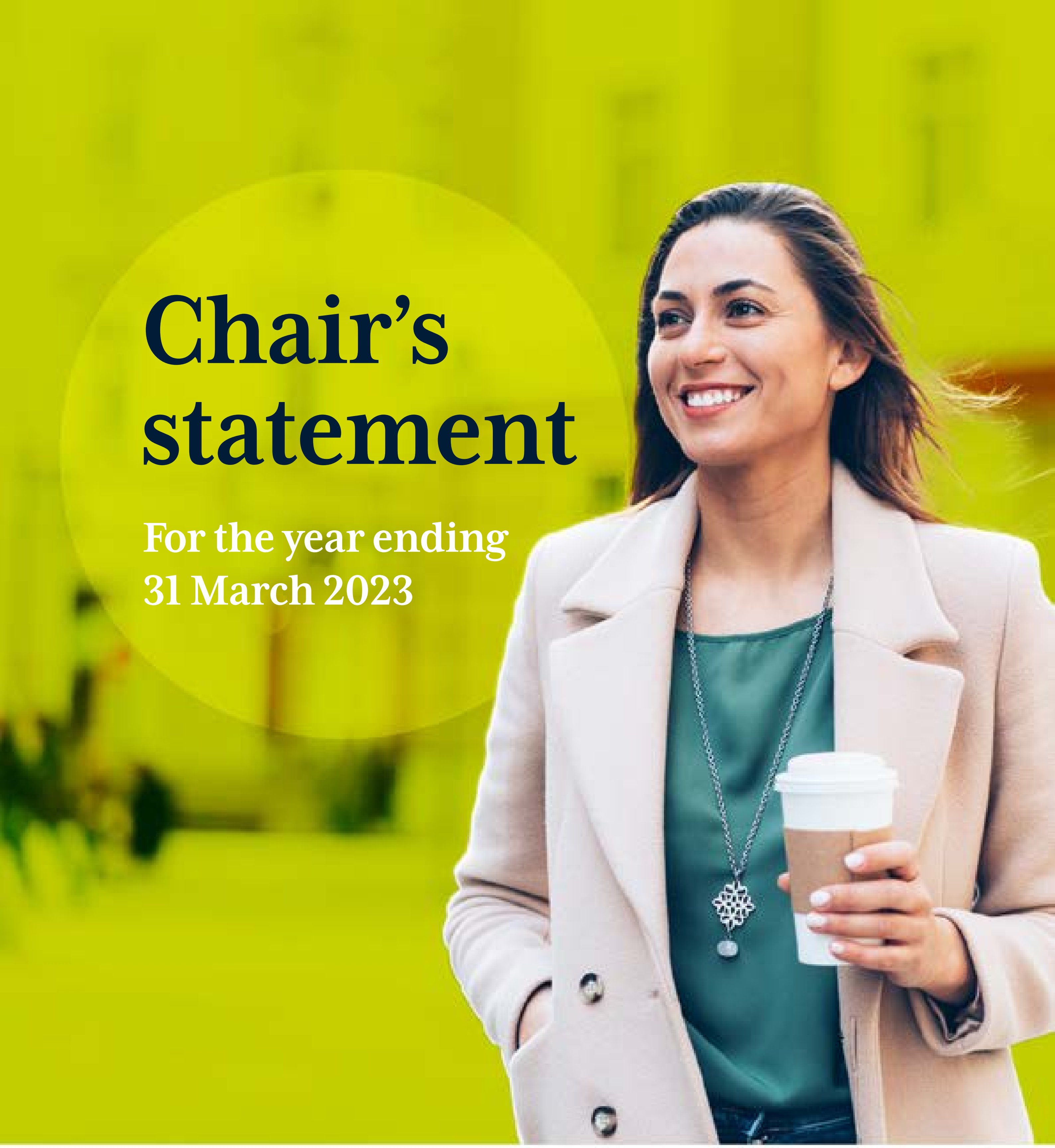


# Chair's statement

## For the year ending 31 March 2023

NOW: Pensions

The future is now

# Contents

# A message from Joanne Segars (Chair of the Trustee board)

### Chair's statement for the Scheme Year ending 31 March 2023

On behalf of the Trustee directors of NOW: Pensions Trust (the Scheme), I am pleased to present this year's chair's statement for the 'Scheme Year' 1 April 2022 to 31 March 2023. We set out what we have done this year to make sure the Scheme is run in your best interests.

In this statement we tell you about the work we have done to make sure you can continue to have confidence in your pension and that it provides value for members. Some of the information in this statement is set down in regulations, but we have tried to explain things as clearly as we can. Here is what we set out in this statement.

- **The work we do as Trustee directors – Chapter 1.**
- **Our assessment of the value for members the Scheme delivers – Chapter 2.**
- **How we make sure your money and personal data are looked after – Chapter 3.**
- **How your money is invested – Chapter 4.**
- **How we listen to and communicate with you – Chapter 5.**

## Our Scheme Year

While we are pleased to report many positive developments for your pension this Scheme Year, there is no avoiding the fact that the year presented several challenges for the Scheme and its members. The war in Ukraine, rising inflation, energy prices and interest rates have affected your household finances and the performance of your pension.

In our 2022 chair's statement we were pleased to report on a record year for investment performance with the Diversified Growth Fund (DGF) delivering growth of 18.7% after investment charges. Due to the external factors mentioned above, this year has been very different. October 2022 saw an exceptional financial event in the UK, when share and long-term bond prices plummeted. Share prices have since improved, but long-term bonds continue to underperform as interest rates rise.

As the DGF invests your pension in shares and bonds, its performance was disappointing, with the value of the investments falling by 13.7% after investment charges during the Scheme Year. The Trustee directors spent considerable time reviewing investment decisions and the level of risk to which your pension is exposed.

For those of you some way from retirement, it is important to remember that your pension is designed for the long term. We are reviewing the investment strategy and underlying investment approach to ensure that we deliver strong long-term returns.

For those closer to retirement, the news is more positive as our Retirement Countdown Fund (RCF) has continued to help preserve the value of your pension with a positive return of 2%.

In last year's chair's statement, we said that we would continue to focus on service to you, data accuracy and our investment strategy. The Trustee directors have been pleased with progress on several fronts during the Scheme Year.

- We continued to emphasise the importance of sustainability and environmental issues in the way we invest your money. In Chapter 4 we explain some of the real investments we have made to help reach our goals. We continue to be well ahead of our commitment to responsible investing with 82% of the DGF and 100% of the RCF invested according to the Trustee's beliefs about environmental, social and governance (ESG) principles..
- In October 2022 we launched our Shariah Fund for Uber workers. The fund delivered growth of 7.2% after investment charges, between launch and the end of the Scheme Year.
- The number of members in the Scheme continued to grow, up from 1.9 million to 2.3 million and assets increased to £3.9 billion.
- We have made real progress this year on improving the accuracy of the data we hold, making sure that we have your up-to-date addresses where possible, even when we are not notified of a change.
- We have worked hard to understand more about the profile of our members and their needs, including conducting research into your attitudes towards responsible investing. Our research told us we need to do more to explain our approach to responsible investing and to overcome scepticism about this approach by financial organisations.
- We have started our triennial review of our investment strategy which may result in further changes in the current Scheme Year.
- The Trustee directors spent considerable time during the Scheme Year reviewing plans for the redesign of member service and communication, including new digital solutions, ensuring that the new model will deliver improved value to you. This new model is expected to come into effect in 2024.
- We continued to campaign for better pensions for those who are most disadvantaged when it comes to retirement savings. We were particularly pleased to see important tax relief changes for those on low incomes who will, from 2024, benefit in the same way as those who pay tax.

Taking all this into account, we were able to confirm that the Scheme delivers value to you, but have identified a number of ways we can make further improvements as the Scheme matures and your savings grow.

## Looking ahead

- During the current Scheme Year we will continue to ensure you receive value from the Scheme. We will continue to work on your behalf as we see changes to the Scheme and the service that you receive. The move to a new administration platform during the year will bring planned improvements to the way we deliver services to you and the way you can communicate with us.
- During the year you can expect to hear about a number of changes to the way you can access information about your pension. The Trustee is pleased to see plans for new digital solutions that will help you change your contributions or transfer in other pensions.
- We also anticipate further changes to the investment strategy as we complete our review, with a gradual increase in the choice of funds available to you.
- We expect to see an increase in the options available to you at and in retirement.
- The Trustee is delighted that the specific programme of improvements in data accuracy will be completed successfully, ensuring the Scheme continues to be focused on the accuracy and security of your data.
- We will continue our efforts to make sure we invest your money responsibly and that we show clearly how this is real and important to your savings and the future of the environment.

*Joanne Segars*

**Chair of the Trustee Board**
NOW: Pensions Trustee Limited

We're on a mission to help everyone save for a more financially secure future

In fact, we've helped over **2.3 million people** to start saving for the retirement they deserve

We first opened our doors in **2012**

and since then we've partnered with **over 37,000** employers

We're a dynamic business with offices in **London & Nottingham**

plus **175** Colleagues

94 male / 81 female

and **£3.9** billion AUM as at 31 March 2023

We're also an **Authorised Master Trust**

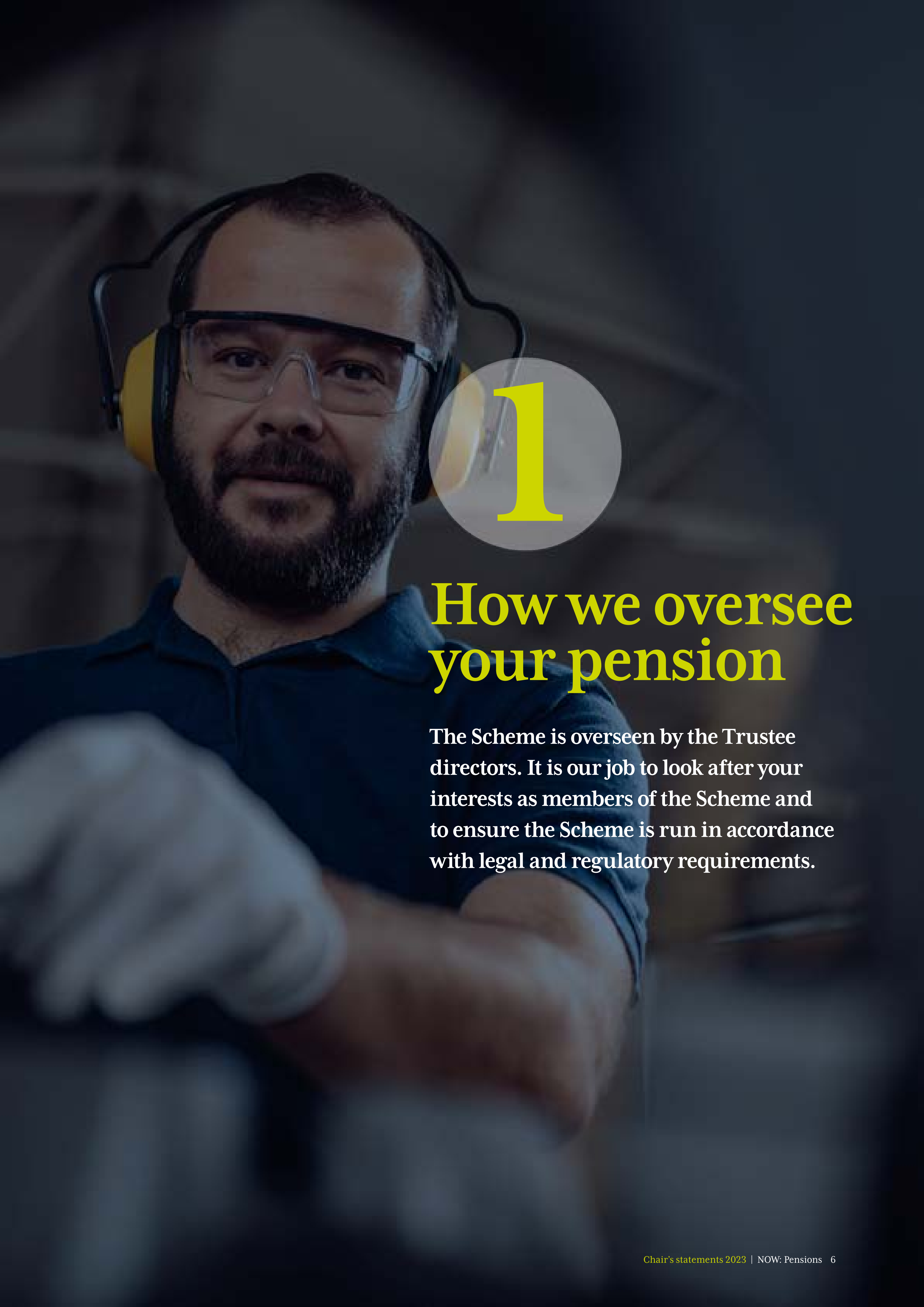
We're committed to making a

# social impact.

And, we'll continue to fight for a fairer pension system by highlighting pension inequalities and campaigning for change fairpensionsforall.com

nowpensions.com

Part of the Cardano Group since 2019. The Cardano Group is a market leader in providing risk and investment management services that help make pensions outcomes more stable and robust.



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# How we oversee your pension

**The Scheme is overseen by the Trustee directors. It is our job to look after your interests as members of the Scheme and to ensure the Scheme is run in accordance with legal and regulatory requirements.**

# Who are the Trustee directors?

The Trustee directors looking after your interests throughout the Scheme year were:

- **Joanne Segars** – chair
- **Ed Jones**
- **Adrian Kennett,** on behalf of Dalriada Trustees
- **Ted Sotir** (resigned 14 December 2022)
- **Tracy Weller,** and
- **Kevin Wesbroom**, on behalf of Capital Cranfield Pension Trustees.

No Trustee directors were appointed during the Scheme Year. Since the end of the Scheme Year Kevin Wesbroom has resigned (27 April 2023) and a new Trustee director, Gary Smith, has been appointed (17 April 2023).

