Implementation Statement, covering the Fund Year from 1 April 2021 to 31 March 2022

The Trustee of the NMR Pension Fund – Defined Contribution Section (the "Fund") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Fund Year, as well as details of any review of the SIP during the Fund Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-10 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 11 below.

This Statement uses the same headings as the Fund's SIP dated 1 April 2021 to 25 October 2021 and the SIP dated 26 October 2021 and should be read in conjunction with the SIP.

1. Introduction

A review of the SIP was undertaken during the Fund Year in October 2021. It was updated to reflect:

- the agreed changes to the Fund's DC Section default strategy (the "Default") and self-select options;
- the classification of the new cash- and annuity-targeting lifestyles as "default arrangements" for governance purposes given members were mapped to them without consent; and
- the development of a Responsible Investment (RI) Policy for the Fund, formalising the Trustee's beliefs on RI matters and setting out in more detail how RI considerations will be embedded in the running of the Fund.

The Trustee has, in its opinion, followed the policies in the Fund's SIP during the Fund Year. The following Sections provide detail and commentary about how and the extent to which it did this.

2. Investment objectives

The Trustee finalised its review of the performance and strategy of the Default on 24 November 2020 as part of which it considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Fund.

Based on the outcome of this analysis, the Trustee decided on various changes to the Default, designed to be in the best interests of the majority of the DC Section members and reflecting the demographics of those members. The changes, detailed in Section 3, were implemented within the Fund Year, in April 2021.

The Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. The Trustee has made available alternative lifestyle strategies (targeting the variety of ways that members can draw their benefits in retirement) and a self-select fund range to members covering all major assets classes. Take up of the self-select range has been reasonable in comparison to the market. As part of the investment change communications that were issued ahead of the investment strategy changes being implemented, the Trustee reminded members to review their investment holdings and check that they are suitable for their risk tolerance and retirement planning.

The Trustee reviews changes in member choices, behaviour and trends each quarter as part of the reporting provided by the administrator. Since the last review there have been no material changes which would alter the outcome of the analysis undertaken.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, began reviewing the strategy and performance of the Default on 10 June 2020, concluding its review on 24 November 2020. The Trustee concluded that drawdown remained an appropriate retirement target for the majority of members. The Trustee reviewed the building blocks of the Default and decided to make the following changes in order to improve the risk / return profile for members. The changes were implemented in April 2021.

- The use of a three-phase lifestyle approach to the Default, comprised of a 'growth' phase, 'balanced' phase and 'retirement' phase that transitions the strategy into an asset mix appropriate for the income drawdown at retirement. This encompassed various changes to the underlying funds used within the Default to improve the risk / return profile for members.
- Increasing the equity allocation within the growth phase to 100% as well as extending the first de-risking period from 10 years to 15 years to selected retirement age (with a subsequent de-risking period at 5 years to selected retirement age).

As part of this review the Trustee made sure the Fund's Default was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

The Trustee will, from time to time, review retirement data to see how members access their benefits to check whether assumptions made about how members will access their benefits are borne out in practice. That said, the available data is limited given the young age profile of the membership.

4. Considerations in setting the investment arrangements

The Trustee considers a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. Further details on its policy towards risk can be found in Section 10.

The Trustee reviews its investment beliefs from time to time. Over the period, the Trustee developed its beliefs on RI matters as part of a wider RI policy for the Fund, further details of which are provided in Section 7.

5. Implementation of the investment arrangements

The Trustee has entered into a contract with a platform provider, Fidelity, who makes available the range of investment options to members. As all the funds are accessed via an agreement with the Fund's platform provider, there is no direct legal relationship between the Fund and the underlying investment managers of the DC investment funds. Nevertheless, the Trustee is responsible for appointing and providing governance oversight of the managers which the Fund accesses via the Fidelity arrangement.

