

STEWARDSHIP AND ENGAGEMENT IMPLEMENTATION STATEMENT:

1 July 2023 to 30 June 2024



Introduction

On 6 June 2019, the UK Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the “Regulations”). The Regulations require that the Directors of the NFU Staff Pension Trust Limited (the “Trustee”), Trustee of the NFU Staff Pension Scheme (the “Scheme”) outline how the stewardship, voting and engagement policies set out in their Statement of Investment Principles (“SIP”) have been followed over the course of the year under review.

This Statement has been prepared by the Trustee with the assistance of their appointed Fiduciary Manager and is for the year ending 30 June 2024.

The Trustee’s Stewardship and Engagement policies are included in the SIP which is available [online](#).

Last review of the key policies regarding Stewardship and Engagement

Policies regarding stewardship, voting and engagement were last reviewed as part of a wider review of the SIP in October 2022. The SIP was revisited during the year and the Trustee confirmed that the policies remained suitable and in the best interests of members. No material changes were made.

During the course of the year, the Trustee has received presentations from their appointed Fiduciary Manager in relation to how the votes are carried out on their behalf and more generally on how Environmental, Social and Governance (“ESG”) factors are integrated into the Fiduciary Manager’s investment philosophy and by association the underlying specialist managers used in the portfolio.

Voting behaviour

Under the Fiduciary Management arrangement in place the Trustee has delegated proxy voting and engagement decisions to the Fiduciary Manager. The Fiduciary Manager has a robust and well-established set of guidelines to follow when voting on the Trustee’s behalf which are reviewed and updated on an annual basis. It has provided the Trustee with both a copy of the Proxy Voting Guidelines and the most recent Active Ownership Report. The Fiduciary Manager instructs Glass Lewis, a specialist proxy voting firm, to execute the votes in-line with the agreed guidelines and where Glass Lewis cannot apply this policy the votes are referred to Russell Investments Active Ownership Committee.

A total of 13,118 votes were placed on securities held in the Scheme’s Growth portfolio over the period under review. A summary of the voting activity carried out on behalf of the Trustee is set out overleaf.

Key statistics

	Management Proposals	Share Proposal	Holder Total Proposals
With Management	11,807	388	12,195
Against Management	692	198	890
Votes without Management Recommendation	17	16	33
Take No Action	685	14	699
Unvoted	0	0	0
Totals	13,201	616	13,817

The decision to “Take No Action” was driven by:

- i. Shareblocking markets: As per the Fiduciary Managers standing instructions, if a meeting belongs to a Shareblocking market such as Switzerland, then the ballots are automatically set to Take No Action.
- ii. This rule is applicable at the meeting and the ballot level as well. Sometimes if a meeting or a ballot is share-blocked then either the entire meeting or a ballot gets auto-TNA.
- iii. And lastly, for the Contested meetings, one of the two voting cards is set to “Take No Action” (the card which is not voted).

Votes Broken Out by Category

Topic	Number of Votes
Environmental	130 (includes climate risk issues)
Social	222
Governance	12,766

This table excludes Take No Action votes.

Most significant votes

Criteria adopted

The Fiduciary Manager defines significant votes as ones that meet, at least, one of the following criteria:

- Votes against management proposals where the level of dissent from shareholders is 20% or higher, in line with the UK Corporate Governance Code.
- Votes supporting shareholder proposals when management is recommending against, and the level of support is 40% or higher, suggesting that the proposal nearly passed.
- Votes that directly affect shareholder equity holding or value. For example, merger and acquisitions.

In addition, the Fiduciary will consider votes that are aligned with the Fiduciary Manager's stewardship priorities with regards to environmental, social and governance matters, as defined by the [voting policy](#).

To ensure a wide variety of the placed votes is reflected, the summary of the most significant votes below has been split into Environmental, Social or Corporate Governance categories. Furthermore, the votes are selected on the basis of having high weight in the Scheme. Any reference to we and/or us in the following examples refers to the Fiduciary Manager's views and / or approach followed when voting on behalf of the Trustee.

As at 30 June 2024, the NFU Staff Pension Scheme was 7.71% invested in the Multi Asset Growth Strategy Fund (MAGS), which in turn held 51.0% in equities. At the same date, the NFU Staff Pension Scheme was 1.25% of the total MAGS Fund.

