Yara UK Pension Fund ("the Fund")

Annual Engagement Policy Implementation Statement for the Year Ended to 5 April 2021

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 Trustees has been followed during the year to 5 April 2021 (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 (as amended) 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, which were the SIP dated September 2019 (covering the period between 1 September 2019 and 30 August 2020) and the SIP dated September 2020 (covering the period between 1 September 2020 and 30 April 2021).

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Fund and changes which 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 also 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 on investment rights (including voting) and engagement have been followed during the Fund Year.**

2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Fund included in the SIP are as follows:

- To achieve a full funding position on a low-risk actuarial basis (gilts +0.50%) in a defined time period. In exceptional circumstances the Trustees, with Actuarial support, may flex this;

- To ensure that sufficient liquid assets are available to meet benefit payments as they fall due, with a focus on matching short-term expected cashflow requirements with cashflows received through the Fund's investments or Company contributions;

- To consider the interests of the Company in relation to the size and volatility of contribution requirements; and

- To look to reduce investment risk to a level consistent with the gilts +0.50% actuarial basis or lower as the Fund matures and the funding position relative to this basis improves.

Given the profile of the liabilities, the Trustees' investment time horizon is long term. However, it is recognised that any transfer of liabilities to an insurer could reduce this time horizon significantly.

2.2. Review of the SIP

The Trustees last reviewed the SIP in May 2021 following strategic changes. However, during the Fund Year, the Trustees reviewed and amended the Fund's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was signed in September 2020 in order to comply with the requirement to provide additional disclosures on the Trustees' stewardship policy and investment manager arrangements, specifically:

- How the arrangements incentivises the investment managers to align their investment strategy and decisions with the Trustees' policies.

- How that arrangement incentivises the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

- How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' policies.

- How the Trustees monitor portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range.

- The duration of the arrangements with the investment managers.

3. Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

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

- Through their investment consultant, the Trustees review the mandates of Legal and General Investment Management ("LGIM"), Aberdeen Standard Investments ("Aberdeen Standard") (fully redeemed in January 2021) and Mercer Limited ("Mercer") (together the "Investment Managers") in relation to ESG factors, including climate change, on an ongoing basis. This is carried out primarily through the investment consultant's ESG ratings, which are detailed in quarterly investment reports.

- Throughout the Fund Year, LGIM has continued to maintain a high rating in respect of the passive equity and long lease property investments, reflecting their ESG and engagement activity. The investment consultant believes LGIM leads other passive managers on engagement across ESG topics, including collaboration at a company, industry and regulatory level.

- Whilst the investment consultant does not formally rate the Mercer funds, the investment managers appointed by Mercer to manage these funds are expected to evaluate and engage on ESG factors, including climate change. Mercer review ESG ratings of the underlying investment managers of their funds during quarterly monitoring processes, with a more comprehensive review performed annually. The underlying managers carry a rating at least in line with their peer group average.

- The Aberdeen Standard absolute return investments are not rated due to the more limited scope for ESG integration within this asset class. Similarly, the LGIM liability driven investment mandate, which is primarily invested in derivatives and bonds issued by the UK government, is also not rated.

- LGIM and Aberdeen Standard confirmed that they are signatories of the UK Stewardship Code 2020 that took effect on 1 January 2020. Mercer has confirmed that they are signatories of the UK Stewardship Code and have submitted the required reporting to the Financial Reporting Council by 31 March 2021 in order to be part of the list of signatories for the UK Stewardship Code 2020.

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

LGIM:

- LGIM engaged with companies over the year on a wide range of different issues including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris agreement).

- In 2020, LGIM was ranked highest among asset managers for their approach to climate change in a review by NGO ShareAction, with the UN-backed Principles for Responsible Investment also selecting LGIM as part of its 'leaders group' on climate change. In early 2021, meanwhile, Corporate Adviser found LGIM the highest ranking asset manager in a study of industry metrics of actions taken by institutional investors on ESG and climate change.

- In line with its longstanding commitment to sustainability and inclusive capitalism, in 2020, LGIM formally added addressing climate change as one of its six strategic priorities.

- Throughout the year, LGIM continued to support the parent company in decarbonising the assets on its balance sheet. Moreover, on the fifth anniversary of the Paris Agreement, LGIM was a founding member of the Net Zero Asset Managers Initiative, under which LGIM pledged to work in partnership with their clients to set decarbonisation goals for the clients' portfolios, in line with global efforts to reach net zero greenhouse gas emissions by 2050.

- LGIM provided examples of instances where they had engaged with companies which they were invested in (or were about to invest in) which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that LGIM invest in or by voting on key climate-related resolutions at companies' Annual General Meetings. When one-to-one engagement does not yield results, LGIM seeks to escalate engagement through collaborating with other institutional investors directly, or via investor networks, to amass voting power. LGIM have a number of escalation options at their disposal, from voting sanctions through to divestment from securities of an unresponsive company.

Aberdeen Standard (fully redeemed in January 2021):

- As defined in Aberdeen Standard's Stewardship Principles, they seek to integrate and appraise environmental, social and governance factors into the investment process. The aim is to generate the best long-term outcomes for clients and actively take steps as stewards and owners to protect and enhance the value of clients' assets. Aberdeen Standard play a role of active stewards of companies, dynamically involved in dialogue with management and non-executive directors, fully understanding the material risks and opportunities – including those relating to environmental and social factors and helping to shape the future success of the business.

- At the investment stage, Aberdeen Standard use ESG factors to help decide where to invest. Following that, they integrate ESG into their research, analysis and decision-making processes. As shareholders, they vote in a considered manner and work with companies to drive positive change. Ultimately, Aberdeen Standard engage with policymakers on ESG and stewardship matters.