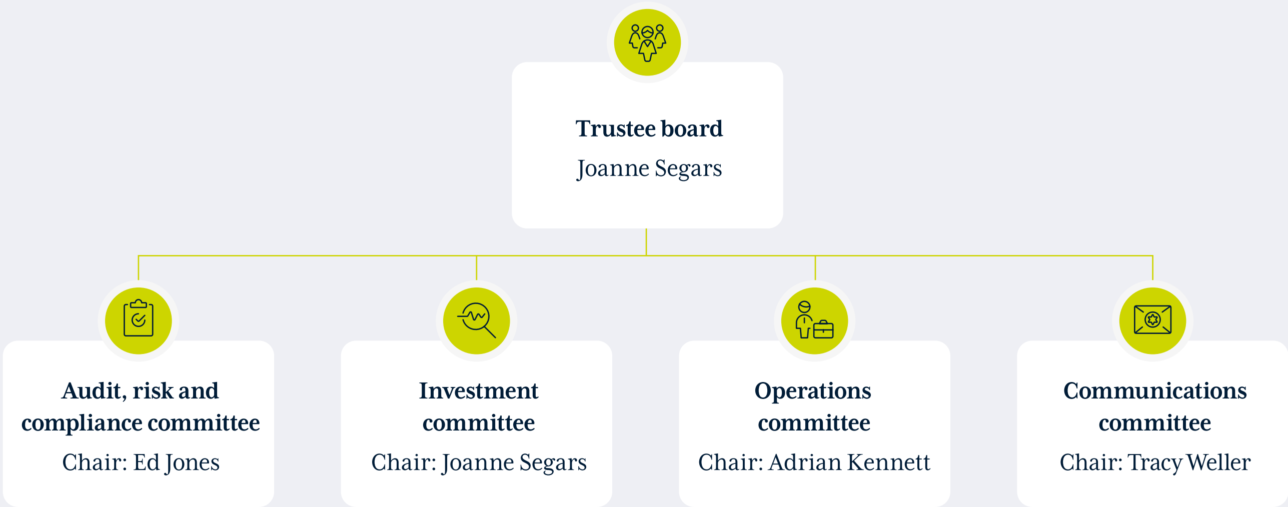
Together, we have extensive expertise in pensions and investment that enables us to do our job well. You can find out more about us in Appendix A. During the Scheme Year, we met eight times plus two additional meetings to discuss important contractual terms that apply to changes to the way the Scheme is administered.

As a large pension scheme, we have many responsibilities which include ensuring that:

- the investment arrangements are designed with your needs in mind
- core financial transactions are processed in a timely and accurate manner
- member communications are effective in helping you make good decisions, and
- costs and charges you pay represent good value.

To make sure we carry these out to the best of our ability, we have four sub-committees to oversee the Scheme's business The sub-committees are shown in Figure 1.

**Figure 1: The Trustee board and its committees**




The Trustee board appoints a Trustee director to chair each committee on the basis of their skills and expertise.

# How do we recruit the best Trustee directors to look after your interests?

We want to have expert Trustee directors who bring a range of skills, ensure board diversity and focus on what is best for you. When we recruit new Trustee directors we consider applicants' expertise, the balance of skills we already have on the Trustee board, and the fitness and suitability of applicants including their honesty and integrity, competence and capability, and financial probity.

To achieve this, we use an open and transparent recruitment process. We appoint a specialist recruitment agency and place job adverts nationally to ensure the Trustee board has a broad and diverse range of applicants to interview. Each shortlisted candidate is then interviewed by a nominations panel of Trustee directors and a representative from the Scheme founder and manager (NOW: Pensions Limited or NPL) before final selection and appointment.

# Ensuring the Trustee directors' independence

The law requires the majority of the Scheme's Trustee directors and the chair to be 'non-affiliated'. This means they must be independent of any company or organisation that provides services to the Scheme (or has provided them in the past five years) and must not be paid by any service providers.

At the start of each Trustee board and committee meeting, Trustee directors confirm whether they remain independent and non-affiliated. Throughout the Scheme Year the chair and Trustee directors, other than Dalriada Trustees, remained non-affiliated. We also consider the independence of Trustee directors during the recruitment process.

No Trustee director has had a term of office of more than five years before being reappointed following an appropriate process, and no Trustee director has had a term of office of more than 10 years in total.

[1]Dalriada is not considered non-affiliated only because they were not appointed using the recruitment process outlined above but were appointed to fill a particular expertise gap in the board at the time.

# Trustee knowledge and understanding

During the Scheme Year we continued to keep our knowledge and understanding up to date so we could continue to act in your interests and, where necessary, challenge how the Scheme is being run.

All our Trustee directors have achieved or are working towards professional Trustee accreditation, and are members of the Association of Professional Pension Trustees (APPT). The APPT and our training policy require each Trustee director to complete and to maintain a record of at least 25 hours of training each Scheme Year. All who were in place during the Scheme Year met this requirement.

This ensured we met the requirements for Trustee knowledge and understanding, specifically a working knowledge of:

- the law relating to pensions and trusts and the principles of funding and investment
- the identification, assessment and management of the risks and opportunities relating to the Scheme, including those arising from steps taken because of climate change, and
- key documents about the Scheme, specifically the trust deed and rules, the statement of investment principles (SIP) and Trustee policies.

To ensure we continued to meet our ongoing knowledge and understanding requirement, we undertook a number of training activities including the following.

- The Trustee's legal adviser, Eversheds Sutherland (Eversheds), provided training in January 2023 on diversity and inclusion, the trust deed and rules, the Statement of Investment Principles (SIP) and The Pension Dashboard. They also provided regular updates on legal and regulatory issues.
- In June 2022, the Trustee directors were led through a session to hear a report on how the board operates and to receive suggestions to strengthen board culture.
- NPL provided training during board and committee meetings on data security and operational infrastructure including ways these could be enhanced.
- Investment training in June 2022 included half a day on sustainability and Shariah investments.
- In addition, each Trustee director attended a range of industry conferences and training courses on issues including climate change and related financial disclosures, pension scams and small pots.

At each board meeting we assessed our skills, knowledge, and experience, monitored that training was being undertaken and considered whether further training was needed, adding any new training sessions to our training schedule.

# Familiarity with the Scheme's documents and policies

In addition to these formal training activities, we ensured we remain familiar with the Scheme's documents and policies.

## Trust deed and rules

During the Scheme Year we continued to assess the Scheme's trust deed and rules to ensure they are up to date and meet the latest legal requirements, and to maintain our understanding of them. We reviewed the trust deed and rules as part of our annual review at our board meeting in April 2022.

## Statement of investment principles (SIP)

We completed the latest SIP review in April 2021 but revised it in June 2022 to take account of the Shariah Fund put in place for Uber. The SIP included in Appendix B reflects the current investment arrangements and latest legal requirements, and remains appropriate for the Scheme's members. There are more details in Chapter 4 'How your money is invested'.

In September 2022 we agreed our latest implementation statement (covering the previous Scheme Year).

The most recent versions of these documents are available at nowpensions.com.


## Trustee policies

The Trustee directors review key Trustee policies regularly to ensure they are up to date and that we have a working knowledge of them. This took place on a rolling programme throughout the Scheme Year and included reviews of:

- the data breach assessment and reporting procedure
- the Trustee director chair and recruitment policy, and
- Trustee succession plan.

## Access to external advisers

We employ advisers to provide professional assistance, specialist knowledge and further support where necessary – for example, on legal or investment matters. Our advisers have been chosen in accordance with the Trustee's procurement policy and the performance of each key adviser is reviewed every year.

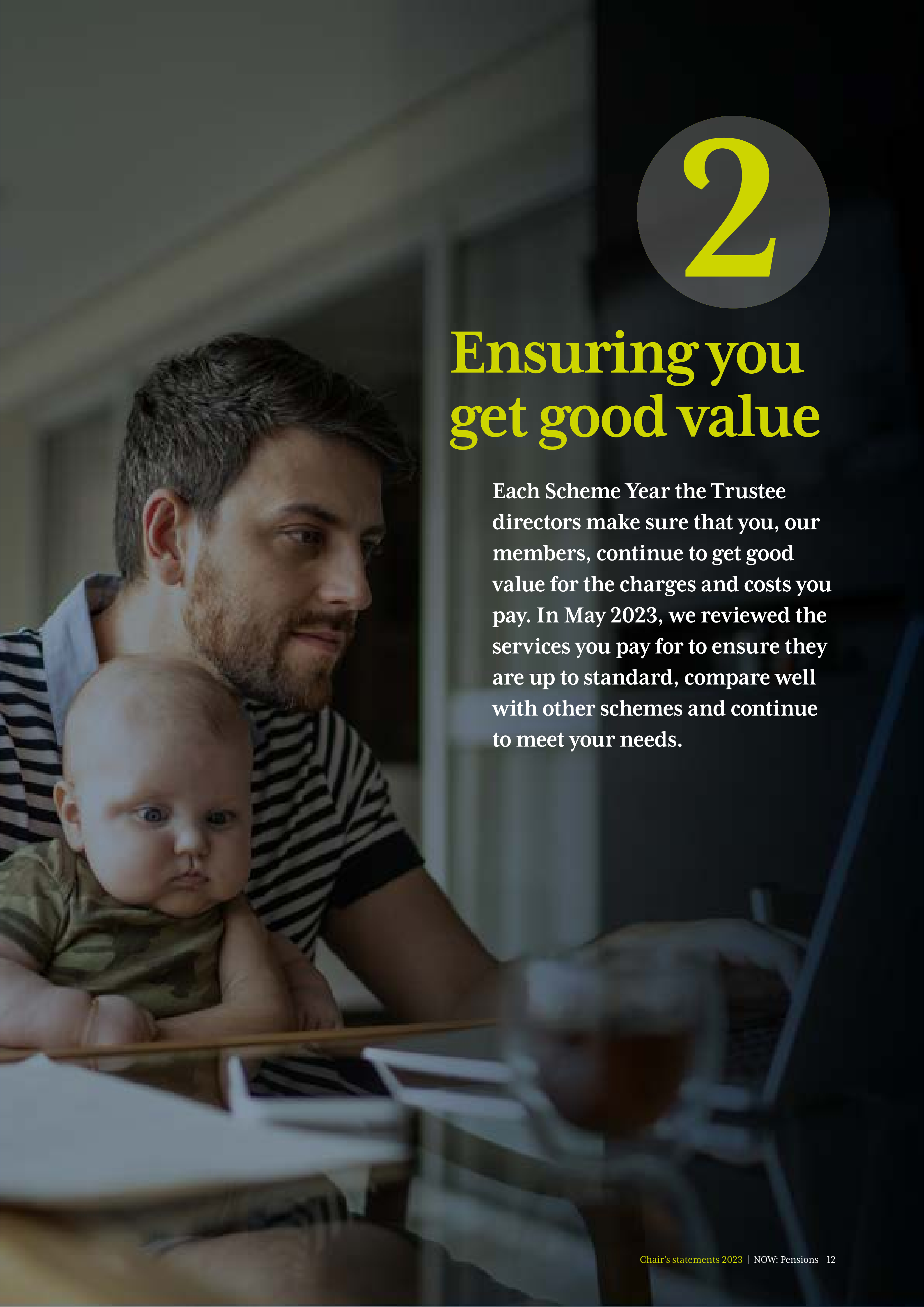
## Maintaining a high-performing board

Each Scheme Year we review our own performance to ensure we continue as a high-performing Trustee board. The Trustee board effectiveness review includes a review of each individual's contribution, the Trustee board's performance as a whole, and our collective skills, knowledge and competence, to ensure there are no skill gaps and there is diversity of thinking

During the Scheme Year, we carried out the following.

- A skills evaluation. We have reviewed and revised the skills the board needs. The revised matrix was presented to the Trustee directors for review at the February 2023 meeting.
- Each Trustee director was asked to evaluate their performance (their individual performance and the board as a whole) during the 2022/23 Scheme Year. Each Trustee director was asked to complete a self-assessment form which was used as the basis for a performance review discussion with the chair of the board. The chair's evaluation was conducted by the chair of the audit, risk and compliance committee.
- In keeping with good corporate governance, the Trustee board commissions an independent external board evaluation every three years. The last review took place in the previous Scheme Year with recommendations implemented in this Scheme Year. The next review will take place in 2024/25.
- In addition, Trustee directors have worked with external consultants to help develop a strong board culture. These discussions took place in February 2023.

The Trustee directors confirm that our combined knowledge and understanding, together with available advice, enables us to properly exercise our function in the interests of you, our Scheme members.



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# Ensuring you get good value

**Each Scheme Year the Trustee directors make sure that you, our members, continue to get good value for the charges and costs you pay. In May 2023, we reviewed the services you pay for to ensure they are up to standard, compare well with other schemes and continue to meet your needs.**

# Explaining the costs and charges

Here we explain the costs and charges and how they could affect your pension at retirement age. These are for the funds in the Scheme's current investment strategy and the Shariah Fund introduced for Uber in October 2022.

## Member charges

Throughout the 2022/23 Scheme Year, our charges remained competitive.

The monthly administration charge stood at £1.75, an increase of 25 pence from 1 April 2022, which was our first increase since 2018. In line with legislation, there is no administration charge if the value of your Scheme pension savings is £100 or less, or the charges would take it below £100.

There has been no change to the investment charge, which remains at 0.3% a year across all funds.

### Figure 2: description of costs and charges

| Charge | For | Amount |
|---|---|---|
| **Administration charge** | Running the Scheme | £1.75 a month/ £21 a year |
| **Investment management charge** | Investing the money in the Scheme | 0.3% of value of pension savings each year |
| **Transaction costs** | Buying and selling investments | Factored into investment returns |

The table above shows all the costs and charges you pay. We continue to believe that separate administration and annual investment management charges help you see how much you are paying for each service. It also means those with larger pension savings are not overly subsidising those with smaller amounts. As you continue to save and your pension savings grow, the total charges, as a proportion of your pension savings, will reduce.

Transaction costs vary from year to year. We don't charge for these separately – instead we factor them into the returns on the Scheme's investments. You can see more details in Figure 4.

Figure 3: DWP charge cap guidance

## Maximum percentage of funds under management rate (%)

| 0.6% | 0.5% | 0.4% |
|---|---|---|
| £10 or less | More than £10 but no more than £20 | More than £20 but no more than £25 |

Our charges remain comfortably within the charge cap set out by government for pension schemes with combination charges (like ours). As the Scheme's flat-fee charge adds up to £21 a year, the maximum charge that could be applied as a percentage of funds is 0.4%. The actual charge you pay is 0.3%.

### What are transaction costs?

The total costs incurred by the investment manager as a result of trading activity. This includes explicit costs such as transaction taxes and brokerage commissions, as well as implicit and indirect costs.

### What are slippage costs?

The difference between the buying or selling price of an investment and its 'mid-market' price – the halfway point between the buying and selling price.

## Transaction costs

As part of our assessment of value for you, we examine the charges and transaction costs that apply to our investment funds, as these have an impact on the value of your pension savings on top of the charges we have already described. Transaction costs are incurred when investments are bought, sold, lent or borrowed. They are typically split between explicit costs (such as broker fees, taxes, and custody fees) and implicit costs (for example, the impact of the timing of a trade in investments).

Our investment manager, Cardano Risk Management Ltd (CRML), reported on the underlying transaction costs in managing the investment funds. We have adopted a method for reporting based on guidance from the Cost Transparency Initiative (CTI).

Transaction costs for the Scheme Year are shown in Figure 4 below. Costs are expressed as a percentage of average assets under management.

## Figure 4: Explicit and implicit transaction costs

The transaction costs per £1,000 invested in the default strategy were higher in this Scheme Year than in the previous year, due to more volatile markets and reduced market liquidity. However, they are similar to the five-year average. The investment committee remains focused on keeping transaction costs as low as possible, ensuring we continue to achieve good value for you. Details for the two funds that make up the default strategy (DGF and RCF) are shown below along with the Shariah Fund.

