Stewardship and Engagement

Implementation Statement – 1 July 2021 to 30 June 2022

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 they have ensured compliance with the policies and objectives set out in their Statement of Investment Principles ("SIP") 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 2022.

The Trustee's Stewardship and Engagement policies are included in the SIP which is available on request.

Changes to the key policies regarding Stewardship and Engagement

The SIP has been reviewed and revised over the period to ensure the Trustee complies with the Regulations noted above. In particular, the Trustee has outlined their policies regarding how they incentivise asset managers to achieve their long-term objectives, their policies regarding cost transparency and their policies on voting and stewardship rights.

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 **11,752** 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 Holder Proposal	Total Proposals
With Management	10,055	277	**10,332**
Against Management	1,163	200	**1,363**
Votes without Management Recommendation	46	11	**57**
Take No Action	623	7	**630**
Unvoted	0	0	**0**
Totals	**11,887**	**495**	**12,382**

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. You will mostly find the Shareblocking meetings or ballots for Norway, Denmark markets.

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).

Most significant votes

Criteria adopted

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. The most significant votes in each category are defined by filtering for:

- Manually determined by the Proxy Voting Committee, Votes with a contested ballot (i.e. <85% shareholder support), and/or
- Votes against management, and/or
- Votes on companies that have a high weight in the Fund.

The Trustee may also place emphasis on votes that represent Environmental, Social, and/or Governance topics. In this case, the two votes were selected on the basis of having high weight in the Fund, and at least 5% of shareholders voting against management.

Environmental Votes

Alphabet Inc	
Shareholder Proposal Regarding Report on Physical Risks of Climate Change	
Date	25/05/22
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Voted Down
Rationale	
This proposal was referred to the Active Ownership Committee for further review, per our guidelines. The Committee voted to support this proposal. Reason being that despite some disclosures of identified risks, the company offers little disclosure regarding its adaptive planning for these short-, medium-, and long-term risks. It is prudent for investors to know whether the company is taking reasonable mitigation measures or contingency plans for these risks, such as efforts to protect or relocate its Bay Area headquarters, and to mitigate the risks to data centres. The implementation guide for the Task Force on Climate-related Financial Disclosures (TCFD) illustrates how a company should go beyond identifying physical risks, to also report on measures being taken to protect the company's business from those risks. The proposal was supported by ~40% of the vote, indicating significant shareholder concern.	

Sysco Corp.	
Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	
Date	19/11/21
Mgmt. Rec.	None
How the vote was cast	For
Vote Outcome	Passed
Rationale	
Particularly in light of a lack of board opposition to this proposal, we believe that the additional disclosure requested by the resolution would benefit the Company by allowing shareholders to better understand how the Company is ensuring resilience to climate-related disruptions.	

Costco Wholesale Corp	
Shareholder Proposal Regarding Adoption of Targets to Achieve Net-zero Emissions by 2050	
Date	20/01/22
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Passed
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 nearly 67% of the vote, on the grounds that the company still lags peers in its climate approach, and this proposal should encourage management to establish Scope 1 and 2 emissions targets.	

Social Votes

Amazon.com Inc.	
Shareholder Proposal Regarding Report on Working Conditions	
Date	25/05/22
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Voted down
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 43% of the vote. The Company is assessed for multiple high-level controversies around its labor practices and working conditions. Further disclosing information and auditing its practices would support risk reduction around its human capital management programs which are clearly lacking (as evidenced by the frequent news articles concerning unsafe working conditions).	

Apple Inc.	
Shareholder Proposal Regarding Civil Rights Audit	
Date	04/03/22

Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Passed
Rationale	

This proposal was referred to the Active Ownership Committee, per our guidelines. The committee voted in support of the proposal. It is in shareholders' best interests for the Company to proactively identify and mitigate risks that could result in adverse outcomes such as customer and employee attrition, reputational risk, fines, and regulatory inquiries. We also believe it is important for shareholders to be able to assess these efforts through reporting, such as that requested by the proposal.

The proposal was ultimately passed by ~53% of the vote.