The Fund uses both BlackRock and Legal & General Investment Management ("LGIM") passive funds and during the Fund Year several additional passive funds, both equities and bonds, managed by BlackRock and LGIM we introduced for use in the lifestyle strategies. The BlackRock Short-Duration Credit Fund was added to both the drawdown and cash targeting lifestyle strategies as well as to the self-select fund range. The Trustee is in the process of working with Fidelity to add the LGIM Low Carbon Transition Fund to the self-select fund range which is expected to be added over the upcoming Fund Year.

Before appointing the managers, the Trustee received information on the investment process and philosophy, the investment team and past performance. The Trustee also considered the manager's approach to responsible investment and stewardship. The Trustee also obtained formal written advice from its investment adviser before implementing the changes and made sure the investment portfolios of the funds chosen were adequately and appropriately diversified.

The Fund's investment adviser monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Fund's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Fund invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Fund's investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each manager over the quarter, one year, three years (per annum) and since launch (per annum). Performance is considered in the context of the manager's benchmark and objectives.

As part of the implementation of strategy changes in April 2021, the Trustee removed the Fulcrum Diversified Absolute Return Fund from the white-labelled Diversified Growth Fund given long term underperformance relative to its benchmark.

Over the period, the Trustee undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be reasonable when compared against schemes with similar sized mandates. Overall, the Trustee believes the investment managers provide good value for money.

6. Realisation of investments

It is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offered during the Fund Year are daily priced.

7. Financially material considerations and non-financial matters

Over the period, the Trustee developed a RI Policy for the Fund, formalising the Trustee's beliefs on RI matters and setting out in more detail how RI considerations will be embedded in the running of the Fund. This policy was produced with input from the Fund's investment advisors and the Sponsor company covering both DB and DC investment. The Trustee expects as far as possible for the investment consultant to provide advice, and underlying managers to invest, mindful of these core set of beliefs.

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

On 2 February 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the Fund's existing managers and funds, along with LCP's qualitative RI assessments for each fund. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores are based on LCP's Responsible Investment Survey 2022.

Overall, the Trustee was satisfied with the results of the review and agreed to keep abreast of the improvements that BlackRock is looking to make with regards its Short Dated Credit Fund.

As part of all investment strategy changes, including those which were implemented over the period and detailed earlier in the Statement, LCP reviews the RI credentials of any fund recommendations that are made to the Trustee. Fund RI credentials also feed into the ongoing monitoring of the suitability of funds used by the Fund. The Trustee was due to add the LGIM Low Carbon Transition Fund to the self-select fund range, which focuses specifically on climate metrics in its construction, over the Fund Year. The Trustee continues to work with Fidelity as platform provider to make this fund available for members and it is expected to become available to members during the upcoming Fund Year.

The Trustee has not taken into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments during the Fund Year.

8. Voting and engagement

This is covered in Section 7. A description of voting behaviour over the Fund Year is provided in Section 11.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Fund's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

The performance of the professional advisers is considered on an ongoing basis by the Trustee. The Trustee has put in place formal objectives for its investment adviser and will review performance against these objectives on a regular basis. The Trustee reviewed these objectives twice over the period:

- in May 2021 given the requirement to review the objectives following a change to the Fund's investment strategy; and
- in October 2021, to broaden their scope so that they cover additional DC services received in addition to investment consultancy.

Following a competitive tender process, the Trustee made the decision to appoint a new administrator, Fidelity, in the previous Fund Year. The transition from the previous administrator, Capita, was completed during the Fund Year, in April 2021.

During the Fund Year, the Trustee completed an annual review of the effectiveness of its decision making and governance processes. The Trustee was satisfied with the outcome of the review. The Trustee decided not to report this to members.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed quarterly.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Fund's investment adviser or information provided to the Trustee by the Fund's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the Default and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Description of voting behaviour during the Fund Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Fund Year.

