Implementation statement

For the year ending
31 March 2022

NOW: Pensions

The future is now

Contents

Implementation Statement for year ending 31 March 2022

Introduction

Under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Trustee of the NOW: Pensions Trust (the Scheme) is required to produce this annual Statement, known as the "Implementation Statement", which sets out how the Trustee has:

Reviewed and updated the Statement of Investment Principles (SIP) (with the reasons for any changes);

Followed the SIP over the year (including its voting and engagement policies); and

Actioned voting rights and engagement activities relating to the Scheme's investments (including the exercise of the most significant votes and use of proxy voting services).

The Implementation Statement covers the Scheme financial year ended 31 March 2022 (the Scheme Year).

It includes sections on how the Trustee policies in the SIP have been followed over the Scheme Year regarding:

- **Investment objectives;**
- **Investment management;**
- **Stewardship, engagement and voting policies;**
- **Voting activity;**
- **Responsible investment; and**
- **Any other areas of policy.**

Summary

As demonstrated in the following sections of this Statement, the actions undertaken by the Trustee during the Scheme Year reflect the policies stated in the Scheme's SIP.

Trustee's review of the Statement Investment Principle over the year

Two versions of the SIP are relevant for the Scheme Year. Changes were made as a result of the Trustee's Strategic Investment Review and a new SIP was signed on 26 April 2021 (2021 SIP). It replaced the previous SIP of 24 September 2020 (2020 SIP).

The Trustee consulted with NOW: Pensions Limited as the Employer Representative and obtained written advice from its Investment Adviser, Redington Ltd, before the 2021 SIP was finalised.

The 2021 SIP was updated after the Scheme Year, to accommodate the Trustee's provision of a new Shariah investment option for employees of one of its participating employers. This resulted in a new SIP being agreed and signed on 22 June 2022 (2022 SIP). This will be reported on in the next Implementation Statement.

Therefore, in relation to the Scheme Year, the 2020 SIP applied from 1 April 2021 to 25 April 2021 and the 2021 SIP applied from 26 April 2021 to 31 March 2022.

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Trustee's policy on investment objectives

The Trustee must establish and regularly review the investment objectives and decide on how best to achieve these objectives. A review of the investment objectives and strategy took place in late 2020 and changes were implemented in April and May 2021. The main changes were as follows:

- An increase in the return objective for the Diversified Growth Fund to focus on improved member outcomes;
- Extending the Journey Path (glidepath) from 10 to 15 years during which time members approaching retirement will be switched largely to the Retirement Countdown Fund. The move is to help ensure that members approaching retirement are protected from major downside market movements;
- The introduction of responsible investment (RI) objectives for the DGF and RCF, in addition to risk and return objectives, as the Trustee believes it is essential to measure and manage the impact of its investment policy.

For the main part of the Scheme Year, the Trustee determined the investment strategy based on its key investment beliefs set out in Section 3.1 of the 2021 SIP. Section 3.2 of the 2020 SIP applied prior to that.

The Trustee determines the default investment strategy based upon the following key investment beliefs:

Choice	Given Scheme members' profile and limited member engagement/ feedback, offering a single investment choice (or default strategy) is most appropriate. This approach is simple to communicate, efficient to implement and effective in meeting members' retirement needs. This option means one Journey Path and common risk/return profile for members at each stage of the Journey Path.
Return-seeking	For long-term pension benefits, members must take risk and earn a return above inflation. Taking investment risk is usually rewarded in the long-term. Higher risk assets (e.g. shares) are expected to outperform lower risk assets (e.g. government bonds) but are also expected to have higher variability of returns (volatility).

Journey Path	A properly structured Journey Path allows additional return-seeking assets during the majority of the member's investing period because the volatility is managed during the transition phase as the member approaches the retirement phase (which we call the glidepath). Therefore, members benefit from higher returns in early years as the investment time horizon is long and transition to cash at retirement. The Journey Path reflects the characteristics of the Scheme's membership.
Responsible Investment	As long-term investors, incorporating environmental, social and governance (ESG) factors into a Responsible Investment process is integral to long-term success. RI matters in the long run and the risks associated with ESG factors should be measured and managed.
Asset allocation and diversification	Risk-based strategic asset allocation is the biggest driver of long-term investment performance, more than manager selection or security selection. Diversification and volatility management are key to enhancing return while managing risk in all stages of the Journey Path.
Decision making	Taking account of asset values/prices, economic conditions and long-term market developments enhances long-term performance and informs strategic decisions. The world is complex; judgment and qualitative research are important alongside quantitative analysis.
Active vs. passive	Indexed management may be more efficient than active management. The choice of the right index to follow is important. Market opportunities to deliver returns in excess of an index, net of fees, may exist, but identifying managers that consistently deliver excess returns after costs is challenging.
Costs matter	Both annual management charges and transaction costs should be considered. The Trustee has a bias towards lower cost solutions.
Derivatives and leverage	Derivatives can be used to contribute to the reduction of risks or to facilitate efficient portfolio management. Their use and the use of leverage must be thoughtfully managed and communicated.
Currency	Scheme members work in pounds (GBP) and save in pounds (GBP). However, investments may be made overseas. Currency risk will therefore be considered in all investment strategy decisions and will be appropriately managed throughout the Journey Path.
Less liquid assets	Less liquid assets (e.g. infrastructure, private equity) may provide an incremental risk-adjusted return. Less liquid assets that provide sufficient reward to compensate for illiquidity and additional costs may be suitable long-term investments. The use of these assets needs to be appropriately sized.