Costco Wholesale Corp

Shareholder Proposal Regarding Report on Racial Justice and Food Equity

Date	20/01/22
Mgmt. Rec.	Against
How the vote was cast	Against
Vote Outcome	Rejected
Rationale	

This proposal was referred to the Active Ownership Committee for further review, per our guidelines. The Committee voted against this proposal. While we acknowledge the importance of this issue given potential reputational risks, we found that the proponent did not identify any particular practices of the company which are problematic to food security. The proposal was defeated but had ~16% of the vote in support.

Governance Votes

Oracle Corp.

Shareholder Proposal Regarding Independent Board Chair

Date	10/11/21
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Voted Down
Rationale	

Vesting a single person with both executive and board leadership concentrates too much responsibility in a single person and inhibits independent board oversight of executives on behalf of shareholders. On the Trustee’s behalf, we believe adopting a policy requiring an independent chair may therefore serve to protect shareholder interests by ensuring oversight of the company on behalf of shareholders is led by an individual free from the insurmountable conflict of overseeing oneself.

Though ultimately rejected, the proposal received >35% support.

Apple Inc

Shareholder Proposal Regarding Becoming a Public Benefit Corporation

Date	04/03/22
Mgmt. Rec.	Against
How the vote was cast	Against
Vote Outcome	Voted Down
Rationale	

Vesting a single person with both executive and board leadership concentrates too much responsibility in a single person and inhibits independent board oversight of executives on behalf of shareholders. On the Trustee's behalf, we do not find a clear showing by the proponents that shareholders should, in this instance, supplant the judgment of the board and management team or that adoption of this proposal will clearly lead to an increase in shareholder value. While we believe it is prudent for investors to monitor the Company's actions with respect to its stakeholder considerations, we believe that management and the board typically have more and better information about the Company and its operations and are therefore in the best position to determine what actions should be taken, if any, with regard to the structure of its corporate form. The proposal was overwhelmingly rejected, with 96% of the vote Against.

CVS Health Corp	
Shareholder Proposal Regarding Independent Chair	
Date	11/05/22
Mgmt. Rec.	Against
How the vote was cast	For
Vote Outcome	Voted Down
Rationale	
Per our custom voting guidelines, we vote for proposals that would require the positions of chairman and CEO to be held by different persons, unless the company has all of the following: Designated lead director, elected by and from the independent board members with clearly delineated duties; Two-thirds independent board; The company publicly discloses a comparison of the duties of its independent lead director and its chairman; The company publicly discloses a sufficient explanation of why it chooses not to give the position of chairman to the independent lead director, and instead to combine the chairman and CEO positions; All independent key committees; and Established governance guidelines. Though ultimately rejected, the proposal garnered >20% support.	

Engagement Activities

Whilst not all investments have voting rights attached to them it is still possible to effect positive change by engaging with the underlying issuers of equity and debt. The Trustee is supportive of engagement in this way and has delegated this activity to the Fiduciary Manager. Any reference to we, our 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.

Direct-Company Engagement with a US-Based Utilities Company

Engagement Action: Russell Investments engaged with an electric utilities company domiciled in the US with operations based in Kansas and Missouri. The dialogue was focused on the company's efforts around climate change adaptation, ESG accountability, and natural resource management.

Engagement Objective: The goal of engagement was to verify current efforts by the company to transition to the low-carbon economy and encourage continued strategic transition plans. We aim to:

- Support the company's efforts to set verified GHG reduction targets in line with Science-Based Targets (SBTs) or show third-party verification of non-SBT targets.
- To improve ESG accountability by linking ESG (specifically E) metrics with remuneration.
- Promote disclosure around water stewardship efforts through the CDP water questionnaire.

Engagement Summary: The engagement was focused on three areas:

1. Climate Change Adaptation: in 2021, shareholder pressure and regulatory changes saw the company publish an Integrated Resource Plan outlining how they will become net-zero by 2045. The report shows the transition is back heavy as the company relies on regulatory pressures and technology to make it economically feasible to transition away from coal energy while maintaining energy reliability.
2. ESG Accountability: ESG is monitored at the board level with executive leadership and various steering groups throughout the company. Remuneration is not tied to meeting environmental targets and there is no specific ESG committee at the board level.
3. Natural Resource Management: focusing on water stewardship, the company has reduced water usage primarily by closing coal operating plants. They are considering reporting to the CDP water questionnaire in 2022 which could see them setting water reduction targets.