In this section the Trustee has sought to include voting data on the Fund's current Default funds that hold equities as follows:

- BlackRock Aquila Connect MSCI World Fund
- BlackRock Aquila Connect MSCI World Fund – Hedged
- BlackRock iShares Emerging Markets Equity Index Fund
- LGIM Diversified Fund

Funds that hold equities and are used within the current Default have been included. Given that the majority of members are invested in the Default, the Trustee has opted for this approach. Funds with equity holdings which were part of the default strategy ahead of the changes being made in early April 2021 have not been included given they were in place for only a few days of the period being covered by the Statement.

Voting data disclosure requirements relate to voting behaviour during the Fund Year.

The Trustee is satisfied that for the period covered by this Statement, there is no voting information missing. The Trustee is also comfortable that no manager conflicts have been identified which require action.

11.1 Description of the voting processes

BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention.

Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass Lewis, this is just one among many inputs into its voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

BlackRock has for over a decade also used an independent fiduciary, Sustainalytics, to vote proxies where it is required by regulation not to vote itself or where there are actual or perceived conflicts of interest. The independent fiduciary makes voting decisions based solely on BlackRock's publicly available proxy voting guidelines, which aims to advance its clients' long-term economic interests, and public information disclosed by the relevant company. Sustainalytics, may engage with companies at its discretion to ask clarifying questions or in response to a company's request for engagement on voting matters, though it is not authorised to represent BlackRock's views. BlackRock is committed to enhancing the transparency of its stewardship practices. Where it believes it will help to understand the voting decisions at shareholder meetings, BlackRock will publish a Voting Bulletin explaining the rationale for how it or, in this case, the independent fiduciary, have voted on select resolutions, and (where relevant) provide information around its engagement with the issuer.

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration in developing LGIM's voting and engagement policies. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS' 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS' recommendations is to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

11.2 Summary of voting behaviour over the Fund Year

A summary of voting behaviour for the current Default over the period is provided in the table below.

	Fund 1	Fund 2	Fund 4	Fund 5
Manager name	BlackRock	BlackRock	BlackRock	LGIM
Fund name	BlackRock Aquila Connect MSCI World Fund	BlackRock Aquila Connect MSCI World Fund – Hedged	BlackRock iShares Emerging Markets Equity Index Fund	LGIM Diversified Fund
Total size of fund at end of reporting period	£1.6bn	£1.1bn	£4.1bn	£12.6bn
Value of Fund assets at end of reporting period (£)	£40.9m	£40.9m	£9.1m	£10.2m
Number of equity holdings at end of reporting period	1,505	1,505	1,642	6,455
Number of meetings eligible to vote	959	958	3,380	9,010
Number of resolutions eligible to vote	13,048	13,045	28,828	90,252
% of resolutions voted	99%	99%	100%	99%
Of the resolutions on which voted, % voted with management	91%[1]	91%[1]	90%[1]	79%[1]
Of the resolutions on which voted, % voted against management	8%[1]	8%[1]	9%[1]	20%[1]
Of the resolutions on which voted, % abstained from voting	0%[1]	0%[1]	4%[1]	1%[1]
Of the meetings in which the manager voted, % with at least one vote against management	38%	38%	37%	70%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	0%	1%	12%

Sources: Fidelity, BlackRock and LGIM as at 31 March 2022.

[1]Please note, the rows in the table above for "Of the resolutions on which voted, % voted with management", "Of the resolutions on which voted, % voted against management" and "Of the resolutions on which voted, % abstained from voting" may not sum to 100%. This is due to:

- rounding of data provided by the investment managers; or
- for the BlackRock funds, if there were multiple vote strings for a given meeting, any proposal where the manager voted differently for separate vote strings are counted twice.

11.3 Most significant votes over the Fund Year

Commentary on the most significant votes over the Fund Year, in relation to the funds set out earlier in this Section, is set out below. We have interpreted "most significant votes" to mean those that:

- might have a material impact on future company performance.
- the investment manager believes to represent a significant escalation in engagement;

- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial; and
- the Fund or the sponsoring company may have a particular interest in.

