



The NMR Pension Fund

Climate Impact Report

For the period 1 April 2024 to 31 March 2025

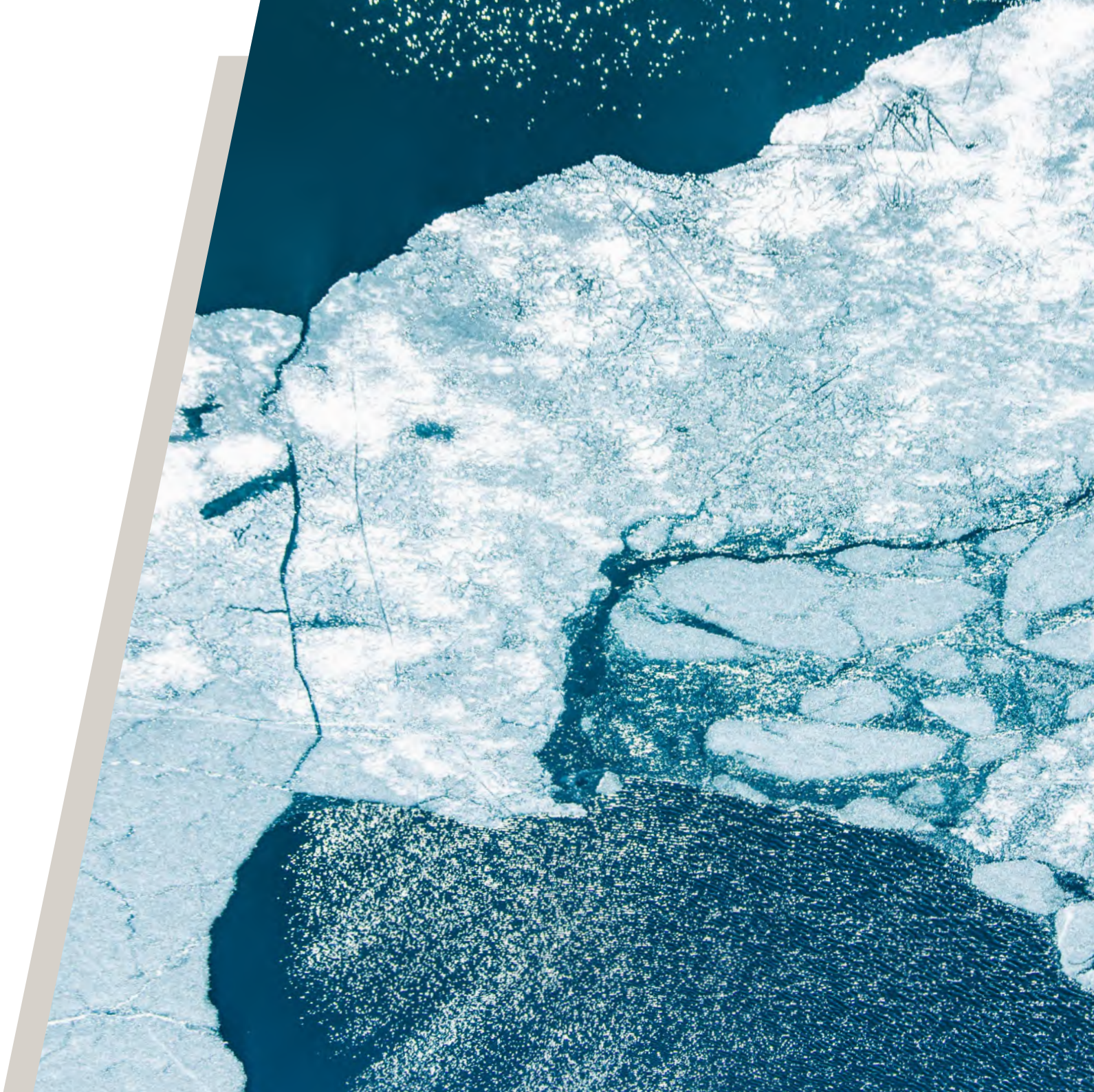




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1. Introduction and Chair Foreword

1.1 A message from the Chair of the Trustee of The NMR Pension Fund (the Fund) and the Chair of The Pensions Responsible and Sustainable Investment Committee (PRSIC)

On behalf of the Trustee Board, we are pleased to present our third report that details the progress we have made over the last 12 months, highlighting our continued commitment to addressing climate change. We believe that understanding and managing the risks and opportunities associated with climate change is part of protecting the interests of the Fund over the longer term.

The PRSIC met on a number of occasions during the past year and has overseen activities such as the appraisal of each of the Fund's investment managers, monitoring the progress on the journey towards net-zero and the preparation of our PRI submission.

Over the coming year we will be considering updated climate change scenario analysis to understand how the Fund might be impacted by different outcomes. We will continue to monitor and engage with our investment managers and review progress relative to our targets. A summary of our findings will be reported next year.

The Trustee recognises that geo-political and economic challenges to the energy transition and the need for energy security is causing some companies to revise their near-term targets and the investment community is having to adjust to the uncertain outlook. We are monitoring developments and will keep targets and milestones under review.

We have been able to take steps to manage climate change risks but have only done so where the assets and returns are consistent with the Fund's overall investment strategy. In this report we have provided some examples of investments we have made which support the reduction of carbon emissions and we will continue to seek these types of opportunities which offer a combination of attractive returns and benefits to the environment.

We continue to seek to improve our education, monitoring and reporting of climate change and the wider area of Responsible Investment (RI).

Andrew Didham
Chair of the Trustee Board

Christopher Coleman
Chair of the PRSIC



1.2 Executive Summary

Our objectives



- Net zero carbon emissions by 2050.
- 50% reduction by 2030 (relative to a 31 December 2021 baseline).

Our actions



- Reviewed and enhanced our Responsible Investment Policy.
- Worked with the Fund's key investment managers to formally embed our objectives in their guidelines.
- Continued to engage our investment managers on portfolio investments.
- Invested the DB Section's equity holdings in funds that embed a net-zero carbon pathway into portfolio construction.
- Reaffirmed the Trustee's beliefs around the importance of investing responsibly.

Our plans



- Closely monitor our progress and report to you annually.
- Continue to engage our advisers and investment managers.
- Seek further climate-related investments consistent with our strategic objectives.

1.3 Introduction

The Trustee of the Fund presents its third annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting Regulations 2021 (the Regulations)) for the Year ended 31 March 2025. The principal employer of the Fund is N M Rothschild & Sons Limited. The Fund has defined benefit and defined contribution sections with total assets to invest of around £1bn.

The Trustee continues to devote considerable time and effort to enhancing its understanding of the risks and opportunities that climate change presents to the Fund. We have set an objective of ensuring that the Fund has net zero carbon emissions by 2050, with around a 50% reduction to be achieved by 2030 – we see this goal as being one that is in the best interests of our members as well as wider society and we have a clear focus on delivering it.

The climate change framework requires disclosures in four broad categories:

Governance: around climate-related risks and opportunities.

Risk management: how the scheme identifies, assesses, and manages climate-related risks.

Strategy: the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the fund under different climate scenarios.

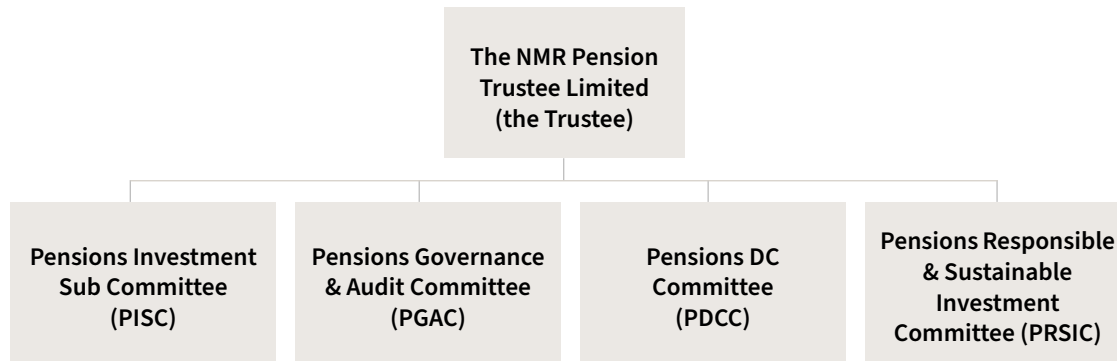
Metrics and targets: the metrics and targets used to assess and manage climate-related risks and opportunities.



2. Governance

2.1 Overall governance of Responsible Investment matters

The Trustee remains responsible for overseeing all investment-related matters, including climate-related risks and opportunities. However, to ensure sufficient focus on key areas of Fund governance, the Trustee has set up several committees to efficiently govern and conduct Fund matters, with remits to consider specific areas of importance in greater levels of detail.



The PRSiC was established in November 2020, with the responsibility of developing and overseeing the Trustee's approach to responsible investment (RI) (including the oversight of climate-related risks and opportunities) and to maintain a formal policy in this area. The PRSiC typically meets three times a year, reporting and making recommendations to the Trustee.

The Trustee's view is that proper integration of RI considerations is important to all aspects of the Fund's investment process to ensure better outcomes for members and to manage associated risks and opportunities. The Trustee has set itself the overall aim of exhibiting good practice relative to peers in the area of RI and seeks to maintain this position over time through the work undertaken by the PRSiC.

In line with the Climate Change Governance and Reporting Regulations, the Trustee is required to implement climate change governance measures and produce a TCFD report containing associated disclosures.

The Trustee maintains and publishes a Responsible Investment Policy that clearly sets out its beliefs and approach to RI; the latest version is available on the Fund website. As part of this policy, the Trustee sets out five key principles that will guide its approach to RI:

Alignment

Where practical and consistent, the Trustee will look to align its policies with those of the Sponsor. The Trustee expects that the Fund's investment managers have a formal ESG policy and that the investment managers adhere to the Principles of Responsible Investment (PRI) or a recognised equivalent standard.

Integration

The Trustee aims to integrate sustainability considerations throughout the investment process. The Trustee has agreed a set of investment beliefs relating to sustainability and reviewed them in detail during 2024. The Trustee monitors ESG and climate risks within the Fund's portfolio and sets targets for the improvements of key metrics over time. The Trustee leverages the investment adviser's research and expects them to monitor each manager's approach to sustainability.

Impact

The Trustee is mindful of real-world impacts when it invests and therefore requires the investment managers to consider impact throughout key stages of their investment processes (including strategy selection and overall portfolio review). The Trustee receives recommendations and analysis from its investment advisers to allow them to consider impact when making investment decisions.

Stewardship

The Trustee considers proper stewardship to be a key responsibility, recognising the role the Fund can play as an active asset owner. However, the Trustee does not have the resources to exercise all its duties directly. As such, the Trustee will seek to ensure its stewardship responsibilities are being effectively implemented through the Fund's investment managers.