### Diversified Growth Fund (DGF)

| Cost type | % | Total for the Scheme Year |
|---|---|---|
| Commission | 0.020% | £636,792 |
| Slippage | 0.116% | £3,709,262 |
| **Combined** | **0.136%** | **£4,346,054** |

Transaction costs have averaged 0.117% over the five years to the end of the Scheme Year.

### Retirement Countdown Fund (RCF)

There were no transaction costs for the RCF during the Scheme Year.

Transaction costs have averaged 0.009% over the five years to the end of the Scheme Year.

### Shariah Fund

Transaction costs for the Shariah Fund were 0.054% (a total of £819). As it is a new fund, there are no previous years to compare it with.

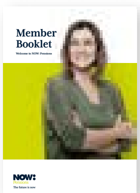
A similar fund has experienced transaction costs averaging 0.032% over the five years to the end of the Scheme Year.

## Winding-up costs

We have estimated that if the Scheme were to wind up (come to an end – however unlikely this is), the total disinvestment costs due to transaction costs would be approximately 0.1% of the total fund value. This cost would be borne by you through a reduction in unit prices before a bulk transfer to another pension scheme. This cost would arise because the Scheme always pays for investment and disinvestment costs. The Trustee would bear the termination costs of ending the contracts with the investment manager and the custodian, as well as advice costs from the Trustee's investment adviser and legal adviser. These costs would be met from the financial reserves NPL holds in escrow (this means the money can only be used for particular purposes) for the Trustee's use, should this situation arise.

## Telling you about the impact of charges on your pension savings

We are committed to making sure the charges you, as a member, are paying, and the impact those charges may have on your pension savings, are as clear as possible. We are keen to ensure that if you move to another auto enrolment provider when you change jobs, you understand the advantages of combining small pension savings, rather than allowing them to be eaten away by charges. You can download our costs and charges booklet using the link below. This booklet explains the impact of all the charges on your pension savings throughout your period of saving in the Scheme.



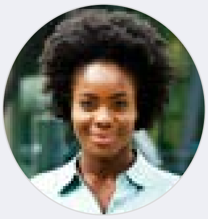

**Member booklet**

**Our costs and charges explained**

On the following pages, we set out extracts from the costs and charges booklet, illustrating four members of different ages with different fund values and contribution levels. These illustrations show the effect of charges for members who are actively saving in the Scheme. We have taken note of the statutory guidance in preparing these illustrations. The illustrations show the average fund value and average contribution within each age band illustrated.

### Figure 5: Extract from ‘Our costs and charges explained’ booklet

#### Projected pension savings in today’s money for a member saving with NOW: Pensions



Age at start
**22 years**

Size of savings at start
**£1,300**

Total monthly contributions
**£90**

| Number of years saving | Age | Diversified Growth Fund/ Retirement Countdown Fund projected fund | | Shariah Fund projected fund | |
|---|---|---|---|---|---|
| | | With no charges | After all charges | With no charges | After all charges |
| 1 | 23 | £2,374 | £2,348 | £2,409 | £2,382 |
| 3 | 25 | £4,538 | £4,452 | £4,709 | £4,619 |
| 5 | 27 | £6,724 | £6,565 | £7,123 | £6,955 |
| 10 | 32 | £12,283 | £11,892 | £13,693 | £13,251 |
| 15 | 37 | £17,978 | £17,279 | £21,103 | £20,259 |
| 20 | 42 | £23,813 | £22,725 | £29,463 | £28,055 |
| 25 | 47 | £29,792 | £28,230 | £38,893 | £36,727 |
| 30 | 52 | £35,919 | £33,793 | £49,530 | £46,371 |
| 35 | 57 | £41,837 | £39,079 | £61,530 | £57,094 |
| 40 | 62 | £46,698 | £43,313 | £75,066 | £69,015 |
| 45 | 67 | £50,250 | £46,289 | £90,335 | £82,267 |
| 46 | 68 | £50,789 | £46,724 | £93,616 | £85,090 |

15 years before you retire, we gradually change your investments to prepare for you taking your retirement income.

## What happens if the member stops contributing after a few years?

The table below shows examples of the impact of charges for the above members assuming they stop paying any further contributions after 1, 3 and 5 years and then take their benefits at age 68. Remember, charges will continue to apply even if you leave your employer or stop paying contributions.

| Number of years saving | Age when contributions stop | Retirement age | Projected fund | |
|---|---|---|---|---|
| | | | With no charges | After all charges |
| 1 | 23 | 68 | £2,844 | £1,936 |
| 3 | 25 | 68 | £5,186 | £3,988 |
| 5 | 27 | 68 | £7,506 | £6,033 |

Costs and charges can eat away at the value of your pension savings over time. To avoid this – especially if you have only a small amount of pension savings in the Scheme – you may want to think about whether you’d be better off transferring your pension savings out of the Scheme and combining them with any other pensions you have.

Transferring your pension savings is a big decision that you need to think about carefully. It may be worth getting help from a regulated independent financial adviser.

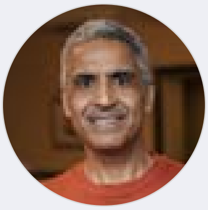
## Projected pension savings in today's money for a member saving with NOW: Pensions

Age at start
**35 years**

Size of savings at start
**£2,000**

Total monthly contributions
**£100**

| Number of years saving | Age | Diversified Growth Fund/ Retirement Countdown Fund projected fund | | Shariah Fund projected fund | |
|---|---|---|---|---|---|
| | | With no charges | After all charges | With no charges | After all charges |
| 1 | 36 | £3,196 | £3,168 | £3,246 | £3,217 |
| 3 | 38 | £5,607 | £5,512 | £5,830 | £5,732 |
| 5 | 40 | £8,041 | £7,867 | £8,541 | £8,357 |
| 10 | 45 | £14,231 | £13,800 | £15,921 | £15,433 |
| 15 | 50 | £20,573 | £19,800 | £24,246 | £23,307 |
| 20 | 55 | £27,010 | £25,805 | £33,636 | £32,066 |
| 25 | 60 | £32,923 | £31,230 | £44,229 | £41,808 |
| 30 | 65 | £37,911 | £35,713 | £56,178 | £52,641 |
| 33 | 68 | £40,360 | £37,868 | £64,070 | £59,713 |



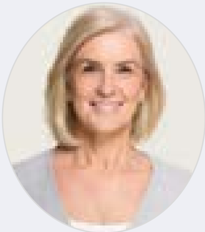
Age at start
**45 years**

Size of savings at start
**£2,200**

Total monthly contributions
**£110**

| Number of years saving | Age | Diversified Growth Fund/ Retirement Countdown Fund projected fund | | Shariah Fund projected fund | |
|---|---|---|---|---|---|
| | | With no charges | After all charges | With no charges | After all charges |
| 1 | 46 | £3,516 | £3,486 | £3,570 | £3,541 |
| 3 | 48 | £6,167 | £6,069 | £6,413 | £6,311 |
| 5 | 50 | £8,845 | £8,663 | £9,396 | £9,203 |
| 10 | 55 | £15,581 | £15,129 | £17,513 | £16,997 |
| 15 | 60 | £21,985 | £21,186 | £26,670 | £25,669 |
| 20 | 65 | £27,709 | £26,516 | £37,000 | £35,314 |
| 22 | 67 | £29,745 | £28,387 | £41,493 | £39,469 |

### Projected pension savings in today's money for a member saving with NOW: Pensions



Age at start
**55 years**

Size of savings at start
**£2,700**

Total monthly contributions
**£120**

| Number of years saving | Age | Diversified Growth Fund/ Retirement Countdown Fund projected fund | | Shariah Fund projected fund | |
|---|---|---|---|---|---|
| | | With no charges | After all charges | With no charges | After all charges |
| 1 | 56 | £4,124 | £4,093 | £4,202 | £4,171 |
| 3 | 58 | £6,959 | £6,856 | £7,318 | £7,210 |
| 5 | 60 | £9,757 | £9,568 | £10,588 | £10,382 |
| 10 | 65 | £16,439 | £15,981 | £19,487 | £18,931 |
| 12 | 67 | £18,931 | £18,348 | £23,358 | £22,615 |

## How the tables work

1. We've assumed earnings and contributions will increase by 2.5% each year.
2. All figures are in 'today's money'. We've projected them forward then taken out the effect of inflation to bring them back to today's money values. We've assumed inflation is 2.5% each year.
3. We've based contributions on the current auto enrolment minimum – 8% of qualifying earnings. **That's 3% from your employer and 5% from you**. Qualifying earnings are all your earnings between a lower and upper limit, which are £6,240 and £50,270 for the 2023/24 tax year. The government reviews these limits every year.
4. **Projected fund with no charges** shows the total value of the pension savings as if there were no transaction costs and we hadn't applied any charges.
5. **Projected fund after all charges** shows the effect of the charges, including transaction costs, on the pension savings of people in that age band.
6. The investment return assumptions have been determined in accordance with Actuarial Standard Technical Memorandum 1 (version 4.2). These are the assumptions used in your annual benefit statement issued before October 2023.
7. Charging levels are the same for every employer.
8. Transaction costs have been based on an average of the previous three years' transaction costs, being the period for which data is available.

Table values are calculated as at 1 April 2023.

## The assumptions we use

| | |
|---|---|
| Contribution increase | **2.50% each year** |
| Inflation (CPI) | **2.50% each year** |
| Investment Return - Diversified Growth Fund return before charges | **3.00% each year** |
| Investment Return - Diversified Growth Fund return after charges | **2.69% each year** |
| Investment Return - Retirement Countdown Fund return before charges | **1.00% each year** |
| Investment Return - Retirement Countdown Fund return after charges | **0.70% each year** |
| Investment Return - Shariah Fund before charges | **5.00% each year** |
| Investment Return - Shariah Fund after charges | **4.69% each year** |
| Administration charge | **£1.75 each month** |
| Annual investment charge | **0.30% each year** |
| Retirement age | **State Pension Age** |

Pension contributions are deducted from employees' pay before income tax is calculated (net pay arrangement).

## Value for members assessment

We remain committed to providing good value for our Scheme members. We asses value for members (VfM) over the entire time you save with us, from the day you join the Scheme to the day you retire or leave the Scheme. Relatively few members have yet retired from the Scheme, making a realistic assessment of VfM for members in the later stages of their retirement journey more difficult.

The Trustee board uses the framework below to assess VfM. The framework divides the assessment into four key areas, each of which is considered in the context of member charges. Each area of assessment was given a descriptive score ranging from 'Excellent' to 'Needs significant improvement' as described in Figure 6 on the next page.

Figure 6: VfM scoring – rating and characteristics

## VfM rating / Characteristic of each rating

### Excellent

Surpassed expectations of members in this area. Scope of services provided are set at best practice level for competitive costs or are delivered consistently over and above agreed service standards.

### Very good

We have met all regulatory requirements in full and delivered a service that has exceeded expectations at the same or competitive costs, or we have delivered improvements in service scope required for enhanced service provision without increased cost to members while maintaining agreed service standards.

### Good

All key elements of regulatory requirements were met. Some enhancements could be made. Costs are within industry norms for scope of service and service standards are consistently maintained in most areas.

### Needs some improvement

Service scope or provision is below industry standard in key areas. Regulatory expectations are not being met in some areas. Costs are high for limited scope of services provided or does not deliver value due to poor standard of service delivery in two or more areas.

### Needs significant improvement

A major deficiency exists. We have failed key elements of regulatory expectations, consistently fail to deliver to agreed service standards in two or more areas and are unable to effect service enhancements.

The Trustee board used the framework to assess VfM during the Scheme Year in June 2023. The assessment of the key areas is explained on the next page.

## Member charges

The Trustee directors believe that all members, regardless of the size of their pension savings, are entitled to receive the same level of service and access to the same high-quality investment expertise. As noted earlier, we believe it is appropriate for you to pay a separate monthly administration charge and an annual investment management charge, rather than a blanket percentage charge determined by how much you have invested in your pension savings. There are two reasons for this.

The Scheme's philosophy is that a fair charging structure means you pay for what you get.

During the Scheme Year we assessed the Scheme charges and found they are in line with, or lower than, other schemes with a similar membership and contribution profile. Most of the schemes with a profile similar to ours have a similar level of charges. And, our charges are lower than the government charge cap. We concluded the charges remain competitive compared to other similar master trusts.

**1** **Separate charges for administration and investment management make it easier to see how much you pay for each service**

This is not possible with a blanket percentage charge.

**2** **With a blanket percentage charge, the larger the pension savings, the higher the charge**

This leads to the cost of running a pension scheme for members with small pension savings being significantly subsidised by those with larger amounts of pension savings.

# Governance

In considering whether you get value from Scheme governance, we considered five aspects of governance.

1. The amount and quality of work the Trustee directors carried out and the competitiveness of the fees paid to Trustee directors.

2. Risks to members the Trustee helped mitigate, in particular cyber and data security risks.

3. The secretarial services the Trustee directors received.

4. The professional advisers to the Trustee.

5. The Scheme audit services.

All aspects of governance received a '**very good**' score, an improvement on the previous Scheme Year. Where relevant, improvements were noted and will be a focus for the next Scheme Year. The Trustee directors concluded that governance of the Scheme represents good value for you.

The assessment included the following key points.

- During the Scheme Year the Trustee directors undertook considerable extra responsibility and committed significant extra time to their duties. For example, a great deal of time was dedicated to:
  - the proposed changes to the Scheme administration
  - turbulence in investment markets and its impact on investment performance
  - reviewing the investment strategy
  - data assurance, and
  - several new regulatory matters.
- The Trustee directors' remuneration was benchmarked and found broadly comparable, given the complexity of the Scheme and the amount of effort required.
- The Trustee directors continue to work on improvements to legacy matters and data security.
- The Trustee directors were satisfied with the way cyber/data security issues were identified and managed during the Scheme Year and were pleased with progress on historical operational issues.

## Member services

As part of their review of member services, the Trustee directors considered five aspects of administration and communication.

1. The way core financial transactions are dealt with.
2. Record keeping, reconciliation and the quality of data the Scheme holds.
3. The way the Scheme communicates with members and employers.
4. The role of technology and member experience, including the contact centre.
5. IT systems and controls.

The assessment included the following key points.

- The Trustee directors were pleased that improvements to several core financial transaction processes made in the previous Scheme Year had been maintained.
- Further improvements to record-keeping and data accuracy had been achieved during the Scheme Year, with progress being made to improve historical data.
- The Trustee directors are happy with the monitoring of cyber security incidents and rates, and that the security roadmap is improving policy and practice.
- The Trustee directors accepted that member satisfaction levels, as measured by member feedback and contact centre surveys, remain high and that member access to annual benefit statements and the website, although low, compare well with the industry (where data is available).
- The Trustee directors recognise that improvements in member engagement and personalisation of benefits can still be made, but are happy with the improvements made to member communication during the Scheme Year.