This statement does not include the fixed income funds, as the voting only covers equity engagements. **The following size of holdings are references to the approximate weight of the company as a proportion of the Multi Asset Growth Strategy Fund.**

Environmental Votes

Fedex Corp

Shareholder Proposal Regarding Just Transition Reporting

Date	21/09/23
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.17%
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Rejected
Criteria for selection as significant vote:	Vote Against Management, Controversial Outcome, Environmental Shareholder Proposal

Rationale

The Active Ownership Committee voted to support this proposal, along with nearly 30% of shareholders. The Company announced its goal of becoming carbon-neutral across its operations by 2040 but so far disclosure regarding how this will be achieved in a manner consistent with a just transition has been limited. The reporting requested by this resolution, which would be consistent with Just Transition guidelines of the International Labor Organization, could be beneficial to the Company, its shareholders, and its stakeholders by allowing them to understand the Company's considerations more fully with respect to its workforce.

Huntington Ingalls Industries Inc

Shareholder Proposal Regarding GHG Targets and Alignment with the Paris Agreement

Date	01/05/24
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.23%
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Rejected
Criteria for selection as significant vote:	Top Holding, Vote Against Management, Controversial Outcome, Environmental Shareholder Proposal

Rationale

Russell Investments voted to support this proposal, along with nearly 28% of the vote. The Company has committed to a 30% reduction in Scope 1 and 2 emissions, but the timeline for achieving this target is unclear. The Company lags peers regarding targets, however, it has disclosed ambitions to develop a roadmap for the strategy. Given the Company might face requirements to set more ambitious reduction targets resulting from anticipated regulatory requirements in the near future, the precatory request could encourage the company to develop and further disclose its climate-risk strategy.

Approval of Climate Transition Action Plan and 2023 Progress Report

Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.29%
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Date	24/04/24
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Mgmt. Rec.	For
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How the vote was cast	Against
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Vote Outcome	Rejected
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Criteria for selection as significant vote:	Top Holding, Vote Against Management, Controversial Outcome, Environmental Proposal
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Rationale

This proposal was referred to the Active Ownership Committee for further review, per our guidelines. The Committee voted to against proposal, along with over 58% of the vote.

The Company put forward a Say-on-Climate proposal once before, at its 2022 AGM. That proposal faced major shareholder dissent, but narrowly passed. While acknowledging that the company has made some improvements to disclosure since the 2022 vote, that progress has not been material enough to address shareholders' concerns. The Company lacks disclosure concerning how it engages with and responds to shareholder concerns around climate risk management.

Furthermore, as a CA100+ company, Woodside should be held to a higher standard than peers not in the CA100+ list due to its high-emitting status, and the company has failed to completely meet 9 of 10 benchmark framework indicators.

Social Votes

CVS Health Corp

Shareholder Proposal Regarding Third-Party Assessment of Freedom of Association

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.16%

Date 16/05/24

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Social Shareholder Proposal

Rationale

Voted in support of the proposal, along with ~23% of the vote. Given recent concerns and controversies related to staffing and other labour-related matters at the Company, shareholders could benefit from the Company disclosing the results of independent assessments. Furthermore, The Company appears to have already undertaken the request of this proposal, via its regular human rights impact assessments with an independent third-party evaluator. Accordingly, this proposal would essentially just require the Company to provide disclosure to shareholders concerning this assessment. Given the apparent ease of retrieving the requested data and the potential for improved understanding of risk on behalf of investors, the proposal aligns with the best interests of shareholders.

Crown Holdings, Inc.

Shareholder Proposal Regarding Lobbying Report

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.32%

Date 02/05/24

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Top Holding, Vote Against Management, Controversial Outcome, Social Shareholder Proposal

Rationale

This proposal was referred to the Active Ownership Committee for further review, per our guidelines. The Committee voted to support this proposal, along with over 48% of the vote. The Company provides little meaningful disclosure regarding its political contributions and could reasonably provide further detail in a political spending policy, as well as disclose information regarding specific contributions. Increasing these disclosures would bring the Company in line with peers.

Microsoft Corporation

Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.81%

Date 07/12/23

Mgmt. Rec. Against

How the vote was cast Against

Vote Outcome Rejected

Criteria for selection as significant vote: Top Holding, Controversial Outcome, Social Shareholder Proposal

Rationale

Despite significant support for this proposal (~33% of shareholders voting for), Russell Investments voted against, in support of management. At this time, the company upholds sufficient human rights-related disclosure and policies, especially concerning the regions in which it operates. Additionally, it maintains board-level oversight of this issue. The proponent failed to provide evidence that the existing disclosures, reporting and oversight present a risk to shareholder value.

Governance Votes

Amphenol Corp.

