

The NMR Pension Fund

Climate Impact Report

For the period 1 April 2023 to 31 March 2024





Table of contents

1. Introduction and Chair Foreword	3
2. Governance	5
3. Strategy	8
4. Risk Management	15
5. Metrics and Targets	20
6. Appendices	28
7. Glossary	29

1.	2.	3.	4.	5.
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics &

rics & Targets App

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 excited to present our second Climate Impact Report. Throughout the past year the consideration of Environmental, Social and Governance (ESG) issues, most notably climate change, has continued to be a key focus for the Trustee reflecting the significant impact it is expected to have on the returns from the Fund's assets over the coming decades.

Reflecting this concern, the Trustee continues to consider that investing responsibly is a key part of delivering successful outcomes for our members, a view that was reinforced by an investment beliefs discussion undertaken by the full Board early in 2024. To that end, the Pensions Responsible and Sustainable Investment Committee (PRSIC) has met on a number of occasions during the past year, to formally appraise each of the Fund's investment managers and to assess the progress the Fund is making on its journey towards achieving our net-zero commitment. As we highlighted in our comments last year, the tools and approaches used for the measurement and management of climate risks continue to develop at a rapid pace. We therefore recognise that over time, the quantity and quality of data that we are able to report to you will improve, and with this, the assessed position of the Fund may change. We nevertheless view it as important to report the best data we have available at the current time, acknowledging its limitations, and support this with a detailed commentary on the work we are undertaking and will undertake to improve the positioning of the Fund.

Notwithstanding these uncertainties, we remain proud of the number of actions that we have taken to help manage the climate change risks to which the Fund is exposed. In this report, we have provided examples of investments we have made to support the reduction of carbon emissions within the Fund's portfolio; we will continue to seek out such opportunities where they offer attractive combinations of returns to the Fund and benefits to the environment. The Trustee continues to seek to improve its education, monitoring, and reporting of climate change and the wider area of Responsible Investment (RI). We look forward to sharing details of further progress with you again next year.

Andrew Didham

Chair of the Trustee Board

Christopher Coleman

Chair of the PRSIC

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

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 challenge our investment managers on portfolio investments.
- Reaffirmed the Trustee's beliefs in the importance of investing responsibly.

Our plans



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

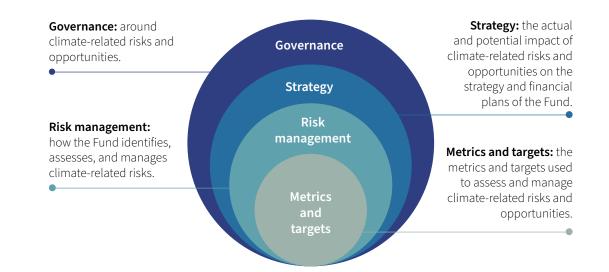
1.3 Introduction

The Trustee of the Fund presents its second annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the Regulations) for the year ended 31 March 2024. 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 Fund is subject to the requirement to provide disclosures in line with the recommendations of the Task Force on Climate Related Disclosures (TCFD). The aim is to improve and increase reporting of climate-related financial risks and opportunities.

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 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 TCFD framework requires disclosures in four broad categories. This report sets out the Trustee's approach to compliance in each of these areas:



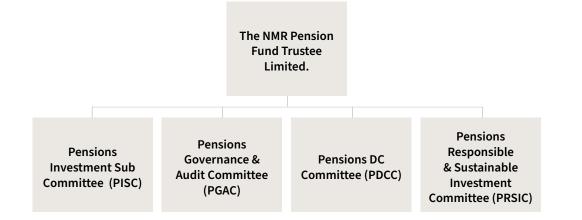
1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024 5
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

2. Governance

2.1 Overall governance of Responsible Investment matters

The Trustee remains ultimately responsible for overseeing all investment-related matters, including climaterelated risks and opportunities. However, to ensure sufficient focus on key areas of Fund governance, the Trustee has set up a number of 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 with the responsibility of developing then 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 on a quarterly basis, reporting on matters discussed and makes recommendations to the Trustee Board following each meeting.



