Implementation Statement

Nifco UK Retirement Benefits Scheme

12 months to 5 April 2023

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Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and investors. 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 Statement

This implementation statement provides evidence that Nifco UK Retirement Benefits Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address:

Nifco-SIP-August-2021.pdf (nifcoeu.com)

The Implementation statement details:

- Actions the Scheme has taken to manage financially material risks and implement the key policies in Scheme's 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 Trustee has followed policies on engagement, covering engagement actions with its investment managers and in turn the engagement activity of the investment managers with the companies in the investment mandates. The focus of the statement is engagement rather than voting, due to the fact there were no voting rights attached to the investments over the year to 5 April 2023 as the assets are predominately credit based, not equity.

Summary of key actions undertaken over the Scheme's reporting year

Political and economic news in the UK at the end of September 2022 caused a significant rise in UK Gilt yields. The rise in yields resulted in the need to raise liquidity to meet collateral calls in the Scheme's LDI portfolio. Over the 12-month period to 5 April 2023, the Scheme received notification of 5 deleveraging events which were all met and funded from capital held in the Insight Asset Backed Securities (ABS) fund.

As a result, as at 5 April 2023, the Scheme's allocation to LDI is significantly overweight versus its benchmark. The allocation to both High Grade ABS and the Unconstrained Bond Fund are underweight versus their strategic benchmark.

Implementation Statement

This statement demonstrates that Nifco UK Retirement Benefits Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed: ....

Position: ....

Date: ....

Risk Management Policies and Implementation:

As outlined in the SIP, the Trustee adopts an integrated risk management approach. The key risks associated with this framework and how they are managed are stated below. Further, a summary of the actions the Trustee has taken to implement this framework over the 12-month period to 5 April 2023 is included.

Risk / Policy	Definition	Policy	Actions taken in implementing the policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis.	The Scheme has an LDI mandate in place to manage these risks. This mandate should be reviewed periodically to ensure it appropriately matches the Scheme's liabilities.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Scheme holds collateral with Insight Investments to cover any potential recapitalisation events.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Scheme reduces market risk by diversifying its assets across asset classes and hedges out unrewarded investment risk (such as the Scheme's LDI mandate hedging against interest rate and inflation risk).
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	The Scheme minimises its credit risk by investing across a range of credit strategies, which provides exposure to a range of sectors and geographies.

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 Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustee monitor the mangers on an ongoing basis.	The Scheme monitors the appointed investment managers to ensure that they are managing ESG risks in an appropriate manner. Further detail provided on the approach of each of the Scheme's investment managers is provided later in this report.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in pooled funds that hedge against this currency risk where appropriate.	There is no direct currency risk within the Scheme's investments, as all units are held in a Sterling share class. Indirect currency risk may exist within pooled vehicles if underlying investments are held in non-Sterling assets. Any potential currency risks are considered as part of the Scheme's strategy reviews and investment selection exercises.
Non-Financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are considered in the selection, retention or realisation of investments.	Non-financial matters are considered where appropriate on an ongoing basis.

Changes to the SIP

Over the 12-month period to 31 March 2023, there have been no changes to the Scheme's SIP.

The Scheme's latest SIP, applicable to this statement, was implemented in September 2020.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG polices. This page details the Scheme' ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Risk Management	1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge. 8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG review and actions with the investment managers

The Scheme has not yet completed an Impact Assessment for the year ending 5 April 2023 and so we cannot provide a summary of the underlying manager's ESG policies related to that period. Once the Scheme has completed an Impact Assessment, we will provide this information going forward.

Engagement

The Trustee delegates the day-to-day management of the Scheme's assets to investment managers. Details of the investment managers' engagement actions, including a summary of the engagements for the 12-month period to 5 April 2023, are included below.

Fund name	Engagement summary	Commentary
Insight - High Grade ABS	Total engagements: c.50 Meaningful engagements away from general business updates or new issues where ESG formed a part of the discussions: c.20	Insight's activities are consistent with their ESG policies, and they have a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements. Example of a significant engagements includes: European Data Warehouse (EDW) – Insight engaged with EDW who are the central depository for EU and UK secured regulatory reporting. Insight believe that improving the data availability and comparability across the market is an important step in enhancing ESG analysis and reporting. Insight met with key managers at EDW who were receptive to engagement and although the ideal outcome will take time, it is important for discussions to begin. Following engagement, EDW have prepared reports that may help to engage EPC scores and may ESG ratings across geographies. Insight will review and continue to engage with EDW to ensure appropriate future engagement data. Pepper – Insight engaged with Pepper (a significant loan issuer in the Australian market) which is widely held across the portfolio. ESG considerations had not previously formed part of their loan origination process, so Insight raised this with them as an area of concern. Pepper confirmed that ESG considerations had not been a part of their processes or corporate disclosures. As a result of engagement, Pepper agreed that this is

		something they should review and look into, although have not disclosed any immediate plans to amend their current origination policies.
Insight – Enhanced Selection LDI	Total engagements: c.37 Environment: 22 Social: 26 Governance: 15 Strategy: 102 Note: The above breakdown of engagements does not sum to the total number of engagements due to most engagements incorporating a number of themes.	Insight leverages the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments, and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. Example of a significant engagements includes: UBS – Insight engaged with UBS on their governance controversies, such as their weak governance scores in their Prime ESG ratings. Insight discussed the issues and controls in place to avoid a repeat of these in the future. UBS provided a satisfactory response such as completing an overhaul on the control's framework in relation to tax. Insight also challenged UBS on their diversity performance, given only 25% of the management team were female. Since then, UBS have set a target of 30%. Insight continues to engage with UBS regularly, aiming to get UBS to set a Net Zero Target for the loan book.
JP Morgan - Unconstrained Bond Fund	Total engagements: c.278 Environment: 128 Social: 168 Governance: 120 Note: The above breakdown of engagements does not sum to the total number of engagements due to most engagements incorporating a number of themes.	JP Morgan continue to demonstrate that the firm utilises its position within the market to engage on ESG issues across its fund, owning sufficient resource to assess the extent of ESG risks within portfolios. Example of a significant engagements includes: SPIE – JPM's Investment Stewardship Team met with SPIE on its efforts to focus on generating a significant share of its revenue from energy efficiency, electrification and sustainable transport. Whilst 41% of sales currently come from EU taxonomy sources (2020) the company has agreed to aim to increase this number to 50% by 2025. The company has also reduced its CO2 output by 25%. Amazon – JPM has been engaging with Amazon on warehouse working conditions over the last two years given the controversies surrounding human rights. As a result, JPM requested that Amazon disclose workplace injury data and an update on how warehouse

		conditions are being improved. Whilst Amazon did publish reports displaying injury rates, the company did not disclose warehouse attrition rates or hiring practices. Although this report is an encouraging improvement, JPM believe that their reporting should continue to improve / revolve which they will continue to engage with Amazon on.

Voting

The Scheme does not currently invest in equity assets and therefore we do not expect any of the Scheme's managers to have a material number of voting rights. .

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