

Nationwide Pension Fund

Annual Implementation Statement 2025

27th of June 2025

This annual Implementation Statement for the Nationwide Pension Fund (“**the Fund**”) has been produced by the Nationwide Pension Fund Trustee Limited (“**the Trustee**”) to inform members of how it has demonstrated responsible stewardship of the Fund’s assets in the scheme year running from the 1st of April 2024 to 31st of March 2025.

The statement covers both the Nationwide and the Cheshire & Derbyshire sections and should be read in conjunction with each section’s *Statement of Investment Principles*, and the *Responsible Investing* policy. These documents are available online in the Fund’s [library](#).

The statement is intended to meet the requirements of *the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019*, which were introduced on the 1st of October 2020, and covers:

- Key changes to the *Statement of Investment Principles*, or to the *Responsible Investing* policy.
- How the Trustee has adhered to these documents.
- How the Trustee has utilised the voting powers granted by any equity investments.

Executive summary

The Trustee's primary concern is to deliver members' benefits as they are due, this is a key part of our fiduciary duty. Balancing the investment opportunities and risks taken, by investing responsibly, is key to fulfilling this duty. Investing responsibly includes assessing and addressing any environmental, social, and governance factors which could affect the investment strategy and funding objectives.

The investment strategy of each section is detailed in a *Statement of Investment Principles*, and the *Responsible Investing* policy, which covers both sections, details our approach towards stewardship, including equity voting and asset manager engagement activity.

In the Trustee's opinion each of these documents has been adhered to throughout the year. The following sections of this statement provide detail on the processes and controls we have in place to ensure this adherence, and examples of the work we have undertaken.

Policy updates

The Trustee regularly reviews both sections' *Statement of Investment Principles*, and the *Responsible Investing* policy, to ensure they align with current funding positions and the economic environment. The documents are then updated as required to assist in the delivery of our fiduciary duties.

When reviewing these documents, the sponsor, Nationwide Building Society ("**the Society**"), is consulted and advice is sought from our Investment Consultant and legal advisors. The following key changes were made during the scheme year:

Nationwide Section: Statement of Investment Principles

- References to the Low Dependency basis for calculating liabilities have been removed, as the Trustee Funding Target is the focus when setting the investment strategy and monitoring funding levels.
- Targets were replaced with operational ranges in the strategic asset allocation, allowing more freedom to manage the asset allocation during volatile economic and political environments which can see material asset value impacts.

Cheshire & Derbyshire: Statement of Investment Principles

- Targets were replaced with operational ranges in the strategic asset allocation for the same rationale.

Responsible Investing policy

- The standalone *Ethical Landlord* policy was incorporated into this policy to provide information in one place.
- Includes commentary on the approval of the Fund's *Net-zero Transition Plan* and emissions reduction targets.
- Sets three stewardship priorities and details how they will impact future engagement activity. These are discussed in more depth later.