The Trustee's view is that proper integration of RI considerations is important to all aspects of the Fund's investment process in order 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.

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:

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 UN Principles of Responsible Investment (PRI) or a recognised equivalent standard.

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 in early 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 its investment consultants' research and expects them to monitor each manager's approach to sustainability.

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 their investment advisers to allow them to consider impact when making investment decisions.

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 of its duties directly. As such, the Trustee will seek to ensure its stewardship responsibilities are being effectively implemented through the Fund's investment managers.



Alignment

ntegration

Impact

Stewardship

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

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	6
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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 review exercise every three years with the full Trustee Board to document the Trustee's evolving views in this area.
- 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.
- Manage the RI aspects of 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 challenge managers where appropriate.



Regulatory

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



Impact

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

The PRSIC is made up of several 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 in order to fulfil its duties.

Over the course of the year, the key areas of focus of the PRSIC were:

- the preparation and review of the Fund's first climate impact report, which was published in October 2023;
- identifying the Trustee's RI priorities and documenting these in the Fund's RI policy - the Trustee has explicitly identified climate change, alongside diversity and inclusion, as themes that the PRSIC will focus on as part of its engagement and voting activities;
- the preparation of the Fund's first voluntary PRI submission, which set out the Trustee's RI approach relative to the six key principles identified by the PRI; and
- ongoing oversight of and engagement with the Fund's investment managers to understand their approaches to RI and, where appropriate, challenge the investments held in portfolios.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024 7
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

2.3 Service providers

The Trustee has prepared a "Statement on governance of climate change risk 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 to the Fund:



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 incorporate 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 the managers and highlight any areas that may need further investigation.

At all PRSIC meetings over the Fund year, climate was the sole or primary focus. 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.
- A review of the implications of climate change on the Sponsor's covenant.
- Consideration of the Fund's Carbon Journey Plan and key climate change metrics.

Case study – DB Section

In early 2024 the Trustee Board undertook a detailed investment beliefs exercise to review and reaffirm its approach to the investment of the Fund's assets, including in relation to RI issues and climate change. This process involved the Trustee Board Directors individually expressing their views in response to a series of over 20 questions, with the aggregate responses then being assessed for consistency with the current investment portfolio and beliefs statement.

Whilst the process of assessing the responses remains in progress, the initial results have highlighted that:

- i) The Trustee considers that the Fund's approach to RI should continue to evolve as market standards change.
- ii) Climate change remains the most important issue to measure and manage and this should remain a priority for focus in the near-term.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	8
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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 risk faced by the Fund, the Trustee identified and defined the following elements of this risk:

- 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 perhaps 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 Risks** 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, asset types, and sectors. The Trustee believes that these primary risks will impact the performance of Fund assets in various interrelated ways:

- **Stranded Assets** 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;
- Rising Operating Costs 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;
- Inflation Risk For example, 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;
- Interest Rate Risk For example, 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;
- Other Pricing Risk There is the potential for assets to be under/overvalued because climaterelated risks have not been accurately priced into the valuation process on a forward-looking basis – either on a positive or negative basis. There is also potential for climate aware assets to be overvalued because climate-related opportunities have been overpriced, such as green bubbles; and
- **Opportunity Failure Risk** 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 failure to invest in such assets that might offset investment in other assets that may be negatively impacted by transitional and physical risks.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024 9
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

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 by climate change 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 – through to 2025, or 5 years for DC investments	 Consistent with the three-year actuarial valuation and investment strategy review cycle for the DB Section. Over this period, further developments in relation to the 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 – through to 2030, or 10 years for DC investments	 Financial effects of "transition risk" are expected to dominate. Consistent with the Fund's target to halve the carbon footprint by 2030. Position of considerable maturity for the DB Section, with the majority of the members expected to have retired by 2030.
Long term – through to 2050, or 30 years for DC investments	 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 DC Section members.



1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024	10
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

3.1 Climate scenario analysis

In 2022, we carried out 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 possible actions to address the risks and opportunities presented.

Whilst there were a number of assumptions underlying the analysis, the work carried out has been 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 regarding the methodologies employed. 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 investment 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 concerns in the industry about the severity of some of the climate scenarios and expects to address there as part of future iterations of this analysis.

