

## The Pension Scheme for the Nursing and Midwifery Council and Associated Employers

July 2022

This is the second Implementation Statement produced by the Trustees of The Pension Scheme for the Nursing and Midwifery Council and Associated Employers (“the Scheme”). It relates to the Scheme year ended 31 March 2022, over which period the 2021 Statement of Investment Principles (“SIP”) was in place.

The policy is to provide information on activity through the year and how that fits with Trustee policies and beliefs, particularly with regard to voting and ESG.

We expect this to evolve over time as more information becomes available and best practice develops.

For this statement, the Trustees have been receiving information from their advisers in respect of portfolio activity some of which may not yet be available for disclosure. However, the Trustees confirm that in their opinion both the stewardship and engagement policies as set out in the 2021 SIP were followed during the Scheme year ended 31 March 2022. Details of how and the extent to which this was achieved are included in the assessment below.

The Trustees have a strong ESG policy for ‘growth’ assets whilst considering ESG across other asset types.

### Statement of Investment Principles

Policy	Review	Actions
SIP reviewed on significant events and no less frequent than triennially.	The SIP was revised in April 2021 and signed off in May 2021. Changes were made in relation to the long-term investment strategy. Some small amendments were made to the ESG policy although these were not material.	N/A

### Investment Strategy

Policy	Review	Actions
Fixed asset split in place.	A new strategy was agreed and implemented during the year, this included an initial reduction in risk with further gradual derisking planned over time.	None

### ESG Policy

Policy	Review	Actions
Policy reviewed at least annually	The Trustees have a strong ESG policy, which is reflected in the portfolio holdings. The Scheme's ESG policy was reviewed as part of the strategy review.	N/A
Engagement with NMC and Department of Health and Social Care (Sponsors)	Discussion has been had with the Sponsors and they were content with the policy and beliefs added in the 2021 SIP. The Trustees will continue to align their ESG policy with the Sponsor where possible.	None
Reporting on ESG implementation and developments	The Trustees' advisers have included ESG manager reviews in their quarterly reports. All managers provide some level of information in their regular reporting.	N/A

## Engagement with Fund Managers

It should be noted that all investments are via pooled funds and the Investment Consultant supplies ESG information in quarterly reports. No new fund searches were undertaken at a portfolio level but one of the underlying investment strategies was altered slightly, but the ESG component was maintained.

Policy	Review	Actions
Managers are appointed for the long term	Managers are reviewed quarterly by the investment adviser and by the Trustees, with regular manager presentations given at Trustee meetings. During the audit period, no new managers were added or removed.	N/A
Annual review of ESG and climate change	<p>All fund managers in the portfolio have been asked to respond on the impact of a 2 degree rise in global temperatures on their portfolio and their integration of ESG into their investment processes. Whilst all managers responded, not all were able to give a full response on the impact of a 2 degree temperature rise, given the complex nature of this question.</p> <p>All of the Scheme’s managers consider ESG factors in the investment process, albeit with different approaches. Furthermore, many managers are looking to add to, or strengthen, existing ESG policies as appropriate</p> <p>Examples of the policies of some of the managers are detailed below.</p> <p><b><u>LDI</u></b></p> <p><b><u>BMO</u></b> The LDI provider, BMO, gave a thorough response on ESG. ESG is considered in all of their vehicles. In relation to the LDI funds, BMO monitor counterparties on ESG “as a relevant risk factor” and “engage with their counterparty banks on an ongoing basis on ESG specific topics”.</p> <p><b><u>Insight Corporate Bond Fund</u></b></p>	<p>Many managers are still considering how best to show the impact of climate change on portfolios at a granular level. Further work will be done on this and reported back.</p> <p>Within broader ESG, continued work on integration and consultant ratings will be undertaken.</p> <p>The Trustees will continue to consider whether Muzinich is an appropriate holding in the portfolio from an ESG perspective.</p>

Insight's philosophy and approach towards responsible investment places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making. Insight integrate ESG factors into the research process and believe engaging with stakeholders is essential to effectively managing portfolio risk, believing business who continuously develop their ESG and stewardship approach will deliver better risk-adjusted returns in the long term. Insight gives each bond issuer ESG scores to help them monitor ESG risk across the portfolio. Insight have linked research analysts' annual performance appraisal with their analysis of ESG risks.