The Trustee Directors undertook the following key investment training during the Scheme Year, which helped with investment activity oversight and understanding:

Date	Topic	Who
22 June 2021	Responsible investment training	All Trustee Directors
22 June 2021	DGF training update	Investment Committee Directors
16 February 2022	Investment "deep dive"	All Trustee Directors

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Trustee's policy for investment management

The Trustee has entered into an investment management agreement with the Investment Manager, Cardano Risk Management Limited (the Investment Manager), appointing them as its primary fund manager. The Trustee has delegated responsibility for managing the Scheme's assets and all day-to-day investment functions to the Investment Manager, subject to regular monitoring and review, as outlined in the sections under Other Policies.

The Trustee recognises the importance of its stewardship and engagement activities to achieving good member outcomes and meeting its objectives, policies and priorities as set out in the SIP. The Investment Manager engages and monitors third party managers on the Trustee's behalf to ensure that managers' engagement and voting activities (including their view of what constitutes the most significant votes) reflect the Trustee's investment priorities and policies as set out in the SIP.

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Trustee's stewardship, engagement and voting policies

The Trustee recognises the pivotal role that good stewardship of assets will play in meeting its RI objectives. The Trustee believes the greatest impact will be achieved if, through its appointed Investment Manager, it is able to exert an influence on the companies in which it invests through active engagement and dialogue.

At the start of the Scheme Year, the Trustee's stewardship activities, including those delegated to the Investment Manager, were focussed on climate change. Later in 2021, this was broadened to consider social and sustainable factors more explicitly. This was reflected in the green bond portfolio being broadened to include social and sustainable bonds and the broadening of the Trustee's engagement priorities to cover three core areas of focus:

- **Climate Change;**
- **Living Wage;** and
- **Gender Equality.**

The Trustee's policies and activities are set out in the table below.

Trustee's Stewardship, Engagement and Voting Policies	Activity
Where applicable, when considering the implementation approach, the Trustee expects that the Investment Manager and any third-party asset managers will engage with companies (and other investee entities) on relevant matters (including performance, strategy, capital structure, the management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) with the aim of having a meaningful impact of protecting and enhancing the value of assets consistent with the Trustee's policies.	Over the Scheme Year, the Investment Manager appointed a third-party manager, BlackRock, to manage some of the Scheme's assets in a pooled fund. When selecting BlackRock, the Investment Manager scrutinised the stewardship, voting and engagement policies before the initial investment to ensure they aligned with the Trustee's Stewardship Policy. The Trustee in turn has scrutinised the Investment Manager's approach to responsible investment, including the Investment Manager's consideration and alignment with the Trustee's responsible investment policy and engagement priorities. The Trustee is therefore comfortable that the Investment Manager and BlackRock apply stewardship principles consistent with its own beliefs.
The Trustee expects third-party managers appointed by the Investment Manager to manage funds, to conform closely to standards consistent with its own beliefs and that of the SIP. The Trustee expects any such third-party asset managers to apply stewardship principles consistent with the Trustee's beliefs, priorities and principles in the SIP, and to provide appropriate disclosures to enable conformance with their overall policies and objectives.	The Investment Manager monitors BlackRock on an ongoing basis to ensure its activities, including voting and engagement, align with the Trustee's Stewardship Policy, and engages with BlackRock to help them improve their stewardship approach. The Trustee reviews the Investment Manager's quarterly reporting, which includes details of whether the Scheme's holdings align with the SIP's RI goal. The Trustee is comfortable with the Investment Manager's application of the Trustee's responsible investment policy and engagement priorities.

Trustee's Stewardship, Engagement and Voting Policies	Activity
The Trustee expects the Investment Manager: • to be a signatory of the UK Stewardship Code; and • to exercise voting rights in accordance with the Trustee's policies, with the aim of having a meaningful impact protecting and enhancing the value of assets consistent with the Trustee's policies. Where engagement fails to achieve meaningful impact, the Trustee expects the Investment Manager to exercise its voting rights appropriately. The Trustee expects the Investment Manager to be a signatory to ESG industry initiatives engaging collaboratively, and to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).	The Investment Manager has been approved as a signatory to the UK Stewardship Code. The Investment Manager believes that engagement is more efficient when managers collaborate, and are signatories to Climate Action 100+, the Net Zero Asset Managers Initiative and the Institutional Investors Group on Climate Change. During the Scheme Year, the Investment Manager appointed a new service provider, Sustainalytics, to provide specialised engagement services. This appointment was made on 3 March 2022.
The Trustee will carry out an annual review of engagement activities (including voting) undertaken by the Investment Manager and any third-party asset managers as part of producing this annual Implementation Statement. The Trustee will challenge any arrangements or stewardship policies that do not align with the RI approach.	The Investment Manager provided a Stewardship update to the Trustee on 9 February 2022. This review focussed on the engagement activity - including the exercise of voting rights - attaching to the Scheme's equity investments as exercised by BlackRock, its third-party manager. It included an update on BlackRock policy changes and the Investment Manager's proposed enhancements to engagement through the appointment of Sustainalytics. The Trustee monitors and discloses the voting records (included on page 12).
As part of its annual review of the Investment Manager, stewardship policies and voting records are reviewed (and discussed with the third-party asset managers) at least annually by the Investment Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review these each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their RI approach.	The Trustee received qualitative and quantitative information about the stewardship policies and voting records on a quarterly basis and considered these policies in its annual review of the Investment Manager in March 2022. The Trustee is comfortable with the Investment Manager's application of the Trustee's RI policy and engagement priorities, including the significant votes identified. Further detail on the voting record is provided on page 12.

