



Implementation Statement

Nifco UK Retirement Benefits Scheme

12 months to 5 April 2025

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 2025 as the assets are predominately credit based, not equity.

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

Global economic resilience contributed to positive returns seen across credit markets over the wider 12-month period. Growth markets delivered largely positive returns over the year to 5 April 2025, while uncertainty around the impact of President Trump’s wide-ranging tariffs increased volatility and detracted from returns in early April.

UK Government bond yields rose sharply over the year due to increased government borrowing, inflationary pressures, and concerns over public finance sustainability, with Labour’s spending plans and central bank policy adding to investor unease.

Over the 12-month period to 5 April 2025, the Trustees agreed to invest surplus cash (c.£600k) from the Trustee Bank Account into the JP Morgan Unconstrained Bond Fund, due to its underweight asset allocation.

In Q4 2024, two capital calls were also met of c.£240k to each of the Insight LDI Enhanced Selection funds. Both calls were funded by monies from the Trustee Bank Account.

Despite the Scheme’s LDI assets falling in value over the period due to the rise in UK Government bond yields, the Scheme’s allocation to LDI remains marginally overweight versus its benchmark. This has been primarily driven by the increased gilt yields over the last 4 years, which resulted in the Scheme allocating additional capital to the LDI mandate to support the portfolio and ensure that the hedge levels were maintained.

The allocation to High Grade ABS is still underweight versus its strategic benchmark. As part of the agreement to re-invest surplus monies held in the Trustee Bank Account on a bi-annual basis, the Trustees consider the current asset allocation relative to the 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 2025 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. To target a hedge of c.100% of the liabilities on a Technical Provisions 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.	Despite the movements in gilt yields over the reporting year, the Scheme maintained its strong liquidity position, with the LDI mandate supported by the Scheme's Insight ABS Fund.
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.

<p>Environmental, Social and Governance</p>	<p>Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.</p>	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion:</p> <ol style="list-style-type: none"> 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 <p>The Trustee monitor the managers on an ongoing basis.</p>	<p>The Scheme monitors the appointed investment managers to ensure that they are managing ESG risks in an appropriate manner.</p> <p>Further detail provided on the approach of each of the Scheme's investment managers is provided later in this report.</p>
<p>Currency</p>	<p>The potential for adverse currency movements to have an impact on the Scheme's investments.</p>	<p>To invest in pooled funds that hedge against this currency risk where appropriate.</p>	<p>There is no direct currency risk within the Scheme's investments, as all units are held in a Sterling share class.</p> <p>Indirect currency risk may exist within pooled vehicles if underlying investments are held in non-Sterling assets.</p> <p>Any potential currency risks are considered as part of the Scheme's strategy reviews and investment selection exercises.</p>
<p>Non-Financial</p>	<p>Any factor that is not expected to have a financial impact on the Scheme's investments.</p>	<p>Non-financial matters are considered in the selection, retention, or realisation of investments.</p>	<p>Non-financial matters are considered where appropriate on an ongoing basis.</p>

Changes to the SIP

Over the 12-month period to 5 April 2025, there have been no changes to the Scheme's Statement of Investment Principles ("SIP").

The Scheme's latest SIP, applicable to this statement, was implemented in August 2021.

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	<ol style="list-style-type: none"> Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	<ol style="list-style-type: none"> The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. ESG factors are relevant to investment decisions in all asset classes. Managers investing in companies’ debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> Ongoing monitoring and reporting of how asset managers manage ESG factors is important. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge. 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	<ol style="list-style-type: none"> The Trustee will seek to understand each asset managers’ approach to voting and engagement when reviewing the asset managers’ approach. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none"> 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. 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 completed an Impact Assessment for the year ending 5 April 2025 and so we cannot provide a summary of the underlying manager's ESG policies related to that period.

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 2025, are included below.

Fund name	Engagement summary	Commentary
Insight - High Grade ABS	<p>Total engagements: c.60</p> <p>Meaningful engagements away from general business updates or new issues where ESG formed a part of the discussions: c.55</p>	<p>Insight's activities are consistent with their ESG policies. Insight adopt a systematic approach around engagements whereby specific objectives are outlined in advance and measured based on the outcomes from the engagements.</p> <p>Examples of a significant engagements include:</p> <p>Pepper – Insight engaged with Pepper, a significant issuer in the Australian ABS market, due in relation to a concern that they had not previously included ESG as part of their loan origination process. Insight also raised the issue of improving disclosures to enable more thoroughly conducted ESG analytics. Pepper agreed that their disclosures needed to improve and that they would be looking to build on a number of ESG metrics in their annual reports. After Insight raised the issue of loan origination practices, Pepper agreed to review this but had no immediate plans to amend their policies. Insight will continue to engage with Pepper and push for changes to their policies where appropriate.</p> <p>Mercedes Benz – Mercedes Benz is a significant issuer of automobile ABS. Insight required their proprietary ESG questionnaire to be completed by the issuers in the portfolio to enable them to obtain quantitative ESG scores, something which Mercedes Benz had not previously completed. The manager has since offered to work with the ESG team at Mercedes Benz to ensure future participation. Insight are arranging to</p>