Engagement Outcome: Russell Investments will continue to engage with the company around the ongoing regulatory pressures and evolution of their low-carbon energy transition plan. The initial call set relationship expectations and a baseline for future progress indicators. We aim to engage and check-in with the company Q4 2022.

Collaborative Engagement on Human Capital and the Future of Work with a Canadian Railway Company

Engagement Action: As part of a collaborative engagement with Sustainalytics, Russell Investments engaged with a Canadian Rail Transport company on its human capital management practices and how it is adapting to the future of work – including diversity and technology adaptation.

Engagement Objective: Russell Investments encourages companies to display an understanding of the human capital risks and impacts posed by technological change, demographic shifts, and globalization. There should be established management strategies that mitigate negative ramifications and ensure workforces that support innovation and business objectives while meeting demands of the future of work. There should be clear strategies to support diversity and inclusion strategies within these practices.

Engagement Summary: The engagement has been ongoing since January 2021 with two engagement calls having been held with company insiders.

In June 2021, we discussed governance of human capital, strategic workforce planning, impact on employees of changes in the workplaces, and employee engagement. An interesting highlight was that Chief of Human Resources now sits at the Executive Management level to ensure the integration of human capital into strategic decisions and processes. As the company redefines its operating model, it is considering the impact of new technologies on the workforce and the skills needed in the future.

In October 2021, we discussed how diversity also represents a core aspect of its human capital strategy, particularly concerning women and Indigenous groups. For example, it has established the Indigenous Advisory Council to support and educate the company on challenges and opportunities to attract and retain Indigenous talent. The company has also established a gender target of at least 30% women at the Executive Management level. To strengthen its DEI efforts, it has carried out a voluntary self-identification survey to collect diversity data from its employees. The response rate would be an indicator on how employees feel about the topic. The data will help the company establish a baseline to set ambitious diversity targets moving forward. Overall, the company wants to reflect the diversity of the communities where it operates.

Engagement Outcome: Engagement will be ongoing until 2023 at which point Sustainalytics will assess the company's progress and outcomes from the overall engagement. Russell Investments expects to continue to engage with the company throughout the timeframe.

Collaborative Engagement on Modern Slavery with a European Construction Company

Engagement Action: As part of a collaborative engagement with Sustainalytics, Russell Investments engaged with a French non-residential construction company with high ESG exposure to modern slavery risks in its operations and supply chain.

Engagement Objective: Sustainalytics and Russell Investments seek to ensure companies adopt fit for purpose strategies that can effectively address the scale, pervasiveness, and hidden nature of modern slavery.

Engagement Summary: The engagement has been ongoing since January 2021 with two engagement calls having been held with company insiders.

In May 2021, the company provided an overview of how its approach to human rights developed over the years. Key to how the company addresses human rights is the use of internal tools that allow local sites to conduct assessments, based on the UNGPs. The company has also created 20 country risk maps which allow it to focus on issues of high priority. It was made clear that its approach to human rights evolved largely as a result of high-profile allegations made by an NGO against the company's operations in Qatar in 2015 when it was accused of using forced labor. As part of the discussion, the company shared the work it has done to reduce and eliminate recruitment fees. It also highlighted the challenges of seeking to improve labor rights where market forces are not favorable, and clients are not driving this. In addition, the company explained that it was carrying out a living wage assessment of employees' wages.

The second call was held in June 2021 and topics discussed included freedom of association, purchasing practices, recruitment fees, and living wages. The company explained how the framework agreement with Builders and Wood Workers International was put in place in Qatar (this included challenges at government level). The company also shared difficulties relating to responsible purchasing practices and provided an example of how it seeks to follow its principles. With respect to recruitment fees, the company advised that this practice has not been found in other geographies, including where there are foreign migrant workers.

Engagement Outcome: Engagement will be ongoing until 2023 at which point Sustainalytics will assess the company's progress and outcomes from the overall engagement. Russell Investments expects to continue to engage with the company throughout the timeframe.

Industry Participation

The Fiduciary Manager is a signatory to the UK Stewardship code and UN Principles for Responsible Investment ("UN PRI"). As a globally recognised proponent of responsible investment, the UN-supported Principles for Responsible Investing ("Principles for PRI") 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.

The current UN PRI scorecard scored by the Fiduciary Manager as A+ or A in all categories. The average Median score across various categories was 'B'.

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 course of the accounting 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.