Trustee's Stewardship, Engagement and Voting Policies	Activity
The Investment Manager is required to provide information, at least annually, on how it takes financial and non-financial performance into consideration in its assessment of investee companies, including but not limited to detailing its engagement activities with investee companies, where relevant. The Trustee has delegated responsibility for ensuring this to the Investment Manager and will monitor the Investment Manager's performance in this regard.	Engagement activity based on investment type was as follows: • The Trustee held an allocation to sustainable bonds in the DGF, as part of their RI policy. When selecting these bonds, the Investment Manager considered the attractiveness of the bond in isolation, and its role within the investment strategy. • Third-party funds were introduced to the Scheme over the Scheme Year. The Investment Manager engages with third-party managers to determine their suitability for running responsible investment mandates on behalf of the Scheme. The Scheme's assets are exposed to certain risks, including operational, legal and compliance risks involved in investing. They are taken into account in the management of the portfolio and reported on a quarterly basis to the Trustee, for example in the explanation of the purchases of a particular green bond or reporting of counterparties. Since the first quarter of 2022, this reporting has also highlighted to the Trustee: • Details of investments held and check of alignment with RI objectives; and • Significant votes mapped to Trustee's engagement priorities.

The Trustee did not explicitly target any non-financial matters in their investment decision-making. The Trustee continues to work on gaining a better understanding of the views of the membership in relation to investment and other matters to ensure that, as far as legally permitted, these are reflected in decisions on investment and delivering our services to members. The Trustee received feedback from individual members on an ad hoc basis regarding their views and has been considering how best to canvass members in future to better understand their views.

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Trustee's voting activity

The use of voting rights is most likely to be financially material where physical equities are held. During the Scheme Year, the Scheme was invested in equities in a third-party fund managed by BlackRock. The Trustee's voting policy where the Investment Manager invests assets in third party funds is that it will engage with the managers of these funds regarding their voting records and level of engagement with the underlying investments.

The voting record over the Scheme Year is included in the table below.

BlackRock Voting Activity Year to 31 March 2022	ACS World ESG Equity Tracker Fund X1 Acc GBP
Number of meetings at which eligible to vote	255
Number of resolutions on which eligible to vote	3,961
Proportion of eligible resolutions on which voted	100%
Of resolutions on which voted[1] :	3,961
• proportion voted with management	92%
• proportion voted against management	7%
• proportion from which abstained	0%

BlackRock uses Institutional Shareholder Services' electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, it works with proxy research firms who apply BlackRock's proxy voting guidelines to filter out routine or non-contentious proposals and refer to it any meetings where additional research and possibly engagement might be required to inform its voting decision.

The responsibility for managing the Scheme's assets is delegated to its investment manager, Cardano Risk Management Limited. No physical equities or third-party funds were held during the reporting year other than in BlackRock pooled funds. (All equity exposure was achieved through derivatives, which carry no voting rights). There was therefore no other voting activity over the Scheme Year on which to report.

[1] Rounding of percentages may mean voting totals do not sum to 100%. These are figures provided by BlackRock

Most significant votes

BlackRock's corporate governance programme led by its Investment Stewardship team acts as a central clearinghouse of BlackRock's views across the various portfolios with holdings in individual companies and aims to present a consistent message. BlackRock determine their engagement priorities based on their clients' priorities, objectives and investment principles, observation of market developments and emerging governance themes and evolve them year-over-year. BlackRock's key engagement priorities include:

- **Board quality;**
- **Environmental risks and opportunities;**
- **Corporate strategy and capital allocation;**
- **Compensation that promotes long-termism; and**
- **Human capital management.**

The Trustee delegates certain responsibilities for applying its engagement priorities to the Investment Manager. The Investment Manager prioritises its scrutiny of BlackRock's engagement activities, including voting, based on the Trustee's engagement priorities, the size of the position, and its ability to achieve influence. The Investment Manager has confirmed that BlackRock's engagement activity in environmental risk and opportunity aligned with the Trustee's consistent focus on climate change throughout the year.

BlackRock's Investment Stewardship team has provided information about what it has considered to be the most significant votes as they relate to climate risk and to board structure as it relates to climate, which are included as Appendix 1. The Trustee is comfortable with the Investment Manager's identification of the significant votes for the purpose of the Shareholder Rights Directive II.

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Trustee's policies on responsible investment (RI)

A key Trustee investment belief is that, as long-term investors, incorporating ESG factors into a RI process is integral to long-term success. In addition to risk and return objectives set for the Diversified Growth Fund and Retirement Countdown Fund, the Trustee believes it is essential to measure and manage the impact of its investment policy in line with its RI objectives, to help make it possible to invest in a way which has a beneficial effect on portfolio returns and which also contributes to a more sustainable world. In the opinion of the Trustee, the Trustee's policies on RI have been followed throughout the Scheme Year; the following tables provide some more detail.

Trustee RI Policy	Activity
The Trustee considers the Investment Manager's policies on taking account of ESG factors in decisions regarding the selection, retention and realisation of investments to be consistent with the Trustee's RI beliefs. It has delegated responsibility for taking account of ESG factors to the Investment Manager as part of the overall delegation of day-to-day investment management responsibilities. The Trustee monitors how the Investment Manager integrates ESG considerations into its investment process.	The Investment Manager attended the quarterly meetings of the Investment Committee to discuss its performance as responsible investors - with specific consideration to how the Investment Manager has implemented the RI policies and engagement activities included in this Implementation Statement. The Trustee remains confident that the Investment Manager is seeking opportunities to allow the Trustee to meet its RI objectives within their constraints.