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.



1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 11
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

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 covenant adviser into future analysis.

The key findings from the scenario analysis for the DB Section are 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.

Ultimately, the Trustee believes that the DB Section's 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 considered, 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 derisked. As such, we would expect 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 Coordinated Action	Climate Emergency	
	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 Coordinated Action scenario where 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%	

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

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

The Trustee sought independent advice from its covenant advisor, LCP, who prepared an initial report in 2022 considering how climaterelated risks may impact upon the Fund's sponsor covenant. This work was updated in each subsequent year (including 2024) in line with the Trustee's current covenant monitoring framework.

LCP's report focused on Rothschild & Co ("the Group's") exposure to climate risks and opportunities, with conclusions prepared for the Trustee in the context of the Funds' investment and funding risks. The Fund remained in a strong funding position 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 in order to remove covenant risk completely, and as such the period over which the Fund will need to rely on its 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 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 the Carbon Disclosure Project 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. The key conclusions from LCP's 2024 report are summarised below.

Key findings

12

- Given the nature of the Group's business, transition risks (such as market, regulatory or reputational risks) continue to be more relevant than the physical risks of climate change.
 We consider the Group to have an effective strategy to manage climate risk and take advantage of opportunities, supported by its broad and diverse governance structure with engagement from senior leadership.
- The Group is involved in several initiatives to integrate ESG considerations across each business line and appears committed strategically to reducing the potential impact of
 climate change on the business, and to take advantage of the market opportunities. We consider that there are significant opportunities for the Group to capture in the market
 (for example, opportunities to provide further advisory services to its clients).
- The Group is continuing to make progress towards limiting its environmental impact and contributing towards a more sustainable economy. Although any direct financial 'benefit' may be relatively immaterial, success can be critical to preserve the Group's reputation and avoid issues such as staff dissatisfaction.
- The Group's annual operational emissions increased in 2023, albeit noting continued unwinding of the impact of Covid-19. In addition, the Group has grown its headcount and acquired a business which has increased the level of business travel (one of the main contributors to the Group's operational emissions).

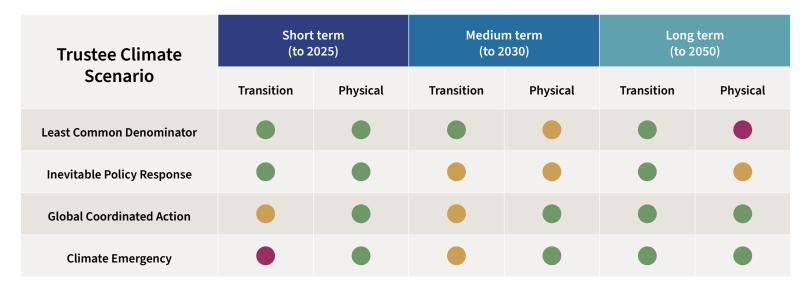
ŀ	acquired a c	business whic	h has increased the level of business travel (one of th	ie m	iain contributors to the Group's operational	emissions).			
	financial risl importance See below for	ks that have a to its stakeho or an overviev	Transition risk transition risks of climate change as key non- high potential business impact and are of high olders. w of the Group's key transition risks and tions 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 that may not be true for its clients. The Group is geographically diverse and there are limited barriers to moving operations fro one location to another, should this be needed. The Group considers physical risks as part of its ongoing Business Continuity assessments. 					
	Type of inherent risk	Horizon	Risks		Opportunities	Actions taken by the Group			
	Market	Medium term	Inadequate management of climate-related risks ar slow integration into business activities could lead t loss of revenue.	nd to	Emerging megatrends such as climate risk offers business opportunities, for example to advise its clients on sustainable M&A and financing activities.	Implement broad climate strategy; monitor treasury investments using ESG ratings; focus on investment-grade exposures.			
	Reputational	Short to medium term	Perceived lack of ambition or ESG controls could harm client retention and reputation, as clients see climate conscience advisors.	k	Strong climate engagement can boost value proposition and reinforce Group's positioning.	Created a Responsible Investing Roadmap (2022-2025); supports several industry initiatives; assesses climate risks and exposures via several sources including ESG ratings; portfolio analysis and materiality assessments.			
	Policy and litigation	Short to medium term	Evolving regulations requiring adaptability across business lines to ensure adherence, and the potent for legal actions by investors or regulators.	ial	Business opportunities relating to supporting the Group's clients in adapting to new regulations.	Adapting to new legislation across business lines, ensuring clarity in public disclosure (in line with local or European legislation as required). Where appropriate, the Group seeks external consultants to support.			
	Technological	Medium to long-term	Challenges and increasing costs relating to accessin robust climate data. Poor management of climate-related investment ris and slow integration of climate factors into Group's services and products could lead to unanticipated losses in revenue and losses of opportunities.	sks	Improved investment performance in climate-supporting areas; development of low-carbon services.	Creation of new products/services to maintain market position; aims to remove all residual operational emissions by 2030 by increasing carbon removal credits and assessing supply risks in carbon markets.			