Monitoring and reporting

The Trustee will regularly monitor and report on the sustainability of its portfolios and strategy to relevant stakeholders.

2.2 Activity of the PRSIC

The PRSIC operates under a formal Terms of Reference set by the Trustee Board. The key responsibilities of the PRSIC are:



Policy

- Conduct a beliefs exercise every three years with the full Board to document the Trustee's evolving views on climate change impact.
- Develop and maintain a RI policy for the Fund.
- Set out and monitor the Trustee's stewardship priorities.



Governance

- Monitor the performance of the investment advisers appointed to advise the Trustee on RI matters.
- Work closely with the PISC to support the selection process for new investment managers where required.
- Review the policies and processes of the Fund's investment managers in relation to RI and climate change and engage with these managers where appropriate.



Regulatory

- Ensure the Trustee complies with its TCFD reporting obligations.
- Prepare an annual PRI submission.
- Monitor evolving climate related regulations and consider how to address these.



Impact

- Ongoing assessment of the Trustee's RI training requirements.
- Review and make recommendations to the Board on additional codes and/or initiatives where appropriate.

The PRSIC is made up of members of the Trustee Board, with representatives from the Rothschild & Co Pensions Team in attendance at each meeting. The PRSIC is advised by the Fund's investment advisers.

For the Defined Benefit (DB) Section this is WTW and for the Defined Contribution (DC) Section this is Lane Clark & Peacock (LCP). It also draws on other resource and expertise (both internal and external) as required to fulfil its duties.

Over the course of the year, the key areas of focus of the PRSIC in relation to climate change were:

- The preparation and review of the Fund's second climate impact report, which was published in October 2024.
- A review of the Fund's investment managers' approaches to climate change.
- A review of the implications of climate change for the Sponsor's covenant.
- Consideration of the Fund's Carbon Journey Plan and key climate change metrics.

2.3 Service providers

The Trustee has prepared a “Statement of Governance Climate related risks and Opportunities”, which formally documents the roles and responsibilities of the Trustee and the Trustee’s investment advisers in relation to climate change. This document identified the following key service providers and sets out the expectations of the Trustee in relation to the services they provide.



As part of its ongoing governance processes, the Trustee regularly undertakes assessments of each adviser’s capabilities, including the incorporation of climate change risks and opportunities into the advice provided. In addition to this, the Trustee has set formal objectives for the Fund’s DB and DC investment advisers, which include considering the risks and opportunities associated with all RI matters, including climate change. The investment advisers are assessed against these objectives on an annual basis by the Trustee.

The Trustee expects the Fund’s investment managers to have integrated RI considerations (including those relating to climate change) into their investment processes and decision making. The Trustee has delegated responsibility for stewardship to its investment managers, subject to oversight by the PRSIC.

To ensure that its policies are being followed, the PRSIC reviews each manager’s approach to RI annually, which includes the investment advisers’ assessment of each manager’s RI capabilities, alongside a bespoke questionnaire to understand recent developments in more detail. The report also sets out the Fund’s exposures to areas excluded by the Sponsor’s policies. This provides the Trustee with a framework to monitor and highlight any areas that may need further investigation.

At all PRSIC meetings over the Fund year, climate was a key agenda item. In addition to those areas noted on the previous page, topics covered over the year included:

- A review of the Trustee’s practices compared with those of similar schemes, as identified by its investment advisers, in relation to climate change management, alongside other RI issues.
- An update to the terms of the Fund’s segregated mandates to reflect the Trustee’s agreed RI policies and objectives.
- A review of the Statement of Governance of Climate-Related Risks and Opportunities.
- The preparation of the Fund’s annual submission to the PRI.



Case study – DB Section

During 2024 the Trustee updated the Investment Management Agreements it has in place with each of its segregated managers – Insight Investment, M&G Investment Management and AXA Investment Managers. As part of these changes, the Trustee sought to explicitly incorporate the climate change objectives set out in this report (where appropriate to the nature of the mandate):

- Incorporation of a decarbonisation objective, with a requirement to report on this annually.
- Adoption of the exclusions applied by the Sponsor under its policy.
- Increased reporting around emissions and adoption of science-based decarbonisation targets within the portfolio

The Trustee considers that this is an important step in aligning the activities of a number of the Fund’s most significant managers (collectively they manage in excess of 50% of the DB assets) with its broader objectives.

3. Strategy

We firmly believe that the purpose of embedding climate risk considerations into investment decisions is twofold – improving investment outcomes for members, as well as positively impacting the world they live in. Climate change is a financially material risk to the Fund, and merits significant attention.

As part of its analysis around the climate risks faced by the Fund, the Trustee identified and defined the following elements:

Transition risks

This relates to the risks and opportunities arising from efforts made to transition towards a net-zero economy (both domestically and globally) to limit climate change. The financial impact of these risks and opportunities is generally expected to occur in the medium term, with some occurring in the short term. Risks arising could include regulatory or societal changes rendering parts of the business of invested companies worthless – for example, fossil fuels ‘in the ground’ which become economically unviable to extract due to a lack of a suitable market or due to regulations preventing their extraction. Opportunities include early investment in assets, which are likely to benefit from climate change adaptations, such as green energy providers.

Physical risks

This relates to the direct effects of climate change on the Fund and its members. Whilst these comprise both acute or short-term risks (e.g., extreme weather or wildfire events), and chronic or long-term risks (e.g., rising sea levels), the main financial effects are expected to be longer term in nature. An increased number and magnitude of extreme events may cause changes to the physical landscape, which could lead to assets being devalued or destroyed. This would directly impact asset classes such as property or infrastructure, as well as the value of a company’s equity and bonds if they own assets that are affected or if physical events impact their business model. Changing temperatures is also expected to have a long-term impact on the life expectancy of members.



Alongside these, there are also litigation and reputational risks, resulting from failure to account for physical and transitional risks, and legislation and regulation. These risks are likely to be experienced simultaneously over various time horizons and asset types and sectors. The Trustee believes that these primary risks will impact the performance of Fund assets in various inter-related ways.

| Stranded Assets | Rising Operating Costs | Inflation Risk | Interest Rate Risk | Other Pricing Risk | Opportunity Failure Risk |
|---|---|---|--|--|--|
| <p>Investment in organisations that rely wholly or extensively on fossil fuels and carbon intensive activities for their earnings may not be able to practically transition to the conditions of a low carbon economic environment. As a result, their capital value is likely to be significantly diminished during a transitional phase and could be completely eroded over time.</p> | <p>A large proportion of investee organisations will experience increased operating costs because of both the transitional and physical effects of climate change, which is likely to reduce income generation, have a negative effect on capital value and could also have a resulting negative effect on the organisations' credit ratings.</p> | <p>Rising operational costs, products and services supply issues, increased taxes and tariffs and increased sovereign spending in response to climate change issues could all result in elevated inflation. This may devalue certain inflation sensitive assets as well as create wider economic issues that could negatively affect the Fund's assets, as well as increase members' cost of living in retirement. There are also plausible climate scenarios in which inflation falls.</p> | <p>Rising inflation is often managed by central banks by increasing interest rates. Rising and high inflation rates due to climate-related issues will likely create upward pressure on interest rates, which will affect some interest rate sensitive assets more than others and will likely create a drag on economic activity with corresponding negative effects on investment assets. There are also plausible climate scenarios in which interest rates fall.</p> | <p>There is a risk that assets may be mispriced, either overvalued or undervalued, due to climate related risks not being fully reflected in forward looking valuation models. This mispricing can occur in both positive and negative directions, depending on how climate risks and opportunities are assessed and integrated into investment decisions.</p> | <p>There are and will be certain assets that will benefit from the transition to a low carbon economy and/or the development of products and services that mitigate the effects of climate change. As a result, there is a risk of missing opportunities to invest in assets that could help offset exposure to others negatively impacted by climate related transitional and physical risks. This could lead to an imbalanced portfolio if climate risks are not adequately considered in forward-looking investment strategies.</p> |

With the timing of the impact from climate change being uncertain, the Trustee believes that it is sensible to assess how the Fund may be affected according to different time horizons. In selecting these different time horizons, the Trustee has considered a range of factors impacting the DB and DC Sections of the Fund.

| Time horizon | Key considerations in selecting time horizons |
|--|--|
| Short term – <i>through to 2028 for DB, or 5 years for DC investments</i> | <ul style="list-style-type: none"> ▪ Consistent with the three-year actuarial valuation and investment strategy review cycle for the DB Section. ▪ Over this period, further developments in relation to climate change regulatory environment and climate data quality are expected. ▪ 5 years is the duration of the final de-risking phase used in the DC Section's lifestyle investment strategies. |
| Medium term – <i>through to 2035 for DB, or 10 years for DC investments</i> | <ul style="list-style-type: none"> ▪ Financial effects of "transition risk" are expected to dominate. ▪ Position of considerable maturity for the DB Section, with the majority of members expected to have retired by 2035. |
| Long term – <i>through to 2050 for DB, or 30 years for DC investments</i> | <ul style="list-style-type: none"> ▪ Financial effects of physical risk exposure are expected to be more pronounced. ▪ Target to achieve carbon neutrality by 2050. ▪ Vast majority of DB members will have reached retirement. ▪ Reflects long-term impacts on retirement outcomes for the youngest cohort of DC Section members. |



3.1 Climate scenario analysis

In 2022, we conducted a climate change scenario analysis for the DB and DC Sections of the Fund, in partnership with WTW and LCP. The aim of this analysis was to help us review the potential impact of climate change on the Fund over different time horizons and then focus on actions to address the risks and opportunities presented.

Whilst there were a number of assumptions underlying the analysis, the work conducted was based on the Fund-specific asset allocation and liabilities for the DB Section as at 31 March 2022 and member data for the DC Section as at 31 May 2022. Detailed discussions took place within the PRSIC around the methodologies used. We recognise that there is a great deal of uncertainty around the assumptions used and the analysis is expected to be further refined as data and industry standards improve and as the Fund's investment strategy evolves.

The Trustee updates the climate scenario analysis at least every 3 years. In the intervening years, the Trustee reviews whether any factors have changed materially to warrant a more frequent update to the analysis. Over the Fund year, the Trustee conducted this review and agreed that updating the climate scenario analysis was not warranted as there were no material changes to the funding objectives and strategy of the Fund. This included limited changes to the Fund's asset allocation, membership, Sponsor Covenant and the underlying climate scenarios available to test the robustness of the funding strategy.