Trustee's RI Policies	Activity
As part of its RI objectives, the Trustee has set the following goals: • Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement[2] in so far as consistent with the Trustee's wider fiduciary duties; and • At least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs, by the end of 2022.	The Trustee undertook a Strategic Investment Review of the Journey Path and its objectives, with changes implemented in April and May 2021. As a result, the Trustee expanded its investments in sustainable bonds and ESG based equities: • The Investment Manager invested in BlackRock's ACS World ESG Equity Tracker fund; this fund invests in companies that have stronger sustainability characteristics and lower carbon footprints; and • The allocation to Green Bonds was broadened to include sustainable bonds. At the end of the Scheme Year, more than 50% of the Scheme's net asset value was in investments which support the Trustee's RI beliefs. The Trustee will continue to consider the transition risks, physical risks and environmental opportunities for its investment strategies over a range of different scenarios and undertake measurements which enable it to track its progress towards the goal of Net Zero carbon emissions by 2050. The Trustee's disclosures in line with Taskforce for Climate-related Financial Disclosures (TCFD) for the year ended 31 March 2022 can be found at nowpensions.com/tcfd.
The Trustee recognises that the measurement of impacts of investments is a complex and rapidly developing area.	The Trustee continues to work in conjunction with its Investment Manager to develop the necessary framework to progressively measure impact over time. More recently, this involved looking at the metrics and targets as recommended by the TCFD, which measure the carbon emissions of the portfolio and enable the Trustee to assess climate risk and take steps to mitigate its impact.

[2] Net Zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

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How the other policies in the SIPs have been followed over the year

Two versions of the SIP are relevant for the Scheme Year. The 2020 SIP applied from 1 April 2021 to 25 April 2021 and the 2021 SIP applied from 26 April 2021 to 31 March 2022. The following table provides some more detail on the main policies of the SIP, indicating where any differences applied between the 2021 and 2020 SIPs. In the opinion of the Trustee, the SIPs have been followed throughout the year.

Trustee's policies on Investment Strategy	
Trustee Policy	**Activity**
Given the membership profile and limited member engagement/feedback, offering a single default strategy is most appropriate. This option means one Journey Path and common risk/return profile for members at each stage of the Journey Path.	The Scheme continues to be invested in the Diversified Growth Fund and the Retirement Countdown Fund to achieve the appropriate risk profile of the three phases of a member's Journey Path. Changes to the Journey Path and Return Objectives were implemented in April and May 2021 as a result of the Trustee's Strategic Investment Review. The Trustee continues to remain alert to, and consider, any member feedback received.
The majority of assets are readily realisable which is intended to provide for sufficient liquidity to meet members' purchases and sales and to manage the derivatives.	The majority of assets held during the Scheme Year were readily realisable, and cash is readily accessible. The Investment Manager manages each fund so there is sufficient liquidity to meet members' withdrawals, and to expect to remain stable in stressed market conditions in the following way: • Cash levels are monitored daily by the Investment Manager, with allocations to different investments managed in compliance with the Investment Management Agreement (IMA); • The Investment Manager considers forecasted cashflows when revising positions. In addition to quarterly reporting, the Investment Manager provides the Investment Committee with a monthly dashboard designed to highlight important changes, including material changes to the portfolio, new instruments traded, and any material issues impacting the Funds.

Trustee's policies on Investment Strategy	
Trustee Policy	**Activity**
The Trustee delegates to the Investment Manager: • Assessment of the expected return on investments; and • Decisions around the realisation of investments.	The Trustee continues to delegate these assessments and decisions to the Investment Manager.

Trustee's policies on review and evaluation of arrangements	
Trustee Policy	**Activity**
The Trustee has set the Investment Manager guidelines, including permissible ranges for each kind of investment, which are set out in detail in the IMA. The Investment Manager adjusts the balance of investments in the portfolio in response to evolving market conditions and ensures that: • it stays within the guidelines; • it is appropriate to achieving the Return Objective, Risk Objective and RI Objective; and • there is sufficient liquidity to meet cashflow and derivative requirements.	The Trustee's Investment Committee has received reporting from the Investment Manager against these guidelines on a quarterly basis during the Scheme Year. There were no instances of non-compliance with any risk limits.
Trustee regularly reviews the Scheme's investment strategy. The Investment Manager regularly reviews the portfolio composition to ensure its composition remains appropriate.	The Investment Manager attended the quarterly meetings of the Trustee's Investment Committee to review strategies and performance; the Investment Committee report to the Trustee at their subsequent quarterly meetings. The Investment Manager reviews the Scheme's Funds on a monthly basis, at meetings attended by the Trust Manager's head of investment.
The Trustee has established an Investment Committee whose role is to oversee the Investment Manager and to monitor progress against the Scheme's investment objectives and consistency with the SIP. The Investment Committee meets with the Investment Manager on a regular basis to review Fund performance against its objectives, focusing on longer-term outcomes. The review includes specific consideration of how the Investment Manager has implemented the investment strategy consistent with the IMA and the SIP.	The Investment Committee met on a quarterly basis during the Scheme Year and received regular reports from the Investment Manager detailing performance and progress against the Return Objective, the Risk Objective and the RI Objective, together with other information such as portfolio turnover costs (i.e. fees and expenses, including transaction costs) incurred in managing the investments which were assessed and monitored against the expected level. The Investment Committee had no significant concerns about the performance of the Investment Manager nor consistency with the policies set out in 2021 and 2020 SIP.
The Fees paid to the Investment Manager are reviewed annually and its appointment is reviewed periodically during the year and formally every three years.	The appointment of the Investment Manager was reviewed in March 2022 through the Supplier Management Board. As part of this review process the Trust Manager's Supplier Management Board determines that the Investment Manager is providing value for members.