Given the inherent strength of the Fund'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.

¹MSCI" = Morgan Stanley Capital International

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 13
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

3.4 Conclusions on covenant risk under different climate scenarios





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, it currently considers that even in scenarios where higher risk impacts could adversely affect the Group's operations and financial performance.

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

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024	14
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

Т

3.5 DC Section – 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 above, 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. A summary of the scenarios used are outlined in the table opposite. Further details of the scenarios and outputs can be found in Appendix 1.

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 determined 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. The Trustee has determined that the DC Section has two "popular" arrangements as defined in the Regulations: both the default "NMR 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 NMR Drawdown Focus lifestyle is the only arrangement with more than £100m invested.

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 value 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.

	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

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.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

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 last year, 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 Fund'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 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 in the area of RI, which includes a focus on climate change. Again, 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 explicitly considers 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.



15

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 16
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

The Trustee has developed a "Carbon Journey Plan" for the DB assets, with a target of reaching net zero Scope 1 and 2 carbon emissions intensity by 2050 with 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. In particular, 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 in its management of the Fund.

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

Engagement

Impact



The Trustee will aim to reduce emissions associated with the Fund's portfolio through changing the behaviour of the companies it invests in. This is principally achieved through the PRSIC's engagement activities, with the investment managers appointed by the Fund and through the work of the Fund's investment advisers. The Trustee considers this to be one of the most effective methods of mitigating the investment risk associated with climate change.

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

Mandate changes including disinvestment

È	
2	

Over time the Trustee expects to review mandate guidelines and restrictions, particularly in relation to disproportionately emitting strategies. Where investment managers are unable or unwilling to evolve their approach, this may ultimately result in the Fund selling assets if deemed necessary to do so.

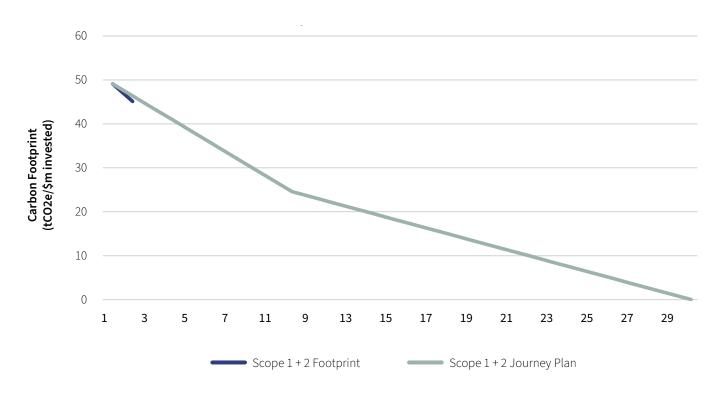
Free rider



Recognising common goals across the investment industry, 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.

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 17
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

To provide a more visual representation of the Fund's Carbon Journey Plan, the graph below shows the progress of the Fund's Carbon Footprint versus the carbon journey plan. The green line shows the year 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 will not be 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 Fund also has limited capability to effectively engage with the UK Government. The emissions from the UK gilts will still be calculated and monitored separately and calculated as the tons of carbon emissions per £m of nominal GDP, similar to WACI.