The Trustee is aware of the concerns in the industry about the severity of some of the climate scenarios. The scenario analysis presented in this report focuses on the "narrow mission" only, given the regulatory need to assess whether funding and investment strategies are resilient to climate change. Most climate scenario models are significantly understating the physical climate risks associated with a given level of temperature rise because the impact of climate tipping points. The Trustee expects to address this as part of future iterations of this analysis.

The Trustee is therefore continuing to progress the actions identified as part of the previous analysis that are outlined in sections 3.2 to 3.5. As we note in the summary of the analysis, the Trustee is aware of the concerns in the industry about severity of some of the climate scenarios and expects to refresh analysis later in 2025. The results of this will be included in the report next year.

We have provided on the following pages a summary of the results of the DB and DC analysis and the key conclusions reached by the Trustee.



3.2 DB Section – scenario analysis

We investigated four climate scenarios which are in part defined through their success, or otherwise, in meeting the Paris Agreement target of a sub -2.0°C temperature rise. Different financial and economic assumptions underpin these four scenarios, whereas physical and transition risks are accounted for separately, from a timing and magnitude perspective.

The approach taken is consistent with the statutory guidance for pension schemes published by the Department for Work & Pensions. The scenarios are not exhaustive, and the analysis is expected to be further refined as data and methodologies improve. Furthermore, the Trustee hopes to incorporate input received from the Fund's covenant adviser into future analysis.

The key findings from the scenario analysis for the DB Section is shown opposite. The table sets out the key parameters that define each underlying scenario, as well as the financial impact that climate risk might have on the DB Section.

The Trustee believes that the investment strategy is broadly resilient to the potential impacts of the climate scenarios considered. The funding level is strong and in each of the scenarios, the funding level is still expected to improve by the end of the decade. As the Fund matures and approaches the long-term strategy over time, the level of physical and transition risk is expected to fall and since carrying out the scenario analysis the Fund has continued to be de-risked. Since the Fund first undertook climate scenario analysis in 2022, it has seen a material reduction in public equities and the private markets portfolio continues to run off over time as part of the de-risking approach. The Trustee expects future scenario analysis to exhibit a lower impact on the Fund's assets, as equities are typically more susceptible to the medium-term financial risks of climate change than other asset classes.

| | Least Common Denominator | Inevitable Policy Response | Global Co-ordinated Action | Climate Emergency |
|--|--|--|---|--|
| Description | A “business as usual” outcome where current policies continue with no further attempt to incentivise further emission reductions. Socioeconomic and technological trends do not shift markedly from historical patterns. | Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy. | Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions. | A more ambitious version of the Global Co-ordinated Action scenario where a more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of Negative Emissions Technologies at scale. |
| Temperature rise | c. +3.5°C | c. +2.0°C | c. +2.0°C | c. +1.5°C |
| Transition risk level | Low | High | Low – Medium | Medium – High |
| Physical risk level | High | Low – Medium | Low – Medium | Low |
| Assumed impact on general life expectancy | Very Negative | Negative | Negative | Positive |
| Estimated impact on funding relative to expected position in: | 2029: +3.6% 2034: +7.8% | 2029: -0.9% 2034: -5.2% | 2029: -3.4% 2034: -7.9% | 2029: -2.9% 2034: -5.8% |

3.3 DB Section – assessment of risk to the covenant arising from climate change

The Trustee sought independent advice from its Covenant Adviser, LCP, who prepared an initial report in 2022 considering how climate related risks may impact upon the Fund's Sponsor covenant. This work was subsequently updated in 2023 in line with the Trustee's current framework to monitor the impact of climate related risks on the Sponsor covenant on an annual basis.

LCP's report focused on Rothschild & Co SCA's (the Group's) exposure to climate risks and opportunities, with conclusions prepared for the Trustee in the context of the Fund's investment and funding risks. In the run up to LCP's 2023 review, the Fund's funding position improved considerably and it was observed that there remains a relatively low level of covenant reliance. However, there are no formal plans to enter into insurance transactions to remove covenant risk completely, and as such the period over which the Fund will need to rely on the Sponsor's covenant is uncertain. The Trustee is therefore mindful that it will need to continue to assess the risks that climate change could have on the Sponsor's covenant on a periodic basis.

In preparing its report, LCP considered information within the public domain (for example, the Group's sustainability report), independent ratings from organisations such as MSCI¹ and CDP² and answers to questions from senior employees at the Group. LCP's conclusions were therefore drawn from a diverse range of sources, which has further allowed LCP to assist the Trustee in its qualitative assessment of risks under various climate scenarios.

¹MSCI* = Morgan Stanley Capital International

² "CDP" – Carbon Disclosure Project



The key conclusions from LCP's 2023 report

Key findings

- The Group's climate risks and opportunities appear to be well-managed, with the main climate-related risks being in relation to transition risks (e.g. reputational and regulatory risks) rather than physical risk.
- The Group has robust governance processes throughout the business in order to manage these risks and has identified areas where they can take advantage of the many opportunities in the market.
- The Group aims to have an active role as a 'transition player' which will likely be viewed favourably by clients and other stakeholders.
- The Group is refining its strategy and is looking to integrate policies within individual business lines and is continuing to make progress towards limiting its own environmental impact and contributing towards a more sustainable economy. Success in these areas can be critical to preserve the Group's reputation and avoid issues such as staff dissatisfaction.
- The Group's operational climate metrics (such as total energy consumption) have worsened since 2021 as the impact of the pandemic unwinds and business operations return to normal levels. It is worth noting that these are still below pre-pandemic levels, but the direction of travel should continue to be monitored.

Transition risk

- The Group considers the transition risks of climate change as key non-financial risks that have a high potential business impact and are of high importance to its stakeholders.
- See below for an overview of the Group's key transition risks and opportunities, and the actions it has undertaken in this regard.

Physical risk

- As the Group is a people-based business, exposure to physical risks of climate change are limited, albeit noting that may not be true for its clients.
- The Group is geographically diverse and there are limited barriers to moving operations from one location to another. The Group considers these risks as part of their ongoing Business Continuity assessments.

| Horizon | Risks | Opportunities | Actions taken by the Group |
|----------------------|---|---|---|
| Short to medium term | Increasing costs related to compliance with future disclosure regulations. Legal actions by investors or regulators for potential non-compliance with regulation. | Regulations will improve climate disclosure and create a level playing field. Business opportunities relating to supporting the Group's clients in adapting new regulations. | ESG/climate risks not deemed to be standalone, but integrated within the strategic risks facing the business and are managed in the same way as general strategic/operational risks. |
| Short to medium term | Perceived lack of ambition and/or credibility can detrimentally impact client and talent retention. Insufficient ESG controls could also negatively impact the Group's reputation. | Good engagement with climate issues can lead to opportunities to support the businesses' value proposition and enhance client relationships. Taking a long-term perspective of climate related issues could reinforce the Group's market positioning. | The creation of a Responsible Investing Roadmap for 2022 to 2025. Supporting a number of industry initiatives e.g. supporting the UN Global Compact and Carbon Disclosure Project. |
| Medium term | Challenges and increasing costs relating to the access of robust climate impact data. Increasing data reporting requirements. | Business and investment opportunities created by emerging technologies. Improved services based on more adequate data. | Potentially outsourcing increasing reporting requirements where a platform is provided to assist managing data collection. |
| Medium to long term | Poor management of climate-related investment risks and slow integration of climate factors into the Group's services and products could lead to unanticipated losses in revenue and opportunities. | Additional investment performance and resilience of "climate-supporting" investments. Development of offerings and services to clients to support the low carbon transition. | Products and services created to protect the Group's market position including advising on transactions relating to renewables/low carbon tech/energy transition solutions and helping clients operating in these areas to raise finance. |

Given the strength of the Sponsor's covenant and the Group's actions to mitigate against identified climate risks, we do not consider that climate related matters currently present a material risk to the probability of members receiving their full benefits.

3.4 Conclusions on covenant risk under different climate scenarios

| Climate Scenario | Short term - 2 years (2023 to 2025) | | Medium term - 7 years (2023 to 2030) | | Long term - 27 years (2023 to 2050) | |
|----------------------------|--|----------|---|----------|--|----------|
| | Transition | Physical | Transition | Physical | Transition | Physical |
| Least Common Denominator | ● | ● | ● | ● | ● | ● |
| Inevitable Policy Response | ● | ● | ● | ● | ● | ● |
| Global Coordinated Action | ● | ● | ● | ● | ● | ● |
| Climate Emergency | ● | ● | ● | ● | ● | ● |

Business risk key

- Low risk
- Medium risk
- Higher risk

The table above highlights the results of the Trustee's assessment on how the Group's exposure to transition and physical risks may vary depending on the different climate scenarios considered, and over different time periods.

The Group operates in an industry mainly exposed to transition risks rather than physical risks. Although rapid changes to regulation and/or technology could present risks to the business in the short-to medium-term, the Group appears well prepared to manage such risks and adapt over longer time horizons as it has a well-defined and diverse strategy to combat the potential impact of climate change, in turn reducing the exposure to these risks.

Based on the information that the Trustee has reviewed, they currently consider that even in scenarios where higher risk impacts could adversely affect the Group's operations and financial performance, it is unlikely that any adverse outcomes could reach the scale whereby residual covenant exposure could not be supported. This conclusion is strengthened by the fact that no deficit contributions are currently due to the Fund given that it is in surplus on the technical provisions basis.

Informed by the independent covenant work it has commissioned, the Trustee has not considered it necessary to change the Fund's overall investment strategy as a result of climate risks related to the employer covenant.

3.5 DC Section – scenario analysis

The Trustee has determined that the DC Section has two “popular” arrangements as defined in the Regulations³ both the default NMR Retirement (Drawdown Focus) lifestyle, and the NMR World (ex-UK) Equity Fund Passive have more than 10% of DC assets invested. Together, these arrangements represent around 87% of total DC assets.

The Trustee is aware that the risks previously discussed in this section can directly impact the Fund’s assets. These risks also have indirect impacts on the Fund and its members, such as the possibility of increasing inflation, which could make living more expensive for members and increase the cost of services provided to the Fund. An orderly shift to low carbon solutions could lessen future risks, but it’s likely to bring about more immediate transition-related challenges.

The anticipated impact on members is expected to vary depending on multiple factors. These include the nature of their investments, the worth of their savings, their contribution level, and their closeness to retirement age.

The above risks and opportunities are based on the period to retirement. We note that increasingly members choose to remain invested during retirement and gradually sell their investments over time, depending on the level of income they need. As a result, many members will be exposed to the climate-related risks noted in this section for longer than suggested by climate scenario analysis.

The Trustee has used the climate scenario analysis as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, the Trustee has used the analysis to identify how the physical risks and transition risks associated with climate change could impact the DC Section over the three time horizons defined opposite, and whether its current investment strategies are likely to be resilient against these risks, or able to take advantage of any opportunities. The same time horizons were used for both the default strategy and the NMR World (ex-UK) Equity Fund. For simplicity, members were assumed to be invested in the same strategy in line with time periods set out above, assuming an expected retirement age of 65.