Trustee's policies on risk management	
Trustee Policy	**Activity**
The key risk to members is not meeting their financial retirement objectives. This could be due to insufficient contributions into the Scheme or a lack of growth in investment returns.	The Trustee helps members manage the risk of not saving enough by providing information on the importance of saving for retirement. The Trustee invests members' assets in the Journey Path, which has different growth targets as a member progresses toward retirement age.
Concentration risk: This is the risk of underperformance due to an investment having an overly large adverse impact on the return.	This risk is managed by the Investment Manager who operates to IMA guidelines that ensure the assets are spread across a range of investments.
Counterparty risk: This is the risk of loss caused by the portfolio trading with a financial institution that defaults on its obligations.	This risk is managed by the Investment Manager through the selection process of the financial institutions the Trustee contracts with and the Investment Manager regularly monitors the exposures and appointed counterparties.
Credit risk: This is the risk of loss arising from the default on expected cashflows.	This risk is managed by the Investment Manager who operates within IMA guidelines which set out diversification and credit limits.
Currency risk: This is the risk of loss arising from the falling value of overseas investments due to the strengthening of GBP.	This risk is managed by the Investment Manager who operates to IMA guidelines which set out the permissible level of non-GBP exposure within each Fund.
Leverage risk: This is the risk that the value of the portfolio (or individual positions) will fall faster than it (or they) would without the use of leverage. The use of leverage requires increased collateral and cash management processes to support the derivatives and increased credit analysis of counterparties and exchanges. In addition, the cost of the leverage may exceed the return from the leveraged instruments. The amount of leverage and its usage is defined in the IMA.	The Investment Manager is responsible for managing this risk in accordance with the IMA guidelines.
Liquidity risk: This is the risk that there is a shortfall in easily accessible assets to meet the immediate cashflow needs.	This risk is managed by the Investment Manager who operates to IMA guidelines which require a sufficient level of liquid assets in each Fund to provide for members' likely withdrawals, taking in account flows into the Trust and monitoring the requirements for derivative positions.
Operational risks: This is the risk of loss caused as a result of, but not limited to, fraud, acts of negligence or lack of suitable processes.	This risk is managed through agreements with each service provider which are monitored regularly by the Trustee. Before the appointment of any new service provider, due diligence is undertaken by the Trust Manager's Supplier Management Board. Furthermore, NPL as the Trust Manager, together with the Trustee, undertakes an annual review of all key service providers. The key service providers with operational risk are the Custodian (Bank of New York Mellon), the Administrator (Mercer), the Investment Manager (Cardano Risk Management Limited) and the Trust Manager (NPL).
Valuation risk: This is the risk that investments are not valued properly, and Fund unit prices are incorrect.	This risk is managed through the selection process and regular monitoring of the Investment Manager, investing in assets which are quoted, and requiring the Investment Manager and Custodian to have clear valuation policies in place for those that assets which are not quoted.

Other Policies	
Trustee Policy	**Activity**
The Trustee's Investment Adviser appointment is reviewed periodically during the year formally every three years.	Redington Ltd has continued to provide advice to the Trustee on whether the assets of the Trust are invested in accordance with the policies set out in the SIP and various legislative requirements of the Pensions Act 1995. Redington was reviewed in December 2021 through the Supplier Management Board. As part of this review process the Trustee determines that the Investment Adviser is providing value for members.

Final Remarks

Overall, the Trustee has demonstrated how it:

a. **Followed the 2020 SIP and 2021 SIP over the Scheme Year;**

b. **Reviewed the 2020 SIP and adopted the updated 2021 SIP; and**

c. **Applied any voting rights relating to the Scheme's investments.**

Over the Scheme Year, the Trustee continued to make investment decisions in line with the policies set out in the SIPs.

Any actions undertaken by the Trustee after the Scheme Year will be covered in the next Implementation Statement.

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Appendix 1 Significant votes

Climate change has been a consistent focus for the Trustee throughout the year. The Trustee delegates certain responsibilities for applying the Trustee's engagement priorities to the Investment Manager, which has considered the following votes for BP Plc, Commonwealth Bank of Australia, Fortescue Metals Group Ltd and Woodside Petroleum Limited to be the most significant as they relate to climate risk - one of the Trustee's key priority themes - and to board structure as it relates to climate. The Trustee is comfortable with the Investment Manager's identification of the significant votes.

The Trustee's stewardship activities, including those delegated to the Investment Manager, were broadened toward the end of the Scheme Year to more explicitly also consider social and sustainable factors and cover three areas of focus:

- **Climate Change;**
- **Living Wage;** and
- **Gender Equality.**

As the Trustee and its Investment Committee continue to work with the Investment Manager, the Trustee expects significant votes and engagement in the next Scheme Year to relate to these three engagement priorities.

Company	BP Plc (LSE: BP)
Market and Sector	**UK/Energy**
Overview	BP Plc (BP) is an integrated oil and gas company, operating through the following segments: Upstream, Downstream and Rosneft. The company was founded in 1909 and is headquartered in London. BlackRock has engaged extensively with the company to discuss corporate governance and sustainability issues that BlackRock believes drive long-term shareholder value. These include, among others, the management, oversight, and disclosure of climate-related risks and opportunities.
Meeting Date	12 May 2021
Key Resolutions	• Items 1-12: Approve management resolutions to re-elect Directors • Item 13: Approve shareholder resolution on Climate Change Targets
Key Topics	Climate risk
Board Recommendation	The Board recommended voting FOR all management resolutions (Items 1-12) and AGAINST this shareholder resolution (Item 13)
BlackRock Vote	BlackRock voted FOR all management resolutions (Items 1-12), including the re-election of all directors, and FOR the shareholder resolution on climate change targets.

Rationale for BlackRock's Votes

Items 1-12: Management resolutions (FOR)

BlackRock is supportive of BP's management team, including the company's climate strategy. For this reason, BlackRock voted FOR all management resolutions, Items 1-12. BlackRock is also supportive of BP's Board of Directors, including in their oversight of the company's climate strategy.

As outlined in BlackRock's EMEA proxy guidelines, at companies where BlackRock has concerns about the quality of a company's strategy, disclosures and/or oversight of risk, BlackRock's standard course of action would be to hold directors accountable with votes against their re-election. At BP, that is not the case: BlackRock supported the re-election of all directors.

