

# Yara UK Pension Fund (“the Fund”)

## Annual Engagement Policy Implementation Statement for the Year Ended to 5 April 2025

### 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 2025 (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 version of the SIP that were in place over the Fund Year which was the SIP dated February 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 February 2024 to reflect the purchase of the buy-in policy with Aviva in December 2023. The Trustee invests the Fund’s residual assets in LGIM’s Sterling Liquidity Fund. The Trustee took formal advice from their Investment Consultant (Mercer Limited (“Mercer”)).

## **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 monitored the LGIM mandate in relation to ESG factors, including climate change. This was carried out through the investment consultant’s ESG ratings, which are detailed in investment update reports presented at meetings.
- The LGIM Sterling Liquidity Fund, primarily invested in money market instruments, has somewhat 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<sup>5</sup> 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 2024, LGIM kept targeting 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 2024, LGIM's stewardship activities involved:
  - Formalising their approach on issues related to health, nature and human capital management;
  - Co-filing shareholder resolutions on paying the living wage;
  - Considering pay competitiveness across global executive talent markets;
  - Working to implement stronger director independence criteria in some developed markets in which they vote on director accountability;
  - Launching a campaign on human rights.
  
- LGIM engaged with companies over the year on a wide range of different ESG related topics, including environmental issues such as deforestation, climate change, circular economy and plastics, energy and water related themes, as well as social issues such as ethnic diversity, public health, inequality, human rights and modern slavery, and culture and governance related topics such as capital management, remuneration, shareholders rights, and board composition.

An example of engagement conducted by LGIM is listed below:

LGIM engaged with Volvo Car AB as they saw them as a technology leader within the European automotive landscape. LGIM was looking to understand the nuances of the regulatory backdrop and how this could influence product strategy decisions. Ultimately, LGIM was aiming to understand Volvo's ability, and that of its peers, to provide detailed disclosures on plug-in hybrid emissions, which would improve transparency around the critical technology for achieving reduced vehicle emissions in Europe.

LGIM made initial contact with the company with the view of arranging a more detailed walk-through of its views on the regulations around plug-in hybrid technology and received insights that were a valuable benchmark for their climate-focused engagements with other large original equipment manufacturers ('OEMs').

LGIM plans to follow up with the company to understand in greater details these nuances and the challenges of disclosing data transparently. The next steps are to:

- Gain an understanding of the current regulatory framework in a manner consistent with how it is viewed by the industry;
- Understand the limitations around the disclosure of plug-in hybrid electric vehicles ('PHEV') emissions data currently held by Volvo and other OEMs;
- Discuss a framework for more proactive disclosure of real-world PHEV emissions to provide greater transparency to stakeholders.

#### 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 2025, therefore there are no votes to report that met the Trustee's definition of a most significant vote.