

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

## **Implementation Statement**

### September 2021

This is the first Implementation Statement produced by the Trustees of The Pension Scheme for the Nursing and Midwifery Council and Associated Employers (“the Scheme”). It relates to the Scheme year ended 31 March 2021, over which period the 2020 Statement of Investment Principles (“SIP”) was in place. A new SIP was produced in April 2021.

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

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

For this statement, the Trustees have been receiving information from their advisers in respect of portfolio activity some of which may not yet be available for disclosure. However, the Trustees confirm that in their opinion both the stewardship and engagement policies as set out in the 2020 SIP were followed during the Scheme year ended 31 March 2021. Details of how and the extent to which this was achieved are included in the assessment below.

The Trustees have a strong ESG policy for ‘growth’ assets, where they have the greatest impact, and fully engage with their ‘bond’ managers on ESG issues.

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

### Implementation Statement

#### Statement of Investment Principles

Policy	Review	Actions
SIP reviewed on significant events and no less frequent than triennially.	Slightly amendment in 2020 to include additional detail on investment beliefs, ESG and Stewardship.	N/A

#### Investment Strategy

Policy	Review	Actions
Fixed asset split in place.	During the year the Trustees have gone through an actuarial valuation resulting in a new valuation basis which will prescribe a derisking plan as part of the best estimate asset return assumptions.	A strategy review was completed during the year and a derisking plan in line with the valuation agreed subsequently. A new SIP has been drafted to reflect this.

#### ESG Policy

Policy	Review	Actions
Policy reviewed at least annually	The Trustees have a strong ESG policy, which is reflected in the portfolio holdings. The Scheme's ESG policy was reviewed as part of the strategy review. Some adjustments have been made in the most recent SIP (after the reporting period). These incorporate changes at the Sponsors level and are being incorporated into the portfolio currently.	N/A
Engagement with NMC and Department of Health and Social Care (Sponsors)	Discussion has been had with the Sponsors and they were content with the policy and beliefs added in the 2020 SIP. They have also been consulted on the new 2021 SIP.	None
Reporting on ESG implementation and developments	The Trustees' advisers have included ESG manager reviews in their quarterly reports. All managers provide some level of information in their regular reporting.	N/A

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

### Implementation Statement

#### **Engagement with Fund Managers**

It should be noted that all investments are via pooled funds and the Investment Consultant supplies ESG information in quarterly reports (This was carried out during the Scheme year from March 2020 and the Trustees reviewed those reports. Accordingly, the policy was followed). No new fund searches were undertaken at a portfolio level but any new mandate will consider ESG as part of the process.

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

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

### Implementation Statement

	<p><b><u>LDI</u></b></p> <p><b><u>BMO</u></b> The LDI provider, BMO, gave a thorough response on ESG. ESG is considered in all of their vehicles. In relation to the LDI funds, BMO monitor counterparties on ESG “as a relevant risk factor” and “engage with their counterparty banks on an ongoing basis on ESG specific topics”.</p> <p><b><u>Insight Corporate Bond Fund</u></b> Insight’s philosophy and approach towards responsible investment places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making. Insight integrate ESG factors into the research process and believe engaging with stakeholders is essential to effectively manage portfolio risk, believing business who continuously develop their ESG and stewardship approach will deliver better risk-adjusted returns in the long term. Insight gives each bond issuer ESG scores to help them monitor ESG risk across the portfolio. Insight has linked research analysts’ annual performance appraisal with their analysis of ESG risks.</p> <p><b><u>Growth</u></b></p> <p><b><u>Amundi Ethical Equities</u></b> The Amundi Ethical fund, is a segregated mandate run specifically for the Scheme, incorporating specific ESG requirements set out in the Scheme’s ethical policy. This mixes a combination of exclusions of certain companies, as</p>	
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## The Pension Scheme for the Nursing and Midwifery Council and Associated Employers