Shareholder Proposal Regarding Right to Call Special Meeting

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.22%

Date 16/05/24

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Governance Shareholder Proposal

Rationale

We believe, on the Trustee's behalf, that shareholders should have the right to call special meetings, although, in order to prevent possible abuse which might waste company resources, it is good practice to require that a shareholder possess a sizeable minority of shares in order to exercise this right. The appropriate thresholds for share ownership requirements to call a special meeting should be reflective of the company's unique characteristics, including but not limited to: company size, the characteristics of its shareholder base (including both percentage of ownership and type of shareholder), board responsiveness to shareholder concerns, company performance, and any existing opportunities for shareholder action.

In this case, while the Company has in place certain best practice corporate governance provisions, the existing 25% ownership threshold is prohibitive, and lowering that threshold would be appropriate. Russell Investments voted for the proposal, along with ~41% of shareholders.

Allstate Corp (The)

Shareholder Proposal Regarding Independent Chair

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.32%

Date 14/05/24

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Top Holding, Controversial Outcome, Governance Shareholder Proposal

Rationale

We believe, on the Trustee's behalf, that in most cases, it is best practice to require the positions of Chairman and CEO to be held by different persons. Russell Investments, along with approximately 30% of shareholders, supported this proposal. Our guidelines functioned as intended and the rationale was sound.

Shareholder Proposal Regarding Recapitalization

Approximate size of fund's holding as at the date of the vote (as % of portfolio) 0.79%

Date 29/05/24

Mgmt. Rec. Against

How the vote was cast For

Vote Outcome Rejected

Criteria for selection as significant vote: Vote Against Management, Controversial Outcome, Governance Shareholder Proposal

Rationale

We believe, on the Trustee's behalf, that the "one-share, one-vote" principle represents best practice, and as a result we will not support the introduction of multiple-class capital structures or the creation of shares with voting rights disparity and will support proposals calling for recapitalization plans which align with the "one-share, one-vote" principle. Public shareholders would have the opportunity to be much better represented if the outcome of matters up for a vote was not largely determined by the controlling shareholder.

~26% of shareholders supported this proposal.

Engagement Activities

Not all investments have voting rights attached to them, however asset owners can engage with the issuers of equity and debt to influence positive change. The Trustee is supportive of engagement with investee companies in this way and has delegated this activity to the Fiduciary Manager.

The Fiduciary Manager aims to engage with companies on overall business strategy, capital allocation, and ESG practices while encouraging appropriate levels of risk mitigation. The Fiduciary Manager's engagement policy is available [here](#) and examples of engagement activity are provided below.

Any reference to we, our and/or us in the following examples refers to the Fiduciary Manager's policy, views and activity.

Direct-Company Engagement on board composition and accountability with a North American homebuilding company

Engagement Action: Russell Investments engaged with a United States-based homebuilding company. The dialogue was focused on the company's efforts around board composition and accountability, disclosures, and human capital management.

Engagement Objective: Russell Investments engaged with the company to encourage the company to increase the level of female representation on the board and to improve disclosure on human capital management.

Engagement Summary: The Company has engaged with shareholders regarding the high level of dissent against the chair of the nominating and governance committee at the 2023 and 2024 AGMs. The feedback indicated a need for improved gender diversity and governance. The company has taken on that shareholder feedback, and made improvements, including the appointment of three women out of eleven members in 2024. To attract and retain diverse candidates, the company has been actively using third-party recruiters and has not faced challenges in finding qualified female candidates.

While the company has not set specific goals for Human Capital Management, it is taking a proactive approach to address related issues. The Company prioritizes safety orientation and training, focusing on key areas such as fall protection, dust protection, and heat safety measures to ensure a safe working environment for all employees. Furthermore, the Company's internal whistle-blower hotline, which is managed by a third-party service provider, has maintained stable year-over-year reporting.

Engagement Outcome: Russell Investments resolved the human capital management topic following this discussion, as the Company's current strategy has been deemed satisfactory. We will continue to monitor the Company pertaining to board composition, with the expectation that they will follow-through on a commitment to achieve 30% gender diversity at the board level.

Direct-Company Engagement with a UK-based consumer healthcare company focused on climate change resilience and natural capital management

Engagement Action: Russell Investments engaged with a UK-based healthcare company concerning climate change resilience and natural capital management.

Engagement Objective: Russell Investments engaged with the company for a second time to encourage further disclosure on its decarbonization strategy. Additionally, the objective was to evaluate the company's approach to the environmental characteristics of its packaging, considering that material extraction and waste contribute to environmental externalities.