Due to the number of votes provided by the Fund's investment managers the Trustee has chosen a subset of votes to report on in this Statement. The votes selected are those which relate to environmental, social or corporate governance factors. If members wish to obtain more investment manager voting information, this is available upon request.

BlackRock Aquila Connect MSCI World Fund, BlackRock Aquila Connect MSCI World Fund – Hedged

Vote #1: AGL Energy Limited, Australia, September 2021, Vote: Against, Outcome of the vote: Fail

Summary of resolution: Election of a candidate not nominated by the Board.

Rationale: BlackRock voted against Mr. Ashjayeen Sharif's self-nomination as a director. While it does believe it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, it supports the Board's view that Mr. Sharif's current skill set and experience are not yet suited to add to the effectiveness of the Board.

Criteria against which this vote has been assessed as "most significant": BlackRock believes a balance between the knowledge and experience of seasoned directors and the fresh perspective of newer directors best serves the interests of its clients as shareholders, and supports representation of climate expertise appropriate to the company's business model to ensure adequate consideration of climate-related risks and opportunities in strategy and operations. BlackRock will continue to engage with the Board to discuss new director appointments further and determine if future proposed candidate(s) offer the experience and skills that would enhance the Board's quality and effectiveness, particularly as it relates to the company's climate change roadmap prior to and following the demerger.

Vote #2: Rio Tinto Group., April 2021, United Kingdom, Vote: Against, Outcome of the vote: Fail

Summary of resolutions: Approve Remuneration Report for UK Law Purposes, Approve Remuneration Report for Australian Law Purposes.

Rationale: BlackRock voted against these proposals because the exit package did not adequately reflect the severity of the destruction of the Juukan Gorge and the resulting damage to the environment, relevant communities, and the company's social license to operate.

Criteria against which this vote has been assessed as "most significant": BlackRock highlights that if environmental, social, and governance (ESG) criteria are included in executive compensation programs, those metrics should be rigorous, aligned with a company's strategy and business model, and linked to company performance.

BlackRock iShares Emerging Markets Equity Index Fund

Vote #1: China Tower Corporation, Hong Kong, January 2021, Vote: Against, Outcome of the vote: Pass

Summary of resolution: Re-election of two directors.

Rationale: BlackRock voted against the re-election of the two incumbent directors on China Tower's Nomination Committee, whom it believes should be held accountable for the lack of gender diversity among proposed candidates.

Criteria against which this vote has been assessed as "most significant": BlackRock is strengthening its focus on diversity of personal characteristics on boards, which in its view should aspire to have meaningful diversity of membership, at least consistent with local market regulatory requirements and best practices. BlackRock recognises that building a strong, diverse board can take time.

Vote #2: Huadian Power International Corporation Limited, June 2021, Vote: Against, Outcome of the vote: Pass

Summary of resolution: Approve Capital Increase Agreement, Assets and Equity Disposal Agreements, and Related Transactions.

Rationale: BlackRock voted against this proposal given its concerns about apparent conflict of interest and the impediment it would pose for the company to adequately manage the transition of its assets to a low carbon economy.

Criteria against which this vote has been assessed as "most significant": BlackRock continues to ask that companies disclose a net zero-aligned business plan that is consistent with their business model and sector. For 2022, it encourages companies to demonstrate that their plans are resilient under likely decarbonisation pathways, and the global aspiration to limit warming to 1.5°C. BlackRock also encourages companies to disclose how considerations related to having a reliable energy supply and just transition affect their plans.

LGIM Diversified Fund

Vote #1: NextEra Energy, Inc., May 2021, Vote: Against, Outcome of the vote: Pass

Summary of resolution: Election of Director.

Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles.

Criteria against which this vote has been assessed as "most significant": LGIM considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Vote #1: Apple Inc., March 2022, Vote: For, Outcome of the vote: TBC

Summary of resolution: Report on Civil Rights Audit.

Rationale: Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.

Criteria against which this vote has been assessed as "most significant": LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.