Rationale for BlackRock's Votes

Item 13: Approve Shareholder Resolution on Climate Change Targets (FOR)

While recognising the company's efforts to date and direction of travel, supporting the shareholder resolution signals BlackRock's desire to see the company accelerate its efforts on climate risk management.

The shareholder resolution requested that the company "set and publish targets that are consistent with the goal of the Paris Climate Agreement… Shareholders request that the company report on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis, at reasonable cost and omitting proprietary information."

BlackRock believes that BP is substantially already aligned with the ask of the resolution and should continue to progressively refine its GHG emissions reduction targets. Currently, the company has set an ambition to be net zero by 2050 or sooner, which includes short-, medium- and long-term Scope 1, 2 and 3 emissions reduction targets. For Scope 3, BP aims to reduce the carbon intensity of the products it sells by 50% by 2050 or sooner. In addition, the company plans to increase the proportion of investment in non-oil and gas businesses, and to reduce the methane intensity of its operations by 50%. Furthermore, the company aligns its reporting with the recommendations of the TCFD and the sector-specific standards of the Sustainability Accounting Standards Board. BP's climate strategy is consistent with BlackRock's belief that the companies that critically evaluate their current baseline, set rigorous GHG emissions reduction targets, and act on an accelerated timeline are those most likely to avoid operational disruption in the future.

Nonetheless, it is still early days and the company will need to continue to clarify and demonstrate continued progress on its communicated goals to shareholders. For example, BlackRock believes that investors would benefit from having greater specificity around what constitutes targets aligned with the Paris Agreement. BlackRock recognises that these methodologies are emerging, and BlackRock thinks that organisations like the Science-Based Targets Initiative will have an important role to play in defining the 'right' transition pathways for large energy companies. BlackRock thinks this will be essential to achieving broad-based support for transition strategies for large energy companies. Supporting this resolution signals BlackRock's belief that BP has a credible climate strategy which it needs to implement and continue to refine as the industry's understanding of the necessary transition pathways advances.

While BlackRock supports the specific language of the resolution – which, although broad, is clear and unambiguous – BlackRock has reservations about some of the language used in the supporting statement. BlackRock notes that the supporting statement, with which the company is not required to adhere, mentions that "whatever metric is chosen (relative or absolute), the targets must be proven to lead to absolute emissions reductions compliant with the Paris Climate Agreement." Until methodologies and transition pathways are finalised and broadly adopted across the industry, BlackRock recognises that it might be challenging for any company to prove compliance with the Paris Agreement.

BlackRock also notes the claim made by the proponent in a formal presentation to investors that "BP should go back to the drawing board and disrupt its current business plans which involve an increase in emissions." BlackRock does not agree with this assertion, and had this language been present in the formal shareholder documentation, BlackRock would not have been able to support the resolution. On the contrary, BlackRock considers it appropriate for the board to continue in its current assessment of the company's strategy to ensure it remains relevant and consistent with BP's stated ambition of alignment with the Paris goals.

Company	Commonwealth Bank of Australia (ASX: CBA)
Market and Sector	**Australia, Financials**
Overview	The Commonwealth Bank of Australia (CommBank) is Australia's leading provider of integrated financial services. CommBank serves more than 15 million customers and focuses on retail and commercial banking services. CommBank also operates in New Zealand through its subsidiary ASB. BlackRock regularly reviews the company's risk profile and engages to discuss corporate governance and sustainability risks and opportunities that BlackRock believes contribute to long-term shareholder value. Most recently, BlackRock engaged with both members of the Board of Directors and management team to discuss governance-related issues such as board composition and executive compensation. In BlackRock's engagements, BlackRock also touched on the continued impact of COVID-19 and CommBank's response in support of its employees and customers, as well as its role in the country's recovery. Lastly, BlackRock sought to further their understanding of CommBank's approach to environmental risks and its progress against its 2050 climate commitments.
Meeting Date	13 October 2021
Key Resolutions	• Item 5.a: Amendment to the Constitution • Item 5.b: Transition Planning Disclosure
Key Topics	Climate and natural capital
Board Recommendation	The board recommended voting AGAINST items 5.a and 5.b
BlackRock Vote	BlackRock voted AGAINST items 5.a and 5.b

Rationale for BlackRock's Votes

Item 5.a: Amendment to the Constitution

BlackRock voted AGAINST the proposal to amend CommBank's Constitution.

As required under the Australia Corporations Act 2001, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent ordinary resolution. A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution.

BlackRock is generally not supportive of constitutional amendment resolutions. BlackRock's concern is that the relative ease of filing introduces the risk of potentially distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.

Rationale for BlackRock's Votes

Item 5.b: Transition Planning Disclosure

BlackRock voted AGAINST the resolution as it is overly prescriptive and risks unduly constraining management's ability to make business decisions. Further, the company has demonstrated its commitment to integrating climate risks into its long-term strategy, including TCFD-aligned reporting since 2018 and a stated goal of net zero emissions by 2050.

A shareholder resolution requested that the company disclose, in subsequent annual reporting, information demonstrating how it will manage its fossil fuel exposure in accordance with the International Energy Agency's (IEA) net zero by 2050 scenario. The proponents note that "despite committing to the climate goals of the Paris Agreement and achieving net zero emissions by 2050," CommBank "remains an active investor in fossil fuel expansion and is aiming to miss the 2050 goal for net zero emissions, further exposing shareholders to financial risks associated with the energy transition required to meet the Paris climate goals."

In general, BlackRock does not support shareholder proposals that BlackRock believes to be overly prescriptive and as such, would risk unduly constraining management's ability to make business decisions, as is the case with this resolution. BlackRock also took into account the progress the company has already made in integrating climate and sustainability-related risks into its long-term value proposition and believes it sufficiently articulates a plan to align its business model with the global aspiration to reach a net zero economy by 2050.