The base-year for the calculations is 2021. The Trustee agreed this date as it reflects when carbon data was first reported.



1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	18
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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, for example by assessing companies' climate transition plans, and using effective stewardship to encourage companies with deficient plans to improve. 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.

2022 was the first year for which the Trustee monitored the climate metrics for the DC Section. Therefore, we have not provided any comparison with previous years in this report but will do so from next year onwards.

Case study – DC Section

As a result of the climate scenario analysis and discussion around the metrics for the DC Section, and in particular the potential for low-carbon tilted equity funds to reduce the default strategy's exposure to transition risk, the PRSIC instructed the PDCC to investigate the investment options available to address climate risk in the default strategy. The PDCC is exploring a range of options for this purpose as part of its investment strategy review.



1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	19
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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. Over the Fund Year the Trustee has undertaken, with support from its advisors:

- Engagement with Investment managers via the Fund's Investment Advisers.
- Contributed, both directly and via the investment advisers, to a number of key industry initiatives, working groups and consultations.
- Completed its first voluntary PRI submission as a signatory to the principles.
- Undertaken discussions with a view to consider participation in further stewardship initiatives over time, such as the FRC Stewardship Code and TNFD reporting.

Summary

Through the use of the variety of risk tools referenced above, the Trustee has identified a number of key areas to continue further work to help exploit and 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 to climate change as a factor.



1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	20
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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 (tCO2¬e): This is an "absolute" metric providing an estimate of the total carbon emissions attributable to the Fund's assets. To compile the figure, 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 (tCO2¬e/\$m invested): This is a carbon emissions "intensity" metric, providing a figure that can be compared with other investors.
- Weighted Average Carbon Intensity ("WACI", tCO2¬e/\$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 Company.
- 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.

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 ultimately allow investors to better assess the climate risks and opportunities associated with an investment.

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

	Scope 1 Emissions	Scope 2 Emissions	Scope 3 Emissions
oer ed age s d an	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.	Indirect emissions from the generation of purchased energy, such as heating for company facilities.	All other indirect emissions, 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.
, od			

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	21
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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 2023, both a fall in asset size and strategic changes have caused a significant impact on the Fund's metrics.

NMR Pension Fund	30 September 2021	30 September 2022	30 September 2023
Total Assets	£1,030.0m	£953.7m	£741.2m
Total Carbon Emissions (tCO2e) (Scope 1 and 2)	50,575	43,024	38,501
Total Carbon Emissions (tCO2e) (Scope 1, 2 and 3)	336,928	239,009	254,694
Total Carbon Emissions for UK Government bonds (tCO2e) (Scope 1, 2 and 3)	N/A	28,121.3	38,501.1
Carbon Footprint (tCO2e/\$m invested) (Scope 1 and 2)	49.1	45.1	42.6
Carbon Footprint (tCO2e/\$m invested) (Scope 1, 2 and 3)	327.1	250.6	281.5
Carbon Footprint for UK Government bonds (tCO2e/£m invested) (Scope 1, 2 and 3)	N/A	148.2	131.7
Data Quality (proportion of the Fund's portfolio with direct emissions data – Scope 1 and 2)	46.3%	22.3%	20.3%
% of assets with SBTi targets	15.5%	20.2%	23.0%
WACI (tCO2e/\$m revenue) (Scope 1, 2 and 3)	447	446	430

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 22
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

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

September 2022 vs Se	ptember 2023	
Metric	Directional change	Explanation
Metric 1 – Carbon emissions	t	There was an increase in total carbon emissions over the year (including Scope 3), driven primarily by the changes in the Fund's asset allocation and changes to the underlying manager line-up over the year to 30 September 2023. Specifically, the increased allocation to UK corporate bonds contributed to the increase in total carbon emissions.
Metric 2 – Carbon footprint	↓ ↑	The Fund's Scope 1 and 2 carbon footprint decreased by 5.5% (increased by 12.3% including Scope 3) over the year. Changes have been driven primarily by the changes in the Fund's asset allocation and changes to the underlying manager line-up over the year to 30 September 2023.
Metric 3 – Data quality	ţ	Data quality has fallen. This has been driven to a large degree by the de-risking undertaken over the past 12-18 months, which has significantly reduced the value of the equity portfolio (an area that typically has the highest data coverage by MSCI) and increased holdings in UK government bonds (no data coverage) and corporate bonds (lower but improving data coverage). Additionally, Private Markets has become a larger percentage of the portfolio as a result of market movements, which typically have lower data quality.
Metric 4 – Alignment	t	The SBTi coverage has continued to improve over the past year.
Additional intensity metric – WACI	Ļ	WACI has marginally decreased across the portfolio between 2022 and 2023 largely driven by a fall in the scope 1+2 emissions whilst the scope 3 emissions were broadly unchanged.

