and flagged for ongoing monitoring. As part of this assessment process, the Trustee evaluated the extent to which the managers performed specific and targeted engagement with the most at-risk companies in the portfolio previously flagged and included in the watchlist.

In line with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which are based upon disclosures in line with the current recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Trustee completed climate scenario analysis on the Fund's Investment and Funding Strategy. The scenario analysis results demonstrated that the Fund's long-term funding and investment strategy is likely to be resilient to climate change effects on the whole, however there is still likely to be some impact owing to the manifestation of climate-related transition risks[2] and physical risks[3]. The Trustee assesses the results of these climate scenarios on the Fund's investment strategy and incorporates these (as well as the impact of any climate-related investment opportunities) into the investment decision-making process. In addition, the Trustee completed an assessment of the absolute emissions and carbon footprint of the Fund's investment portfolio. For more information on the methodology and results of this analysis, please refer to the Trustee's 2021 TCFD Statement, found here: tcfd_report_2021.pdf (nestlepensions.co.uk).

The Trustee does not take non-financial factors into account in the selection, retention and realisation of investments in the Fund.

[2] Transition Climate Risk - The impacts of the global transition towards a low-carbon economic system. This could include changes in industry regulation, consumer preferences and technology that will impact current and future investments.

[3] Physical Climate Risk - The physical impacts of a changing climate on businesses directly or indirectly through their supply chain. This could include increasing temperatures, changing weather patterns, sea level rise and severe weather events.

4 Voting Behaviour

Below is information on the voting activity over the period for the Fund's investment managers which held listed equities over the period.

The Trustee confirms that these are within expectations and no further follow up is required.

a. BlackRock Aquila Life MSCI World Fund

Voting statistics summary (01.01.2021 - 31.12.2021)

VOTING STATISTICS (APPLICABLE TO THE FUND'S REPORTING PERIOD)	RESPONSE
How many meetings were you eligible to vote at?	973
How many resolutions were you eligible to vote on?	13,094
What % of resolutions did you vote on for which you were eligible?	99.8%
Of the resolutions on which you voted, what % did you vote with management?	91.1%
Of the resolutions on which you voted, what % did you vote against management?	8.7%
Of the resolutions on which you voted, what % did you abstain from voting?	0.8%
In what % of meetings, for which you did vote, did you vote at least once against management?	38.2%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	BlackRock 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, BlackRock work with proxy research firms who apply the BlackRock's proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.3%

Significant votes summary (01.01.2021 - 31.12.2021)

	Danske Bank A/S	VINCI SA	Woodside Petroleum Ltd.	Canadian Pacific Railway Limited	Canadian National Railway Company
Summary of the resolution	Criminal Complaint and Legal Proceedings Against the Board of Directors, Members of Management , and Auditors.	Approve Company's Environmental Transition Plan	Elect Christopher Haynes as Director	Shareholder Proposal to Hold an Annual Non-Binding Advisory Vote on Climate Change	Management Advisory Vote on Climate Change
How you voted	Against	For	Against	For	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No	No	No	No
Rationale for the voting decision	Support not warranted given ongoing investigation, regulatory attention, and remedial actions underway.	Favour proposal as it provides a clear roadmap towards the company's stated climate ambitions and the mechanisms and strategies which the company will utilize to achieve these targets.	To hold the company accountable for inadequate progress on the company's current climate risk disclosures, particularly with regard to Scope 3 emissions reduction targets.	Favour proposal which would reinforce the company's considerations of climate risk and opportunity within its strategy, alongside existing disclosures that demonstrate these actions.	Favour proposal which would require annual disclosure of progress against the Company's Climate Action Plan.
Outcome of the vote	Fail	Pass	Pass	Pass	Pass

b. Man Diversified Risk Premia

Please note the Fund fully divested from the Man Diversified Risk Premia fund during the reporting period. Voting statistics are provided for the period during which the Fund remained invested (01.01.2021 – 19.07.2021).

VOTING STATISTICS (APPLICABLE TO THE FUND'S REPORTING PERIOD)	RESPONSE
How many meetings were you eligible to vote at?	752
How many resolutions were you eligible to vote on?	9039
What % of resolutions did you vote on for which you were eligible?	98.40%
Of the resolutions on which you voted, what % did you vote with management?	90.17%
Of the resolutions on which you voted, what % did you vote against management?	9.37%
Of the resolutions on which you voted, what % did you abstain from voting?	0.46%
In what % of meetings, for which you did vote, did you vote at least once against management?	9.84%
Which proxy advisery services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Glass Lewis - Man Group's ESG Voting Policy
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	3.48%

Significant votes summary

	Company 1	Company 2	Company 3	Company 4	Company 5
Summary of the resolution	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder Proposal Regarding GHG Reduction Targets	Shareholder Proposal Regarding Issuance of a Climate Transition Report	Shareholder Proposal Regarding Prison Labor
How you voted	For	For	For	For	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No	No	No	No
Rationale for the voting decision	Favour increased disclosure and reporting over gender and racial pay disparity.	Favour increased disclosure and reporting over gender and racial pay disparity.	Favour increased environmental reporting / responsibility	Favour increased environmental reporting / responsibility	Favour improved labour reporting /monitoring
Outcome of the vote	Resolution Failed	Resolution Failed	30.47% For (Failed)	56.1% For (Passed)	13.28% For (Failed)

	Company 6	Company 7	Company 8	Company 9	Company 10
Summary of the resolution	Shareholder Proposal Regarding Prison Labor	Shareholder Proposal Regarding Disclosure of Business Alliance Agreements	Shareholder Proposal Regarding Report on Median Gender and Racial Pay Equity Report	Shareholder Proposal Regarding Greenhouse Gas Reduction Targets	Elect Ola Lorentzon
How you voted	For	For	For	For	Against

Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No	No	No	Yes
Rationale for the voting decision	Favour improved labour reporting/monitoring	Favour improved disclosure around shareholder rights	Favour improved disclosure and reporting on workforce gender and racial pay equity	Favour increased environmental reporting/responsibility	No independent lead or presiding director; Vote results not disclosed
Outcome of the vote	13.28% For (Failed)		40.38% For (Failed)	31.05% For (Failed)	Passed

*Please note that Man are unable to disclose the name of the companies on public documents.

c. Grosvenor Robusta Absolute Return Fund

The Robusta Absolute Return Fund is classified as a Fund of Hedge Funds. It is structured such that Grosvenor allocate the capital invested by the Nestlé UK Pension Fund to a range of underlying hedge funds, who distribute the capital in a manner that they see fit according to their stated investment philosophy.
Under such a structure, Grosvenor therefore do not possess the voting rights attached to the underlying holdings of the Robusta Absolute Return Fund so are unable to report on the exercise of voting rights for the Nestlé UK Pension Fund.

d. HarbourVest International Private Equity Fund

Given the private nature of the assets in the portfolio, HarbourVest do not vote proxies for the Nestlé UK Pension Fund, and therefore cannot provide data on votes cast for the Nestlé UK Pension Fund.