

IMPLEMENTATION STATEMENT FOR THE NIPPON EXPRESS (UK) LIMITED PENSION SCHEME

1. Introduction

This is the Implementation Statement for the Nippon Express (UK) Limited Pension Scheme ('the Scheme') and reflects the position on 31st March 2024. The Implementation Statement (Statement) sets out the extent to which the Trustee has followed the voting and engagement policies in the Statement of Investment Principles (SIP). The Statement includes a description of the voting behaviour by, and behalf of, the Trustee. This Statement should be read in conjunction with the SIP.

The SIP was last reviewed and updated in August 2022 and reflects the Trustee policies relating to responsible investment, including both financial and non-financial matters that the Trustee considered. This included Environmental, Social and Governance (ESG) considerations. Stewardship was also considered, i.e. voting and engagement, together with the ability of the Trustee to influence the actions of their investment managers.

The selection of investment managers is considered, including their objectives, fees and their basis of charging and how that aligns with the interests of the Scheme, ensuring there are no conflicts of interest. The duration of each manager appointment is also considered, together with the ability to terminate their appointment, and any conditions of that termination, should this prove necessary.

As a part of the investment review the sponsoring Employer was consulted on the content of the 2022 SIP and the strategy.

2. Investment Objective

This is effectively outlined in the SIP and remains as stated with specifically the achievement of a rate of return as required in the most recent actuarial valuation.

3. Investment Strategy

The Trustee continues to implement the strategy as outlined in the SIP.

4. Setting the Investment Arrangements

In managing the assets of the Scheme, the Trustee owns a policy of assurance. As the Grantee of the policy, the Trustee has the benefit of the protection offered under the Financial Services Compensation Scheme (FSCS) and the terms of the specific policy of assurance.

Mobius Life

The Trustee holds an insurance policy with Mobius Life as a part of the Mobius Life long term business fund. As Grantee under the policy, the Trustee may pay a premium to Mobius Life who will allocate units to the policy. The allocation of units is notional and references to both units and funds are solely for the purpose of calculating benefits under the policy. Neither the Grantee (which is the Trustee) nor any other person has any right or interest in the units, the funds or any other specific assets or income of Mobius Life by virtue of the policy.

The wide range of asset classes available to the Trustee is considered as is the ease of access to institutional style investment management at an acceptable annual management charge. During the past 12 months the Trustee has received information and advice on how to achieve their objectives and how to access appropriate investment funds in a secure way.

5. Implementation of the Investment Arrangements

The arrangements are assessed on an ongoing basis at Trustee meetings and by the Trustee Investment Adviser. This is in the form of virtual and face to face meetings where it is practical to do so.

The Trustee is aware of the need to consider the impact of costs and value for money on the long-term performance of the investments in the pooled funds. In an effort to reduce cost and the risks associated

with 'active' fund management, the Trustee has invested some of the Scheme's assets in passive or index funds.

The funds are accessed via the Mobius Life investment platform using a Trustee Investment Plan which is technically a policy of assurance. This can benefit from aggregation discounts on annual management charges. Reporting is co-ordinated and this represents a significant benefit to the Scheme.

6. Realisation of Investments

Investments are reviewed on a regular basis in the light of net cash flow requirements. The majority of the pooled funds may be accessed on a daily basis, some are weekly dealt. The Trustee believes that this supplies adequate liquidity for the Scheme.

7. Investment Governance and Financially Material Considerations

The matter of investment and investment governance is taken seriously by those who manage the Scheme (The Trustee). To this end the Scheme has a Statement of Investment Principles (SIP) which is considered and reviewed periodically as appropriate.

The current SIP was agreed in 2022. This followed an in-depth consideration of the long term environmental, social and governance requirements, considering both financial and non-financial aspects, in respect to the Scheme asset types. The Scheme is investing appropriately against this background and there has not been a need to make further amendments although the Trustee has kept this position under review.

Those that manage the Scheme collectively have the necessary qualifications and experience appropriate to a Scheme of this size. They meet regularly as required by the business of the Scheme, including investment business. Investment matters are on the agenda for all Trustee regular meetings. The Scheme has access to professional advisers including, but not limited to, an Investment Adviser, Actuary, and Lawyer.

8. Approach to Non-Financial Matters

The Scheme invests in pooled pension funds. This is appropriate to a Scheme of this size and brings added security in that the assets are covered by the Financial Services Compensation Scheme (FSCS).