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 23
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

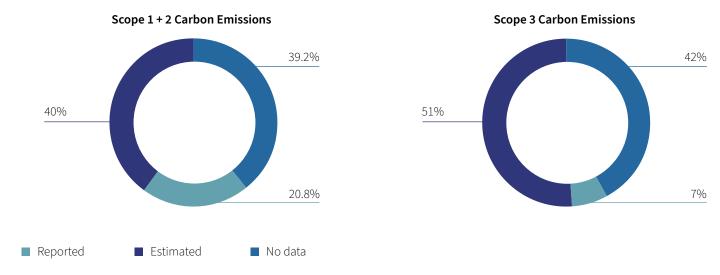
The following outlines how the methodology of how the Fund's metrics are measured:

- **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 million \$ 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 in question.
- 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 million \$ 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 2022 normalised by the total UK government debt as at 31 December 2023.



1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024 24
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

5.3 DB Data Quality



Whilst the Trustee has aimed to carry out the analysis as far as they are able, 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 above show how the portfolio has been modelled, be it through the analysis of direct company holdings data, where it was available, or otherwise, using proxies. For the private 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 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 leads, including from the Fund's investment managers, 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 and understand the drivers for change.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024 25
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

5.4 DC Section reporting

The data for the metrics has been collated using a combination of manager-provided data, data from MSCI and relevant benchmark 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 DC Section have been presented below. Note that the 2023-24 year is the first in which Scope 3 emissions metrics have been considered for the DC Section of the Fund.

			20	22							2023				
		Metric 1	Metric 2		Metric 4			Metric 1	Metric 2		Metric 4	Metric 1	Metric 2		
Fund	% total assets at 30/09/2022	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 assets at 30/09/2023	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 (Scope 3, tCO2e)	Carbon footprint (Scope 3, tCO2e per £1m)	Coverage
NMR Growth Fund	55%	2,086	62.5	99%	35%	192	57%	2,350	63.2	99%	39%	156	41,681	412	98%
NMR Balanced Fund	14%	894	112.6	75%	43%	253	13%	934	103.4	81%	43%	226	8,237	351	76%
NMR Retirement (Drawdown)	1%	685	100.9	79%	44%	203	1%	717	92.6	85%	45%	185	742	327	74%
NMR World (ex-UK) Equity Fund - Passive	17%	1,090	44.0	98%	34%	N/A	15%	1,060	41.0	99%	41%	93	8,443	315	97%

*WACI for the BlackRock World ex-UK Equity Index Fund was not reported as at 30 September 2022.

Note that this is the first year where scope 3 emissions have been monitored and reported for the DC section.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	26
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