### **Growth**

#### **Amundi Ethical Equities**

The Amundi Ethical fund, is a segregated mandate run specifically for the Scheme, incorporating specific ESG requirements set out in the Scheme's ethical policy. This mixes a combination of exclusions of certain companies, as well as an ESG overlay whereby companies that score poorly in Amundi's ESG framework are excluded.

This manager has consistently implemented this ESG mandate for these assets, whilst broadly meeting its return objectives.

#### **Hermes Impact Equity Fund**

The Hermes Impact Equity Fund invests across UN Sustainable Development Goals to create positive impact and positive return for investors. The fund has impact themes such as health and wellbeing, energy transition, circular economy and water and food security. The portfolio has been invested in line with the Scheme's ESG policy.

#### **Bridges Sustainable Growth Fund IV**

This is a private equity holding investing across impact themes. The Fund has investments across green energy, children's nutrition and social housing maintenance. This again meets the Scheme's ESG requirements for ESG.

	<p><b>Other</b> <u>Muzinich Enhancedyield</u></p> <p>This fund does implement ESG in its process, albeit in a limited way. The Trustees are considering other funds that might improve this holding from an ESG perspective.</p>	
Incentivisation of mangers with respect to ESG	The investment in pooled funds is restricting this but the Trustees' advisers are looking at this as part of the industry wide work being done, which is moving to more sustainable investing. Given the Trustees are invested predominantly in specific ESG mandates, there is implicit incentivisation of their investment managers who must invest in line with policy.	Continue to monitor
Fund costs to be reviewed	All fund managers have been asked to report on fund costs and the investment adviser is collating the information, which is provided to the Trustees. However, given some exposure to partnership structures the running costs are difficult to assess.	Continue to push managers on fund costs and transparency

## Stewardship Policy: Voting and Engagement

All investments are made using pooled funds with equities being held in these vehicles. The Trustees therefore do not vote or engage directly with underlying investments nor do they use voting proxy services but they do engage with their managers via their advisers on these subjects. There was no opportunity for the Trustee to engage in direct voting during the period.

Policy	Review	Actions																		
<p>Managers are expected to engage and influence the companies in which they invest.</p>	<p>The Trustees recognise that fund manager engagement with their investee companies is critical and voting against a policy is a last resort. Therefore, engagement is monitored above voting however, all managers have been asked to report on their stewardship and voting activity. Many of the funds have been able to produce information on this, and we are working with those who are less able to provide relevant information, whether it be due to the underlying strategy, or because that information is yet to be made publicly available.</p> <p><b><u>LDI</u></b> <b><u>BMO</u></b> Whilst the Scheme’s holding with BMO does not include equities and therefore typical voting and engagement is less relevant, BMO do engage with the counterparties used in their LDI funds.</p> <p>BMO have provided significant evidence of the engagement they have conducted through the year (calendar year to 31/12/21) in relation to their LDI funds, where they have engaged with their counterparties across a number of issues. Examples of counterparties and engagement topics are detailed below.</p> <table border="1" data-bbox="485 1101 1283 1414"> <thead> <tr> <th data-bbox="485 1127 674 1154">Counterparty</th> <th data-bbox="674 1101 890 1154">Engagement Themes</th> <th data-bbox="890 1127 1283 1154">Milestones</th> </tr> </thead> <tbody> <tr> <td data-bbox="485 1154 674 1198">Citigroup Inc.</td> <td data-bbox="674 1154 890 1198">Climate change</td> <td data-bbox="890 1154 1283 1198">Commitment to net zero by 2050</td> </tr> <tr> <td data-bbox="485 1198 674 1252">Credit Suisse Group AG</td> <td data-bbox="674 1198 890 1252">Climate change</td> <td data-bbox="890 1198 1283 1252">Publication of first TCFD report</td> </tr> <tr> <td data-bbox="485 1252 674 1305">Credit Suisse Group AG</td> <td data-bbox="674 1252 890 1305">Climate change</td> <td data-bbox="890 1252 1283 1305">Enhanced sustainability strategy</td> </tr> <tr> <td data-bbox="485 1305 674 1359">HSBC Holdings Plc</td> <td data-bbox="674 1305 890 1359">Labour standards</td> <td data-bbox="890 1305 1283 1359">Coal exit confirmed</td> </tr> <tr> <td data-bbox="485 1359 674 1412">JP Morgan Chase &amp; Co.</td> <td data-bbox="674 1359 890 1412">Climate change</td> <td data-bbox="890 1359 1283 1412">Deforestation policies adopted</td> </tr> </tbody> </table>	Counterparty	Engagement Themes	Milestones	Citigroup Inc.	Climate change	Commitment to net zero by 2050	Credit Suisse Group AG	Climate change	Publication of first TCFD report	Credit Suisse Group AG	Climate change	Enhanced sustainability strategy	HSBC Holdings Plc	Labour standards	Coal exit confirmed	JP Morgan Chase & Co.	Climate change	Deforestation policies adopted	<p>Continue to monitor and assess the voting and engagement activities.</p>
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Insight