All aspects of member services were scored as 'good' or 'very good' by the Trustee directors and overall are considered to deliver good value for you.

## Investment governance

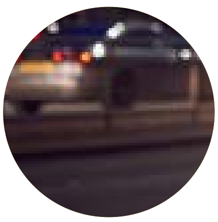
The Trustee directors consider the following things when assessing the value for you of investment governance.

- The suitability of the investment strategy and retirement options the Scheme offers.
- The services of the Scheme's investment manager.
- The security of your money and the reserves the Scheme holds
- The management of climate and environmental, social and governance (ESG) risks.

In carrying out their assessment, the Trustee directors:

- remain comfortable that the investment strategy and retirement options are suitable for you as Scheme members, but will continue to review this in the coming Scheme Year
- were satisfied with the service the investment manager delivered, including regular and additional reporting during periods of market volatility
- have reviewed, and are comfortable with, the services that ensure the Scheme's assets are secure
- believe the Scheme holds sufficient reserves, and
- were pleased to see that targets set for ESG and climate change in 2022 have again been exceeded.

The Trustee directors scored all aspects of investment governance as 'good', 'very good' or 'excellent' and is confident that investment governance, taken overall, delivers value for you.



## Investment performance

In assessing investment performance, the Trustee directors considered each fund's overall performance against its benchmarks, the net investment returns available to you and the charges and costs you bear. We drew the following conclusions.

- The DGF performed poorly during the Scheme Year, in absolute terms and relative to its long-term objective. The Trustee directors recognise that the Scheme year was characterised by market volatility and that, unusually, both equity and bond markets fell sharply in value.
- The RCF performed well against all three core objectives (return, risk and responsible investment) and has a 100% allocation to investments that are aligned to the Trustee directors' responsible investment beliefs.
- The Shariah Fund performed well against return, risk and Shariah compliance.
- The Trustee directors are mindful that we are investing for members over the long term, consistent with their age, savings journey and approach to taking their pension. Therefore, while the Trustee directors strive to deliver good returns year in year out, their focus must remain on the long term. When considering the long-term value delivered to you by the DGF, the Trustee directors note it has delivered ahead of its return objective, with a return of 76% since December 2012.
- When compared with other similar schemes, the growth phase of the default investment strategy has underperformed over a one-year period but is in line with them over a two-year period (since the implementation of the new investment strategy). When comparing the RCF, it has performed well, delivering consistent, stable, positive returns throughout a period of heightened market volatility.
- The administration and investment management charges are within the charge cap set by government and are comparable to similar master trusts.
- DGF transaction costs, while slightly higher than the previous year, were broadly in line with the long-term average and were consistent with the market environment.

The investment strategy the Trustee directors agreed in 2021 sets out the performance they expect the DGF, RCF and Shariah Fund to achieve over the long term.

For the DGF the long-term objective is set at CPI plus 4% over the long term, recognising the importance of protecting members by beating inflation. During the Scheme Year the fund underperformed against its close competitors, with an investment return of -13.7% after investment charges and costs.

For the RCF, the long-term objective is set at an average overnight interest rate (SONIA) which is designed to preserve the value of your money as you approach retirement. The annual return during the Scheme Year was broadly in line with its target at 2.0% after investment charges and costs.

The objective of the Shariah Fund is to deliver a return equal to the Shariah-compliant Dow Jones Islamic Market Titans 100 Net Total Return Index over the long term, after the annual investment charge. The return since the fund launch in October 2022 was 7.2% after investment charges and costs.

Although we were concerned about the short-term performance of the DGF, overall, we rated the net investment performance as good. This takes into account:

- the performance of other funds
- the longer-term performance (as shown in the table on the next page) of all funds, and
- the extreme market conditions during the Scheme Year that affected the DGF more than close competitors, due to the risk-based approach adopted by our investment strategy.

| Fund | Return | | | | Annualised return | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Yr | 5 Yr | Since launch | Return objective since launch | 1 Yr | 5 Yr (a year) | Since launch (31 Dec 2012) | Return objective |
| DGF | -13.7% | 17.7% | 76.0% | 65.8% | -13.7 | 3.3% a year | 5.4% a year | 5.1% a year |
| RCF | 2.0% | 3.0% | 3.8% | 5.2% | 2.0% | 0.6% a year | 0.4% a year | 0.6% a year |
| Shariah Fund | n/a | n/a | 7.2%[2] | 6.5% | 7.2% | n/a | n/a | n/a |

[2]Since launch October 2022

The returns (after investment charges) do not include the impact of the monthly member administration fee. This fee is only charged to members who have more than £100 saved. The current fee rate is £1.75 per member per month.

If you are in the default investment strategy, investment returns during the year (after investment charges and costs) vary depending on where you are on your retirement journey. If you are within 15 years of your planned retirement age or beyond it, the returns will be a blend of the DGF and RCF returns. If you are more than 15 years from retirement, the returns will normally reflect the DGF's performance.

Below we show four different examples of number of years to planned retirement age, with the investment performance they experienced during the last Scheme Year and over the past five years.

| Years to planned retirement age | Return (a year) | | |
|---|---|---|---|
| | 1 year | 3 years | 5 years |
| 0 | -1.4% | 3.4% | 2.2% |
| 1 | -2.2% | 3.9% | 2.4% |
| 5 | -5.5% | 5.9% | 3.4% |
| 30 | -13.7% | 6.3% | 3.3% |

The Trustee directors rated some aspects of investment performance as 'good' or 'very good' given the longer-term performance of the funds, but noted the need for improvement in overall performance after costs and charges. Overall, investment performance was rated as 'good'.

## Summary

Taken as a whole, the Trustee directors consider the Scheme continues to meet your needs and delivers value for you. We continue to seek improvements for you and encourage a shift towards excellence.

| VFM section | Rating | Overall rating |
|---|---|---|
| **Part A: Governance** | | |
| 1. Trustee composition and effectiveness, including knowledge, skills, and expertise | Very good | Very good |
| 2. Risk management, including cyber and data security | Very good | |
| 3. Scheme secretarial services | Very good | |
| 4. Professional advice to Trustee directors | Very good | |
| 5. Scheme audit scheme | Very good | |

| VFM section | Rating | Overall rating |
|---|---|---|
| **Part B: Member service** | | |
| 6. Core financial transactions, including operation of Gateway | Good | Good |
| 7. Record keeping, reconciliations and quality of data | Good | |
| 8. Member communications | Good | |
| 9. Technology and member experience (including contact centre) | Good | |
| 10. IT systems and controls | Very good | |

| VFM section | Rating | Overall rating |
|---|---|---|
| **Part C: Investment governance** | | |
| 11. Suitability of investment strategy and retirement options | Good | Very good |
| 12. Investment consultant/ manager services, including monitoring and reporting | Very good | |
| 13. Security of assets, including financial reserves | Very good | |
| 14. Fair treatment of members, including mitigating against large pots unduly subsidising small pots | Very good | |
| 15. Management of ESG & climate related risks | Excellent | |

| VFM section | Rating | Overall rating |
|---|---|---|
| **Part A: Governance** | | |
| 16. Overall performance of fund against benchmarks | Needs some improvement | Good |
| 17. Net investment returns (net charges) [(including risk adjusted returns)] | Good | |
| 18. Administration charge (in relation to services covered) | Very good | |
| 19. Annual investment charge (in relation to services covered) | Very good | |
| 20. Other transition costs | Good | |

# 3

# Looking after your money and data

We check what happens to your money. We are responsible for ensuring the Scheme's core financial transactions – including payments into and out of the Scheme and investing the contributions – are processed promptly and accurately.

# We check what happens to your money

These core financial transactions include (but are not limited to) those listed in the table below.

| Transaction type | We monitor these by receiving and reviewing: |
|---|---|
| Investing the contributions members and their employers make into the Scheme | Weekly monitoring report, including reconciliation, based on daily transactions |
| Transferring members' pension savings into and out of the Scheme | Monthly monitoring report |
| Switching members' pension savings from the DGF to RCF in the 15 years leading up to retirement | Quarterly switches, reported in the month the switch took place |
| Payments from the Scheme to or for members | Weekly monitoring report |

We oversee all the organisations below. They look after your money on a day-to-day basis.

NOW: Pensions
The future is now

NOW: Pensions Limited (NPL) looked after employers and helped to make sure they were contributing the right amount at the right time, as required by law, to your pension. NPL also handled communication with employers.

Mercer

Mercer undertook the Scheme administration. They collected contributions and made sure these were allocated to members' accounts within the required timescales. Mercer also provided other aspects of administration, including the member contact centre.

BNY MELLON

BNY Mellon (BNYM) undertook investment fund administration and the custody of assets, including calculation of the fund values each week.

cardano

Investment management (deciding where to invest your money) was undertaken by CRML.

To help ensure your money is processed promptly and accurately, we have service level agreements (SLAs) with the organisations that manage your money, and receive regular reports from them on how they are performing. The SLAs cover timeframes for, and quality metrics related to, the services the provider delivers to the Scheme. We received and monitored performance reports from these service providers throughout the Scheme Year. The reports helped the Trustee directors to assess how the service providers were performing against agreed SLAs and whether employers and members received good service levels.

# Continued improvements

Based on a review of processing times over the Scheme Year we believe that overall, core financial transactions were processed promptly and accurately.

The operations committee (OC) monitored all aspects of employer and member services provided by NPL and Mercer each quarter. These included investing contributions, transfers in and out, member requests and complaints, and payments in and out of the Scheme. The OC continued to review performance against SLAs and engaged regularly with NPL and Mercer throughout the Scheme Year.

The Trustee directors can confirm that the processes our administrators have adopted include:

- monitoring bank accounts daily
- setting up a dedicated contribution processing team, and
- having two individuals checking all investment and banking transactions.

Last year we reported on improvements to the Scheme's administration following challenges from the Trustee. The Trustee directors continued to engage with Mercer and NPL during the Scheme Year and are pleased to report that further improvements have been made.

The Trustee directors were pleased to see the following improvements in service quality during the Scheme Year.

- More than 99% of contributions received were reconciled and invested within statutory timeframes.
- Process improvements continued so that a) investment of contributions received ahead of corresponding data is faster once that data has been provided and b) the reduction in money that cannot be invested is at historic low levels. This has been managed through NPL engagement with employers.
- There was continued improvement in the number of calls answered and the speed to answer them during our busiest time when annual benefit statements (ABS) are issued. 1 in 13 calls were not answered in 2021/22 compared to 1 in 20 in 2022/23. The improvement in speed to answer calls was 29%, compared to the previous year's ABS period.
- Administration service standards have been fully maintained and rated at green throughout the Scheme's busiest time when ABSs are distributed. However, due to a data migration exercise, administration SLAs were rated red during April 2022, returning to green in June 2022.
- For bereavements, a dedicated team is in place to take calls from potential beneficiaries to help them through the process.
- Complaints from members during the Scheme Year are stable at historically low levels.
- Complaints from employers have fallen to historic low volumes, including zero in November 2022, reflecting sustained improvements in service and data quality.
- Employers have received additional support materials including 'how-to' videos, to help them submit contribution data and collect contributions for investment in a timely manner.
- Data quality improvements continue to drive better outcomes for members, such as getting access to benefits more quickly than in the past.
- The postal addresses of over 80% of deferred members who have moved but did not notify us have been traced. These address details will enable us to service and engage with you more effectively.

Looking to the future, we continue to focus on the implementation of a new administration platform, including an app to help you monitor your savings easily. We expect this to significantly improve your experience of your pension. The options available through the Scheme at retirement will also be improved.

## Data integrity

The Scheme holds a lot of important information about you and your pension. It's important this information is correct and safe. We ensure that two different categories of member data are checked regularly for errors, and that errors are put right.

**Scheme-specific data**
is data required for the effective administration of the Scheme – for example, data about contributions or earnings.
The Scheme-specific data score was

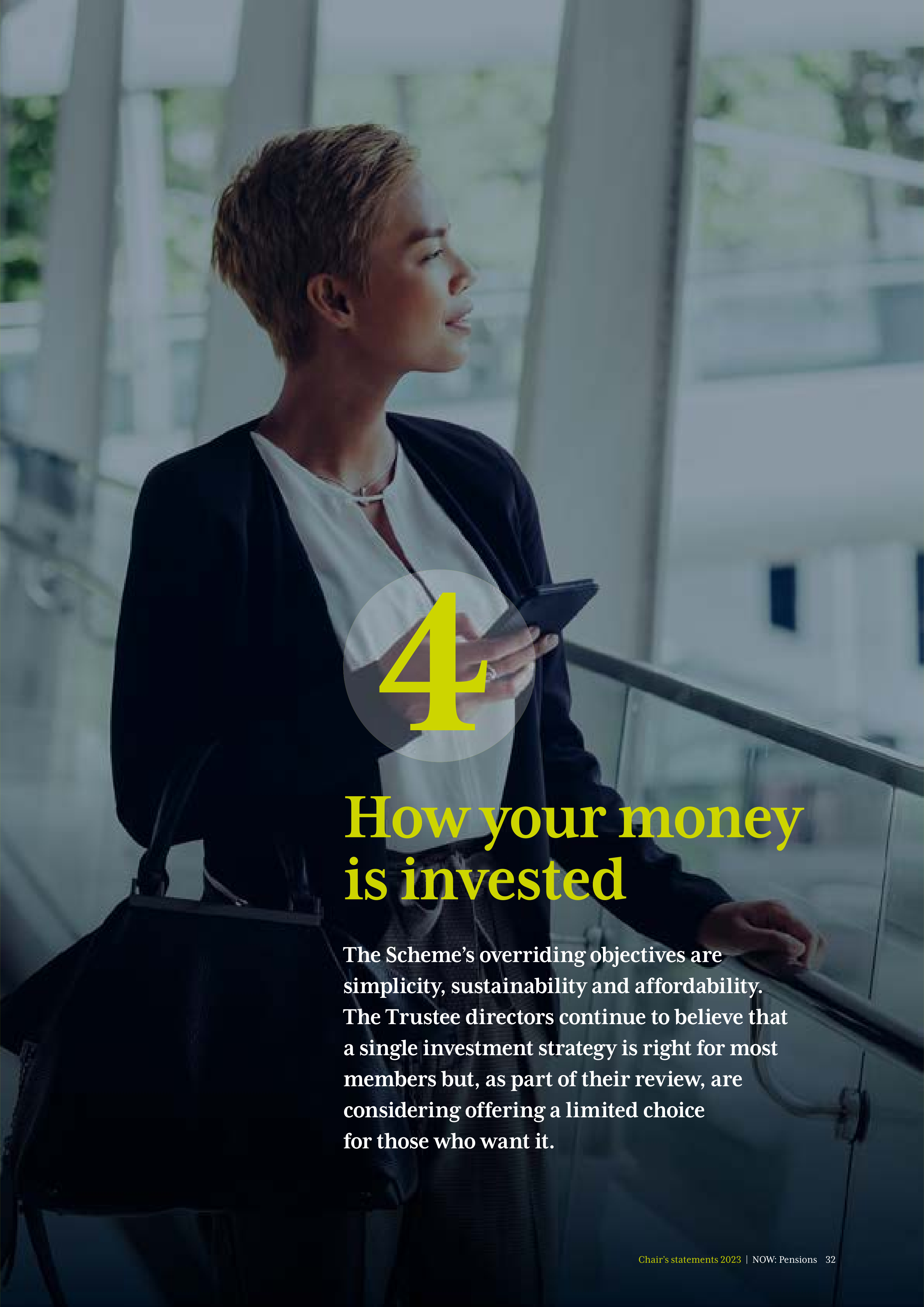
**98%**

**Common data**
enables members to be identified and includes names and addresses.
The common data score was

**90%**

The Trustee directors are pleased to see a sustained improvement in data quality during the Scheme Year. NPL continued to invest heavily in improving data management and quality and our Scheme-wide project to ensure this remained on course.