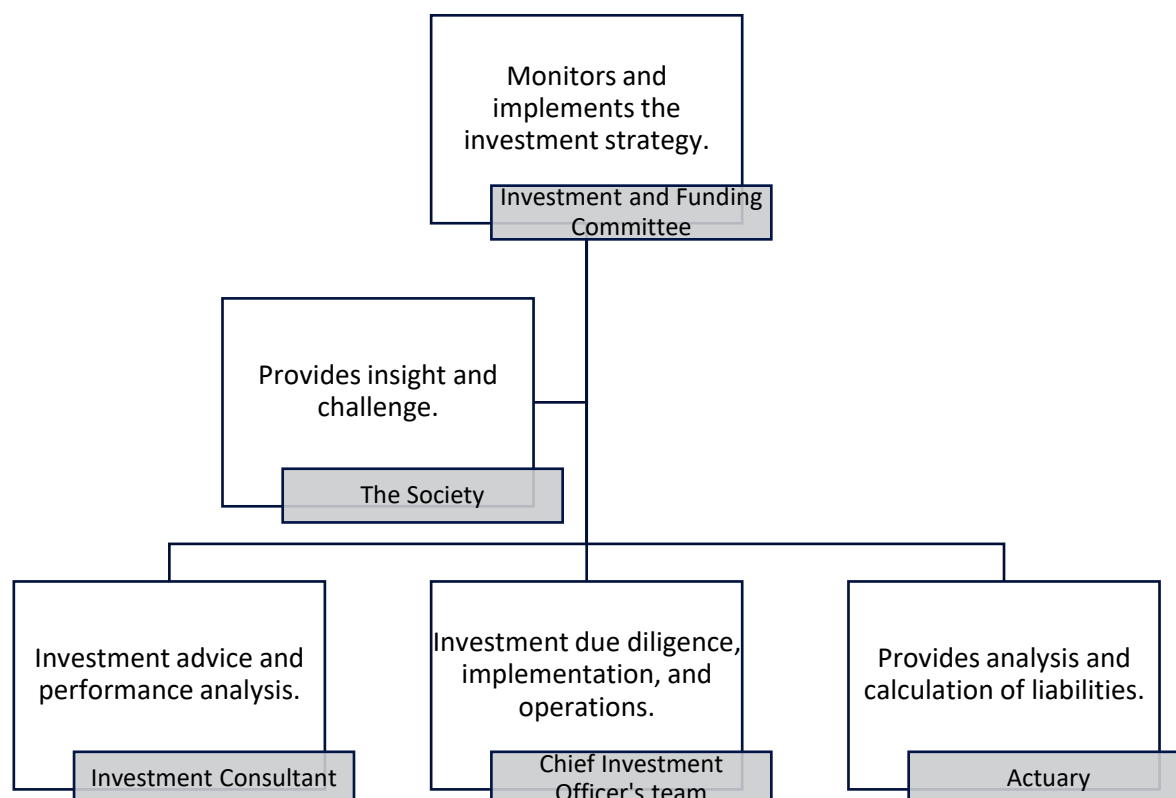
Governance

The Trustee aims to ensure only people with the relevant skills and experience are involved in investment and funding decisions. As a result, responsibility for monitoring and decision making on these matters have been delegated to a sub-committee, the Investment and Funding Committee ("**the Committee**").

The Trustee Board makes decisions about the Fund's investment strategy and the Committee is responsible for implementing that strategy, by approving new investment activity, monitoring the performance of existing investments, and looking at how risks can be managed. It is also responsible for all environmental, social, and governance matters that could affect these investments or the

funding objectives. This includes the approach to assessing and reporting on climate risk. The Committee is supported by a variety of third parties to achieve this, and any action taken by these third parties is reported to the Trustee Board regularly.

The diagram below outlines how the Committee works in conjunction with those third parties and the Society.



Investment activity

We have set funding objectives for each section, which are detailed in the relevant *Statement of Investment Principles*. These funding objectives provide the background to which strategic asset allocations are set. This is covered below.

The Committee is aware of the need to appoint asset managers whose professional competence and investment strategy aligns with the needs of the Fund. The Chief Investment Officer's team is responsible for undertaking due diligence on behalf of the Committee, with support from the Investment Consultant. The Investment Consultant also provides formal advice documents on the appropriateness of each investment, however; the Committee makes the ultimate decision on which asset managers are appointed. The due diligence assessment includes:

- Investment strategy and historic performance.
- Alignment with the broader portfolio composition.
- Management teams and internal operations.
- Risk assessment and management.
- Environmental, social, and governance approaches and considerations.

These environmental, social, and governance considerations are based on the annual due diligence questionnaire, the stewardship priorities, and alignment with the Fund's net-zero ambitions. These are all discussed in more depth later.

Where the Committee concludes that an asset managers approach does not align with the Fund's needs, it will decide not to proceed with the investment.

Strategic asset allocation

Each section's *Statement of Investment Principles* details a strategic asset allocation, which governs the investments made to optimise financial performance whilst also keeping risk within appetite. If the strategic asset allocations have not been adhered to, action is taken as appropriate if the Committee deems it necessary. If, after receiving advice from the Investment Consultant, the Committee concludes it isn't beneficial to rebalance the portfolio, the allocations defined in the *Statement of Investment Principles* will be updated. These were most recently updated in May 2024.

Nationwide section

The actual asset allocation is monitored monthly by the Chief Investment Officer's team and reported to the Committee. It has remained within the operational ranges below throughout the year.

Asset class	Operational ranges
Matching assets	50 – 80%
Government and supranational bonds	35 – 65%
Alternative matching assets	5 – 15%
Return seeking assets	20 – 50%
Equities	0 – 10%
Credit	0 – 12.5%
Illiquid portfolio	10 – 50%
Cash	0 – 2%
	Operational limits
Liability-driven investment leverage	2.5x
Repurchase agreements and total return swap	<£1.8bn

The current macro-economic environment has had a material downward impact on government bond values, which has increased the proportion of assets held in the illiquid portfolio. If this trend continues, the operational ranges may need to be revised during 2025, as it is not economically beneficial to reduce the illiquid portfolio allocation without selling at a significant discount.