Climate scenario analysis was last carried out for each section’s popular arrangements and considered at the September 2022 PRSIC. The Trustee will carry out scenario analysis at least every three years and assess annually whether the next analysis should be carried out sooner as a result of a change in the membership profile or default investment strategy for the DC Section.

Over the reporting period, the Trustee considered and decided against undertaking further scenario analysis in respect of the DC Section on the basis that there had not been a material increase in the availability of data; that the changes made to the strategy would not materially affect the outcomes projected through scenario modelling; that while both scenario modelling and industry best practice have developed, neither has done so to an extent that would materially change the analysis.

| | Failed Transition | Disorderly Net Zero by 2050 | Orderly Net Zero by 2050 |
|-----------------------|---|--|---|
| Description | Global net zero carbon emissions not reached by 2050; only existing climate policies are implemented and temperatures rise significantly. | Same policy, climate and emissions outcomes as the Orderly Net Zero scenario, but financial markets are initially slow to react and then react abruptly. | Global net zero carbon emissions is achieved by 2050; rapid and effective climate action (including using carbon capture and storage), with smooth market reaction. |
| Temperature rise | Average global warming is about 2°C by 2050 and 4°C by 2100 , compared to pre-industrial levels. | Average global warming stabilises at around 1.5°C above pre-industrial levels. | Average global warming stabilises at around 1.5°C above pre-industrial levels. |
| Transition risk level | Low | High | Low – Medium |
| Physical risk level | High | Medium | Medium |

³ The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 define a popular arrangement for a DC pension scheme as Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

4. Risk Management

We consider that climate change is both a key risk and opportunity for the Fund and it therefore receives particular focus within the Trustee's ongoing risk management processes. Similar to previous years, there remain three key ways in which we integrate climate change into our decision-making processes:

1

Top-down analysis

Alongside the climate change scenarios considered in the previous section, the Trustee undertakes an annual review to assess the high-level impact of climate change on the Sponsor's covenant. This allows us to understand the impact that different climate change scenarios might have on the ongoing strength of the Sponsor.

Climate change continues to be a stewardship priority for the Trustee and over the coming 12 months the PRSIC expects to spend further time considering the investment managers' voting and engagement activities in relation to climate issues.

2

Bottom-up analysis

A second approach we take to assess the risks and opportunities associated with climate change is through a deeper analysis of the attributes of the underlying investments. This analysis includes:

Security analysis – Our investment advisers calculate various climate change related metrics linked to the underlying securities within the portfolio. In aggregate, these metrics provide us with a more detailed understanding of the Fund's exposures and the overall characteristics of each mandate within the portfolio.

Following a review of this analysis, the PRSIC will typically engage with a number of the Fund's investment managers to understand in more detail the nature and rationale for certain exposures within their portfolio and to obtain an understanding of the manager's engagement plans with some of the companies we invest in.

For both Sections, the PRSIC monitors the exposure the Fund has to certain sectors that are either excluded by the Sponsor under its group-wide policy or identified as 'red flags' under the policy of the wealth management business. Whilst the Trustee has not explicitly adopted either policy, we understand that it is important to monitor these exposures to ensure their inclusion in the Fund is understood and appropriate. Where possible, we look to engage with the Fund's investment managers to understand the rationale behind any holdings in these areas and if possible or appropriate, encourage the investment manager to reduce the holding.

Manager analysis – Our investment advisers conduct an annual review of all the Fund's underlying investment managers, providing an assessment of their policies, processes and actions, which includes a focus on climate change. Where areas of particular concern are identified the PRSIC will engage with the relevant investment managers to challenge as appropriate.

3

Identifying new strategies and managers

In line with the overall objective to achieve net-zero emissions intensity across the Fund's portfolio by 2050, the Trustee will explicitly consider both the emissions characteristics, climate change opportunities and manager sustainability assessments when assessing new strategies for the portfolio.

Recognising the Trustee's overall objectives in this area, the Fund's investment advisers are expected to focus on managers and strategies that are highly rated for their RI characteristics.

The Trustee has developed a "Carbon Journey Plan" for the DB Section, with a target of reaching net zero Scope 1 and 2 carbon emissions intensity by 2050 with around a 50% reduction in emissions by 2030. The Trustee has selected these as targets as they align with the Paris Agreement and the UK Government's climate pledge. Although this ultimate goal is based upon the Fund's carbon footprint, the Trustee recognises that this is a simple and backward looking metric and therefore the Trustee also monitors a dashboard of climate metrics alongside this. Exposures and trends across multiple metrics are assessed rather than focusing just on the carbon footprint target. However, the Trustee views carbon footprint as the most comparable metric across pension schemes of different sizes. Additionally, it provides a normalised emissions figure that identifies efficient investment managers rather than those that just produce the lowest total emissions.

The Trustee recognises that the progress of the Fund relative to the agreed objectives may not be smooth, particularly in the short-term. As calculation methodologies change and data quality improves, it is likely that the measured position of the Fund will change. Nevertheless, the Trustee considers that it is important to understand and present the data currently available, whilst considering a broad range of both quantitative and qualitative factors.

There are a number of ways in which the Trustee expects to achieve the Carbon Journey Plan objective over time.

Engagement



The Trustee aims to support the reduction of emissions associated with the Fund's portfolio by seeking to understand how investee companies are responding to climate related risks and opportunities. This includes reviewing their strategies, capital allocation decisions, and alignment with regulatory requirements such as transition planning. Through the PRSIC's engagement with the Fund's investment managers and the input of its investment advisers, the Trustee monitors how these factors are being considered in investment decisions. This approach is viewed as a key element in managing the investment risks associated with climate change.

Mandate changes including disinvestment



Over time the Trustee expects to review mandate guidelines and restrictions, particularly in relation to high carbon emissions. Where investment managers are not making sufficient progress integrating climate related considerations, this may ultimately result in the Fund selling assets if deemed necessary to do so.

Free rider



Recognising that regulation is a key driver of change across the investment landscape, the Trustee expects the Fund to benefit from the actions and efforts of other participants through a decline in the emissions associated with all asset classes.

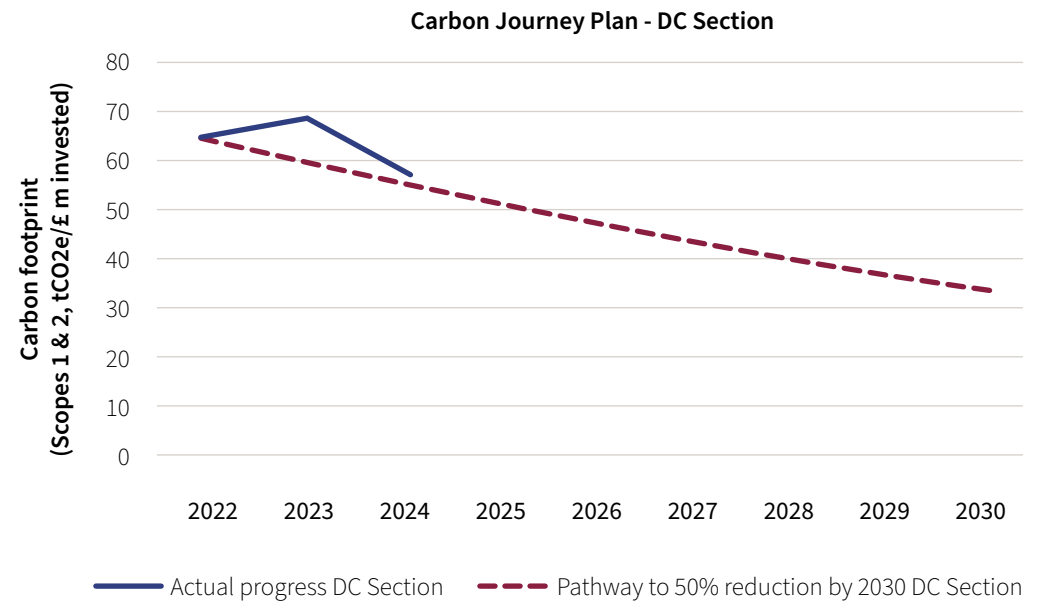
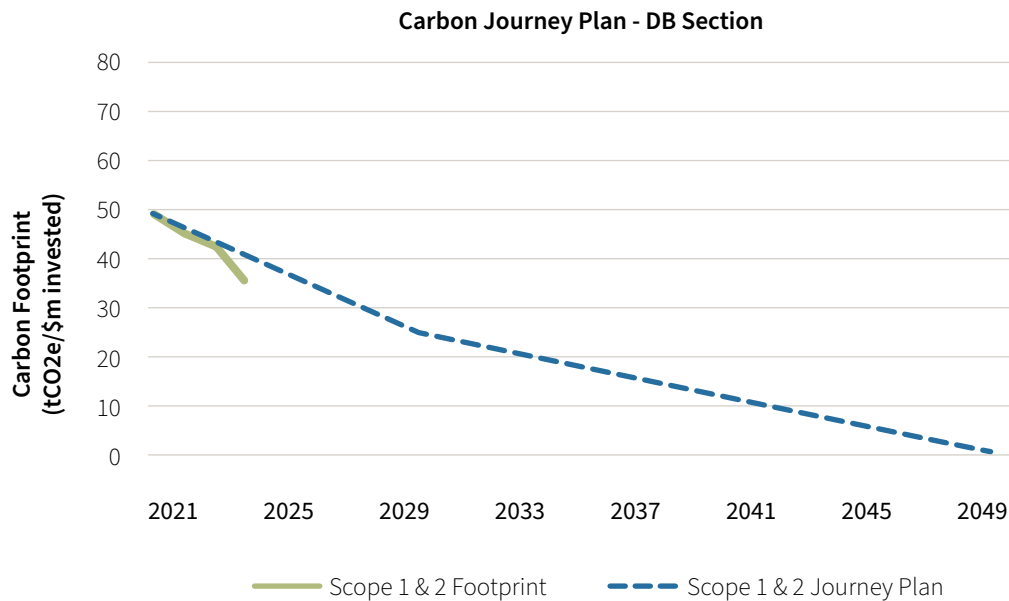
Impact



As set out above, the Trustee will regularly assess the RI characteristics of investments, with a view to identifying strategies that might benefit from the tailwinds of the global move to net zero.



To provide a more visual representation of the Fund's Carbon Journey Plan, the graphs below show the progress of the Fund's Carbon Footprint versus the Carbon Journey Plan for both the DB and DC sections. The red line shows the path to 2030, where the Trustee has set the Fund's interim target of a 50% reduction in Carbon Footprint.



Notes to the Carbon Journey Plan:

The Carbon Journey Plan covers Scope 1 and 2 emissions.

