Yara UK Pension Fund (“the Fund”)

Annual Engagement Policy Implementation Statement for the Year Ended to 5 April 2024

1. Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (‘SIP’) produced by the Trustee has been followed during the year to 5 April 2024 (the “Fund Year”). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place over the Fund Year: the SIP dated September 2022 (covering the period between 5 April 2023 and 30 April 2023), the SIP dated May 2023 (covering the period between 1 May 2023 and 31 January 2024) and the SIP dated February 2024 (covering the period between 1 February 2024 and 5 April 2024).

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Fund and changes that have been made to the SIP during the Fund Year, respectively.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers of the Fund and sets out how the Fund’s engagement and voting policy has been followed during the Fund Year. **The Trustee can confirm that all policies in the SIP have been followed during the Fund Year.**

2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objectives of the Fund included in the SIP that was in place the end of the Fund Year are as follows:

The Trustee is required to invest the Fund’s assets in the best interest of the members, beneficiaries and the Company and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this context the Trustee’s primary objective is to ensure that sufficient assets are available to pay out member’s benefits as and when they arise. The Trustee has set an investment policy consistent with this objective that aims:

- To ensure that sufficient liquid assets are available to meet benefit payments and expenses as they fall due, with a focus on matching expected cashflow requirements with cashflows received through the Fund’s investments;

- To preserve the value of the residual assets.

To this end the Trustee purchased a buy-in policy with Aviva Life & Pensions UK Limited ("Aviva") in December 2023, securing the Fund's full liabilities. Under the buy-in contract, Aviva is obligated to make payments to the Trustee in order to meet the Fund's liabilities to the beneficiaries insured under the policy. The residual assets will be invested in a low-risk cash fund expected to generate returns in line with money market rates.

The Trustee's investment horizon for the investment in the residual assets is medium term.

2.2. Review of the SIP

The Trustee reviewed and updated the SIP in May 2023 following strategic changes to the investment strategy taking formal advice from their Investment Consultant (Mercer Limited ("Mercer")). The strategic changes reflected a risk reduction in the investment portfolio over the course of 2023. Implementation of the strategic changes involved disinvesting from the Mercer Multi-Asset Credit portfolio and investing the proceeds into the Legal and General Investment Management ("LGIM") Liability Driven Investment ("LDI") portfolio (comprised of government bonds and cash).

The Trustee reviewed and updated the SIP in February 2024 following changes resulting from the purchase of a buy-in policy with Aviva which allowed the Trustee to secure the Fund's full liabilities. The Trustee invests the Fund's residual assets in LGIM's Sterling Liquidity Fund.

3. Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. A copy of the latest SIP can be found here:

https://www.yara.co.uk/siteassets/crop-nutrition/uk-content/legal/yara-uk-pension-fund---statement-of-investment-principles-2024.pdf

The following work was undertaken during the Fund Year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

- Through their investment consultant, the Trustee reviewed the LGIM mandates in relation to ESG factors, including climate change. This was carried out primarily through the investment consultant's ESG ratings, which are detailed in quarterly investment reports, ad-hoc communications and investment updates.

- Throughout the Fund Year, LGIM has continued to maintain a high rating in respect to the Buy and Maintain Credit fund (fully redeemed in January 2024), reflecting LGIM's ESG and engagement activity in respect of the holdings in this fund.

- The LGIM Sterling Liquidity Fund, primarily invested in money market instruments, has somewhat limited scope for ESG integration.

- The LGIM LDI mandate, which is primarily invested in derivatives and bonds issued by the UK government, is not rated due to the limited scope for ESG integration.

- The investment manager confirmed that they are signatories of the UK Stewardship Code 2020 (which is the latest version available of the Code).

- Over the one year period to 5 April 2024, the Trustee did not set any investment restrictions on the appointed investment manager in relation to particular products or activities.

The Trustee and Mercer also received details of relevant engagement activity for the year from the Fund's investment manager, at a firm and fund level, as part of regular reporting and presentations. These are set out in further detail below.

LGIM:

- In 2023, LGIM targeted a broad range of ESG objectives. These include:
    - Striving to reach net-zero greenhouse gas emissions by 2050 or sooner across all assets under management;
    - Setting an interim target of 70% of eligible assets under management to be managed in alignment with this net-zero ambition by 2030;
    - Achieving net-zero carbon across their real estate portfolio by 2050.

- In 2023, LGIM's stewardship activities involved formalising their approach on human rights, expanding their diversity voting sanctions to the executive committee level for the largest companies in the US and the UK, applying vote sanctions for the first time on companies not meeting LGIM's expectations on deforestation, and initiating a campaign on income inequality at supermarkets across five continents.

- LGIM engaged with companies over the year on a wide range of different ESG related topics, including environmental issues such as deforestation, climate change, energy and water related themes, as well as social issues such as ethnic diversity, public health, inequality, human rights, labour standards and culture and governance related topics such as remuneration, shareholders rights, and board composition.

  An example of engagement conducted by LGIM is listed below:

  > LGIM engaged with Barclays on climate resolutions in the banking sector. LGIM believe that the financial sector's lending activities, corporate facilitation, insurance and asset management activities are key to speeding up or delaying the transition to a low-carbon economy. Banks have a major role to play in the climate transition and need to shift their attention to aligning their lending portfolios to be consistent with the Paris Agreement.
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  > Following numerous meetings, Barclays had not explained how their stated target ranges would contribute to bringing about the required real-world change in line with the Paris Agreement. LGIM engagements have included both one-to-one discussions and collaborative meetings with other investors who had been considering filing a shareholder resolution relating to Barclays' approach to financing the oil & gas sector.

Throughout these discussions, LGIM obtained substantial background information, including contemplated proposals, related to strengthening Barclays' policy and due diligence processes. These met many of LGIM's expectations and enabled the investment manager to withdraw from the co-filing group ahead of the AGM. The collective engagement, organised by ShareAction, demonstrated how a group of informed, influential investors can effect and expedite policies and disclosures at their portfolio companies, even before the formal filing of a shareholder resolution.

LGIM believes that the possibility of a shareholder resolution being proposed can be sufficient to propel a company to an expedited policy refresh and commitments for improved disclosures. This is where collaborative work with nongovernmental organisations and like-minded peers can be an effective engagement tool. LGIM will continue to engage with Barclays to ensure that they remain committed through words and actions in playing their part in addressing the systemic risk of climate change. Separately from this engagement, they have expanded their discussions with the bank to consider their exposure to and mitigation activity in the areas of nature and agriculture, especially in their UK home market.

4. Voting Activity during the Fund Year

The Trustee has delegated its voting rights to the investment manager, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund not the Trustee, who does not own underlying assets directly). As a result, the Trustee does not use the direct services of a proxy voter, although the investment manager may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee. The investment manager is expected to provide voting summary reporting on at least an annual basis.

This section sets out a summary of voting activity and the "most significant" votes cast in respect of holdings in the pooled funds for which voting is possible (i.e. all funds which include equity holdings) as defined by the Trustee.

The Trustee stewardship priorities are as follows:

- **Human rights:** modern slavery, pay & safety in workforce and supply chains and abuses in conflict zones.
- **Diversity, Equity and Inclusion ('DEI'):** inclusive & diverse decision making.

To be deemed a "most significant" vote, a vote must be in relation to one of the Trustee stewardship priorities as well as be in respect of a holding that makes up 3% or more of the investment fund. The Trustee did not inform the investment manager of what they considered to be the most significant votes.

The Fund was not invested in assets with attached voting rights over the year to 5 April 2024, therefore there are no votes to report that met the Trustee's definition of a most significant vote.