### Implementation Statement

	<p>well as an ESG overlay whereby companies that score poorly in Amundi's ESG framework are excluded.</p> <p>This manager has consistently implemented this ESG mandate for these assets, whilst broadly meeting its return objectives.</p> <p>Whilst Amundi do not yet assess the impact of climate change on this portfolio, they are now working with a number of providers (Trucost and Iceberg Data Lab) to start assessing this on certain other portfolios.</p> <p><u>Hermes Impact Equity Fund</u> The Hermes Impact Equity Fund invests across UN Sustainable Development Goals to create positive impact and positive return for investors. The fund has impact themes such as health and wellbeing, energy transition, circular economy and water and food security. The portfolio has been invested in line with the Scheme's ESG policy.</p> <p><u>Bridges Sustainable Growth Fund IV</u> This is a private equity holding investing across impact themes. The Fund has investments across green energy, children's nutrition and social housing maintenance. This again meets the Scheme's ESG requirements for ESG.</p> <p><b>Other</b> <u>Muzinich Enhancedyield</u></p> <p>This fund does implement ESG in its process, albeit in a limited way. The Trustees are considering other funds that might improve this holding from an ESG perspective.</p>	
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## The Pension Scheme for the Nursing and Midwifery Council and Associated Employers

### Implementation Statement

Incentivisation of managers with respect to ESG	The investment in pooled funds is restricting this but the Trustees' advisers are looking at this as part of the industry wide work being done, which is moving to more sustainable investing. Given the Trustees are invested predominantly in specific ESG mandates, there is implicit incentivisation of their investment managers who must invest in line with policy.	Continue to monitor
Fund costs to be reviewed	All fund managers have been asked to report on fund costs and the investment adviser is collating the information, which is provided to the Trustees. However, given some exposure to partnership structures the running costs are difficult to assess.	Continue to push managers on fund costs and transparency

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

### Implementation Statement

#### **Stewardship Policy: Voting and Engagement**

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

<b>Policy</b>	<b>Review</b>	<b>Actions</b>
Managers are expected to engage and influence the companies in which they invest.	<p>The Trustees recognise that fund manager engagement with their investee companies is critical and voting against a policy is a last resort. Therefore, engagement is monitored above voting however, all managers have been asked to report on their stewardship and voting activity. Many of the funds have been able to produce information on this which we have summarised below.</p> <p><b><u>LDI</u></b></p> <p><b><u>BMO</u></b> Whilst the Scheme's holding with BMO does not include equities and therefore typical voting and engagement is less relevant, BMO do engage with the counterparties used in their LDI funds.</p> <p><b><u>Insight</u></b> Insight has an extensive engagement programme with portfolio companies to frequently raise ESG issues and encourage them to improve their practices.</p> <p>In the twelve months to 31 March 2021 Insight engaged with 97 entities equating to 55.8% of the portfolio's positions. Insight have provided good transparency on their engagement activity. For example engaging with a particular energy company on their emissions reduction plans. Insight sent a</p>	Continue to monitor and assess the voting and engagement activities.

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

## Implementation Statement

	<p>letter to the Chair on a number of climate issues and the energy company has started to respond to their proposals, with Insight and other investors meeting the Chair this year to discuss further.</p> <p><b><u>Growth</u></b></p> <p><u>Amundi Ethical Equities</u></p> <p>Amundi look to engage with their portfolio companies, leveraging their scale as a large asset manager.</p> <p>Amundi voted 4130 times during the 12 months to 31/3/21. On 641 occasions they voted against management. The majority of votes against management were to do with the composition of the board of directors, or around remuneration, including gender pay gap issues.</p> <p><u>Hermes</u></p> <p>Given Hermes run a concentrated portfolio, they use engagement as a means to drive value in their portfolio companies. Hermes aim to vote on all resolutions, wherever possible. Hermes's engagement with businesses also looks to assess the impact of their investment portfolio and how that aligns with the UN sustainability goals.</p> <p>Hermes voted at 33 meetings, on 438 resolutions. Hermes voted against management on 78 occasions. The majority of these votes were against remuneration, but also included board structure and dividend payments amongst others.</p>	
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**The Pension Scheme for the Nursing and Midwifery Council and Associated Employers**

**Implementation Statement**

	<p><u>Bridges</u> Given Bridges have controlling stakes in their positions they are fully engaged with each position with an aim to drive positive impact and improve financial performance.</p>	
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## The Pension Scheme for the Nursing and Midwifery Council and Associated Employers

### Implementation Statement

#### Consultant Objectives

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