

Nutricia Limited Staff Pension Scheme (“the Scheme”) Engagement Policy Implementation Statement – 5 April 2022

1. INTRODUCTION

This Engagement Policy Implementation Statement (the “Statement”) sets out the Trustee’s assessment of how, and the extent to which, they have followed their engagement policy and their policy with regard to the exercise of rights (including voting rights) attaching to the Scheme’s investments during the one year period to 5 April 2022 (the “Scheme Year”). The Trustee’s policies are set out in their Statement of Investment Principles (“SIP”) dated October 2021.

This Statement has been produced in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018* and the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* along with guidance published by the Pensions Regulator.

The Trustee invests the assets of the Scheme in a fiduciary arrangement with Mercer Limited (“Mercer”). Under this arrangement Mercer are appointed as a discretionary investment manager and day-to-day management of the Scheme’s assets is by investment in a range of specialist pooled funds (the “Mercer Funds”). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited (“MGIE”). MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund’s assets.

The Trustee believes, following the review carried out as part of preparing this Statement, that the relevant sections of the SIP have been followed during the Scheme Year. A copy of the Trustee’s SIP is available on request and publically available on the Danone UK website (<https://www.danone.co.uk/impact/policies-and-commitments.html>).

2. TRUSTEE’S POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

Policy Summary

The Trustee believes that good stewardship and the incorporation of ESG factors into their investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme’s assets over the medium and longer term. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustee’s explicit consideration.

It is the Trustee’s policy that the third party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), report in line with established best practice such as the UK Stewardship Code and UK Corporate Governance Code, where possible, including public disclosure of compliance via an external website, when managing the Scheme’s assets. Further, in appointing the third party asset managers, the Trustee expects MGIE to select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party investment managers’ compliance with this expectation, the Trustee receives regular reports from Mercer that include an assessment of each third party manager’s engagement activity.

Should the Trustee consider that Mercer, MGIE or the third party asset managers, have failed to align their own engagement policies with those of the Trustee, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change.

Policy Updates

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Reporting on this has been provided to the Trustee on a regular basis.

The Mercer Sustainability Policy is reviewed regularly, and was updated to reflect stewardship and implementation developments in August 2022. In addition to the stewardship policy, and in line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Stewardship Policy to specifically address the requirements of the directive.

Climate Change & Carbon Foot-printing

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Scheme, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report.

The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

Approach to Exclusions

As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE 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 and passive equity, and fixed income 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.

ESG Rating Review

ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration.

As at 31 December 2021, in the Annual ESG review provided by Mercer, 88% of Mercer Funds now have an ESG rating equal to or above their asset class universe. This compares to 97% at the end of 2020 but it should be noted that the scope of the review expanded in 2021 to include all liquid multi-client Mercer Funds.

Sustainability-themed investments

An allocation to Sustainable Equities is included within the Scheme's portfolio of Growth assets, with the strategic allocation to passive Sustainable Equities now accounting for c.9% of the Growth Portfolio. This fund has additional exclusions on top of those previously mentioned, for example covering gambling, alcohol, adult entertainment and fossil fuels.

Detailed reporting is produced on a semi-annual basis, including a more granular breakdown of the fund against ESG metrics, for example the UN Sustainability Development Goals.

3. TRUSTEE'S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the third party investment managers appointed by Mercer on the Trustee's behalf. This is because 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. In delegating these rights, MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and so permits the 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. As such the Trustee does not use the direct services of a proxy voter.

As part of the monitoring of managers' approaches to voting, MGIE assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities. The expectation is for all shares to be voted.

Set out below is a summary of voting activity for the year to 31 March 2022 for a range of Mercer Funds that the Scheme's assets are invested in. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian).

"Unvoted" reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned. "Other" reflects instances where managers have withheld votes in Power of Attorney markets, share blocking markets or where conflicts of interest may be present. Typically, votes exercised against management can indicate a thoughtful and active approach.