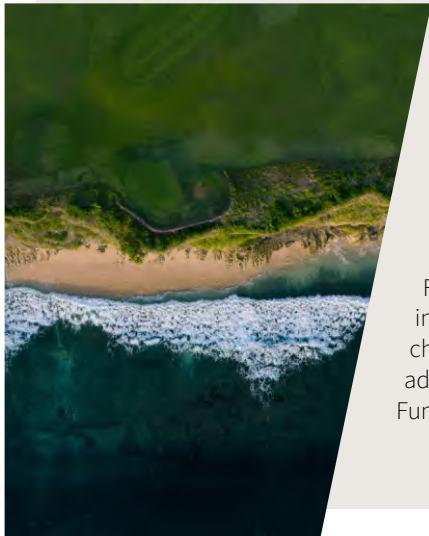
The emissions associated with UK Government bonds are not included in the Fund's Carbon Journey Plan monitoring as the Fund is required to hold UK gilts to hedge its pension liabilities and as such disinvesting on sustainability grounds would be inappropriate from a fiduciary duty standpoint. The Trustee also has limited capability to effectively engage with the UK Government. The emissions from the UK gilts will still be calculated and monitored separately, measured as the tons of carbon emissions per £m invested similar to Carbon Footprint. In respect to the DC Section only, currency conversion from USD is based on the date the emissions are calculated, e.g., 30 September each year.

The base-year for the calculations is 2021 for the DB Section and 2022 for the DC Section.

4.1 DC Section specifics

Within the DC Section, the assets are invested in pooled, largely passive funds, for which it is not possible to easily implement exclusions. Therefore, the PRSIC works to ensure that the investment managers are addressing climate issues. The Trustee undertakes an annual review specifically assessing its managers' approaches to climate, which encompasses managers' competence across areas such as stewardship, scenario modelling, and quality of climate expertise.

The Trustee has set a "Carbon Journey Plan" for the equity and corporate bond elements of the Fund's DC default investment strategy, with a target of reaching net zero carbon emissions intensity by 2050 with a 50% reduction in emissions by 2030.



Case study – DC Section

As part of the review of the DC investment strategies undertaken in 2023, the Trustee considered the options available for managing climate risk in the strategies. This led the Trustee to conclude that management of climate transition risks could be improved by changing the underlying funds of the NMR Growth Fund to introduce a small allocation to equity funds which aim to invest more in less emissions-intensive firms in each industry. This change was implemented in February 2024 and the impact of this addition can be seen in the improved metrics for the NMR Growth Fund in this year's reporting.

4.2 Stewardship

One of the other risk and opportunity assessment tools the Trustee uses is stewardship. As mentioned in other parts of the report, this is a key way in which the Trustee can influence the actions of companies and broader industry and therefore mitigate the climate risk the Fund is exposed to and enhance the potential opportunities available as part of the transition. During the course of the year, the Trustee has undertaken, with support from its advisors:

Engagement with Investment managers both directly and via the Fund's Investment advisers.

Completed its first publicly reported PRI submission.

Contributed, both directly and via the Investment advisers, to a number of industry initiatives, working groups and consultations.

Undertaken training to understand the merits of participation in other stewardship initiatives, such as the FRC Stewardship Code and TNFD reporting.

Summary

The Trustee has identified a number of key areas to help manage the opportunities and risks associated with climate change. The key priorities are continuing to ensure that the investment managers are appropriately factoring climate change into their approach and stewardship activities as well as making sure that any future insurance activity includes due consideration of climate change as a factor.

5. Metrics and Targets

5.1 Fund metrics and target

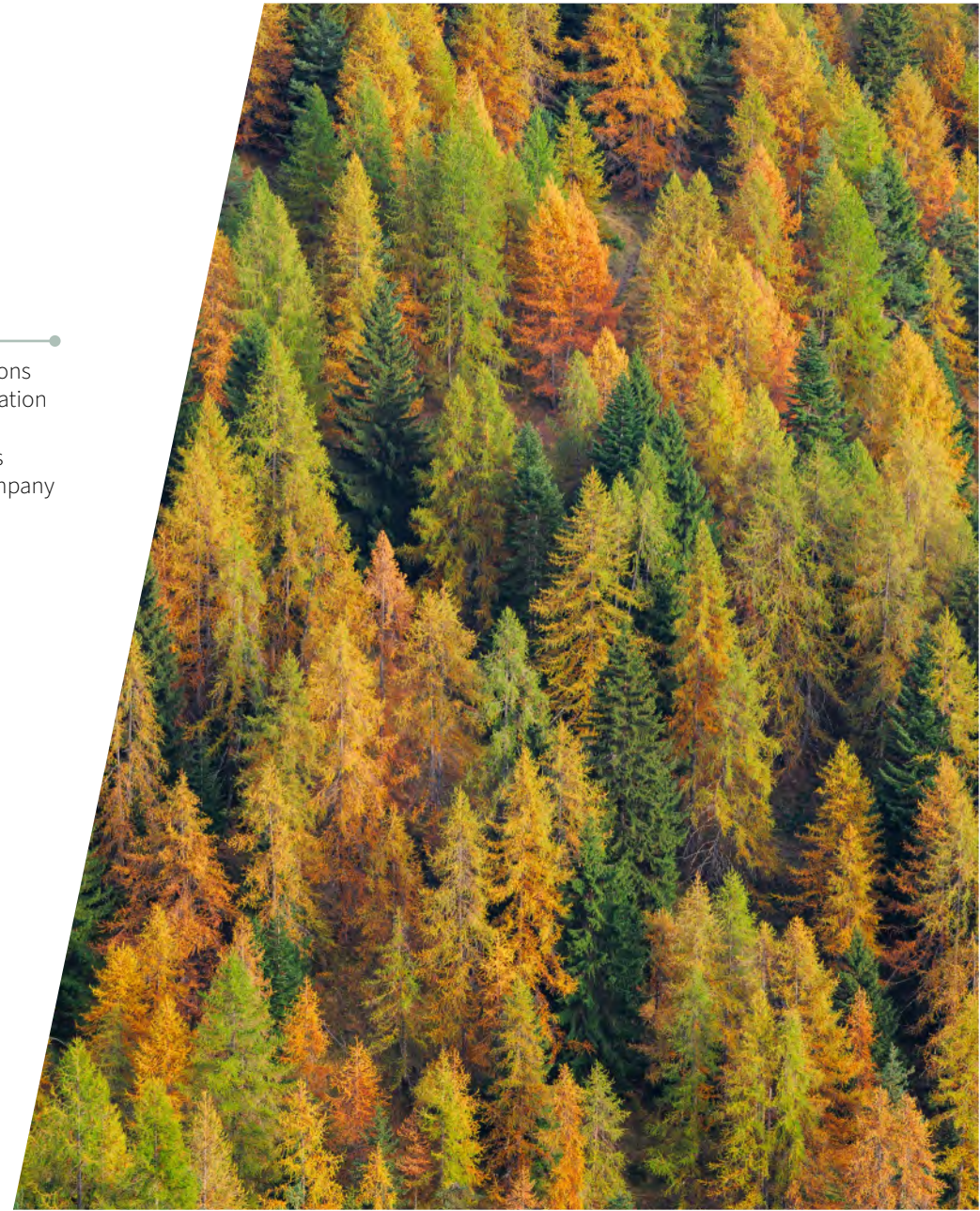
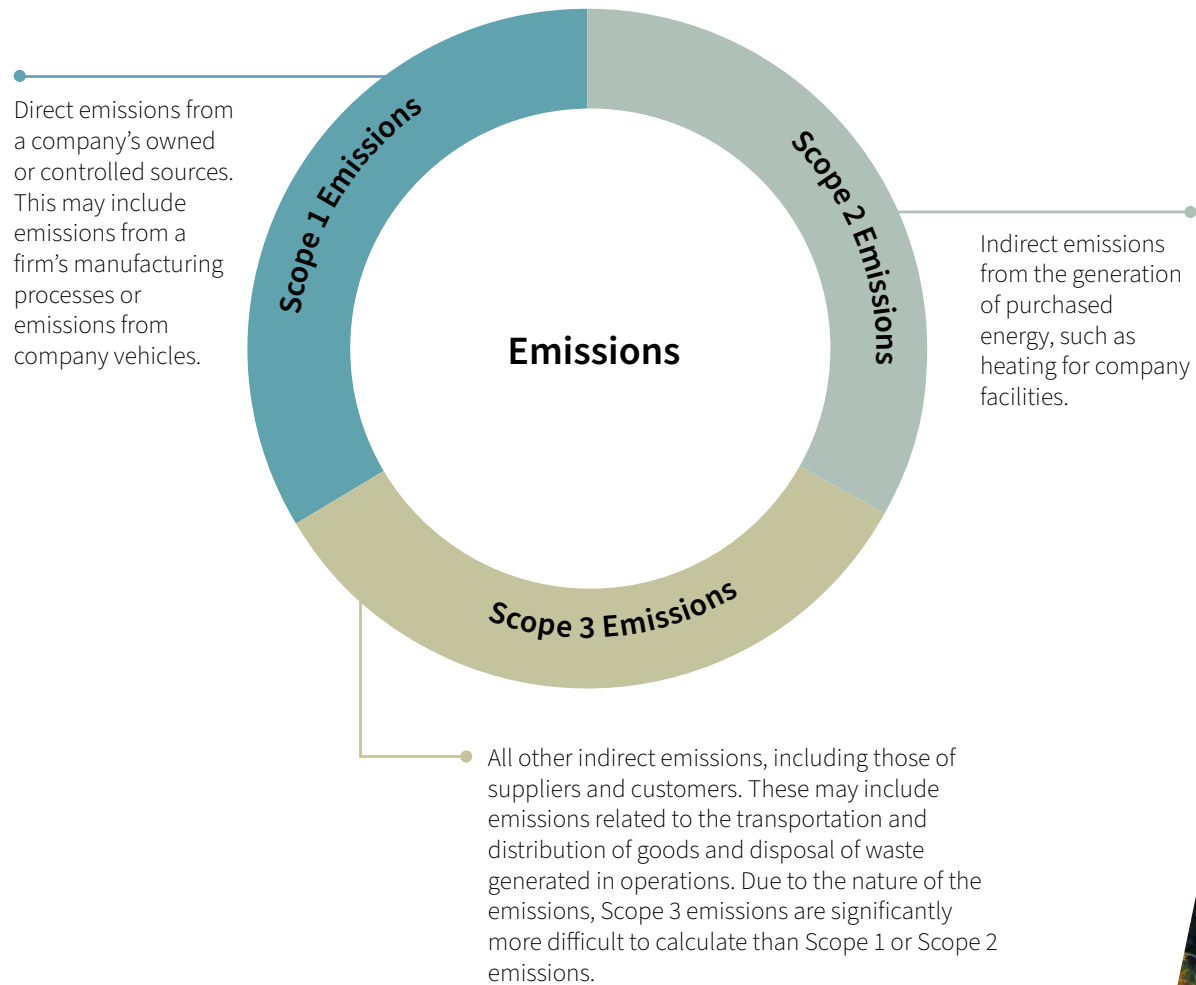
As part of the Trustee's commitment to net zero and the TCFD framework, the Trustee has selected a number of metrics and targets that will be monitored on an annual basis through future publications of this report.