		<p>meet with the team to run through their ESG initiatives and will provide an update from this in due course.</p>
<p>Insight – Enhanced Selection LDI</p>	<p>Total engagements: 126</p> <p>Environment: 64</p> <p>Social: 38</p> <p>Governance: 26</p> <p>Strategy: 329</p> <p>Other: 16</p> <p>Note: The above breakdown of engagements do not sum to the total number of engagements due to most engagements incorporating a number of themes.</p>	<p>Insight leverages the wider capabilities of the global firm to engage with companies. The team regularly engages with regulators, governments, and other industry participants to address long term structural issues. Insight aim for transparency across all activities, and collaboration with stakeholders to maximise the impact of their engagement.</p> <p>Example of a significant firm-level engagements includes:</p> <p>Ford Motor Co – Insight engaged with Ford, a US automotive manufacturer, due to them having a comparatively weaker ESG profile versus its peers, as well as being in the top 70% of Insight’s financed emissions. This engagement’s main focus was environmental issues regarding emissions intensity and its plans to encourage sales of battery electric vehicles (“BEV”). Unlike peers, Ford haven’t set any sales targets for electric vehicles.</p> <p>Despite Insight highlighting increasing BEV sales, the issuer has weakened its all-electric target in Europe, and has no target to go fully electric in other markets. Ford is also relatively weak in terms of its supply chain targets. Insight have urged the issuer to adopt stricter supply chain practices, join the Global Battery Alliance, and expand its 100% electric sales target beyond Europe.</p> <p>Barclays PLC – Barclays is UK based bank that operates globally. This engagement was identified as part of Insight’s counterparty engagement programme as operations are growing in the US for Barclays, meaning the political environment relating to ESG in the US is directly impacting the bank.</p> <p>This engagement’s aim was to discuss the bank’s sustainable finance framework, and the feedback provided by Insight as aspects of their environmental programme lags behind others. Post engagement, Barclays has since enhanced its oil sands policy and introduced a Client Transition Framework, demonstrating how the bank is evaluating its corporate clients’</p>

		<p>transition progress towards a low-carbon business model.</p>
<p>JP Morgan - Unconstrained Bond Fund</p>	<p>Total engagements: 138</p> <p>Environment: 75</p> <p>Social: 63</p> <p>Governance: 76</p> <p>Note: The above breakdown of engagements do not sum to the total number of engagements due to most engagements incorporating a number of themes.</p>	<p>As part of JP Morgan’s commitment to the continued development of a sustainable financial system, they undertake active engagement with regulators, governments and non-governmental organisations to advance good governance and responsible investment. The wider Stewardship team collaborate on industry-wide initiatives, such as participating in IIGCC’s Net Zero Stewardship working group. The firm also works with peers and stakeholders to engage with regulators, non-profit organisations and government bodies.</p> <p>Example of significant engagements includes:</p> <p>BP PLC – JP Morgan’s Investment Stewardship Team engaged with BP to address underperformance on toxic air emissions. JP Morgan encouraged them to reduce their air pollutants, to mitigate health risks and avoid regulatory fines.</p> <p>BP acknowledged the importance of health impacts from air emissions, however, this is seen as a secondary consideration to greenhouse gas emissions reductions. That said, BP do anticipate that their focus on reducing GHG emissions will continue to improve air quality.</p> <p>Goldman Sachs – Following concerns regarding human capital management, workplace culture and challenges affecting women in the workplace, JP Morgan’s Stewardship and Equities teams engaged with Goldman Sachs to understand the steps being taken to manage their workforce effectively. The issuer is actively taking steps to improve their diversity, equity and inclusion in the company. The company has made progress in recent years, with the 2022 partner class being the most gender diverse to date. Goldman Sachs are addressing the fact that women have historically not been in position to acquire certain roles, and they are committed to changing this.</p>

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.