

Implementation statement

For the year ending
31 March 2023



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Implementation statement for year ending 31 March 2023

Introduction

Under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Trustee (NPTL) of the NOW: Pensions Trust ('the Scheme') is required to produce an annual Statement, known as the 'implementation statement', which sets out how, and the extent to which, the Trustee has:

- reviewed and updated the Statement of Investment Principles (SIP) (with the reasons for any changes);
- followed the SIP over the year (including its voting and engagement policies), and
- actioned voting rights and engagement activities relating to the Scheme's investments (including the exercise of the most significant votes and use of proxy voting services).

The implementation statement covers the Scheme financial year ended 31 March 2023 (the 'Scheme Year').

From 1 October 2022, further Department of Work and Pensions (DWP) statutory guidance on the reporting of stewardship activities through implementation statements came into effect, to which the Trustee must have regard. This statement takes into account this guidance and reflects the DWP's updated stewardship expectations.

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

- **investment beliefs;**
- **investment objectives and strategy;**
- **investment management;**
- **voting activities;**
- **responsible investment, and**
- **any other areas of policy.**

Summary

As demonstrated in the following sections of this statement, the actions undertaken by the Trustee during the Scheme Year reflect the policies stated in the Scheme's SIP. The Trustee considers that implementation of these policies during the Scheme Year has driven long-term value for the Scheme's beneficiaries, and stewardship activity (including voting) undertaken on the Trustee's behalf reflects the Trustee's stewardship principles, Responsible Investment (RI) objectives and the way in which it expects the Scheme's assets to be managed.

1

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

Two versions of the SIP are relevant for the Scheme Year. Changes were made to the 26 April 2021 SIP ('2021 SIP') to allow for the introduction of a Shariah Fund offered only to Uber. This updated SIP was adopted on 22 June 2022 ('2022 SIP').

The Trustee obtained written advice from its investment adviser, Redington Ltd, in relation to the introduction of a Shariah Fund to comply with section 36 of the Pensions Act 1995 and consulted with NOW: Pensions Limited (NPL) as the Trust manager, Scheme strategist and employer representative before the 2022 SIP was finalised.



2

Trustee’s policy on investment beliefs

The Trustee must establish and regularly review the investment beliefs which underpin the Scheme’s default investment strategy, and decide whether they continue to be suitable for the Scheme’s membership. Based on these investment beliefs, the Trustee must establish and regularly review the aims and objectives of the Scheme’s default investment strategy to ensure it invests assets in the best interests of the Scheme’s beneficiaries. The Trustee established the current investment objectives as part of the 2021 triennial strategic investment review and reviews them annually as part of their annual SIP review.

The Trustee determines the investment strategy based on its key investment beliefs set out in Section 3.1 of the 2022 SIP and detailed below (these key investment beliefs were the same in the 2021 SIP). The Trustee takes the view that its investment and stewardship activity reflected these investment beliefs in the Scheme Year.

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.
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 such as shares are expected to outperform lower risk assets such as government bonds but are also expected to have higher variability of returns (volatility).
Journey Path	A properly structured Journey Path allows additional return-seeking assets during the majority of the member’s investing period because the volatility is managed during the transition phase as the member approaches the retirement phase (which we call the glidepath). Therefore, members benefit from higher returns in early years as the investment time horizon is long, and transition to cash at retirement. The Journey Path reflects the characteristics of the Trust’s membership.

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.
Asset allocation and diversification	Risk-based strategic asset allocation is the biggest driver of long-term investment performance, more than manager selection or security selection. Diversification and volatility management are key to enhancing return while managing risk in all stages of the Journey Path.
Decision making	Taking account of asset values/prices, economic conditions and long-term market developments enhances long-term performance and informs strategic decisions. The world is complex; judgment and qualitative research are important alongside quantitative analysis.
Active or passive	Indexed management may be more efficient than active management. The choice of the right index to follow is important. Market opportunities to deliver returns in excess of an index, net of fees, may exist, but identifying managers that consistently deliver excess returns after costs is challenging.
Costs matter	Both annual management charges and transaction costs should be considered. The Trustee has a bias towards lower cost solutions.
Derivatives and leverage	Derivatives can be used to contribute to the reduction of risks or to facilitate efficient portfolio management. Their use and the use of leverage must be thoughtfully managed and communicated.
Currency	Our members work in pounds (GBP) and save in pounds (GBP). However, investments may be made overseas. Currency risk will therefore be considered in all investment strategy decisions and will be appropriately managed throughout the Journey Path.
Less liquid assets	Less liquid assets such as 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.