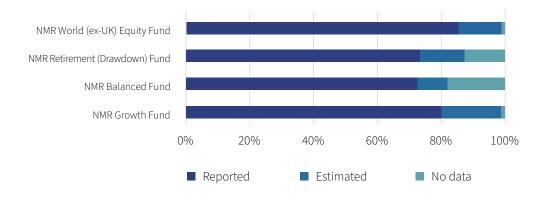
5.4 DC Section reporting

	September 2022 vs Se	ptember 2023			September 2022 vs Se	ptember 2023		
Metrics		Directional change	Explanation	Metrics		Directional change	Explanation	
	NMR Growth Fund	t			NMR Growth Fund	ŧ	Data coverage for both the NMR Growth Fund and the NMR World (ex-UK) Equity	
Metric 1 –	NMR Balanced Fund	t	The increase in total emissions for all funds was largely driven by increases in asset values, although the emissions intensity of the NMR	Metric 3 –	NMR Balanced Fund	ŧ	Fund decreased slightly over the last year. However, coverage for both funds remains very high.	
Carbon emissions	NMR Retirement (Drawdown) Fund	1	Growth Fund also increased slightly.	Data quality	NMR Retirement (Drawdown) Fund	↑	Both the NMR Balanced Fund and NMR Retirement (Drawdown Focus) Fund saw increases in coverage of 6% and also increase	
	NMR World (ex-UK) Equity Fund	ŧ			NMR World (ex-UK) Equity Fund	ŧ	in the reliability of the emissions data reported.	
	NMR Growth Fund	t	While the NMR Growth Fund saw a small (1%)		NMR Growth Fund	1	The percentage of portfolio companies with	
Metric 2 –	NMR Balanced Fund	ŧ	reflect an ongoing decarbonization of global developed markets, the carbon intensity of	Metric 4 –	NMR Balanced Fund	-	strategies aligned to a global temperature rise of 2 degrees celsius or lower increased across all funds over the period, except the NMR	
Carbon footprint	NMR Retirement (Drawdown) Fund	ŧ		Alignment	NMR Retirement (Drawdown) Fund	1	Balanced Fund, which remained stable. We expect this metric to continue to increase over time, based on a large number of companies which have committed to such targets but	
	NMR World (ex-UK) Equity Fund	ŧ	footprint of the NMR Growth Fund.		NMR World (ex-UK) Equity Fund	•	have not had yet been accredited.	

1.	2.	3.	4.	5.	6.	7. The NMR Pension Fund Climate Impact Report 2024 27
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary

5.5 DC Data quality

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



The default strategy has high data quality. Around 86% 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.

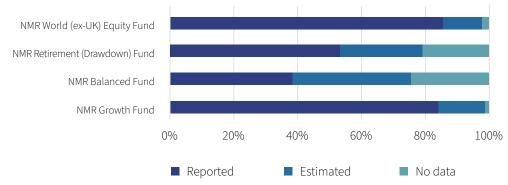
While the NMR Balanced Fund and NMR Retirement Fund, which make up 13% and 1% of the assets invested in the arrangement respectively continue to have somewhat lower data quality, this has improved over the last year, with a moderate increase in overall coverage but a significant increase in the proportion of figures being reported by companies rather than estimated.

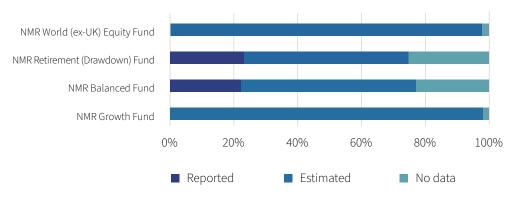
Data is still missing, this is driven partly through allocations to corporate bonds, but the largest gaps in data arise from allocations to a diversified growth fund (DGF) (data coverage 65%) with underlying exposures to asset classes such as commodities and private credit, for which reliable data is 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.

Data Quality (Scope 1&2) as at 30 September 2022

Data Quality (Scope 3) as at 30 September 2023





The NMR World (ex-UK) Equity Fund is comprised of 100% listed equity and so continues to have very high data quality, with the vast majority of underlying data (87%) being reported in companies' accounts, and data was only unavailable for 2% of the portfolio.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024	28
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary		

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" (ie 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; and/or
- 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.

Disclaimer

This report contains certain information (the "Information") sourced from and/or @MSCI ESG Research LLC, or its affiliates or information providers (the "ESG Parties") and may have been used to calculate scores, ratings or other indicators. Although ESG Parties and any related parties obtain information from sources they consider reliable, the ESG Parties do not warrant or guarantee the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by ESG Parties. None of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data or Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

1.	2.	3.	4.	5.	6.	7.	The NMR Pension Fund Climate Impact Report 2024 29
Introduction and Chair Foreword	Governance	Strategy	Risk Management	Metrics & Targets	Appendices	Glossary	

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 in order 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 Principal 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 sustainability@rothschildandco.com