These comprise the following:

| | |
|---|---|
| Absolute emissions | Total Carbon Emissions (tCO2e): This is an “absolute” metric providing an estimate of the total carbon emissions attributable to the Fund's assets. To compile the figures, where available, we have used MSCI data for direct and indirect (Scope 1, 2 and 3) emissions associated with each company the Fund invests in. Where this information is not available, emissions have been estimated based on the country and industry sector of the company/asset in question. Although this latter approach is naturally more approximate, it does allow us to produce an emissions figure that encompasses the Fund's whole asset portfolio rather than only a proportion of it. Attributable emissions have also been calculated for the Fund's government bond holdings by the Fund's LDI manager. |
| Carbon Intensity | Carbon Footprint calculated as the total carbon emissions per \$m invested (tCO2e/\$m invested): This is a carbon emissions “intensity” metric, providing a figure that can be compared with other investors. The Trustee has set a long-term target to achieve net zero emissions intensity in 2050, with a 50% reduction by 2030. We will monitor our progress in reducing this metric as part of our ‘Carbon Journey Plan’, which is set out in the previous section. |
| Alternative | Data quality (percentage of data with issuer-specific data vs. percentage of data modelled using proxies): This aims to measure the proportion of the Fund's assets for which we have high quality data. |
| Portfolio alignment | Percentage of assets with SBTi or equivalent: The SBTi is a partnership between the Carbon Disclosure Project, the UN Global Compact, World Resources Initiative and the World Wildlife Fund for Nature. The initiative provides an external mechanism for companies to have their carbon reduction plans validated as being in line with an objective to limit global warming to 1.5 degrees. Over time, the Trustee expects an increasing proportion of the Fund's investments to be aligned with this objective. |
| Weighted Average Carbon Intensity (“WACI”, tCO2e/\$m of revenue) | This is a secondary carbon emissions intensity metric calculated as the level of emissions per million dollars of revenue for each holding in the portfolio. These figures are then averaged using the portfolio weights to produce the WACI figure. The Trustee agreed to monitor this to align the Fund's progress with the Sponsor. |

Metrics 1-4 have been selected in accordance with the TCFD framework. The Trustee chose Carbon Footprint as the intensity measure over WACI as this is recommended by the DWP in its guidance and will therefore allow for greater comparability across the industry. The Trustee regards data quality as an important metric, as improving data accuracy and availability, will make climate reporting a more useful and comparable exercise and will allow investors to better assess the climate risks and opportunities associated with investment.

The TCFD reporting framework also requires the Trustee to define the scope of the emissions monitored, which are as follows:








5.2 DB Section reporting

The data for the metrics has been collated using a combination of manager-provided data, proxied data based on sector/geographical breakdowns, and relevant benchmark data. This data is then uploaded into the investment adviser's ESG tool (which uses MSCI underlying data) to determine the carbon related metrics the Fund is required by TCFD regulation to report.

Reflecting the above, the Fund's metrics for the DB Section have been presented below. Over the year to 30 September 2024, both an increase in asset size and strategic changes have caused a significant impact on the Fund's metrics.

| NMR Pension Fund | 30 September 2023 | 30 September 2024 |
|---|-------------------|-------------------|
| Total Assets | £740m | £760m |
| Total Carbon Emissions (tCO₂e) (Scope 1 and 2) | 38,501 | 35,889 |
| Total Carbon Emissions for UK Government bonds (tCO₂e) (Scope 1 and 2) | 254,694 | 256,626 |
| Carbon Footprint (tCO₂e/\$m invested) (Scope 1 and 2) | 118,176 | 66,496 |
| Carbon Footprint (tCO₂e/\$m invested) (Scope 1, 2 and 3) | 42.6 | 35.3 |
| Carbon Footprint for UK Government bonds (tCO₂e/£m invested) (Scope 1 and 2) | 281.5 | 252.3 |
| Data Quality (proportion of the Fund's portfolio with direct emissions data – Scope 1 and 2) | 193.8 | 163.2 |
| WACI (tCO₂e/\$m revenue) | 20.8% | 27.4% |
| % of assets with SBTi targets | 23.0% | 13.3% |
| WACI (tCO₂e/\$m revenue) (Scope 1, 2 and 3) | 430 | 524 |

Explanation of the movements in the metrics can be found below:

| September 2023 vs September 2024 | | |
|---|---|--|
| Metric | Directional change | Explanation |
| Metric 1 – Carbon Emissions |  | There was a decrease in total carbon emissions over the year (for Scope 1 & 2), driven primarily by reduced emissions observed across the majority of the Fund's asset classes. However, Scope 3 emissions have increased over the year, largely driven by rising asset values and changes to the underlying asset allocation. Specifically, the increased allocation to UK corporate bonds and diversifying credit contributed to the increase in total carbon emissions. |
| Metric 2 – Carbon Footprint |  | The Fund's Scope 1 and 2 carbon footprint decreased by 17.1% (increased by 10.4% including Scope 3) relative to last year, indicating that the Fund may still be slightly ahead of its required rate of decarbonisation. The reduced intensity was seen across all major asset classes with the exception of diversifying credit, where the proportion represented by emerging market debt increased over 2024 due to redemptions from other asset classes. |
| Metric 3 – Data Quality |  | Data quality has materially improved. This has been driven by improved carbon metrics for a number of the Fund's illiquid assets within the Private Markets, Secure Income and Illiquid Credit portfolios. |
| Metric 4 – Alignment |  | The SBTi coverage has fallen over the past year due to a change in the methodology over 2024 for proxied assets to avoid potential overestimation. Under a consistent methodology, the SBTi coverage would be estimated to have increased over 2024. |
| Additional Intensity Metric – WACI |  | WACI has marginally increased across the portfolio between 2023 and 2024 largely driven by an increase in estimated Scope 3 emissions. |

The following outlines how the methodology of how the Fund's metrics are measured:

| | |
|---|--|
| Carbon Emissions | The Total CO2 emissions of the portfolio using underlying assets or proxied data from MSCI. |
| Carbon Footprint | The assessment of the efficiency of the portfolio's carbon emissions per \$m invested (emissions / \$m invested attributed by EVIC). This separates out emissions attributed to investments in sovereign bonds. |
| Enterprise Value Including Cash (EVIC) | This is the sum, as at year-end, of the market capitalisation of ordinary shares, preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents. |
| Data Quality | This provides a breakdown of the percentage of the underlying strategies where the carbon data is derived from the actual holdings data of the Fund. If this is not available, then the strategies are proxied based on the high-level industry and geographic region breakdown of the mandate. |
| Alignment | This is measured as the percentage of the portfolio classified as Aligned, Aligning or Not Aligned based on guidance set out in the IIGCC's "Net Zero Investment Framework". Companies are categorised as High or Low impact depending on their industry classification and assessed against the following six criteria: Ambition, Targets, Emissions Performance, Disclosure, Decarbonisation strategy and Capital Allocation Alignment using data sourced from CA100+, TPI, SBTi and MSCI. |
| Weighted Average Carbon Intensity (WACI) | The assessment of the efficiency of the portfolio's carbon emissions per \$m invested (tCO2e Scope 1 + 2 emissions / \$m Sales or GDP). This separates out emissions attributed to investments in sovereign bonds. |
| UK government bond carbon footprint | This is calculated as the Fund's share of the total UK greenhouse gas emissions divided by the market value of gilts in issuance. This has been calculated as the annual productions emissions data for the UK for 2023 normalised by the total UK government debt as at 31 December 2024. |



5.3 DB Data Quality

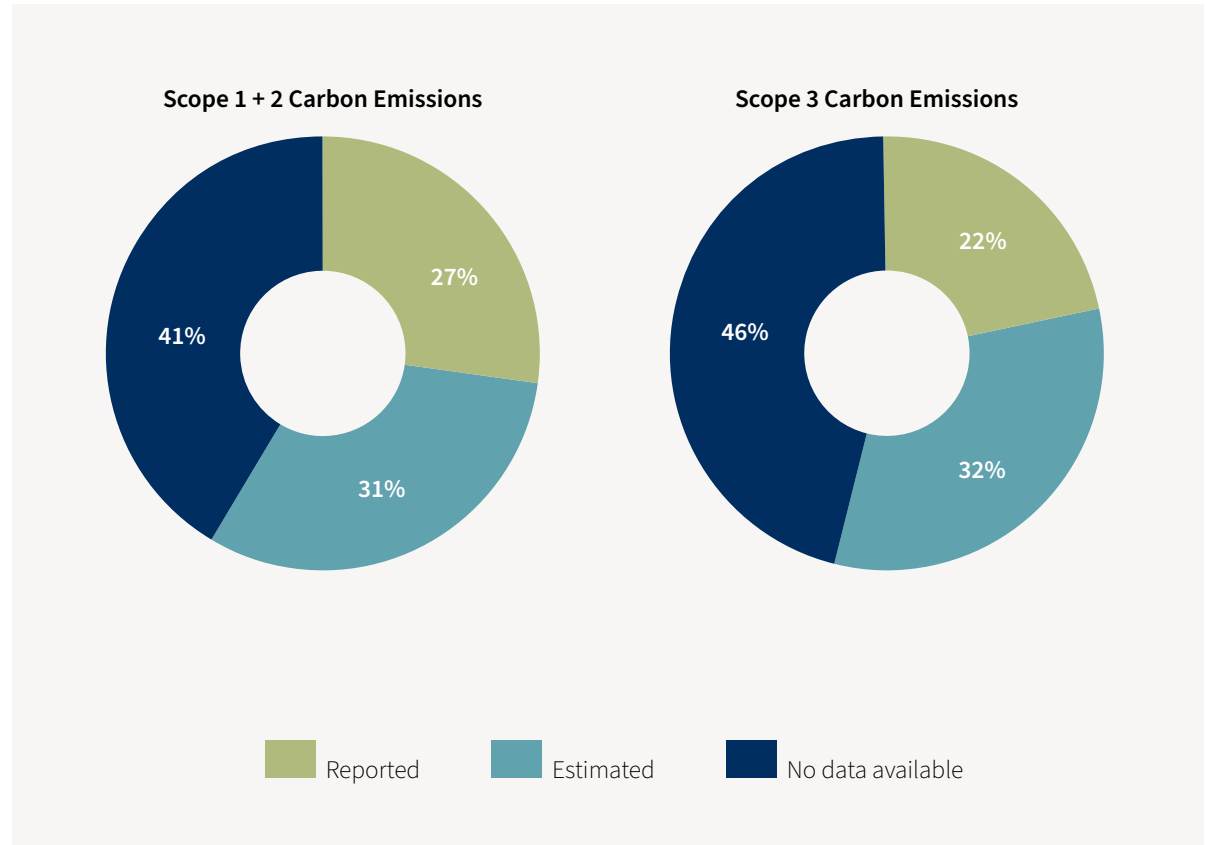
Whilst the Trustee has aimed to conduct the analysis to the best of our ability, the availability of data is dependent on external factors which are largely outside the Trustee's control such as certain companies not disclosing their carbon emissions.

