

NMR Pension Fund

Implementation Statement

For year ending 31 March 2023

August 2023

This implementation statement covers and references the DB Section of the Fund and the Fund's DB SIP only.

Separate documentation is available for the DC Section of the Fund.

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Section 1: Introduction

This document is the Annual Implementation Statement (the “Statement”) prepared by the Trustee of the NMR Pension Fund (the “Fund”) covering the “Fund Year” from 1 April 2022 to 31 March 2023 in relation to the Statement of Investment Principles (“SIP”).

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Trustee’s engagement policies set out within the Fund’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 have been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact. The Trustee confirms that the investments which the Fund holds were chosen in line with the requirements of s36 of the Pensions Act 1995.

A copy of this implementation statement is made available on the following website:

<https://www.rothschildandco.com/en/legal/nmr-pension-fund/>

The Fund’s SIP was updated once over the Fund Year. The two relevant SIPs over the Fund Year are:

1. September 2021 – this was the version in place as at the start of the Fund Year.
2. December 2022 – the Fund’s SIP was updated to reflect the outcome of discussions regarding the Trustee’s long-term objective together with further detail on the management of liquidity risk within the Fund.

The December 2022 SIP is the version referenced in the following sections of this document, where we set out how the principles have been implemented.

Section 2: Adherence to the SIP

In this section, we provide an overview of the Trustee's DB Investment Objectives and set out how the Trustee's policies as detailed in the SIP have been followed throughout the Fund Year.

Investment objectives

The SIP sets out the principal responsibilities and investment policy objectives of the Trustee for the Fund. The Trustee is satisfied that the high-level objectives, as set out in the SIP, have been followed.

During the Fund Year the Trustee considered its long-term objectives for the Fund. Following these discussions and consultation with the Sponsor, the Trustee has agreed to seek to establish a buffer over time relative to the Fund's liabilities in order to reduce reliance on the Sponsor.

As the Actuarial Valuation for the Fund as at 31 March 2022 was finalised following the Fund Year end, the Trustee plans to undertake a further strategic analysis during 2023 to consider how the agreed objective will be achieved.

Implementation of the Trustee's policies

The section below highlights the key policies of the Trustee and details how they have been implemented during the Fund Year. Further detail on voting and engagement activity is set out later within this statement.

To promote greater oversight of the Trustee's responsible investment activities, a responsible investment committee has been established. This "Pensions Responsible and Sustainable Investment Committee" (PRSIC) is made up of 3 Trustee members and meets at least quarterly, with a mandate to report to the Fund's Pensions and Investment Sub-Committee and to the Trustee Board. During the year, the Committee undertook a number of engagement-related activities, including:

- A review of the Fund's Responsible Investment Policy that sets out the approach adopted by the Trustee with respect to engagement and ESG.
- Engaging with the Fund's investment managers and investment consultants on topics consistent with its sustainable investment beliefs as well as the views of the Sponsor. For example, the Trustee has engaged with two investment managers regarding their policies on climate change.
- Reviewing analysis setting out the Fund's estimated carbon emissions and agreeing key metrics to monitor.
- Becoming a signatory to the Principles for Responsible Investment (PRI). The Trustee expects to make its first submission to the PRI during the course of 2023.

The table below sets out further detail the Trustee's policies within the SIP and how these have been met during the Fund Year.

Policy area	Approach and actions taken over the Fund Year
Section 15, 17 & 20 Set general investment policy, but delegate the responsibility for selection of specific investments to appointed investment managers	<p>The Trustee, upon advice from their investment consultant, agreed to reduce the Fund's strategic allocation to return-seeking assets by 17% in light of the strong funding position. As of the date of this statement, the Fund's strategic asset allocation is 34% to return-seeking assets and 66% to liability-matching assets.</p> <p>The selection of specific investments remains delegated to the Fund's investment managers and the Trustee reviews the performance of the managers against appropriate benchmarks on a quarterly basis.</p>

Section 16

Prior to appointing an investment manager, the Trustee will seek to understand the manager's approach to sustainable investment (including engagement)

No new investment managers were appointed over the Fund year. However, as part of any manager selection exercises, the Trustee reviews how managers integrate Environmental, Social and Governance (ESG) factors into portfolio management through information provided by the Fund's investment consultant.

Section 18

The Trustee delegates the detailed monitoring of the Fund's investment to the investment consultant

The Trustee reviews the Investment Consultant's ratings of the Fund's investment managers on a quarterly basis and considers the consultant's view on the investment capabilities of the Fund's managers, with particular focus on any changes to ratings.

For example, the consultant downgraded the rating of one of the Fund's emerging equity managers during the year. Following discussions with the Trustee, it was agreed that the holding should be fully redeemed.

Section 19

The Trustee expect their investment managers to use their engagement activity to drive improved performance

The Trustee monitors the Fund's investment managers' engagement activities through annual sustainable investment reviews, with the last review being undertaken in July 2022.

In addition, the Trustee reviews the voting activity that managers have undertaken on the Fund's behalf. As part of this the Trustee considers quantitative and qualitative aspects to voting, such as the proportion of eligible votes cast and what the manager deems to be a significant vote.