BlackRock believes companies should disclose a plan for how their business model will be compatible with a low-carbon economy. The plan should be integrated into company strategy and include short-, medium-, and long-term targets and goals. CommBank's "Environmental & Social Framework" outlines the company's approach to environmental and social risks, and how it is proactively identifying opportunities within a rapidly changing context, community expectations and regulation. CommBank's Board of Directors oversaw and reviewed an update to the company's "Environmental & Social Framework" for 2021, published on August 11, 2021. In the revised E&S Framework, CommBank has also publicly recognised the role it plays in helping its customer base transition to a low-carbon future, as Australia's largest financial institution.

The company has already committed to 1) refrain from providing corporate or trade finance to new clients who derive 25% or more of their revenue from the sale of thermal coal; 2) reduce its corporate and trade finance exposure to existing clients who derive 25% or more of their revenue from the sale of thermal coal to zero by 2030; and 3) only offer corporate or trade finance to existing oil and/or gas producing, metallurgical coal mining or coal-fired power generation clients after an appropriate assessment. The company also expects these clients to have published Transition Plans from 2025 and moving forward.

Further, in the 2021 E&S Framework, CommBank committed to provide no project finance to new or expanded thermal coal mines, nor to new coal fired power plants. The company also committed to 1) reduce existing project finance exposure to thermal coal mines and coal fired power plants to zero by 2030; and 2) to only provide project finance for new or expanded oil and gas projects or metallurgical coal mines after an assessment of the environmental, social and economic impacts of such activity, and if in line with the goals of the Paris Agreement.

Based on the above, BlackRock believes the company has provided sufficient clarity around its strategy to pursue its commitments while also providing funding to companies relevant to the energy transition. A related consideration is that BlackRock advocates for climate-related disclosures aligned with the reporting framework developed by the Task Force on Climate-related Financial Disclosures (TCFD) in order to provide investors with relevant information to assess companies' plans, actions, and outcomes, which CommBank has been doing since 2018. This helps investors and shareholders to map its progress, performance and plans to address climate change on an ongoing basis.

BlackRock maintains that carbon-intensive companies have a critical role to play in unlocking the value of the energy transition, and this naturally extends to the financial services companies that fund their activities. BlackRock will continue to monitor CommBank's progress and responsiveness to shareholder concerns given the rapidly evolving ability of companies to better identify and report climate risk data relevant to their business.

Company	Fortescue Metals Group Ltd. (ASX: FMG)
Market and Sector	**Australia, Materials**
Overview	Established in 2003, Fortescue Metals Group Ltd. (Fortescue) is an Australia-based materials company that specialises in iron ore production. The company employs more than 10,000 people and operates three mining hubs in Western Australia. The company's iron ore business comprises a robust mining, rail, shipping, and marketing network, allowing it to export over 180 million tonnes of iron ore annually. BlackRock regularly reviews the company's risk profile and engages with company leadership to discuss corporate governance and sustainability risks and opportunities that BlackRock believes can contribute to long-term value creation. BlackRock's discussions with Fortescue's board members and management team have touched on governance issues such as long-term corporate strategy and executive compensation. BlackRock has also engaged with Fortescue's management – including its team dedicated to Native Title and Heritage matters – to understand its approach to managing and mitigating material environmental and social risks, including the potential impact of the company's activities on the communities in which it operates.
Meeting Date	9 November 2021
Key Resolutions	• Item 7: Special resolution to amend the Company's constitution • Item 8: Support for Improvement to Western Australian Cultural Heritage Protection Law
Key Topics	Company impacts on people; political activities and lobbying
Board Recommendation	The board recommended voting AGAINST items 7 and 8
BlackRock Vote	BlackRock voted AGAINST items 7 and 8

Rationale for BlackRock's Votes

Item 7: Special resolution to amend the Company's constitution

BlackRock voted AGAINST the resolution to amend Fortescue's constitution.

As required under the Australia Corporations Act 2001, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent ordinary resolution (in this case item 8). A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution. BlackRock is generally not supportive of constitutional amendment resolutions. BlackRock's concern is that the relative ease of filing introduces the risk of potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.

Rationale for BlackRock's Votes

Item 8: Support for Improvement to Western Australian Cultural Heritage Protection Law

BlackRock voted AGAINST the three-part resolution as the different requests, taken in their entirety, risk becoming overly prescriptive. Specifically, BlackRock maintains company management and the board are best positioned to determine whether making public comment on legislation will serve long-term shareholders' economic interests. BlackRock is also concerned that the proponents ask shareholders to set the company's position on specific policy matters. Regarding industry associations, BlackRock maintains the ultimate decision again lies with company management, with appropriate review and oversight by the board.

BlackRock recognises the critical importance of enacting adequate laws to protect Australia's unique cultural heritage, advance the interests of Aboriginal peoples, and limit social, reputational, and financial risks to companies operating in Western Australia. To that end, BlackRock engages with companies to understand their approach to impacts inherent in their businesses, including if and how they engage with affected stakeholders and provide access to address actual adverse impacts. BlackRock also engages to learn whether companies obtain (and maintain) the free, prior, and informed consent of Indigenous peoples for business decisions that affect their rights; protect cultural heritage sites; and provide access to resources and/or compensation in the event of displacement or destruction.

However, as currently structured, the three-part resolution effectively risks unduly constraining management's ability to make basic business decisions. Further, it asks the company to "ensure that the advocacy of trade associations of which the Company is a member is consistent with the terms of this resolution, and if not, review to ensure consistency." In BlackRock's view, it is problematic to hold a company accountable to ensure something that is potentially out of its control. As management and the board are ultimately best placed to determine when public comment on legislation serves long-term shareholders' economic interests, BlackRock is also concerned the proposal would ask shareholders to set the company's public comment on policy matters.