The charts opposite show how the portfolio has been modelled, be it through the analysis of direct company holdings data, where it was available, or using proxies. For the private market assets the exposure has been proxied using relevant geographic and sector weights for the underlying holdings. The charts only show this breakdown in respect of the Fund's assets excluding Bulk annuities, LDI (Government Bonds) & Cash.

Whilst the Trustee aims for 100% data quality for its underlying investments, it understands that there are limitations with data availability, particularly for private market assets. The Trustee uses MSCI, a market leader in sustainability-related data, to provide ESG and carbon metrics for the underlying companies. Whilst MSCI has a broad, constantly expanding and improving set of data, this primarily covers public companies due to the nature of the legislative requirements for these companies. Private companies, on the other hand, are not always subject to the same level of transparency and thus require proxying using characteristics that map to similar public companies. Our expectation is that data coverage will continue to improve as pressure from the investment industry, including from the Fund's investment managers leads to further transparency for private market assets and the Trustee will continue to monitor and encourage this over time.

Where data was not available on the underlying holdings, the Trustee has followed the 'pro-rata approach' which involves scaling up the portfolio data that exists rather than assuming such positions have zero emissions. The Trustee believes this is a more accurate and prudent approach to take.

The Trustee will monitor how these metrics evolve over time on an annual basis to understand the drivers for change.



The Trustee's view on approaching Scope 3 emissions

Scope 3 emissions data is critical to help build a better picture as we decarbonise our portfolios and economies. However, the Trustee believes that current reported Scope 3 emissions data is largely inadequate for purposes including making accurate climate-informed investment decisions. Further, given data issues, the Trustee believes that disclosing the Scope 3 emissions of investment portfolios at this stage will necessarily be limited in coverage, subject to large estimation errors, and not fit for meaningful comparison between investors or over time. At a minimum, the Trustee believes any Scope 3 emissions disclosures should be disaggregated from Scope 1 and 2 emissions. The Scope 3 emissions are therefore outlined below separately.

Data providers, like MSCI, have tried to solve this problem by providing Scope 3 datasets using proprietary models and internally vetted methodologies. However, current solutions rely significantly on top-down sector emissions data with limited use of bottom-up data (which is company-specific). Models that rely on sector information limit users' ability to distinguish companies from peers. While there is sizable support from the investment industry and others for better disclosures, we need to be realistic around the current issues of reliability of Scope 3 data available.

Importantly, assessing risks and opportunities are not purely about emissions. In this section, we report on non-emission metrics such as data quality and the exposure to climate solutions. The trustee considers a range of sustainability factors when making investment decisions.

Whilst Scope 3 emissions disclosure is improving, we believe that the investment industry can play a proactive role in accelerating and supporting this trend. Our investment adviser is working closely with and engaging data providers to promote better disclosures. Similarly, our investment adviser engages extensively with the asset management community, including pushing for better corporate disclosure, and for the adoption of generally accepted standards and methodologies. Our investment adviser also undertakes direct and indirect policy engagement, advocating for the adoption of common standards and methodologies, including those of the International Sustainability Standards Board. Our investment adviser believes the recently released IFRS S1 and S2, including provisions around Scope 3 emissions, are a highly significant step forward.



5.4 DC Section reporting

The data for the metrics has been collated from investment manager provided data.

| Fund | % total assets at 30/09/2023 | 2023 | | | | | % total assets at 30/09/2024 | 2024 | | | | |
|---|------------------------------|---|--|----------|-------------------------------|-------------------------|------------------------------|---|--|----------|-------------------------------|-------------------------|
| | | Metric 1 | Metric 2 | Metric 3 | Metric 4 | Metric 1 | | Metric 2 | Metric 3 | Metric 4 | | |
| | | Total GHG emissions (Scopes 1 & 2, tCO2e) | Carbon Footprint (Scopes 1 & 2, tCO2e per £1m) | Coverage | % of assets with SBTi targets | WACI (tCO2e/£m revenue) | | Total GHG emissions (Scopes 1 & 2, tCO2e) | Carbon Footprint (Scopes 1 & 2, tCO2e per £1m) | Coverage | % of assets with SBTi targets | WACI (tCO2e/£m revenue) |
| NMR Growth Fund | 57% | 2,693 | 69.05 | 99% | 39% | 170.40 | 58% | 2,379 | 55.92 | 99% | 45% | 152.64 |
| NMR Balanced Fund | 13% | 1,444 | 89.44 | 78% | 27% | 247.54 | 13% | 1,934 | 84.32 | 74% | 31% | 199.83 |
| NMR Retirement (Drawdown) Fund | 1% | 1,062 | 74.98 | 80% | 28% | 199.10 | 2% | 1,620 | 77.24 | 76% | 31% | 183.9 |
| NMR World (ex-UK) Equity Fund - Passive | 15% | 1,190 | 44.77 | 99% | 41% | 101.12 | 14% | 1,369 | 36.64 | 99% | 47% | 96.53 |

Reflecting the above, the Fund's Scope 3 metrics for the DC Section have been presented below.

| | 2023 | | | 2024 | | |
|---|--------------------------------------|---|------------------|--------------------------------------|---|------------------|
| | Metric 1 | Metric 2 | Metric 3 | Metric 1 | Metric 2 | Metric 3 |
| | Total GHG emissions (Scope 3, tCO2e) | Carbon Footprint (Scope 3, tCO2e per £1m) | Scope 3 coverage | Total GHG emissions (Scope 3, tCO2e) | Carbon Footprint (Scope 3, tCO2e per £1m) | Scope 3 coverage |
| NMR Growth Fund | 17,684 | 503.23 | 97% | 17,289 | 460.92 | 99% |
| NMR Balanced Fund | 9,429 | 610.7 | 78% | 16,461 | 745.29 | 74% |
| NMR Retirement (Drawdown) Fund | 6,950 | 534.8 | 75% | 13,693 | 677.09 | 76% |
| NMR World (ex-UK) Equity Fund - Passive | 8,223 | 384.52 | 97% | 10,477 | 310.82 | 99% |

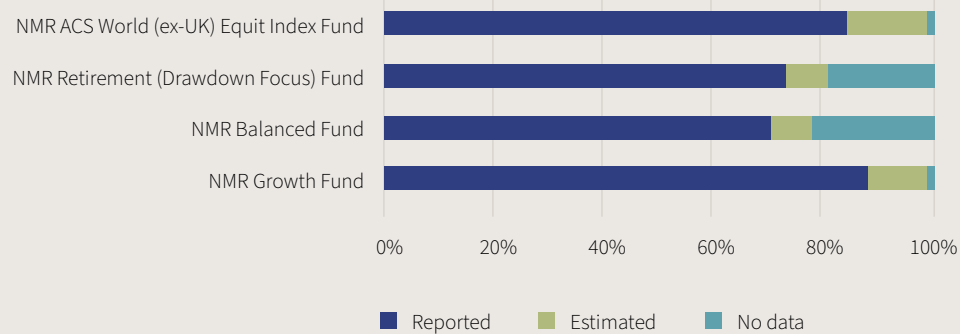
Explanation of the movements in the metrics is shown below:

| September 2023 vs September 2024 | | | | |
|----------------------------------|--------------------------------|--------------------------------|------------------------------|--|
| Metric | Fund | Directional change (Scope 1&2) | Directional change (Scope 3) | Explanation |
| Metric 1 – Carbon emissions | NMR Growth Fund | ↓ | ↓ | Total emissions across Scopes 1,2 and 3 reduced for the NMR Growth Fund, despite increases in asset values. The reduction in Scope 1 & 2 emissions was driven by a new, 17.5% allocation to the L&G Low Carbon Transition Fund. The reduction in Scope 3 emissions was driven by a large year-on-year reduction in Scope 3 emissions intensity in the constituents of the MSCI World index, which more than offset an increase in Scope 3 emissions from the L&G Low Carbon Transition Fund. |
| | NMR Balanced Fund | ↑ | ↑ | |
| | NMR Retirement (Drawdown) Fund | ↑ | ↑ | |
| | NMR World (ex-UK) Equity Fund | ↑ | ↑ | |
| Metric 2 – Carbon footprint | NMR Growth Fund | ↓ | ↓ | Both the NMR Growth Fund and NMR World (ex-UK) Equity Fund saw reductions in carbon footprint over the year across both Scopes 1 & 2 and Scope 3. For both, this reflects a reduction in the carbon intensity of global equity market indices, but the NMR Growth Fund also saw greater reductions in Scope 1 & 2 emissions intensity as a result of the new allocation to the L&G Low Carbon Transition Fund. |
| | NMR Balanced Fund | ↓ | ↑ | |
| | NMR Retirement (Drawdown) Fund | ↑ | ↑ | |
| | NMR World (ex-UK) Equity Fund | ↓ | ↓ | |
| | | | | The NMR Retirement (Drawdown) Fund, which has a larger allocation to corporate bonds, saw increases in its Scope 1 & 2 and Scope 3 carbon footprints as a result. |