The Trustee expect investment managers to consider relevant matters including capital structure of investee companies, actual and potential conflicts and other stakeholders

Sections 21, 22 & 29

Pay managers an ad valorem fee which includes consideration of long-term factors and engagement

The Trustee reviews the costs and charges associated with their investment arrangements annually, which includes transaction and turnover costs, operating expenses and other charges as provided by the Investment Consultant under MiFID II regulations.

Review costs incurred for managing the Fund's assets at least annually, including turnover costs

Section 23

The Trustee regards proper consideration and integration of responsible investment ('RI') and stewardship to be of critical importance to the achievement of the Fund's objectives.

The Trustee reviews that their managers are taking steps to integrate ESG

As part of reviewing whether the Fund's managers are taking steps to integrate ESG into their investment processes, the Trustee has considered the following over the Fund Year:

- Investment Consultant's assessments – These set out the investment consultant's views on ESG integration, voting (where applicable) and engagement for that strategy. Where applicable, these reports include commentary on a manager's voting and engagement activities over a 12-month period and detail of the strengths and weaknesses in their approach.
- Investment consultant's ESG dashboard – This sets out the ESG metrics of the Fund's portfolio, including information on the carbon emissions of the Fund's investments and how climate change may impact the portfolio, as well as social and governance risks to the Fund's assets.
- Peer group comparison – As part of their monitoring, the Trustee has benchmarked its approach to UK institutional peers.

In addition to the above, the PRSIC and the Fund's investment consultant meet at least quarterly to discuss responsible investing matters, including whether the Fund's managers are effectively integrating ESG into their investment processes. As set out in further detail within the voting and engagement section of this statement, where the PRSIC does not regard a manager to be taking steps to integrate ESG appropriately, it has invited the manager to an meeting to discuss this matter in further detail.

As noted previously for any new strategies considered or selected over the Fund Year, the Trustee has explicitly considered the ESG credentials of the portfolio.

Section 24

The Trustee expects their investment managers to consider a range of sustainable investment factors including climate change

The Trustee reviews how ESG factors are incorporated into the Fund's current investments through reviewing the Investment Consultant's reporting.

In addition, the Trustee have reviewed analysis prepared by the Fund's Investment Consultant that sets out a number of metrics for the aggregate portfolio and how these compare with relevant benchmarks. It has also considered climate focused solutions as part of assessing how to decrease the carbon emissions of the Fund's overall portfolio.

As part of the DWP climate regulations that impact the Fund from 1 October 2022, the Trustee has reviewed holdings level analysis on the Fund's portfolio and agreed a number of climate metrics to monitor for the Fund. The Trustee has produced a monitoring framework for these metrics as part of the Fund's 2023 TCFD Report, which includes the Fund's Carbon Journey Plan to target net-zero by 2050.

Section 25

The Fund's investment managers are encouraged to sign up to UN PRI and where they are not signatories, outline why this is not the case

The Fund's investment managers are encouraged to sign up to the PRI where applicable and possible to do so. Whether an investment manager is signed up to the PRI is set out in the Investment Consultant's reporting alongside other initiatives that a manager may be part of, which the Trustee reviews on an annual basis.

In July 2022, the Trustee asked all managers who were not a PRI signatory to comment on their rationale for this. The Trustee was satisfied that those that are not signatories are either in the process of becoming a signatory or

evaluating the actions required to sign up. The Trustee notes that for some managers it is not practical for them to become a signatory.

Section 26

Maintaining alignment by providing the Fund's investment managers with a copy of the most recent SIP with the managers to confirm the Fund's assets are managed in line with the SIP

The Fund's Investment Consultant has provided the investment managers with a copy of the Fund's SIP and is collating responses to share with the Trustee on compliance with the policies set out.

Section 27

Engage with a manager further to encourage alignment between a manager's portfolio and the Trustee's policies in the event of misalignment

As part of regular manager monitoring, the Trustee reviews information on performance targets and their Investment Consultant's skill assessments of each manager where available. These skill assessments provide ratings and commentary on the Fund manager's approach, portfolio management, opportunity set, investment professionals, alignment between investment professionals and the fund's objectives, the firm and the team's stability.

Consider terminating an investment manager should alignment be deemed to remain unsatisfactory following engagement

These reports are then discussed with the Trustee with any material changes that may impact the ability to manage a strategy being reported to the Trustee on a quarterly basis and more frequently if required.

Over the Fund Year the Trustee has not terminated their agreement with a manager on ESG grounds, however detail of the Trustee's engagement with the Fund's managers to encourage alignment is set out in more detail below.

Section 28

The Trustee closely monitors the Fund's activities related to its stewardship priorities, Climate Change and Diversity & Inclusion.

Over the year, the Trustee identified climate change and Diversity & Inclusion as engagement priorities. As such, the Trustee's annual RI monitoring report places emphasis on these areas and they have also been considered when reporting on its key votes in this report.