The Scheme will always prefer an investment that is beneficial to society and the environment over one that is not. In making such a statement the managers of the Scheme are noting that by using pooled investment vehicles they are not the direct owners of the underlying assets. They do however have access (sometimes limited by availability of information) to a copy of the content of the underlying portfolios of the pooled investment managers.

9. Strategic Asset Allocation

During the past 12 months the Scheme has followed the allocation as outlined in the SIP and where there has been any variation this has been intentional. Those that manage the Scheme continue to consider that the asset allocation is appropriate and have considered this at their meetings during the year.

10. Mandate Parameters

The Scheme has selected pooled pension funds with specific objectives. Each of the pooled funds that the Scheme is invested in has its own specific objective. In selecting these funds the manager of the Scheme received investment advice from a financial adviser of appropriate standing and experience and working for an organisation registered with the Financial Conduct Authority.

When reviewing the investments during the year it was noted that the pooled funds were being managed to their objectives and that the results were as the Scheme expected. Further the financial standing of the managers of the pooled funds has been considered and noted that it continues to be appropriate. The managers of the pooled funds that the Scheme participates in are required to report to the Prudential Regulatory Authority (PRA) who in turn supervise the solvency of these managers on behalf of the Bank of England.

The Scheme has considered this position during the year and remains comfortable with the approach in place, including the capital structure and financial standing of the investment managers. Specifically, the Trustee takes considerable comfort at investing via a policy of assurance and the protection that brings.

11. Voting Rights and Description of Voting Behaviour During the Year

Participants in pooled investment funds do not generally acquire rights over the underlying holdings of the pool. There is no direct relationship between the Scheme and the companies whose shares are held within the pooled investment funds. In effect this means that the manager of the pool exercises voting rights on behalf of the Trustee (as a participant in the pool) but without any obligation to consult. The Scheme does not use a proxy voting service, in practice it does not have the right to exercise votes at the general meetings of companies held within the pooled investment funds. Generally, other than for matters of financial reconstruction, holders of gilts, bonds, physical property and other alternative investments may not have voting rights.

Where the Scheme holds units of investment in pooled equity funds the Scheme is able to see how the manager has voted in the summary stewardship reports that the manager may produce for information. These matters are currently only reported at overall manager level and not in a specific way in respect to the funds that the Trustee invest in. This may change in the future and the Scheme is aware that there are many initiatives in the investment markets generally to improve access information and reporting in this area.

Other than via the investment consultant, it is challenging for the Scheme to influence the manager of a pooled fund on matters of voting for individual companies. The Scheme does however take its responsibilities seriously in this area and notes that it always has the option to divest from the manager if, in the view of the Scheme, expressed by those who manage it, this was deemed appropriate. Set against this is an overall fiduciary responsibility of the Trustee as to management of the Scheme assets.

In future years the Trustee expects managers to provide summary stewardship reports that highlight key voting issues. In particular around matters of diversity and the environment as regards the underlying holdings in the relevant pooled fund portfolio. Such reports are available for example from Legal and General and BlackRock, at a high level by accessing:

Corporate Governance and Responsible Investment Principles - UK (lgim.com)

[Investment Stewardship | BlackRock](#)

Other managers that the Trustee may access have similar information published on the world wide web. The Trustee considers such information in making decisions under the policy of assurance that they own.

12. The Trustee

At each Trustee meeting, where their Investment Adviser is present, the Trustee receives a presentation on the investment strategy and the pooled funds of the Scheme. This has included some comment on ESG and where available the wider voting record of the investment manager.

The Trustee group includes experienced individuals with relevant qualifications and practical working experience of investment matters and governance. This method of operation facilitates an excellent understanding at Scheme level of the requirements when exercising 'good governance'.

13. Trustee Knowledge and Understanding

Winterbourne Trustee Services is a specialist professional Independent Trustee and is the sole Trustee of the Scheme. As a firm of professional trustees, Winterbourne brings its long experience and specialist pensions knowledge to what is now a very complex and increasingly legislated area.

14. Processes around Managing Scheme Investments

Having set a strategic asset allocation this process has revolved mainly around managing cash flow during the year. In this respect, where funds have been required for additional cashflow, retirements or member transfers, the Trustee has taken appropriate advice and sold investments to provide the necessary liquidity.

15. Holding Advisers and Managers to Account

The Scheme is managed by the Trustee and they in turn take advice where required. Those that act as advisers to the Scheme have objectives to deliver service as required and the Trustee group consider the success of this on an ongoing basis. The Investment Adviser has objectives in place that was reviewed in 2023.