We intend to engage actively with employers over the course of this coming Scheme Year.



# 4

# How your money is invested

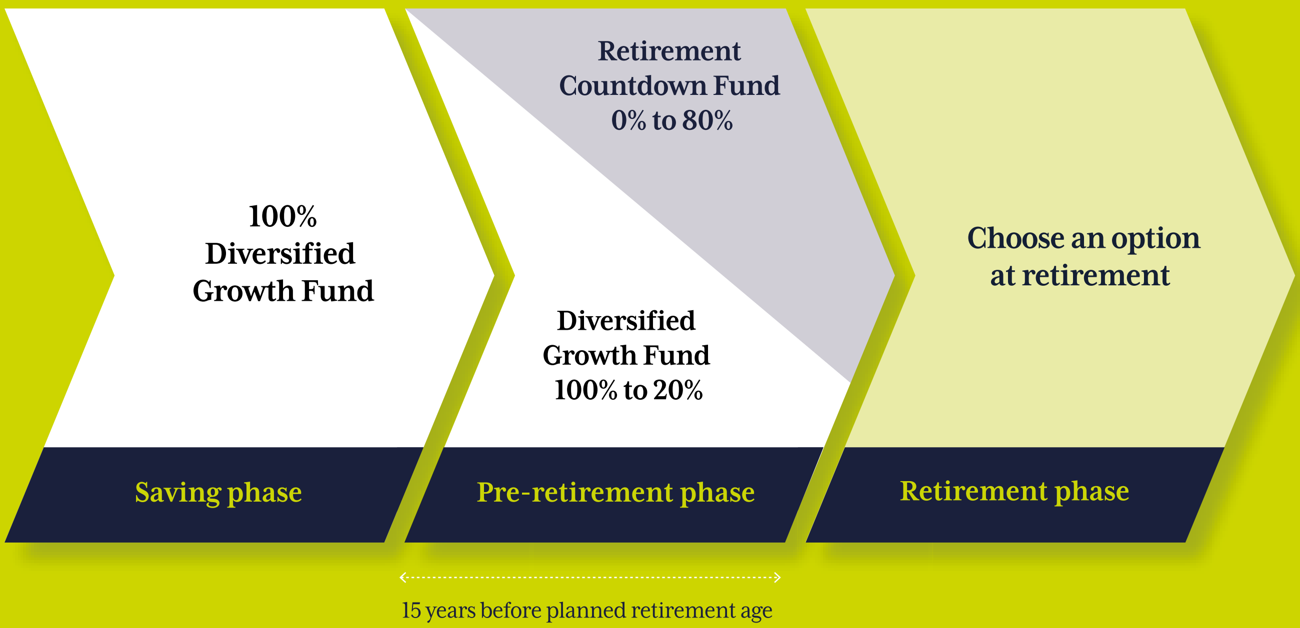
**The Scheme's overriding objectives are simplicity, sustainability and affordability. The Trustee directors continue to believe that a single investment strategy is right for most members but, as part of their review, are considering offering a limited choice for those who want it.**

# Your pension saving journey

The saving journey in place for most members is made up of three phases, as described in Figure 8. There are no self-select funds for most members. This is also the default investment strategy for Uber workers, although these members can choose to invest in the Shariah Fund instead throughout their working life.

**Figure 8: The Journey Path**

The retirement Journey Path gradually moves your pension savings from the **Diversified Growth Fund** so that they're mainly in the **Retirement Countdown Fund**, over a 15-year period




Diversified Growth Fund
**Return target – 4% a year above inflation** (after investment charges)

Retirement Countdown Fund
**Return target – cash, to preserve capital**

## Your retirement options

**1.** Stay where you are.
**2.** Take your savings as a cash lump sum. When you take your savings, 25% is normally payable tax-free.
**3.** Transfer to another provider to generate a guaranteed income, or drawdown income.

# A balanced investment strategy

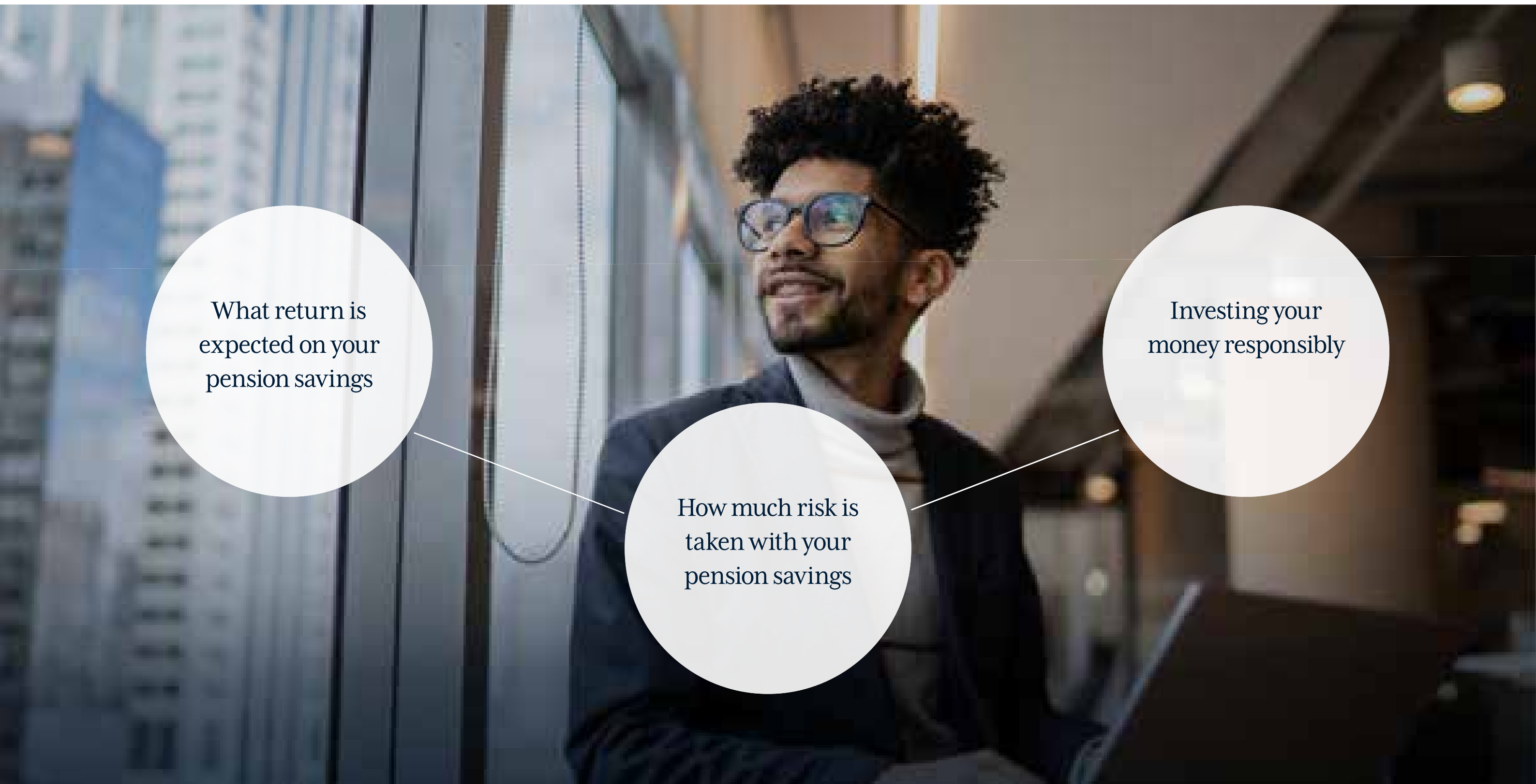
The Journey Path is the default investment strategy for all members, as set out in the Scheme Administration Regulations (the default arrangement).

We continue to believe that a single investment strategy is the most appropriate approach for your pension. In other large pension schemes like ours, around 96% of members are in the default arrangement even where there is a choice of investments[3]. Furthermore, research suggests that only 7% of savers regularly review how their investments are performing[4].

To meet the needs of Uber, we developed and launched a Shariah Fund during the Scheme Year. This is an alternative to the default strategy.

We keep our strategy under review, taking account of the profile of our members and their pension savings. The last major review led to the current strategy being adopted in May 2021. The Shariah Fund was introduced in October 2022. Towards the end of the Scheme Year we commenced the 2023/24 triennial strategic investment review. We expect the conclusions of this review to be implemented by February 2024.

Our strategy is underpinned by the three broad investment objectives – targeting growth, reducing risk and responsible investing.




The Trustee directors are required to set out how they follow these objectives in an implementation statement. We published our most recent implementation statement, covering the previous Scheme Year, in October 2022. We expect to publish the implementation statement for the Scheme Year covered by this chair's statement in October 2023. You can see a copy of the implementation statement at nowpensions.com/resource/statement-of-investment-principles-and-our-implementation-statement

[3] PPI (2022), The DC Future Book
[4] Aon (2022) Keeping on track in challenging times: Aon's DC pension and financial wellbeing employee research 2022

## Targeting growth

The investment strategy agreed by the Trustee directors sets out the level of return we expect the DGF, RCF and Shariah Fund to achieve over the long term (as detailed on page 29).

Following a strong performance in 2021/22, with an 18.7% return after investment charges and costs, the DGF delivered a return of -13.7% after investment charges and costs.

The annual return for the RCF during the Scheme Year was broadly in line with its target at 2% after investment charges and costs.

The return of the Shariah Fund, after investment charges and costs, since the fund launch in October 2022, was 7.2%.

Investment conditions were extremely challenging during the Scheme Year and the Trustee directors continue to closely monitor performance and markets.

Conditions did improve during the latter part of the Scheme Year and the first quarter of the new Scheme Year.

- Performance in the DGF has stabilised, with the fund growing 6.5% in the first six months of 2023.
- The RCF has continued to deliver stable returns for members approaching retirement and is benefiting from rising interest rates.
- The Shariah Fund continues to perform well, up c.18.7% in the first six months of 2023.

## Reducing risk

The investment strategy is also designed to manage the level of risk your savings are exposed to.

In the DGF, we do this by spreading your investments across five different investment groups. The precise split is reviewed by the investment manager on a regular basis and will vary according to changing economic conditions.

**The Trustee directors and the investment committee (IC) believe the investment strategy should mean the value of investments in the DGF fall by no more than**

**↓15%**

**in the majority of market conditions.**

This is based on a forward-looking measure of volatility (investment ups and downs). However, market conditions in the Scheme Year were exceptional. Taken over the course of the Scheme Year, the return of the DGF was consistent with the market environment - in particular a period of rising interest rates - and the investments it holds.

In the RCF, risk is managed by investing in money market funds, cash deposits and short-dated bonds, designed to minimise the risk of capital loss.

In the Shariah Fund, risk is currently managed in line with an Islamic equity index with the volatility associated with that index.

# Responsible investment

Each year we strive to improve how we deliver against our responsible investment (RI) objectives. The Trustee directors are pleased to report strong progress against the fund-specific objectives. The proportion of the Scheme assets invested according to the Trustee directors' responsible investment beliefs exceeds the minimum of 50%.

The Scheme has produced its first report on implementing the Task Force on Climate-related Financial Disclosures (TCFD). During the Scheme Year, the Trustee directors undertook member and employer research on RI.

Examples of how your savings have been invested responsibly include bonds which in turn invest in:

- solar and wind farm renewable energy plants in Canada and the US
- three offshore wind farms being built in France
- over 300 green and platinum LEED (an international standard for sustainability) buildings
- financing the construction of new energy-efficient buildings, plus renovating existing residential and commercial property, and
- financing for local public transport and infrastructure to create clean transportation in Germany.

A copy of the TCFD report can be found on our website at nowpensions.com/tcfd.

# Where your money is invested

The table below shows the different types of asset the funds available through the Scheme were invested in at the end of the Scheme Year.

| Asset class | DGF | RCF | Shariah |
|---|---|---|---|
| **Cash** | 35.0% | 100% | 0.0% |
| **Bonds** | 24.9% | 0.0% | 0.0% |
| **Listed shares** | 34.0% | 0.0% | 100.0% |
| **Unlisted shares** | 0.0% | 0.0% | 0.0% |
| **Infrastructure** | 0.0% | 0.0% | 0.0% |
| **Property** | 0.0% | 0.0% | 0.0% |
| **Other debt instruments** | 0.0% | 0.0% | 0.0% |
| **Other assets** | 6.2% | 0.0% | 0.0% |
| **Total** | **100%** | **100%** | **100%** |

The DGF's investment approach is unusual. The money is spread across five groups of investment assets that tend to perform differently in a range of economic conditions.

The five groups are:

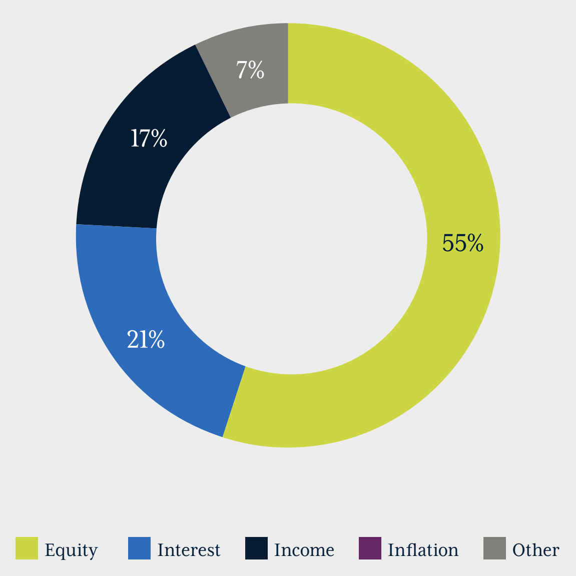
1. **equity** (shares in companies)
2. **interest** (value mainly affected by changes in interest rates, for example government bonds)
3. **inflation** (value linked to inflation, for example, inflation bonds)
4. **income** (pays income – for example, property), and
5. **other** (assets that don't fall into any of the other groups, such as gold and foreign currency).