Section 4: Voting and engagement

The Trustee has delegated the day-to-day integration of ESG and stewardship activities (including voting and engagement) to the Fund's investment managers. However, the Trustee recognises that it retains ultimate responsibility for the actions of the Fund's investment managers and undertakes monitoring as part of assessing whether they are appropriately considering ESG risks and opportunities. Where a manager has been identified as not appropriately integrating ESG, the Trustee will engage with the manager. Further detail of the Trustee's engagements over the Fund Year is set out below.

Overall, following the review carried out, the Trustee remains comfortable with the investment managers' approaches to ESG integration and noted no cause for concern outside of the investment managers referred to below in this statement.

Voting activity

As part of monitoring the stewardship of the Fund's investments, the voting activities of the Fund's investment managers have been set out below. This includes any votes cast on the Trustee's behalf, detail on the investment managers' use of proxy voting and examples of votes cast that they deem to be significant. As voting rights are only available on equity assets, data has only been provided for the equity managers in place at 31 March 2023.

The table below reflects the voting data as provided by the Fund's investment managers. Where details of multiple significant votes were provided, the Trustee has adopted an approach, where possible, of setting out examples of where shareholder votes have made an impact or votes by shareholders that have encouraged the relevant company to change its behaviour as a result.

The Trustee believes that stewardship that has the potential to drive positive change for investors is in member interests and believes it to be of increased importance given the Fund is considered to be a long term investor.

Significant voting data

Manager Name: LGIM

Use of proxy voting: 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 LGIM do not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

Type of voting policy followed (Trustee or manager specific): Manager specific. The Trustee does not have a bespoke voting policy in place for the strategy given its pooled fund structure. However, through considering analysis undertaken by the Trustee's Investment Consultant, the Trustee considers that the adoption of the manager's voting policy is in the best interests of the Fund's members. If the Trustee or the Fund's investment consultant consider that the manager has an unsatisfactory approach to stewardship they will engage with the manager to encourage them to improve their practice.

Manager voting policy: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

Strategy: LGIM MSCI World Adaptive Capped 2x Index Fund

Voting activity for strategy (please note some of the figures below may not sum to 100% because of rounding)

Eligible votes to cast: 22,462

% of eligible votes cast: 99.7%
 % of votes with management: 77.5%
 % of votes against management: 22.3%
 % of votes withstained from: 0.2%

Most significant votes cast

Company: Occidental Petroleum Corporation
 Approximate % size of holding (as a % of investment in the strategy): 0.2%
 Resolution: Elect Director Carlos M. Gutierrez
 Vote cast: Against

Rationale for voting decision: Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue.

Outcome of the vote: Passed

Rationale for inclusion as a significant vote: LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf.

Strategy: LGIM Heitman Global Prime Property Securities Fund

Voting activity for strategy (please note some of the figures below may not sum to 100% because of rounding)

Eligible votes to cast: 944
 % of eligible votes cast: 100.0%
 % of votes with management: 81.2%
 % of votes against management: 17.9%
 % of votes withstained from: 0.1%

Most significant votes cast

Company: Mapletree Logistics Trust
 Approximate % size of holding (as a % of investment in the strategy): 1.1%
 Resolution: Adopt Report of the Trustee, Statement by the Manager, Audited Financial Statements and Auditors' Report
 Vote cast: Against

Rationale for voting decision: Climate Impact Pledge: The company was deemed not to meet LGIM's minimum standards with regards to climate transition, risk management and disclosure. LGIM consider climate change to be one of the defining issues of our time and they support the efforts to limit carbon emissions to net zero by 2050.

Where company's do not meet their expectations, LGIM will hold them responsible for the lack of action. LGIM assess the company's climate transition, risk management and disclosure under LGIM's Climate Impact Pledge methodology. More information on LGIM's Climate Impact Pledge can be found on their website: <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/>

Outcome of the vote: For

Rationale for inclusion as a significant vote: Climate: LGIM consider this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

Strategy: LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund

Voting activity for strategy (please note some of the figures below may not sum to 100% because of rounding)

Eligible votes to cast: 39,878
 % of eligible votes cast: 99.7%
 % of votes with management: 78.9%
 % of votes against management: 19.8%
 % of votes withstained from: 1.3%

Most significant votes cast

Company: Exxon Mobil Corporation
 Approximate % size of holding (as a % of investment in the strategy): 1.4%
 Resolution: Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal
 Vote cast: For

Rationale for voting decision: LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.

Outcome of the vote: 27.1% For

Rationale for inclusion as a significant vote: LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Strategy: LGIM World Developed Equity Index Fund

Voting activity for strategy (please note some of the figures below may not sum to 100% because of rounding)

Eligible votes to cast: 32,086
 % of eligible votes cast: 99.8%
 % of votes with management: 78.5%
 % of votes against management: 21.3%
 % of votes withstained from: 0.2%

Most significant votes cast

Company: Amazon.com, Inc.
 Approximate % size of holding (as a % of investment in the strategy): 1.9%
 Resolution: Elect Director Daniel P. Huttenlocher
 Vote cast: Against

Rationale for voting decision: Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Outcome of the vote: For

Rationale for inclusion as a significant vote: LGIM pre-declared its vote intention for this resolution, demonstrating its significance.

Section 5: Summary and conclusions

The Trustee considers that all engagement policies and principles within the Fund's SIP were adhered to over the Fund Year.