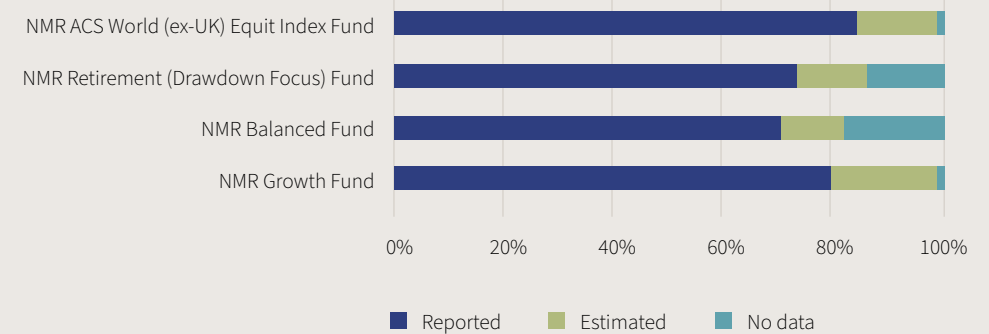
| September 2023 vs September 2024 | | | | |
|------------------------------------|--------------------------------|--------------------------------|------------------------------|--|
| Metric | Fund | Directional change (Scope 1&2) | Directional change (Scope 3) | Explanation |
| Metric 3 – Data quality | NMR Growth Fund | → | ↑ | Data quality for the two equity funds: the NMR Growth Fund and NMR World (ex-UK) Equity fund either remained high or improved versus an already high baseline. Data quality for the NMR Balanced Fund and the NMR Retirement (Drawdown) Fund reduced. In both cases, this reflects an increased allocation to the Diversified Fund, which has an allocation to alternative asset classes for which data is harder to obtain. |
| | NMR Balanced Fund | ↓ | ↓ | |
| | NMR Retirement (Drawdown) Fund | ↓ | ↓ | |
| | NMR World (ex-UK) Equity Fund | → | ↑ | |
| Metric 4 – Alignment | NMR Growth Fund | | ↑ | The percentage of portfolio companies with strategies aligned to a global temperature rise of 2 degrees or lower increased across all funds over the period. We expect this metric to continue to increase over time, based on a large number of companies which have committed to such targets but have not yet been accredited. |
| | NMR Balanced Fund | | ↑ | |
| | NMR Retirement (Drawdown) Fund | | ↑ | |
| | NMR World (ex-UK) Equity Fund | | ↑ | |
| Additional intensity metric - WACI | NMR Growth Fund | ↓ | - | WACI for all funds reduced year-on-year, albeit in most cases this reduction was marginal (low single digit %). While this gives greater comfort that there is 'real' decarbonisation occurring in the portfolio, rather than just asset-value led decarbonisation, it suggests a much slower rate than the carbon footprint measures, for equity in particular. |
| | NMR Balanced Fund | ↓ | - | |
| | NMR Retirement (Drawdown) Fund | ↓ | - | |
| | NMR World (ex-UK) Equity Fund | ↓ | - | |

5.5 DC Data quality

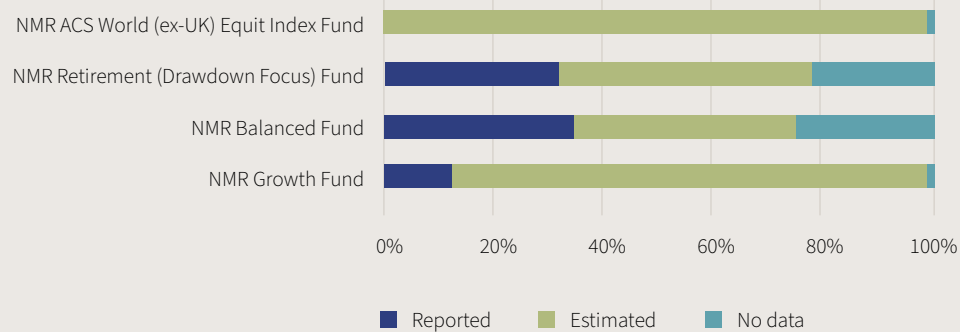
DC Section Data Quality (Scope 1&2) as at 30 September 2024



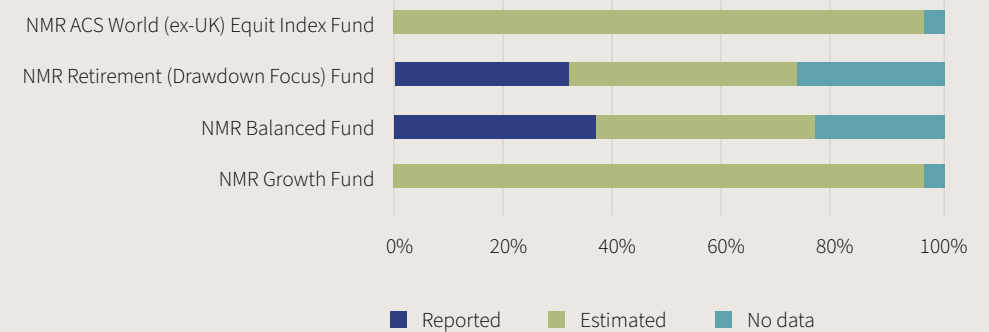
DC Section Data Quality (Scope 1&2) as at 30 September 2023



DC Section Data Quality (Scope 3) as at 30 September 2024



DC Section Data Quality (Scope 3) as at 30 September 2023



The default strategy has high data quality. Around 58% of the assets invested in the default strategy are invested in the NMR Growth Fund, which over the year was comprised of 100% listed equity, an asset class which typically has the highest levels of coverage for emissions data.

The NMR Balanced Fund and NMR Retirement Fund, which make up 13% and 2% of the assets invested in the arrangement respectively, continue to have lower data quality. This further decreased over the last year, due to a moderate increase in no data reported. This is driven partly through allocations to corporate bonds, but the largest gaps in data arise from allocations to the L&G Diversified growth fund (DGF) (data coverage 65%) with underlying exposures to asset classes such as commodities and private credit, for which reliable data is significantly harder to obtain.

To address the quality of data for corporate bonds, the PRSIC has asked its investment adviser to engage with the data provider to encourage improved data coverage relating to a specific element of company valuations, which is the main driver of low coverage for these assets. The Trustee's investment adviser is also engaging with the DGF manager to encourage it to improve the data from its alternative assets.

The NMR World (ex-UK) Equity Fund is comprised of 100% listed equity and so has very high data quality, with the vast majority of underlying data (84% for Scopes 1 & 2) being reported in companies' accounts, and data was only unavailable for 1% of the portfolio (Scopes 1 & 2).

Our expectation is that in future years reports, the change in the data quality metric will be less driven by a change in the Strategic Asset Allocation and instead by material improvements in the data quality of the Fund's more illiquid assets, such as listed alternatives and private credit.



6. Appendices

Appendix 1: Further information on climate-related metrics

Listed equities and corporate bonds – DC Section

Notes for data sourced from MSCI

Emissions are attributed to investors using “enterprise value including cash” (i.e. EVIC, the value of equity plus outstanding debt plus cash).

The total GHG emissions figures omit any companies for which data was not available. For example, if the portfolio was worth £200m and emissions data was available for 70% of the portfolio by value, the total GHG emissions figure shown relates to £140m of assets and the portfolio’s carbon footprint equals total GHG emissions divided by 140. In other words, no assumption is made about the emissions for companies without data.

The science-based targets metric equals the % of portfolio by weight of companies that have a near-term carbon emissions reduction target that has been validated by the SBTi. The MSCI database does not distinguish between companies which do not have an SBTi target and companies for which MSCI does not check the SBTi status, so the coverage for this metric is equal to the % of the portfolio with an SBTi target.

Emissions data coverage and quality

Where coverage of the portfolio analysed is less than 100%, this is because the MSCI database:

- Does not cover some holdings (e.g. cash, sovereign bonds, bonds that have recently matured, shares in companies no longer listed when the analysis was undertaken).

- Does not hold emissions data for some portfolio companies because the company does not report it and MSCI does not estimate it.
- Does not hold EVIC data for some portfolio companies, so emissions cannot be attributed between equity and debt investors.

The last of these reasons is usually the main explanation for the fairly low coverage of bond portfolios.

The MSCI database records whether emissions data is reported or estimated, and which estimation method has been used, but not whether companies’ reported emissions have been independently verified. Our investment adviser has asked MSCI to introduce this distinction. Where emissions data is estimated, MSCI uses one of three methods.

- For electric utilities, MSCI’s estimate of Scope 1 emissions is of direct emissions due to power generation, calculated using power generation fuel-mix data.
- For companies not involved in power generation, which have previously reported emissions data, MSCI starts with a company-specific carbon intensity model.
- For other companies, MSCI uses an industry segment-specific carbon intensity model, which is based on the estimated carbon intensities for 1,000+ industry segments.

MSCI is a leading provider of climate-related data, so we would expect the coverage to compare favourably with other data sources. Our investment adviser is engaging with MSCI to encourage them to improve EVIC coverage for debt issuers and to distinguish between companies which do not have an SBTi target and companies for which it does not check the SBTi status.

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7. Glossary

Absolute Emissions

The total emissions attributable to the Fund's assets.

Carbon Footprint

The total carbon emissions per \$ million invested (tCO₂-e/\$m invested).

Carbon Journey Plan

The Trustee's agreed plan to reach the Fund's carbon reduction targets by the target dates.

CO₂e

Carbon dioxide emissions or equivalent.

CTVaR

Climate Transition Value at Risk. The loss or gain in the Fund's value as a result of the net zero transition, measured as an expected change in the current value of the Fund's assets.

ESG

Environment, Social and Governance.

EVIC Methodology

Enterprise Value including Cash methodology. Emissions are weighted across equity, debt and loans.

Net Zero

The position of removing as many greenhouse gases as are emitted.

Physical Risk

The direct effects of climate change on the Fund and its members.

PDCC

The Pensions Defined Contribution Committee of The Fund.

PGAC

The Pensions Governance and Audit Committee of The Fund.

PISC

The Pensions Investment Sub Committee of the Fund.

PRSiC

The Pensions Responsible and Sustainable Investment Committee of the Fund.

Popular arrangement

The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 define a popular arrangement for a DC pension scheme as Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

Portfolio Alignment

The percentage of the portfolio aligned with a particular net-zero initiative.

Responsible Investment

Making investment decisions and engaging with companies to encourage a positive impact on the world.

SBTi

The Science-Based Target Initiative. An organisation that defines and promotes science-based emissions reduction targets.

Scope 1 Emissions

Direct emissions from a company's owned or controlled sources.

This may include emissions from a firm's manufacturing processes or emissions from company vehicles.

Scope 2 Emissions

Indirect emission from the generation of purchased energy, such as heating for company facilities.

Scope 3 Emissions

All other indirect emission, including those of suppliers and customers. These may include emissions related to the transportation and distribution of goods and disposal of waste generated in operations.

Sponsor

N M Rothschild & Sons Limited (the Principle Company)

Rothschild & Co Continuation Limited

Rothschild & Co Wealth Management (UK) Limited

Five Arrows Managers LLP (DC Section only)

Rothschild & Co Equity Market Solutions Limited (DC Section only)

Transition Risk

Risks and opportunities arising from efforts made to transition towards a net-zero economy (both domestically and globally) to limit climate change.

WACI

Weighted Average Carbon Intensity. The total carbon emissions per \$ million of revenue of each holding in the portfolio (tCO₂-e/\$m revenue)



[The NMR Pension Fund \(rothschildandco.com\)](https://rothschildandco.com)

sustainability@rothschildandco.com