BlackRock believes that company engagement in political activities and industry associations can allow companies to remain informed and involved in the political and regulatory processes that may impact their businesses. On the other hand, BlackRock fully acknowledges that these activities may also create risks particularly if policy advocacy does not align with the company's stated position on strategic policy issues. However, BlackRock does not consider it appropriate for shareholders to restrict a company's industry associations membership, as this resolution seems to propose. This is a decision that lies with the company's management team, with appropriate oversight by the board.

Lastly, BlackRock acknowledges Fortescue's public support of "part of Recommendation 2 of the Juukan Inquiry Interim Report" and encourages the company to continue to be responsive to shareholder concerns. On behalf of clients, BlackRock will continue to engage to understand how Fortescue's activities and disclosures, including its current policies in place to involve and obtain consent from the Western Australia Aboriginal Traditional Owners and their representative organisations, are consistent with the company's overall strategy and long-term shareholder value creation.

Company	Woodside Petroleum Ltd.
Market and Sector	**Australia, Oil and Natural Gas**
Overview	Woodside Petroleum Ltd. (Woodside) is an Australian oil and natural gas company with global exploration, development, and production operations. BlackRock regularly monitors Woodside's governance practices and risk profile as part of its responsibility to shareholders. In BlackRock's recent engagements with the company's board, BlackRock had extensive discussions on a range of material issues, including but not limited to the company's approach to sustainability reporting, climate risk, environmental impact-management, business oversight and risk management. BlackRock welcomes the steps the company has taken to strengthen its sustainability and climate disclosures, particularly the alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). BlackRock expects companies to provide disclosure aligned with the four pillars of the TCFD framework, including Scope 1 and Scope 2 emissions, along with accompanying greenhouse gas (GHG) emissions reduction targets. Carbon-intensive companies (such as Woodside) should also disclose Scope 3 emissions.
Meeting Date	15 April 2021
Key Resolutions	• Item 2a: Elect Christopher Haynes as Director • Item 5a: Approve the Amendments to the Company's Constitution Proposed by Market Forces • Item 5b: Approve Capital Protection • Item 5.b: Transition Planning Disclosure
Key Topics	Climate risk
Board Recommendation	The board recommended voting FOR item 2a, and AGAINST items 5a and 5b
BlackRock Vote	BlackRock voted AGAINST items 2a, 5a and 5b

Rationale for BlackRock's Votes

Item 2a: Elect Christopher Haynes as Director (AGAINST)

BlackRock voted AGAINST the longest-serving director up for re-election given BlackRock's concerns about the comprehensiveness of the company's current climate risk disclosure.

Currently, the company provides an integrated annual report and separate Sustainable Development Report (SDR). The annual report aligns with the four pillars of the TCFD, while the SDR includes reported Scope 1, 2 and 3 emissions and Scope 1 and 2 emissions reduction targets of 15% and 30% by 2025 and 2030 respectively. However, the company does not provide Scope 3 emissions reduction targets. As discussed in BlackRock's commentary, "Climate risk and the transition to a low-carbon economy", BlackRock looks for companies in carbon-intensive industries to disclose Scope 3 emissions reduction targets as it is particularly important for investors to understand the complete emissions profile of carbon-intensive companies as the world transitions to a low carbon economy.

As a result, BlackRock voted against the longest-serving independent director up for re-election (in lieu of a vote against the sustainability chair who was not up for election) to hold the company accountable for inadequate progress on Scope 3 target setting.

Rationale for BlackRock's Votes

Item 5a: Approve the Amendments to the Company's Constitution Proposed by Market Forces (AGAINST)

BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.

This resolution requested that the company amend its constitution by inserting a new clause: "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to a material risk as identified by the company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

The Australian voting regime requires a change in the company's constitution in order to file a shareholder resolution. Shareholders may submit ordinary resolutions, but companies are only required to put forward binding (or special) resolutions and are allowed to exclude non-binding or ordinary resolutions if it is determined that they request that the board act in a certain matter. In other words, to allow for the non-binding resolution (5b), a resolution calling for an amendment to the company's constitution is first required.

BlackRock does not support this type of resolution. Lacking regulatory reform, market practice has defaulted to either abstaining or voting against this constitutional change requirement, even while many companies are allowing for the underlying resolution (in this case, 5b) to be discussed and voted upon. BlackRock has generally not been supportive of constitutional amendment resolutions given BlackRock's view that tighter regulatory requirements should be in place in order to prevent potentially non-business relevant resolutions.

Item 5b: Approve Capital Protection (AGAINST)

BlackRock voted AGAINST this shareholder resolution because it is overly prescriptive and unduly constraining on management's basic business decision-making.

The resolution requests that the company discloses, in subsequent annual reporting, how the company's capital expenditures will facilitate the efficient "managing down" of oil and gas operations and assets, as well as plans and capital expenditure requirements for decommissioning and rehabilitating asset sites at the end of their Paris-aligned lifetimes. BlackRock did not support the resolution given its overly prescriptive nature through its intrusiveness into the basic decision-making of management, as well as the contradiction between the resolution's request to wind down all of the company's operations and the board's fiduciary responsibilities to act in the long-term economic interest of shareholders.

In addition, BlackRock believes that Woodside's commitment to an annual vote on its climate plan beginning in 2022 will give investors the opportunity to measure progress as well as provide timely feedback.

Nonetheless, as previously discussed, BlackRock strongly believes the company could be more proactive on its Scope 3 emissions reduction targets, and to signal these concerns BlackRock voted against the longest-serving director up for re-election. BlackRock believes this will encourage the company to proactively and ambitiously manage the climate risk inherent in its business model.

BlackRock has also encouraged the company to continue to develop its strategy to transition its business model and position itself to respond to the continued evolution of the energy sector and long-term policy environment in Australia and globally.

Information correct as at October 2022. NP/D0268/10/2022.
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