



# The Nordson UK Pension and Life Assurance Plan

30 September 2023

# Background and Implementation Statement

## Background

The regulatory landscape continues to evolve as environmental, social and governance (ESG) considerations become increasingly important to regulators and society. The Department for Work and Pensions (DWP) has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a trustee's fiduciary duty.

## Implementation Report

This implementation report is to provide evidence that the Plan continues to follow and act on the principles outlined in the Statement of Investment Principles (SIP).

The SIP was last reviewed in September 2020 and can be found online at: <https://www.nordson.com/en/about-us/resources/nordson-uk-pension>

This report details:

- actions the Plan has taken to manage financially material risks and implement the key policies in its SIP;
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- the extent to which the Plan has followed policies on engagement, covering engagement actions with its fund managers and, in turn, the engagement activity of the fund managers with the companies in the investment mandate;
- voting behaviour covering the reporting year up to 30 September 2023 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf.

## Implementation Statement

This report demonstrates that the Nordson UK Pension and Life Assurance Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

# Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustees and their advisers considered this mismatching risk when setting the investment strategy.	No actions to report.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	The Trustees will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability of a shortfall of liquid assets.	No actions to report.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	The Trustees and their advisers considered this risk when setting the Plan's investment strategy and have also mandated to the Investment Manager that a suitably diversified portfolio of assets should be maintained at all times.	No actions to report.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	<p>The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Plan's assets are being managed appropriately.</p> <p>In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.</p>	Further detail provided later in this report

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a financially material risk, which is summarised below.

Approach / Framework	The Trustees' policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function
Risk Management	The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks.
Reporting & Monitoring	The Trustees have set an appropriate monitoring framework to ensure the Plan's Investment Manager is regularly reviewed. The monitoring framework is intended to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures. The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Plan's assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Plan's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.
Voting & Engagement	In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.
Collaboration	The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustees' expectations and views.

# Engagement

The Trustees review and monitor the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Manager has provided the Trustees with comfort that their voting and engagement policies have been followed during the year.

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as corporate bond holdings can also include engagement activities, but these investments do not carry voting rights.

The Trustees expect the investment manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments.

Prudential's ESG principles, including its priorities, progress and future can be found using the link below:

<https://www.mandg.com/pru/adviser/en-gb/insights-events/insights-library/investment/prudential-esg-investment-principles>

# Voting

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.

Over the year to 30 September 2023, the Plan was invested in one mandate where the underlying assets included publicly listed equities: the Prudential With-Profits Fund managed by M&G.

The fund manager has provided details on their voting actions including a summary of the activity covering the reporting year up to 30 September 2023. The manager also provided examples of votes they deem to be significant. The Trustees have adopted the manager's definition of significant votes and have not set stewardship priorities.

Fund name	Voting summary	Examples of most significant votes	Commentary
M&G – Prudential With-Profits Fund	<p>Votable Proposals: 70,076</p> <p>Proposals Voted: 68,897 (98.3%)</p> <p>For votes: 63,524 (92.2%)</p> <p>Against votes: 4,564 (6.6%)</p> <p>Abstain votes: 783 (1.1%)</p> <p>Proxy agent votes: 1,605 (2.3%)</p>	<p><b>Apple Inc</b> (c. 0.3% of the fund) – On 10 March 2023, M&amp;G voted for the resolution that the company should adopt a policy establishing an engagement process with proponents to shareholder proposals. M&amp;G believe the board should make themselves available for discussions with proponents of successful shareholder proposal campaigns. The resolution failed to pass.</p> <p><b>Taiwan Semiconductor Manufacturing Co., Ltd.</b> (c. 0.6% of the fund) – On 6 June 2023, M&amp;G voted against management to amend procedures for endorsements and guarantees as there was no compelling rationale provided and it may have exposed the company to unnecessary risks. The resolution passed.</p>	<p>M&amp;G is required to report on its stewardship activities, including proxy voting and the identification of significant votes. Outcomes stemming from voting decisions and engagement are incorporated into M&amp;G's investment process, further enhancing long-term value for clients and beneficiaries.</p> <p>M&amp;G seek to vote (or refrain from voting) proxies for their clients in a manner that they believe is in the best interests of their clients and which seek to maximize the value of the client's investments. Their voting policy is regularly reviewed as it continues to evolve.</p>