Cheshire & Derbyshire section

The actual asset allocation is monitored by the Investment Consultant and reported to the Committee quarterly. This monitoring occurs less frequently than the Nationwide section, as the mandate with the asset manager responsible for these assets includes provisions to automatically rebalance the portfolio as necessary to maintain these operational ranges. The section has remained within these ranges throughout the year.

Asset Class	Operational ranges
Matching Assets	84 - 100%
Return Seeking Assets	0 - 16%
Cash	0 - 2%

Trustee training

The Trustee recognises that an important part of addressing environmental, social, and governance risks is maintaining a good level of knowledge around these topics. This knowledge is maintained in several ways:

- Quarterly updates covering any regulatory developments are presented to both the Trustee Board and the Committee.
- Succinct spotlights are prepared for the Committee on any notable topics, such as the EU Corporate Sustainability Due Diligence Directive and the UK Stewardship Code.

- Training sessions are provided as needed, with a session run in 2024 on how advisers view the impact of climate-related risks.

Stewardship

The *Responsible Investing* policy outlines the Trustee's approach towards stewardship, and the expectations we have of our asset managers. This document explains that we require asset managers to outline:

- Their own stewardship practices and policies.
- How environmental, social, and governance factors are incorporated into their policies.
- How they exercise shareholder rights on behalf of the Fund to help protect members' interests.

We require managers to report on these points annually, and where we feel that more can be done by an asset manager, we will inform them of our expectations going forwards. This is achieved through the annual due diligence process mentioned below.

Annual due diligence

Each year the Trustee requests that all asset managers provide detailed information on their own approaches towards investment, including the extent to which they account for environmental, social, and governance issues. We then benchmark these responses to understand which areas of the portfolio may have greater exposure to risk, and where our own efforts to influence change may have more impact.

The 2024 process identified several common areas of weakness and, because of the relevance to our own concerns and obligations, we took the decision to communicate our findings to all asset managers. These letters explained that, as a minimum, we would expect that:

- Reporting should be provided on how assets affect, and are affected by, climate change, and how these effects are being mitigated.
- Reporting on carbon emissions should be provided for all underlying assets.
- Robust approaches towards identifying and addressing modern slavery should be put in place, covering the asset managers operations, supply chains, and investments.

Stewardship priorities

The Trustee has also updated the *Responsible Investing* policy to incorporate these shortcomings as our stewardship priorities for the years ahead. In practice, this means that when the Chief Investment Officer's team engages with asset managers on our behalf throughout the year, particular attention needs to be paid towards these issues, and managers are encouraged to prioritise addressing these issues.

Engagement

The Trustee is aware that it can influence asset managers, and by extension the underlying companies that we have invested in, to change the way they operate. The level of influence varies depending on how large our investments are, the geography in which the asset manager operates, and whether our investments are in debt or equity positions. For example, we can expect to have more influence on a European asset that we have an equity holding in than a debt investment backed by a company in the United States. This difference in potential outcome does not stop us from engaging with all our asset managers but does temper expectations when dealing with some of them.

Our main avenues for this engagement are the annual due diligence exercise and the regular reporting reviews undertaken by the Chief Investment Officer's team. This reporting varies from annual "sustainability" reports through to snapshots of assets in quarterly performance reports but will cover almost all the asset managers during a year. Each of these is reviewed by the Chief Investment Officer's

team, compared against peers, and against the stewardship priorities. Feedback is provided at least annually, and face-to-face meetings are requested as needed to discuss any material observations.

We are aware of at least one occasion this year where feedback on our expectations around modern slavery has been shared at an asset manager's executive level and has led to an internal review of its documented approaches towards the issue. This demonstrates the impact that engaging with asset managers can have.

Climate risk

The Trustee is required to produce an annual report which focusses on the risks and opportunities presented by climate change and the global transition towards a low-carbon economy. This also includes quantification of the carbon emissions financed by the Fund's investments.

This reporting process has helped to broaden our understanding and consideration of climate risks, as well as the impact the Fund's investments have on climate change. It has also been an important driver in exploring the merits of setting a net-zero ambition for the Fund. This is a course of action that we have been considering for many years and have concluded that it is an important step to take, helping to manage risks to achieving each section's funding objectives. The decision to set a net-zero ambition was approved by the Committee this year.

The *Climate Risk Report* and *Net-zero Transition Plan* both provide greater context for members on climate change and how we manage that risk, including through our stewardship activities. These are available on the Fund's website.