Rather than splitting the money between different types of investment (asset classes), the money is allocated based on the risk of each investment group. The DGF can also use derivatives, where this is appropriate, to help reduce risks or manage the investments more efficiently. (A derivative is a contract between two or more investors. The contract's value is based on a type of financial asset, index or security the investors agree on. [An index is used to measure investment performance. A security is an asset that can be traded]. Examples of derivatives include futures, where investors agree a price the asset can be sold at in future, and swaps, where investors can exchange the costs, risks and interest rates of their assets at favourable times.)

All this means the spread of assets the DGF invests in, shown in the chart above, may not give an accurate impression of the DGF's risk and return expectations.

The chart below also shows the DGF's exposure to different risks as at the end of the Scheme Year.

**Risk allocation by investment group**



# Investment management

The Trustee directors delegate day-to-day responsibility for managing investment to CRML, which is authorised and regulated by the Financial Conduct Authority (FCA).

The Trustee directors delegate responsibility for monitoring CRML's performance to the IC, with advice from the Trustee investment adviser Redington. The IC receives reports from CRML at each meeting and reports back to the Trustee directors at each board meeting, and immediately if they have any concerns. During the Scheme Year, underperformance of the DGF over the short term, relative to its benchmark, was escalated to the main Trustee board and was complemented by CRML providing, typically, bi-weekly updates to the Trustee directors.

The IC ensures that reporting is delivered to a high standard and is fit for purpose, reflecting the investment strategy.

The Trustee directors review the investment strategy annually, with the most recent review in May 2023. The new strategy will be developed during the current Scheme Year and the Trustee directors will report on any changes in next year's statement.

# 5

# Communicating with and listening to you

**It is important to us that our communication with you is clear, timely and accurate. We also want to hear directly from you about what is important to you. We want to listen and learn, so we can ensure the Scheme meets your needs.**

## Understanding you, our members

The Trustee directors ensure that the design of the Scheme and communications are appropriate to the needs and characteristics of you, the members. The Trustee directors achieve this by understanding the profile of our members and listening to and learning from you.

## Learning from you

The Trustee directors learn a lot from the feedback you give the Scheme. One of the communications committee's key tasks is to encourage the Scheme to improve the way you can give them and the Scheme feedback. We receive feedback through research (NPL's research and industry surveys) and through feedback from the contact centre and complaints process.

In 2022, NPL commissioned research among savers and employers about responsible investment. In-depth discussions revealed (among other things) the following.

- Many of you find the subject of pensions difficult and need help understanding investment strategies, although older savers tend to have a better understanding than young savers.
- You understand risk profiles but don't have a sense of what makes a good or bad investment.
- You don't know where to go to find out more information about NPL, but would like to know more.
- Understanding of responsible investment is limited, but you want the Trustee directors to make the case for an ethical fund in terms that you understand.
- You currently have little sense that you can, or should, influence investment decisions.
- There is a degree of cynicism about financial brands claiming to act ethically and schemes like ours need to do more to help you understand how they are investing responsibly.
- There is increasing awareness of corporate social responsibility and ESG, but many of you remain sceptical about progress.
- You understand that issues such as divesting from fossil fuels are not always straightforward.
- You find it difficult to understand the TCFD report but would like to know more.

The Trustee directors will work closely with the Scheme to ensure that findings from the research are fed into communications with you over the coming year.

The Trustee directors received **3,013** complaints from members...

...which represents less than **0.2%** of our total membership[5]

**The top three reasons members were dissatisfied were:**

**1. Opting out of their pension** | **2. Preparing for retirement** | **3. The value of their savings**

NPL and the Trustee directors take every complaint seriously and have processes to resolve them quickly, using what we learn to improve our processes and communications.

Member complaints, categorised by root cause, are reviewed by the operations committee of the Trustee board.

You can contact the Trustee directors directly by emailing Trustees@nowpensions.com.
You can send questions to membersupport@nowpensions.com.
You can also fill in a form on the website or call our member support team.
These details are available on the website at nowpensions.com/contact-us and on annual benefit statements.

[5] Total complaints as a percentage of total membership.

## Improving communication

The communications committee meets quarterly to review progress against the communications strategy and plan, and to deal with any communications issues referred from other committees. It also reviews the management information about members and the findings of the member insight group, which uses information from a range of sources to develop a better understanding of member engagement and communication.

During the Scheme Year, the communications committee met regularly to review member communications and worked with NPL to make improvements to the way the Scheme communicates with you. Here are some examples.

- The publication of a short chair's statement explainer highlighting what to look out for in the full chair's statement.
- The first Task Force on Climate-Related Financial Disclosures (TCFD) report explaining the Trustee directors' sustainable investment approach, together with an easy-to-read summary.
- Research with members was conducted to gather views about sustainability and climate change in relation to investing.
- The improved ABS was launched, along with a dedicated microsite and updated explainer video.
- Further research among members is being conducted to ensure that future communication changes are aligned to your needs and wants.
- During the Scheme Year changes to the way the Scheme communicates were made, including:
  - new and updated content designed to give you access to relevant and easy-to-read information on the Scheme and pension-related news
  - an expanded 'frequently asked questions' section with up-to-date guidance about the cost of living, and
  - further awareness-raising about pension scams.
- The search functionality of the NOW: Pensions website was improved, enabling you to easily find the information you're looking for.
- Visitors who found nowpensions.com through search rose by 36.47%, new visitors rose by 33.70% and the Trustee directors recorded 28.52% more sessions on the website in this Scheme Year than the previous one.

# Representing your interests and fair pensions for all

The Trustee directors continue to support research and policy work that highlights issues faced by the most disadvantaged groups when it comes to retirement savings. Here is a selection of their work this Scheme Year.

## Underpensioned

Our second report published in December 2022 shows the pension wealth gap has worsened since 2020. Underpensioned groups are now retiring with 85% less than the UK average.

## Gender pensions gap

Our GPG report published in June 2022 shows around three million women in the UK are currently locked out of workplace pension saving.

## Children's financial literacy (Debate Mate)

Through our ongoing partnership with Debate Mate, NOW: Pensions has mentored more than 3,500 students about money, savings, and pensions since 2020.

## Net pay

We also successfully campaigned for lower earners to receive a government top up for tax relief. Our determined campaigning over the last couple of years means that, from April 2024, pension savers who earn under the income tax thresholds will benefit from government support for their pension savings, just like taxpayers already do.

## Auto Enrolment 2017 Review

We were also pleased to hear in March that the DWP was backing a private members bill which grants two extensions to auto enrolment – abolishing the Lower Earnings Limit for contributions and reducing the age for being auto enrolled to 18 years old.

NOW: Pensions took part in the Pension Attention Campaign, an industry-wide campaign to raise awareness of pensions to UK savers. The key message was to help pension savers find their missing pension savings.

# Appendix A

## Meet the current Trustee directors

### Joanne Segars OBE

**Chair of Trustee board and interim chair of the investment committee and member of the communications committee**

Joanne has over 30 years of experience working in the pensions sector. She currently chairs, or sits on the board of, a number of pension schemes and investment companies in the UK and internationally. Joanne has a background in public policy, lobbying the government for a fair, affordable and efficient pensions system. She actively campaigns to ensure everyone can retire with a decent retirement income and has been helping to lead NOW: Pensions' campaign to close the gender pensions gap. She is an accredited member of the Association of Professional Pension Trustees. Joanne chairs the Trustee board of NOW: Pensions.

### Ed Jones

**Trustee director, chair of the audit, risk and compliance committee and member of the operations committee**

Ed has 25 years' experience in senior finance roles and more than 20 years in the pensions industry. He is a professional pension Trustee with wide-ranging experience of both defined benefit and defined contribution schemes and with a focus on strategy, performance and risk management. As a former chief financial officer and qualified accountant, he has extensive experience of enabling growth and change in immature business environments and of developing the appropriate risk management and internal controls. Ed's particular focus at NOW: Pensions is on developing the appropriate oversight over the effectiveness of risk management and internal controls, working closely with the finance, risk and compliance and internal audit departments. Ed chairs the audit, risk and compliance committee.

### Adrian Kennett

**Representing Dalriada Trustees Ltd. Trustee director, chair of the operations committee and member of the communications committee**

Adrian has 30 years' experience in the pensions industry and is a director of Dalriada Trustees, an independent Trustee services provider, and a fellow of the Pensions Management Institute.

His wider experience includes data analysis and benefit reconstruction, development and implementation of administration procedures and governance mechanisms, scheme mergers and the implementation of complex investment strategies.

He sits as both Trustee chair and a member of the board of Trustees on appointments ranging from those with liabilities of less than £10 million to those with liabilities of over £3 billion.

## Tracy Weller

**Trustee director, chair of the communications committee and member of the operations committee**

Tracy has over 30 years' pensions industry experience and has held senior leadership roles for several master trusts and third-party administration providers. She has a background in pensions administration, IT service delivery and consultancy in regulated environments. She has experience of providing administration services and systems to large-scale final salary, defined contribution and master trust pension arrangements. As a member of the NOW: Pensions' operations committee and communications committee, Tracy has a particular focus on ensuring the Trustee provides great service to members and employers as well as ensuring communications are simple, clear, engaging and timely. Tracy was a director of PASA (the Pensions Administration Standards Association) between 2016 and 2019.

## Gary Smith

**Trustee director, member of the audit, risk and compliance committee and the investment committee**

Gary has over 30 years' experience in the pensions and investment industry. Over that time he has held various senior leadership roles across the master trust, investment management and advisory sectors. He's worked with and advised some of the UK's largest pension schemes, dealing with scheme governance, investment strategy, administration and member communications. He's also, more recently, set up and run one of the UK's leading DC master trust schemes. Gary sits on the investment committee and the audit, risk and compliance committee.

# Appendix B

## Statement of investment principles (June 2022)

# Statement of Investment Principles

June 2022

NOW: Pensions

The future is now

# Statement of Investment Principles NOW: Pensions Trust

Adopted by the Trustee on 22 June 2022.

**Joanne Segars**
**Chair of the Trustee board**

# Contents

# 1

# Introduction

## Background

1.1 This Statement of Investment Principles (the Statement) sets out the investment beliefs, high level objectives, policies and principles governing the investment decisions made by NOW: Pension Trustee Limited (the Trustee) in relation to the NOW: Pensions Trust (the Trust). It has been prepared in accordance with the requirements of the Pensions Act 1995 (the Pensions Act), the Occupational Pension Schemes (Investment) Regulations 2005 and other relevant legislation, as well as the principles recommended by the Myners Code.

1.2 The Statement is available to members on the website. It is reviewed at least once every three years or after any significant change in investment policy.

1.3 The Trustee provides a default investment strategy to all members, with details of this arrangement captured in sections 2 to 6 of this statement. For Uber only we also provide a Shariah Fund, for which details can be found in Appendix C of this statement.

**Trust**
A trust is a way of holding assets. A pension trust keeps assets in the pension scheme separate from the scheme's employer.

Our Scheme is a master trust – a type of defined contribution (DC) pension scheme that lots of different employers take part in, managed by a board of trustee directors who share responsibility for ensuring the Scheme always runs in the best interests of its members.

## Nature of the Trust

1.4 The Trust is a defined contribution scheme and all the benefits it provides are based on the balances on the member's individual pension account, without any guarantees of performance.

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# Governance

2.1 The Trust is governed by its Trust Deed and Rules, which set out in detail the benefits and specify the Trustee's investment powers.

2.2 The Trust's assets, representing the balances on individual members' pension accounts (the Fund), are invested in the best interests of the Trust's members and beneficiaries.

2.3 The Trustee sets and regularly reviews the investment objectives for the Fund. The Trustee is responsible for deciding how to invest the Fund and has delegated certain decisions and responsibilities to an Investment Manager, Cardano Risk Management Limited (Cardano).

2.4 The Trustee ensures that appropriate guidelines and restrictions are agreed with the Investment Manager which clearly set out their responsibilities and the scope of their powers. The Trustee has taken all such steps as are reasonable to satisfy itself that the parties to which they delegate responsibilities have the appropriate knowledge and experience required to take on their role.

2.5 The Trustee has entered into an Investment Management Agreement (IMA) with Cardano as its Investment Manager, and has delegated to them all day-to-day investment functions, subject to regular monitoring and review. The Trustee holds the Investment Manager accountable to apply the Statement in so far as is practical.

2.6 The Trustee has consulted with NOW: Pensions Limited (NPL) as the Employer Representative on the contents of the Statement.

2.7 The Trustee has received advice on the content of this Statement from its Investment Adviser, Redington Ltd. The Trustee is satisfied that the Investment Adviser has the knowledge and experience required by the Pensions Act to perform this role.

2.8 The Trustee has established an Investment Committee whose role is to oversee the Investment Manager and to monitor progress against the Fund's investment objectives and consistency with this Statement.

# 3

# Investment Beliefs and Objectives

## Investment Beliefs

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

3.1.1 • **Choice:** Given our 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 our members' retirement needs. This option means one Journey Path and common risk/return profile for members at each stage of the Journey Path.

3.1.2 • **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).

3.1.3 • **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. 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 Trust's membership.

**Journey Path**
This describes the retirement journey for a member within the default investment strategy. Starting 15 years before a Scheme member reaches their planned retirement age, we gradually switch pension savings from our Diversified Growth Fund (which aims to help grow members' pension savings faster than inflation over the long term) mainly into our Retirement Countdown Fund (which aims to protect the value of members' pension savings, reducing the risk of them falling in value before members turn them into retirement benefits).

3.1.4 • **Responsible Investment:** As long-term investors, incorporating environmental, social and governance (ESG) factors into a Responsible Investment (RI) 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.

3.1.5 • **Asset allocation & 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.

3.1.6 • **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.

3.1.7 • **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.

3.1.8 • **Costs matter:** Both annual management charges and transaction costs should be considered. The Trustee has a bias towards lower cost solutions.

**Responsible investing**
Making investment decisions based on environmental, social and governance (ESG) factors, which aim to provide positive returns and mitigate long-term risk. Incorporating ESG factors into a responsible investment process is integral to long-term success.

**Asset allocation**
How different types of investment asset, such as equities, bonds (loans to the government or companies) and cash, are spread in an investment fund. 50% equities, 40% bonds, 10% cash is an example of an asset allocation.

**Indexed management/Passive management**
An investment strategy that aims to match the investment returns of a market, rather than aiming for higher returns.

3.1.9 • **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.

3.1.10 • **Currency:** Our members work in pounds (GBP) and save in pounds. 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.

3.1.11 • **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.

**Derivative**
A contract between two or more investors, where the value of the contract is based on a type of financial asset, index (a way to measure investment performance) or security (a financial asset that can be traded) that the investors agree on.