Insight has an extensive engagement programme with portfolio companies to frequently raise ESG issues and encourage them to improve their practices.

Insight engaged with 625 entities over the past 12 months in 861 separate engagements.

An example is summarised below.

Commonwealth Bank of Australia - Q1 2022

- Environment - Climate change
- Engaged with firm on the energy transition plans, suggesting they sign up to the Net Zero Banking Alliance, which they later did.

Growth

Amundi Ethical Equities

Amundi look to engage with their portfolio companies, leveraging their scale as a large asset manager.

During the year to 31/3/22 they voted at 383 meetings with 5230 items voted on. Of these, they voted against management on 22% of occasions. The most common reasons Amundi voted against management were board structure and compensation.

In addition, Amundi have engagement themes that they push across their business. Most recently Amundi presented to the trustees on how they are engaging on forced labour across supply chains of portfolio companies.

Hermes

Given Hermes run a concentrated portfolio, they use engagement as a means to drive value in their portfolio companies. Hermes aim to vote on all resolutions, wherever possible. Hermes's engagement with businesses also looks to assess the impact of their investment portfolio and how that aligns with the UN sustainability goals.

Voting data from Hermes is provided below.

**Engagement on 61% of portfolio (based on AUM)**

**AUM engaged by theme**

Governance: 61%

Strategy, Risk & Communication: 42%

Social: 24%

Environmental: 17%

**Voting activity: Votes against management**

Board Structure: 12%

Remuneration: 25%

Other: 16%

Bridges

Given Bridges have controlling stakes in their positions they are fully engaged with each position with an aim to drive positive impact and improve financial performance.



## Consultant Objectives

Objective	Review	Actions
Proactive and relevant advice	Full review of ESG and Stewardship policies and investment beliefs undertaken in good time, with trustee training. Monitoring continues and an investment review is being undertaken.	Continue to monitor at least every three years, or on an annual basis as good practice or any major investment strategy amendment.
Value for money	Fixed core fee for regular investment consulting work. Fees for project work agreed in advance. Negotiation of investment fund management charges undertaken on behalf of the Trustees.	Continue to monitor at least every three years, or on an annual basis as good practice or any major investment strategy amendment.
Timely responses and excellent service provision	Monitoring reports have generally been delivered on time. Portfolio management and liquidity management is carried out on an ongoing basis. The Trustees have been kept informed through the Covid crisis. All actions have been completed in a timely manner. Audit information provided in a timely manner. There have been no missed transactions or delays to note.	Continue to monitor at least every three years, or on an annual basis as good practice or any major investment strategy amendment.
Informed and easy to understand contributions at trustee meetings	Advice, including reports avoid the use of jargon and are written in plain English. Ability to talk on a wide range of investment topics and provide practical advice.	Continue to monitor at least every three years, or on an annual basis as good practice or any major investment strategy amendment.
Value added services	ESG training provided as part of SIP update	Monitor at least every three years, or on an annual basis as good practice or any major investment strategy amendment.