

NGF EUROPE PENSION FUND

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

JULY 2021

INTRODUCTION

This statement sets out how, and the extent to which, the Stewardship Policy and related policies on Environmental, Social and Governance (ESG) factors set out in the Statement of Investment Principles (SIP) have been followed during the year to 31 December 2020. 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 2019 and the guidance published by the Pensions Regulator.

INVESTMENT OBJECTIVES OF THE SCHEME

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustee's primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the NGF Europe Pension Fund (the "Scheme").

The objectives set out above provide a framework for the Trustee when making investment decisions.

POLICY ON ESG, STEWARDSHIP AND CLIMATE CHANGE

The Trustee has no formal policy on either Environmental, Social and Governance (ESG) or delegation of voting rights. Instead, they have delegated the responsibility for these matters to their investment managers.

The Scheme's SIP dated 15 September 2020 includes details of the Trustee's position on ESG factors.

The Trustee discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies at the Trustee meeting of 11 June 2020. The Trustee keeps its policies and SIP under regular review.

SCHEME INVESTMENT STRUCTURE

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest in pooled funds and cannot therefore directly influence the environmental, social, and governance policies and practices of the companies in which the pooled funds invest. The Trustee excludes non-financial matters in the selection, retention and realisation of investments.

As the Trustee uses pooled funds, its asset managers are not incentivised to align the investment strategy and decisions with the Trustee's policies, nor are they incentivised to make decisions based on assessments about medium to long-term performance of an issuer of debt or equity, nor to engage with those issuers in order to improve their performance.

However, the asset managers may make such decisions and/or engage of their own accord. As the Trustee uses pooled funds, there is no targeted portfolio turnover or turnover range. As the Trustee uses pooled funds, they do not need to have an engagement policy in relation to monitoring the capital structure of companies they invest in, or any associated potential conflicts of interest.

TRUSTEE ENGAGEMENT

As noted above, the Trustee does not have the opportunity to influence the investment managers' actions in relation to ESG factors directly. Instead, the Trustee will both select and monitor investment managers with regard to managers' ESG policies.

VOTING ACTIVITY

The investment managers report quarterly on ESG matters, including their voting activity, although not always at the level of the specific funds held. These ESG reports are distributed to the Trustee quarterly for review. The only investments where voting rights are applicable for the Scheme are two global equity funds, and some equities or equity-based sub funds within two diversified funds. The bonds held within the bond funds used do not generally involve voting rights. There have been no changes to the Trustee's policies, nor any departures from its policies, during the year.

The Trustee is required to give examples of how the managers of their pooled fund holdings have voted, but the following examples should not be taken by Scheme members (or any other viewer of this statement) as commenting on whether to buy or sell investments in the companies concerned. For L&G, examples include Procter & Gamble (where L&G voted that they should make greater efforts to ensure their business does not contribute to deforestation) and Qantas (where L&G voted against a proposed executive remuneration package). For Baillie Gifford, examples include Estee Lauder and Just Eat Takeaway.com (both being cases where Baillie Gifford voted against a proposed executive remuneration package).

Adopted by the Trustee

July 2021