No action has been necessary during this year in respect of shortcomings of advisers or service providers to the Scheme. The Trustee notes that the management of a Scheme such as this can be a challenging matter, and that in particular budgets must be appropriate. These matters are regularly considered with assistance from the Principal Employer and the Trustee considers that overall the Scheme functions well, achieving good value from its service providers.

16. Manager Selection, Review and Monitoring

The Scheme has made minimal changes to the holding of pooled funds during the year other than reflected in the SIP. Change can be relatively expensive due to implicit dealing costs in the underlying assets and although not fully transparent such costs are apparent in wholesale rearrangement of assets. The Trustee seeks to avoid such costs.

17. Transparency

The assets held by the Scheme are transparent. It is anticipated that in future years all transaction costs on the underlying assets of the pooled funds that the Scheme owns will be available for general publication. For monetary instruments such as gilts and fixed interest holdings such costs are implicit in the purchase price of the underlying asset and so are unlikely to be available. We are aware that the investment industry is considering how to report on such matters and are therefore waiting for more information in this area.

18. Conclusion

The Scheme has managed its assets successfully throughout the period under review. The Statement should be read in conjunction with the SIP and is supported by ESG and voting information as supplied to the Investment Adviser for the Scheme by the managers of the pooled funds that the Scheme participates in.

19. Examples of Investment Manager Key Decisions and Further Information

Some examples of key investment manager decisions are attached as an appendix to this document. If further information is required on any of the matters covered in the Statement please contact the Trustee, Winterbourne Trustee Services, or the Principal Employer.

April 2024

Appendix

LGIM Examples of significant votes

EMS-Chemie Holding AG	
ISIN	CH0016440353
Market cap	US\$16.16 billion
Sector	Basic materials: chemicals
Issue identified	EMS-Chemie does not meet our minimum standards with regard to climate risk management, as set out in our net-zero guide for the chemicals sector. According to the International Energy Agency (IEA), the chemicals sector is the largest industrial energy consumer and the third-largest industry subsector in terms of direct CO2 emissions
Summary of the resolution	Resolution 6.1.1: Elect Bernhard Merki as Director, Board Chair, and Member of the Compensation Committee AGM date: 12 August 2023
How LGIM voted	AGAINST resolution 6.1.1 (i.e. against management recommendation)
Rationale for the vote decision	<p>The company's climate-related disclosures are lacking in the transparency and robustness that we believe is necessary for shareholders to obtain a sound picture of the company's climate transition plans and strategy. We also have concerns with regards to the scope and credibility of its net-zero commitment, as well as its medium-term targets, alignment to a 1.5°C scenario, and reliance on offsets. The company currently does not align executive remuneration with its medium-term emissions targets, which raises governance concerns regarding prioritisation and accountability for climate-related issues.</p> <p>Further, we have been disappointed in the company's lack of response to its shareholders' requests for dialogue regarding its climate strategy and disclosures.</p> <p>Our decision to vote against the re-election of the Chair of the Board, Bernhard Merki, is an escalation of our collaborative engagement with ShareAction and a reflection of our longstanding climate concerns at the company.</p>
Outcome	94.7% votes were in favour of resolution 6.1.
Why is this vote 'significant'?	At LGIM, we believe that the chemicals sector has a crucial role to play in the global transition to net zero and in addition to publishing our sector-specific expectations under the Climate Impact Pledge, we have also joined a collaborative initiative to engage with the largest European chemicals companies, organised by ShareAction.

FedEx Corporation	
ISIN	US31428X1063
Market cap	US\$66.6 billion
Sector	Industrial: transportation
Issue identified	Paid sick leave. At LGIM, we believe human capital issues represent risk to a company's operations, whether through heightened attrition or decreased productivity.
Summary of the resolution	Resolution 7: Adopt a paid sick leave policy AGM date: 21 September 2023

How LGIM voted	LGIM voted FOR Resolution 7 (i.e. against management recommendation)
Rationale for the vote decision	A vote in favour was applied as LGIM supports the adoption of a paid sick leave policy for all employees as it is set to improve employee wellbeing which is critical to human capital management and gender equality.
Outcome	34.6% shareholders voted in favour of the proposal.
Why is this vote 'significant'?	This vote is significant because it relates to human capital management issues, which have been a focus of engagement for us, and reflects our broader campaign in 2022 on paid sick leave at US railway companies, described in our Q1 2023 ESG Impact Report