Engagement Summary: Russell Investments found the Company's progress with respect to reduction in Scope 1 and 2 carbon emissions is in line with expectations, solely driven by effective management strategies. Their long-term vision prioritizes technological solutions over offsets, with offsets reserved strictly as a last resort. Two of their sites in Asia have achieved net-zero emissions, following a Climate Transition plan with clear rules on offset use, indicating that the Company understands local needs and the difficulties at sites with low grid reliability. To reduce Scope 3 emissions, the Company has taken a proactive approach which involves engaging with suppliers, urging them to align with SBTi standards. The Company has made some progress on reducing its plastic packaging footprint, fostering industry convergence to promote alignment and working with waste partners on pilot initiatives for alternatives to single-use plastics.

Engagement Outcome: The company has made significant progress in reducing its carbon emissions showcasing a commitment to climate change resilience. Plastic footprint reduction efforts are underway, but challenges remain in aligning business growth with sustainability targets. The company is actively addressing sustainability challenges across its operations, emphasizing the importance of long-term environmental stewardship and resilience. We will continue to engage with the company in 2025 to assess the progress.

Direct-Company Engagement on executive compensation at a global financial services company

Engagement Action: In advance of the AGM, Russell Investments held a call with the Company, focusing on executive compensation concerns.

Engagement Objective: The aim of the engagement was to address our concerns regarding the company's compensation package and lobbying activities in order to develop a well-informed voting decision.

Engagement Summary: While the Company utilises measures to prevent excessive compensation, including financial and non-financial priority reviews, sharing decisions with the board, independent compensation consultants, and benchmarking, the company has consistent misalignment between pay and performance. As such, Russell Investments concluded that the measures in place are not working as intended. We conveyed our concerns with the lack of bonus cap, insufficient transparency in disclosure concerning the use of discretionary awards, along with using only one metric under the LTIP, which indicates a poorly designed compensation package. The company agreed to pass our concerns on to the compensation committee for review but did not commit to making changes.

Engagement Outcome: Following our dialogue, Russell Investments was unconvinced of the Company's commitment to meaningfully adjust the compensation package, and so we voted against the company's remuneration at the 2024 AGM, along with a significant proportion of shareholders.

Industry Participation

The Trustee encourages the Scheme's Fiduciary Manager to leverage its position through collaborative efforts and partnerships with other industry participants. To this end, the Fiduciary Manager is a signatory to the UK Stewardship Code 2020 and Principles for Responsible Investment ("PRI") and a member of Climate Action 100+, Nature Action 100, and the Net Zero Asset Managers Initiative.

The UK Stewardship Code 2020, comprising a set of 'apply and explain' Principles, sets high stewardship standards for those investing money on behalf of UK savers and pensioners. The Fiduciary Manager's latest investment stewardship report can be found [here](#).

PRI is a globally recognised proponent of responsible investment, which provides resources and best practices for investors incorporating ESG factors into their investment and ownership decisions. As a signatory to the PRI since 2009, the Fiduciary Manager has a long-standing relationship with the organisation and has completed the annual PRI assessment every year since 2013. The Principles are a set of global best practices that provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. The Fiduciary Manager is actively involved with the PRI, attending annual conferences and global seminars, and engaging on discussions of interest.

Climate Action 100+ is an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The Fiduciary Manager joined the Climate Action 100+ initiative in early 2020 and has directly engaged with a select number of companies on climate transition through the regional entities over the period.

Nature Action 100 is a global investor engagement initiative mobilizing institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action to stem nature and biodiversity loss. Investors participating in the initiative are engaging with 100 companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. The Fiduciary Manager joined Nature Action 100 upon its launch in 2023.

In 2021, the Fiduciary Manager joined the Net Zero Asset Managers Initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. The Fiduciary Manager has committed to a range of actions that are the key components required to accelerate the transition to net zero and achieve emissions reductions in the real economy: Engaging with clients, setting targets for assets managed in line with net zero pathways, corporate engagement and stewardship, and policy advocacy.

Compliance with the policy over the period

As a holder of assets with attached voting rights, the Trustee is able to exercise these voting rights on behalf of members of the Scheme and believe the best approach is to delegate the execution of their policy to the Fiduciary Manager. The Trustee has received information on the voting activity that has been carried out on their behalf on an annual basis and are comfortable with the decisions taken.

Over the period, the Trustee is pleased to report that they have, in their opinion, adhered to the policies set out in their SIP.

The Trustee is pleased with the progress the Fiduciary Manager has made over the year in this area and will continue to work with them to develop their policies in the future.