Fund Name	Total Proposals	Vote Decision					For/Against Mgmt	
		For	Against	Abstain	Unvoted*	Other*	For	Against
Mercer Multi-Asset Credit Fund ¹	27	67%	0%	33%	0%	0%	62%	38%
Mercer Passive Emerging Markets Equity Fund	24,499	83%	15%	3%	0%	0%	84%	16%
Mercer Passive Fundamental Indexation Global Equity	2,511	84%	14%	0%	0%	2%	83%	17%
Mercer Passive Global Listed Infrastructure UCITS	3,674	76%	19%	3%	0%	1%	79%	21%
Mercer Passive Global REITS UCITS CCF	3,108	82%	14%	0%	0%	4%	82%	18%
Mercer Passive Global Small Cap Equity UCITS CCF	42,976	82%	14%	0%	0%	3%	83%	17%
Mercer Passive Low Volatility Equity UCITS CCF	4,209	83%	15%	0%	0%	2%	81%	19%
Mercer Passive Sustainable Global Equity UCITS CCF	15,942	80%	17%	1%	0%	2%	80%	20%
MGI Eurozone Equity Fund	4,410	84%	13%	3%	0%	0%	85%	15%
MGI UK Equity Fund	1,066	99%	1%	0%	0%	0%	99%	1%

¹ Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund's underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period

Significant Votes: Mercer has based its definition of significant votes 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 priority areas identified by the BMI Framework.

Fund	Shareholder Proposal (“SHP”)	Issuer	Vote Decision
Mercer Passive Emerging Markets Equity Fund	Management Proposal Regarding Share Issuance Authority	Tencent Holdings Ltd.	Against
	Management Proposal Regarding Election of Directors	Taiwan Semiconductor Manufacturing	For
	Management Proposal Regarding Election of Independent Director to Become Audit Committee Member: KIM Sun UK	Samsung	Against
Mercer Passive Fundamental Indexation Global Equity	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Intel Corp.	For
	Shareholder Proposal Regarding Report on Racism in Company Culture	Intel Corp.	For
	Shareholder Proposal Regarding Improvements in Executive Compensation Program	Apple Inc.	Against
Mercer Passive Global Listed Infrastructure UCITS	Shareholder Proposal Regarding Formation of a Human Rights Risk Oversight Committee	American Tower Corp.	Against
	Shareholder Proposal Regarding Annual Shareholder Vote on Emissions Reduction Plan	Union Pacific Corp.	Against
	Shareholder Proposal Regarding Diversity and Inclusion Report	Union Pacific Corp.	For
Mercer Multi-Asset Credit Fund	Shareholder Proposal Regarding Proxy Access Bylaw Amendment	Nisource Inc. (Holding Co)	For
	Management Proposal Regarding Election of Directors	Nisource Inc. (Holding Co)	For
Mercer Passive Global Small Cap Equity UCITS CCF	Management Proposal Regarding Advisory Vote on Executive Compensation	Builders Firstsource Inc.	For
	Management Proposal Regarding Advisory Vote on Executive Compensation	TREX Co., Inc.	Against
	Management Proposal Regarding Advisory Vote on Executive Compensation	Marathon Oil Corp.	Against
Mercer Passive Low Volatility Equity UCITS CCF	Shareholder Proposal Regarding Amendment to Clawback Policy	Verizon Communications Inc	For
	Shareholder Proposal Regarding Report on External Public Health Costs	PepsiCo Inc	For
	Shareholder Proposal Regarding Report on Sugar and Public Health	PepsiCo Inc	For
Mercer Passive Sustainable Global Equity UCITS CCF	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Microsoft Corporation	For
	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board	Alphabet Inc	For
	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Alphabet Inc	For
MGI Eurozone Equity Fund	Management Proposal Regarding Greenshoe	LMVH M.H.V SE	Against
	Management Proposal Regarding Election of Directors	Siemens AG	For