Types of derivative include futures (where investors agree a price the asset can be sold at in future) forward contracts (which lock in a future interest or exchange rate), options (which give investors the right to buy or sell assets at an agreed time and price), swaps (investors can exchange the costs, risks and interest rates of their assets at favourable times), and warrants (similar to options, but issued by companies rather than banks). Derivative investments are mainly used to manage risk.

**Leverage**
Borrowing money – which can be capital (cash) or financial instruments (such as bonds or derivatives) – to increase the potential return of an investment.

**Portfolio**
Here, it means a collection of investment funds.

**Liquid and less liquid assets**
Liquid assets are quick and easy to sell and turn into cash. Less liquid assets, such as property or infrastructure, may take longer to sell and turn into cash.

**Infrastructure**
Includes utilities such as water or electricity, transport – for example, roads and bridges – and IT networks.

# Investment Objectives

3.2 Based on their investment beliefs, the aims and objectives of the Trustee's default investment strategy are intended to ensure that assets are invested in the best interests of members and beneficiaries of the Trust (referred to as 'members' for ease in the rest of this document).

3.3 The Trustee has decided on a default investment strategy which it considers appropriate for the members of the Trust, taking into account their planned retirement age. They expect the strategy to deliver, in the long-term, a satisfactory return in real (inflation-adjusted) terms on the contributions invested. The determination of an appropriate default investment strategy is the decision that has most influence on the ability of the Trust to achieve the member's desired retirement outcome.

3.4 A common Journey Path is provided for all members which divides the investment period into three phases.

3.4.1 • **Savings phase:** This period starts when the member first joins the Trust until 15 years before their planned retirement age. This savings phase is when the member's pension account is building up and retirement is still some time in the future. All of the member's account will be invested in the Diversified Growth Fund (DGF). The DGF is a growth focussed fund where the member's assets are invested in a broad range of investments seeking to provide grow faster than inflation while managing risk.

3.4.2 • **Pre-retirement phase:** During the 15 years leading to the planned retirement age the member's expected risk, and therefore expected return, is gradually reduced. Their exposure to the DGF is reduced while their exposure to the Retirement Countdown Fund (RCF) is increased. The RCF is a retirement-focussed fund which is specifically designed to preserve capital as the member approaches retirement. Preparations are made for a smooth transition to retirement by reducing the volatility of the member's account over time as they approach retirement.

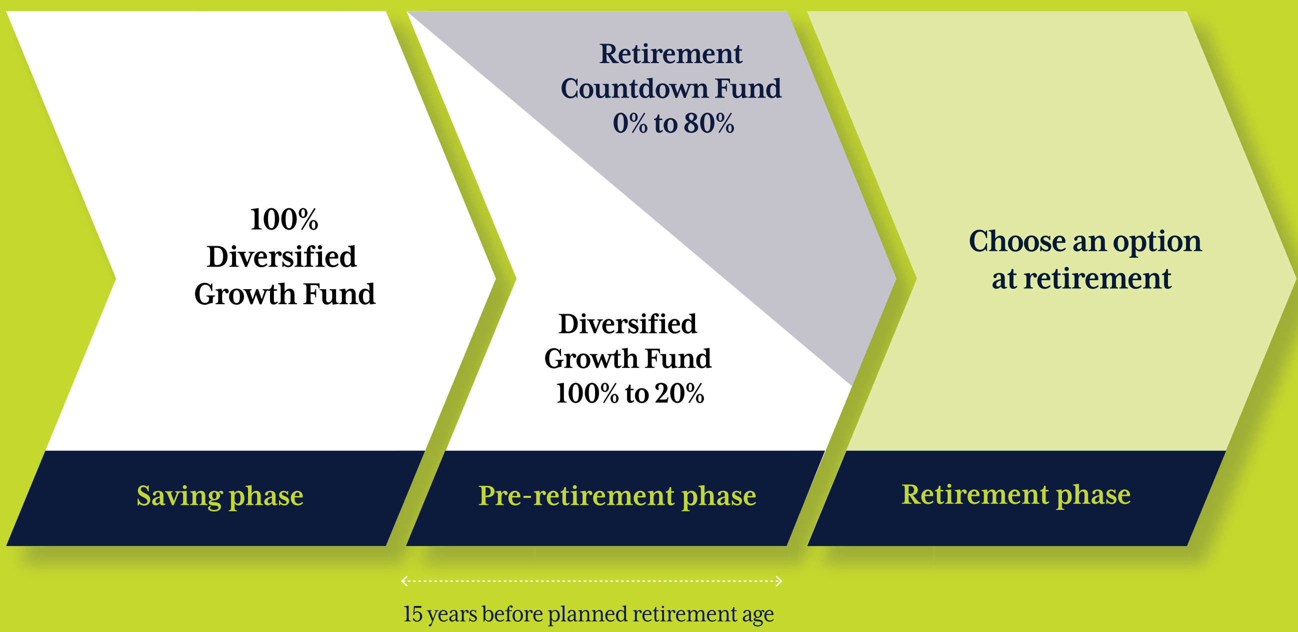
3.4.3 • **Retirement phase:** This is the position at (or beyond) the planned retirement age. By this stage 80% of the member's account will be in the RCF and 20% of the account will remain in the DGF.

The Journey Path is illustrated overleaf.

**'Preserve capital**
'...protect the value of pension savings'

## The Journey Path

The retirement Journey Path gradually moves your pension savings from the **Diversified Growth Fund** so that they're mainly in the **Retirement Countdown Fund**, over a 15-year period




Diversified Growth Fund
**Return target – 4% a year above inflation** (after investment charges)

Retirement Countdown Fund
**Return target – cash, to preserve capital**

### Your retirement options

**1.** Stay where you are.
**2.** Take your savings as a cash lump sum. When you take your savings, 25% is normally payable tax-free.
**3.** Transfer to another provider to generate a guaranteed income, or drawdown income.

# Responsible Investment

3.5 A key Trustee belief is that, as long-term investors, incorporating financially material ESG factors into a RI process is integral to long-term success (by financially material, we mean ESG factors with the aim of providing suitable long-term returns and mitigating long-term risk). RI matters in terms of financial performance in the long run and the risks associated with ESG factors should be measured and managed. By being a responsible investor, the Trustee is managing investment risk with the aim of enhancing long-term portfolio returns which is in the best interests of the members and beneficiaries of the Trust.

3.6 This belief is based on the view that, as part of the Trustee complying with 3.5 above and 3.8 below, it is possible to invest in a way which contributes to a more sustainable world, with a beneficial effect on portfolio returns.

3.7 In addition to risk and return objectives set for the DGF and RCF, the Trustee believes it is essential to measure and manage the impact of its investment policy and so has set RI objectives. Consistent with 3.5 above and 3.8 below, the Trustee will consider the impact of its investments and whether they are leading to sustainable financial benefits for members. This will allow the Trustee to better understand and consider the financial risks and opportunities associated with the transition to a more sustainable world.

3.8 The Trustee will seek to meet its RI objectives throughout all components of the Fund, within the constraints of the investment strategy, costs and operational considerations, while still continuing to deliver the chosen risk and reward objectives.

3.9 The Trustee has considered the Investment Manager's policy on taking account of ESG factors in decisions regarding the selection, retention and realisation of investments. The Trustee considers the Investment Manager's policies on these matters to be consistent with the Trustee's RI beliefs. Consequently, the Trustee 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 into its investment process.

3.10 As part of complying with 3.5 and 3.8 above, the Trustee is supportive of the Investment Manager's approach seeking to align, where possible, its portfolios in the long-term to support the United Nations Sustainable Development Goals (and specifically respect and support for human rights and avoiding human rights abuses as set out in UN Global Compact Principles 1 and 2) and the Paris Climate Agreement. The Paris Climate Agreement seeks to limit global warming to well below 2, and preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

3.11 Specifically in relation to the Trust assets, and subject to 3.5 and 3.8 above, the Trustee has set these goals as part of its RI objectives:

3.11.1 • Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement. Net Zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

3.11.2 • At least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs.

3.12 The Trustee believes that setting and supporting these objectives, when appropriately implemented, will not lead to a reduction in the overall importance of the financial risk and return objectives in the management of the Trust's assets. However, the Trustee recognises that there are components of the strategy where the ability to affect a tangible real-world impact is lower. While it is important that ESG considerations are given to all assets, the Trustee believes that they do not detract from the balanced risk approach adopted by the Investment Manager in its approach to the Trust's strategic asset mix.

3.13 The Trustee started their RI journey a number of years ago with its allocation to Green Bonds. Green Bonds are fixed-income investments designed to support the financing of specific climate-related or environmental projects. For example, the Trust's bonds have been used to fund projects focused on renewable energy, energy efficiency, fighting and adapting to climate change, protection of biodiversity and fighting pollution. This allocation has recently been increased to include sustainable bonds and ESG based equity and cash funds. As far as legally permitted, the Trustee expects to continue to have an increasing proportion of the Fund dedicated to the pursuit of its RI objectives within the constraints of the investment strategy, costs and operational considerations.

**Green bonds**
Loans that support the financing of climate related, social or environmental projects.

3.14 The Trustee recognises that the measurement of impacts of investments is a complex and rapidly developing area. It expects to work in conjunction with its Investment Manager to develop the necessary frameworks to progressively measure impact over time.

3.15 The Trustee recognises the pivotal role that good stewardship of assets will play in meeting its RI objectives:

3.15.1 • 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 we invest through active engagement and dialogue.

3.15.2 • The Trustee expects the Investment Manager to be a signatory of the UK Stewardship code and to exercise voting rights, with the aim of having a meaningful impact protecting and enhancing the value of assets consistent with the Trustee's policies.

3.15.3 • Where engagement fails to achieve meaningful impact, the Trustee expects the Investment Manager to exercise its voting rights appropriately. Reducing investment or complete disinvestment remain as options.

3.15.4 • The Trustee expects the Investment Manager to be a signatory to ESG industry initiatives engaging collaboratively, such as Principles for Responsible Investment, Climate Action 100+, the Net Zero Asset Managers Initiative, the Institutional Investors Group on Climate Change (or equivalent group in other regions), the Diversity Initiative and to adopt the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).

Consistent with the approach to responsible investing, the trustee believes that, to the greatest extent possible, this stewardship and engagement approach should be applied through all aspects of the Fund.

3.16 The Trustee recognises that the Investment Manager might appoint third-party asset managers to manage investment mandates or funds to achieve some of these objectives. The Trustee expects those third-party managers, mandates and funds to conform closely to standards consistent with its own beliefs and that of the Statement, though it recognises there may be points of difference in the beliefs of different management organisations. The Trustee expects any such third-party asset managers to apply stewardship principles consistent with those above, and to provide appropriate disclosures to enable conformance with their overall policies and objectives.

3.17 A review of engagement undertaken by the Investment Manager and any third-party asset managers will be assessed by the Trustee annually as part of producing an annual Implementation Statement. Where applicable, when considering the implementation approach, the Trustee expects that the Investment Manager and any third-party asset managers will engage with relevant persons (including issuers of debt or shares, sub-investment managers companies, other stakeholders or other holders of debt or shares) 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.

3.18 The Trustee expects that RI will be an area which will change as policy from governments, regulators and other institutions evolve. As a result, the Trustee expects to evolve its own policies over time and supports its Investment Manager in responding to developments.

## Non-financial factors

3.19 The Trustee believes that by being a responsible investor, they are managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Trust. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non-financial matters in their investment decision making in relation to the default investment strategy.

3.20 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 the decisions we make on investment and delivering our services to members.

3.21 If expressly requested by an employer, the Trustee will take into account non-financial factors (such as members' ethical or religious views and those relating to quality of life and social and environmental impact) in deciding whether to offer any self-select funds to members. For example, one of the Scheme's employers has a large number of employees who hold a particular religious belief and the Trustee has set up a self-select fund for the employer - see Appendix C for more details. The employer provides employees with the choice of accessing the self-select fund; if they do not choose the fund, they are enrolled into the default strategy. The Trustee will only offer an investment option on non-financial grounds if, having taken professional advice, it is satisfied the investment is suitable and appropriate for the demographic of membership.

**Investment mandates**
Agreements between the Trustee and their investment managers that set out how the managers will invest money.

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# Investment Strategy: DGF

## Investment Objectives

**Return Objective**
To deliver a return in excess of inflation, as measured using the Consumer Price Index (CPI), of 4% a year (CPI +4% a year) or more over the long-term, net of the annual investment charge.

**Risk Objective**
The expected risk, measured in terms of annual volatility, is 12.5% a year.
The expected range is from 10% to 15%.

**RI Objective**
Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement, and at least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs.

4.1 The Investment Objectives are set and reviewed by the Trustee with the primary consideration being the expected long-term return allowing for the trade-off with investment risk.

4.2 The Return Objective is specified in the guidelines to the IMA agreed with the Investment Manager. The Investment Manager is tasked with investing the assets to deliver the Return Objective consistent with the Risk Objective and the RI Objective.

# Investment Strategy

4.3 The DGF allocates the investments between five investment groups, consisting of different asset classes, each of which has different risk and return characteristics. The balance across the asset classes is at the Investment Manager's discretion, subject to agreed guidelines which are set out in detail in the IMA.

4.4 The Investment Manager bases its decisions on its long-term risk and return assessment of different asset classes, anticipated levels of diversification, impact of changing economic conditions, RI factors and its assessment of an investment's alignment with RI objectives.

4.5 The investment groups, likely asset classes to be held, and risk exposure ranges are set out in the diagram below.

**Investments are managed in groups to deliver the return, risk and RI objectives**

| Equity | Interest | Inflation | Income | Other |
|---|---|---|---|---|
| Equities (ie shares) including: developed market equity, emerging market equity and private equity. | Assets which pay cashflows to investors and whose value is primarily affected by changes in interest rates including: government bonds, sustainable bonds and interest rate swaps. | Assets whose value is linked to inflation, including: inflation bonds (government and non-government), inflation swaps and commodities (excluding fossil fuels). | Assets that pay regular income including: investment grade credit, high-yield credit, emerging market debt and illiquid investments, such as property or infrastructure. | Assets that are different to the other investment groups such as foreign currency and gold. |
| **Purpose in portfolio**<br>Generate returns | **Purpose in portfolio**<br>Manage portfolio risk<br>Generate returns | **Purpose in portfolio**<br>Manage portfolio risk<br>May generate returns | **Purpose in portfolio**<br>Generate returns | **Purpose in portfolio**<br>Manage portfolio risk<br>Generate returns |
| **Risk exposure**<br>0-70% | **Risk exposure**<br>0-70% | **Risk exposure**<br>0-50% | **Risk exposure**<br>0-30% | **Risk exposure**<br>0-30% |

4.6 A combination of physical and derivative investments will be used in the management of the DGF. A derivative is a contract between two or more investors whose value is based on an agreed-upon underlying financial asset, index, or security. Futures contracts, forward contracts, options, swaps, and warrants are commonly used derivatives.