- Aberdeen Standard does not currently provide detailed fund-by-fund engagement reporting.

Mercer:

- Mercer produce an annual Stewardship Monitoring Report. The report provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics. The most recent report covers the period 1 January 2020 to 31 December 2020.

- The Trustees' investments take the form of shares or units in the Mercer Funds. Any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. As part of the monitoring of managers' approaches to voting, MGIE assesses how active managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.

- Consideration for ESG factors is applied across asset classes and to all mandates, where relevant, not just to funds labelled "sustainable investments" and Mercer's position is to always highlight sustainability considerations. Mercer acknowledge that the degree of relevance, or materiality, may vary across asset classes and client preferences, which will also inform the degree of integration.

- As an overarching principle, Mercer prefer an approach of positive engagement rather than negative divestment. However, Mercer recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate. Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds, including the Multi-Asset Credit Fund. From 1 October 2020, the controversial weapons screen was extended to passive equity funds. In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

- From 31 December 2020 Gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader investment policy.
- Mercer have announced their commitment to target net zero emissions across a large selection of their multi-client funds, including a 45% reduction by 2030.

4. Voting Activity during the Fund Year

The Trustees have delegated their voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund not the Trustees, who do not own underlying assets directly). As a result, the Trustees do not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustees.

Investment managers are expected to provide voting summary reporting on at least an annual basis. Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Fund's assets are ultimately invested.

In light of the above, each manager has been asked to confirm key voting activity on behalf of the Trustees (or in relation to the pooled funds in which the Trustees invest), over the year to 31 March 2021, and have responded as follows.

Please note that the Fund has disinvested from Aberdeen Standard on 28 January 2021, the voting information only covers the 12-month period to 31 December 2020.

<table>
<tr><th rowspan="2">Manager / Fund</th><th rowspan="2">Proxy voter used?</th><th colspan="3">Votes cast</th><th rowspan="2">Most significant votes (description)</th><th rowspan="2">Significant vote examples</th></tr>
<tr><th>Votes in total</th><th>Votes AGAINST</th><th>Abstentions</th></tr>
<tr><td>LGIM
UK Equity Index</td><td rowspan="2">LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares.
All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.
To ensure their proxy provider votes in accordance with their position on ESG, LGIM</td><td>12,574</td><td>886</td><td>1</td><td rowspan="2">In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation. This includes, but is not limited to:
• High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;</td><td>Barclays – Voted 'for' the Barclays' Commitment in Tackling Climate Change Resolution and ShareAction Requisitioned Resolution. The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.</td></tr>
<tr><td>LGIM
North America Equity Index</td><td>9,495</td><td>2,675</td><td>4</td><td>The Procter & Gamble Company (P&G) – Voted 'for' the Report on effort to eliminate deforestation. P&G uses both forest pulp and palm oil as raw materials within its household goods products. Following a round of extensive engagement on the issue,</td></tr>
</table>

LGIM North America Equity Index – GPB hedged	have put in place a custom voting policy with specific voting instructions.				• Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.	LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, the company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment.
LGIM Europe (ex UK) Equity Index		11,399	1,740	60		***Lagardère* –** Voted 'for' five of the Amber-proposed eight new directors to the Supervisory Board (SB) and voted 'against' five of the incumbent Lagardère SB directors. Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures.
LGIM Europe (ex UK) Equity Index – GBP hedged						
LGIM Japan Equity Index		6,518	907	0		***Olympus Corporation* –** Voted 'against' the election of Director Takeuchi, Yasuo at the company's annual shareholder meeting. Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level.
LGIM Japan Equity Index – GBP hedged						
LGIM Asia Pacific (ex Japan) Dev Equity Index		3,774	972	1		***Whitehaven Coal* –** Voted 'for' shareholders' proposal of a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.
Asia Pacific (ex Japan) Dev Equity Index – GBP hedged						
LGIM World Emerging Markets Equity Index		35,996	4,824	497		*There were no significant votes made in relation to the securities held by this fund during the reporting period.*

Aberdeen Standard Global Absolute Return Strategies Fund	n.a.	3,293	367	4	Aberdeen Standard views all votes as significant and votes all shares globally for which they have voting authority.	***Alimentation Couche-Tard Inc. –*** Voted ‘against’ the adoption of a Responsible Employment Policy while ensuring its employees a living wage.
Mercer Global Investments Europe Limited (MGIE) Passive Global Global Equity CCF	MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.	19,240	1,924	0	Mercer Investment Solutions has based its definition of significant votes on its Global Engagement Priorities, based on its Beliefs, Materiality and Impact (“BMI”) Framework. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering these priority areas, with specific focus placed on shareholder proposals (“SHP”) relating to these priority areas and taking into account the size of holding across funds.	***JPMorgan Chase & Co. –*** *Voted ‘for’ shareholder proposal regarding Aligning Greenhouse Gas Reductions with Paris Agreement.* ***Alimentation-Couche Tard Inc. & Saputo Inc.*** *– Voted ‘for’ the shareholder proposal regarding linking compensation to ESG criteria.* ***Mizuho Financial Group, Inc****. – Voted ‘for’ the shareholder proposal regarding the alignment of investments with the Paris Agreement* ***Walgreens Boots Alliance Inc.*** *– Voted ‘for’ a proposal from shareholders of Walgreens Boots (retail pharmacy) for the company to cease selling tobacco products, particularly in light of the ongoing COVID crisis. This has been an ongoing issue between shareholders and company.*