Voting by the Trustee

The Trustee is aware that stewardship requirements involve exercising any voting rights granted by the assets we have invested in. These rights are commonly granted by listed equity holdings, but we do also have some rights granted through our illiquid portfolio investments.

The *Responsible Investing* policy sets out our expectation that asset managers should exercise our voting rights to promote good governance, accountability, and positive change. We regularly review our asset managers against this expectation.

Among the illiquid portfolio investments, we may be granted voting rights through membership on Advisory Committees. This does not usually extend to voting on the operations of underlying assets, instead focussing on those funds' governance activities, however; we take these rights seriously.

Listed equities

The Fund has a very limited exposure to listed equities. The Cheshire & Derbyshire section has an £8.4m allocation (0.2% of Fund assets) to a World Equity Index Fund, while the Nationwide Section divested from its public equity portfolios in September 2022. Therefore, the influence that we can exert this way is minimal and not expected to change in future years.

The rights granted by the Cheshire & Derbyshire section's equities have been delegated to Legal & General, as this is a pooled investment vehicle. We are aware that by investing in this manner our voting rights will be used in accordance with the fund manager's stewardship beliefs.

Legal & General also uses a proxy voting service, "Institutional Shareholder Services", which reviews the issues that can be voted on and makes recommendations on how to vote. Legal & General uses this service to complement its own research. They also use "Institutional Voting Information Services" to supplement the research reports provided by Institutional Shareholder Services on UK companies. Legal & General holds quarterly meetings with Institutional Shareholders Services to monitor the services it provides. Legal & General is dedicated to using its influence to achieve positive change, and its voting decisions are made to achieve the best outcomes for clients, in accordance with its corporate governance and responsible investment policies. Alongside previous performance and asset

allocation, one of the reasons we chose to invest with them was because their approach to stewardship broadly aligns with our own.

The table below provides a breakdown of how these voting rights have been used:

Meetings eligible to vote at	1,532
Issues voted on	21,485 of 21,608
Of which voted for	76.39%
Of which voted against	23.10%
Of which abstained	0.52%
% of meetings at which voted against management at least once	81.78%

We expect Legal and General to continue voting in line with its published approach and monitor this through our annual due diligence process. If the approach changes significantly, we will consider if a new manager for the equity mandate needs to be appointed.

Significant votes

The table below presents examples of the significant votes made on the Trustee's behalf and best demonstrate how we expect Legal and General to vote.

Company	Unilever PLC	Chubb Ltd	Shopify Inc
Date	1 st May 2024	16 th May 2024	4 th June 2024
Portion of portfolio	0.04%	0.02%	0.01%
Summary of resolution	Approve Climate Transition Action Plan	Elect Director – David Sidwell	Elect Director – Tobias Lutke
Why significant	Thematic focus on ensuring transition plans are ambitious and credible.	Thematic focus on viewing gender diversity as a financially material issue.	Thematic focus on engaging with companies in climate-critical sectors.
Stewardship priority	Mitigating the effect on and from climate change.	n/a	Mitigating the effect on and from climate change.
How voted	For	Against	Against
Reason for voting	The plan includes disclosure of scope 1, 2, & 3 emissions, and emission reduction targets aligned with the Paris Agreement.	Legal & General expect a company to have women comprise at least one-third of the Board.	Protest vote as company is not deemed to meet minimum standards regarding climate risks.
Was company informed of vote intention	Legal & General make its voting intentions publicly available but does not engage directly with the companies in the lead up to an AGM.		
Outcome of vote	Pass	Elected	Elected
Next steps	Legal & General have not provided any information on whether it intends to take any additional action because of the vote outcomes.		

Illiquid portfolio

The Trustee has invested in range of private market assets, which currently accounts for c.45% of all investments. These investments are held in pooled vehicles with other investors and run by an asset

manager that is responsible for determining how best to invest any capital, and how to engage with any underlying companies. Our investments in these funds can, occasionally, lead to voting opportunities over certain decisions. Although these votes generally relate to administrative issues, we are committed to voting on all matters. Our voting record is summarised below:

Formal Decisions	Consented	Declined	Abstained
13	13	0	0

Each of these decisions is carefully considered, and discussed with the Investment Consultant where necessary, before we consent to them. In previous years there have been occasions where we have declined to support matters, but this year all matters were judged to be acceptable.

Looking forward

The Trustee believes that investing responsibly and effectively engaging with asset managers should lead to more sustainable returns, by reducing the environmental, social, and governance risks posed to an investment. We will continue to consider how our approach needs to evolve and update each section's *Statement of Investment Principles*, and the *Responsible Investing* policy, as needed.