4.7 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:

4.7.1 • it stays within the guidelines;

4.7.2 • it is appropriate to achieving the Return Objective, Risk Objective and RI Objective;

4.7.3 • there is sufficient liquidity to meet cashflow requirements; and

4.7.4 • there are sufficient assets available to manage the derivative positions.

4.8 The majority of assets held are readily realisable which is intended to provide for sufficient liquidity to meet members' purchases and sales and to manage the derivatives.

4.9 Less liquid assets may be used but should be appropriately sized with due consideration to the DGF Investment Objectives, likely liquidity needs and cashflows of the portfolio, together with costs and valuation/pricing considerations.

4.10 The Trustee delegates assessment of the expected return on investments to the Investment Manager. This is one of the factors taken into account by the Investment Manager when selecting the balance of assets to target the Return Objective.

4.11 The Trustee delegates decisions around the realisation of investments to the Investment Manager. Assets are realised as part of the ongoing management of the portfolio including rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Trustee.

## Valuation and Pricing of units

4.12 Fund units are valued and priced on a weekly basis. A single price is used for members' purchases and sales.

5

# Investment Strategy: RCF

## Investment Objectives

- **Return Objective**
  To deliver a return equal to the Sterling Overnight Interest Average (SONIA) rate consistent with the preservation of capital.
- **Risk Objective**
  To minimise the risk of capital loss.
- **RI Objective**
  Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement, and at least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs.

5.1 The RCF Investment Objectives are set and reviewed by the Trustee with the primary consideration of minimising the risk of capital loss.

5.2 The Return Objective is specified in the guidelines to the IMA agreed with the Investment Manager. The Investment Manager is tasked with investing the assets to deliver the Return Objective consistent with the Risk Objective and the RI Objective.

## Investment Strategy

5.3 The RCF typically invests in money market funds, cash deposits and **short-dated bonds.**

5.4 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:

5.4.1 • it stays within the guidelines;

5.4.2 • it is appropriate to achieving the Return Objective, Risk Objective and RI Objective; and

5.4.3 • there is sufficient liquidity to meet cashflow and derivative requirements.

5.5 The majority of assets held are readily realisable which is intended to provide for sufficient liquidity to meet members' purchases and sales and to manage the derivatives.

5.6 The Trustee delegates assessment of the expected return on investments to the Investment Manager. This is one of the factors taken into account by the Investment Manager when selecting the balance of assets to target the Return Objective.

5.7 The Trustee delegates decisions around the realisation of investments to the Investment Manager. Assets are realised as part of the ongoing management of the portfolio, including rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Trustee.

## Valuation and Pricing of units

5.8 **Fund units** are valued and priced on a weekly basis. A single price is used for members' purchases and sales.

**Short-dated bonds**
Investments in government or corporate bonds (loans to the government or companies) which are due to be repaid within five years.

**Fund units**
Investment funds are divided into units. Each unit is an equal part of the value of the fund. We use members' and employers' contributions to buy these units.

**Single-priced funds**
Funds that are bought and sold at the same price on a dealing day (a day when the stock exchange is open for business) – as opposed to 'dual-priced' funds which have a buying ('offer') price and a selling ('bid') price.

6

# Investment Risks

## Member Risks

6.1 The key risk to members is not meeting their financial retirement objectives. This could be due to insufficient contributions into the Fund or a lack of growth in investment returns. The Trustee helps members manage the risk of not saving enough though providing information on the importance of saving for retirement.

6.2 The risk of the lack of investment returns is managed by the Trustee through the implementation of the Journey Path to help members manage the money they have invested. For members with many years to retirement, the Journey Path invests in the DGF which is a growth-focussed fund where members' assets are invested in a broad range of investments seeking to provide growth faster than inflation while managing risk.

6.3 In order to target long-term returns above inflation, investment risk needs to be taken. The Return Objective, Risk Objective, RI Objective and agreed delegations to the Investment Manager help to ensure the appropriate level of risk is taken throughout the member Journey Path.

6.4 Nevertheless, there are many reasons why investment returns could be lower than expected, with two potential causes being economic and market conditions. This is something which the Trustee cannot control but can help to manage against with the implementation of the agreed investment strategy.

6.5 The Trustee regularly reviews the Fund's investment strategy. The Investment Manager regularly reviews the portfolio composition to ensure its composition remains appropriate.

## Portfolio Risks

6.6 **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 guidelines that ensure the assets are spread across a range of investments.

6.7 **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 regular monitoring of the exposures.

6.8 **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 guidelines which set out diversification and credit limits.

6.9 **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 guidelines which set out the permissible level of non-GBP exposure within each Fund.

6.10 **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.

6.11 **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 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.

6.12 **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. It 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. 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 Custodian and Administrator, the Investment Manager, NPL and Mercer.

## Other Risks

6.13 **Valuation risk:** This is the risk that investments are not valued properly, and Fund unit prices are incorrect. This risk is managed by through the selection process and regular monitoring of the Administrator, investing in assets which are quoted, and requiring the Investment Manager and Administrator to have clear valuation policies in place for those that assets which are not quoted.

# 7

# Arrangement with the Investment Adviser

## Arrangements

7.1 The Trustee has appointed Redington Ltd as their Investment Adviser. The Investment Adviser will advise the Trustee on whether the assets of the Trust are invested in accordance with the policies set out in this Statement and the requirements of sections 34, 35 and 36 of the Pensions Act 1995. The Trustee may also engage with them to undertake discrete projects.

## Fees

7.2 The fees paid to the Investment Adviser are based on either a time cost basis (based on time spent) or on a reviewable fixed cost, depending on the type of work involved.

## Review

7.3 Fees are reviewed annually. The appointment is reviewed periodically during the year through the Supplier Management Board and a formal review takes place every three years. As part of this review process the Trustee determines that the Investment Adviser is providing value for members.

8

# Arrangements with the Investment Manager

## Arrangements

8.1 The Trustee reviews the investment objectives and contract terms of the Investment Manager, including financial incentives, to ensure consistency with the IMA and this Statement. The Investment Manager is incentivised to align its investment strategies with the Trustee's policies set out in the Statement through the terms of the IMA and the investment objectives set by the Trustee.

8.2 The review is conducted at the appointment process and on an ongoing basis.

8.3 Although the arrangement with the Investment Manager is expected to be in the form of a long-term partnership, its appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business strategy, structure of the investment team or where investment managers fail to ensure alignment with the Trustee's policies.

**Portfolio turn-over costs**
The costs of buying and selling units in an investment fund.

## Reporting

8.4 The Investment Committee and the Trustee receive regular reports from the Investment Manager detailing performance and progress against the Return Objective, the Risk Objective, the RI Objective (where appropriate) and the Shariah Objective (where appropriate), together with other information such as the portfolio turnover costs (i.e. fees and expenses, including transaction costs) incurred in managing the investments which are assessed and monitored against the expected level.

8.5 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 this Statement.

8.6 The Investment Manager is responsible for ensuring any third-party asset manager is aligned with the IMA and this Statement at the time of appointment or explaining why this is not the case. They are also required to report back on any areas of potential divergence between the Trustee's policies on an ongoing basis, including their own.

8.7 The Investment Manager is also required to provide information, at least annually, on how it takes financial and non-financial performance into consideration, including (but not limited to) detailing its engagement activities with investee companies, where relevant. Performance in the medium to long term can be improved where asset managers (i) make decisions based on assessment about medium to long-term financial and non-financial performance of an issuer of debt or shares; and (ii) engage with issuers of debt or shares. The Trustee has delegated responsibility for ensuring this to the Investment Manager and will monitor the Investment Manager's performance in this regard.

8.8 As part of the review, 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.

## Fees

8.9 The Investment Manager is paid on a percentage of assets basis as set out in the IMA. The Investment Manager is not permitted to receive remuneration from other sources, such as commissions, the spread between buying and selling price of units in the Fund or exit charges.

## Review

8.10 Fees are reviewed annually. The appointment is reviewed periodically during the year through the Trustee's Supplier Manager Board and a formal review takes place every three years. The review focuses on the long-term, rather than short-term, performance and this provides an incentive for the Investment Manager to do the same. As part of this review process the Trustee determines that the Investment Manager is providing value for members.

# Appendix A
## Advisers

### Investment Adviser:

Redington Ltd

### Legal Adviser:

Eversheds Sutherland

### Joanne Segars OBE | Trustee Chair, Interim Chair of the Investment Committee and member of the Communications Committee

Joanne has over 30 years of experience working in the pensions sector. She currently chairs, or sits on the board of, a number of pension schemes and investment companies in the UK and internationally. Joanne has a background in public policy, lobbying the government for a fair, affordable and efficient pensions system. She actively campaigns to ensure everyone can retire with a decent retirement income and has been helping to lead NOW: Pensions' campaign to close the gender pensions gap. She is an accredited member of the Association of Professional Pension Trustees. Joanne chairs the Trustee board of NOW: Pensions.

### Adrian Kennett | (Representative of Dalriada) - Chair of the Operations Committee and member of the Communications Committee

Adrian has 30 years' experience in the pensions industry and is a director of Dalriada Trustees, an independent trustee services provider, and a fellow of the Pensions Management Institute. His wider experience includes data analysis and benefit reconstruction, development and implementation of administration procedures and governance mechanisms, scheme mergers and the implementation of complex investment strategies. He sits as both trustee chair and is a member of the board of trustees on appointments ranging from those with liabilities of less than £10m to those with liabilities of over £3 billion.

# Appendix A

## Advisers

### Ed Jones | Chair of the Audit, Risk and Compliance Committee and member of the Operations Committee

Ed has 25 years' experience in senior finance roles and more than 20 years in the pensions industry. He is a professional pension trustee with wide ranging experience of both defined benefit and defined contribution schemes and with a focus on strategy, performance and risk management. As a former chief financial officer and qualified accountant, he has extensive experience of enabling growth and change in immature business environments and of developing the appropriate risk management and internal controls. Ed's particular focus at NOW: Pensions is on developing the appropriate oversight over the effectiveness of risk management and internal controls, working closely with the finance, risk and compliance and internal audit departments. Ed chairs the audit, risk and compliance committee.

### Tracy Weller | Chair of the Communications Committee and member of the Operations Committee

Tracy has over 30 years' pensions industry experience and has held senior leadership roles for several master trusts and third-party administration providers. She has a background in pensions administration, IT service delivery and consultancy in regulated environments. She has experience of providing administration services and systems to large-scale final salary, defined contribution and master trust pension arrangements. As a member of the NOW: Pensions' operations committee and communications committee, Tracy has a particular focus on ensuring the trustee provides great service to members and employers as well as ensuring communications are simple, clear, engaging and timely. Tracy was a director of PASA (the Pensions Administration Standards Association) between 2016 and 2019.

### Gary Smith | Member of the Audit, Risk and Compliance Committee and the Investment Committee

Gary has over 30 years' experience in the pensions and investment industry. Over that time he has held various senior leadership roles across the master trust, investment management and advisory sectors. He's worked with, and advised, some of the UK's largest pension schemes, dealing with scheme governance, investment strategy, administration and member communications. He's also, more recently, set up and run one of the UK's leading DC master trust schemes. Gary sits on both the investment committee and the audit, risk and compliance committee.

# Appendix B

## Service Providers

**Trust Custodian and Trust Administrator:**

Bank of New York Mellon Corporation

**Investment Manager:**

Cardano Risk Management Ltd (CRML)

**Master Trust Scheme Administrator:**

Mercer

**Trust Manager:**

NOW: Pensions Limited

# Appendix C
## Shariah Fund (Uber only)

**This Appendix applies only to Uber**

11.1 The Trustee recognises that some individuals may have ethical, religious or investment beliefs and principles which conflict with principles of the default investment strategy and mean that they would not be able to save for their retirement. For Uber, the Trustee offers the choice of a Shariah-compliant fund where the underlying investments are governed by the requirements of Shariah law and the principles of Islam (the Shariah Fund).

11.2 If members select the Shariah Fund, they will not be enrolled in the default investment strategy.

**What is a Shariah Fund?**
A Shariah Fund is one which follows the principles of Islamic finance. Islamic finance is a system of financial activities that are consistent with Shariah (Islamic law). Major principles of Islamic Finance that differ from conventional finance are:

- Ban on interest (Riba)
- Ban on uncertainty (Gharar): transactions involving uncertainty, risk
- Ban of speculation, gambling (Maisir)
- Risk-sharing and profit-sharing: both parties in a financial transaction must share the associated risks and profits
- Ethical Investments that enhance society: Investment in industries that are prohibited by the Quran such as alcohol, pornography, gambling and pork-based products is discouraged
- Asset-backing: each financial transaction must be tied to a “tangible, identifiable underlying asset.

# Shariah Fund

## Investment Objectives

- **Shariah Objective**
  To offer a Fund that is Shariah compliant.
- **Return Objective**
  To deliver a return equal to the shariah compliant Dow Jones Islamic Market Titans 100 Net Total Return Index, both net of the annual investment charge, over the long-term.
- **Risk Objective**
  The tracking error of the Fund is to be less than 0.5% per annum, measured in terms of annualised monthly standard deviation of the portfolio return relative to the Dow Jones Islamic Market Titans 100 Net Total Return Index.

11.3 The Shariah Fund Investment Objectives are set and reviewed by the Trustee (with the support of its Investment Manager and Investment Adviser, as applicable) with the primary consideration of ensuring a Shariah-compliant fund is provided to members.

11.4 The Return Objective is specified in the guidelines to the IMA agreed with the Investment Manager. The Investment Manager is tasked with investing the assets in a Shariah-compliant manor to deliver the Return Objective consistent with the Risk Objective. The Investment Manager adjusts the balance of investments.

# Investment Strategy

11.5 The Investment Manager will appoint a third-party manager to manage the Shariah Fund. The appointed third-party manager will endeavour to only invest in shares of companies that meet the third-party manager's Shariah compliance principles, as interpreted or approved by the third-party manager's Shariah Committee. The Shariah Fund will not invest in derivatives.

11.6 The Trustee has set the Investment Manager guidelines 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 and Risk Objective; and
- there is sufficient liquidity to meet cashflows.

11.7 The majority of assets held are readily realisable which is intended to provide for sufficient liquidity to meet members' purchases and sales.

11.8 The Trustee delegates assessment of the expected return on investments to the Investment Manager. This is one of the factors taken into account by the Investment Manager when selecting the balance of assets to target the Return Objective.

11.9 The Trustee delegates decisions around the realisation of investments to the Investment Manager. Assets are realised as part of the ongoing management of the portfolio, including rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Trustee.

# Valuation and Pricing of units

11.10 Fund units are valued and priced on a weekly basis. A single price is used for members' purchases and sales.

NOW:
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**Information correct as at October 2023. NP/D0144/10/2023.**
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