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Trustee’s policy on investment objectives and strategy

Based on its investment beliefs, the Trustee has decided on a default investment strategy which it considers appropriate for the members of the Trust. In the long term, this strategy is expected to deliver a satisfactory return in real (inflation-adjusted) terms on the contributions invested.

A common Journey Path is provided for all members. This invests members’ pension savings in the following two funds in variable proportions, depending on how far they are from their planned retirement age:

- Diversified Growth Fund (DGF)
- Retirement Countdown Fund (RCF)

The Trustee has set out return targets for the DGF and RCF.

Fund	Return target
Diversified Growth Fund	4% plus inflation (after investment charges)
Retirement Countdown Fund	Sterling Overnight Index Average (SONIA)

The Trustee remains comfortable with how each Fund is invested to meet its objectives, including reflecting the Trustee’s investment beliefs. Performance has been closely monitored by the Trustee and its investment committee. The DGF has met its responsible investment and risk objectives but has underperformed its return objective in a period of rising interest rates and mixed returns from equity and inflation-linked assets. The RCF has delivered in line with all objectives.

The Trustee undertook the following key investment training during the Scheme year, which helped with investment activity oversight and understanding.

Date	Topic	Who
11 April 2022	Stewardship half day	All Trustee directors
20 June 2022	Shariah Training	All Trustee directors

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Trustee’s policy for investment management

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

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

Trustee policy	Activity
<p>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:</p> <ul style="list-style-type: none"> • it stays within the guidelines; • it is appropriate to achieving the return, risk and RI objectives, and • there is sufficient liquidity to meet cashflow and derivative requirements. 	<p>The Trustee’s investment committee has received reporting from the investment manager against these guidelines on a quarterly basis during the Scheme Year.</p> <p>There were no instances of non-compliance with risk limits in the default strategy during this scheme year.</p> <p>In relation to the Shariah Fund, which is only available to Uber, there was one instance of a guideline breach during this Scheme Year, whereby the maximum permitted cash level was exceeded when the Fund was first funded. This has since been addressed and actions have been taken to avoid a repetition.</p> <p>There were no other instances of investment guideline breaches during this scheme year.</p>
<p>The Trustee regularly reviews the Scheme’s investment strategy. The investment manager regularly reviews the portfolio composition to ensure its composition remains appropriate.</p>	<p>The investment manager attended the quarterly meetings of the Trustee to support the Trustee’s review of strategies and performance.</p> <p>The investment manager also provides updates to the Trustee on third party manager activity ensuring alignment of beliefs and objectives.</p>
<p>The fees paid to the investment manager are reviewed annually and its appointment is reviewed periodically during the year and formally every three years.</p>	<p>The appointment of the investment manager was reviewed in March 2023 through the Supplier Management Board.</p> <p>As part of this review process the Trustee determines that the investment manager is providing value for members, through Market in Financial Instruments Directive 2014 (MiFID 2) and Shareholder Rights Directive II (SRD 2) reporting as well as reviewing Scheme Year-aligned costs and charges.</p>

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Trustee’s policies on responsible investment (RI)

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, the Trustee means ESG factors with the aim of providing suitable long-term returns and mitigating long term risk). 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 in line with its RI objectives, to help make it possible to invest in a way which contributes to a more sustainable world, with a beneficial effect on portfolio returns. In the opinion of the Trustee, the Trustee’s policies on responsible investment have been followed throughout the Scheme Year; the following tables provide some more detail.

Trustee’s RI policies	Activity
<p>The Trustee considers the investment manager’s policies on taking account of ESG factors in decisions regarding the selection, retention and realisation of investments to be consistent with the Trustee’s RI beliefs. It has delegated responsibility for taking account of ESG factors to the investment manager as part of the overall delegation of day-to-day investment management responsibilities. The Trustee monitors how the investment manager integrates ESG considerations into its investment process.</p>	<p>The investment manager attended the quarterly meetings of the Investment Committee to discuss their performance as responsible investors – with specific consideration to how the investment manager has implemented the RI policies and engagement activities included in this implementation statement. The investment manager also attends the bi-monthly Board meetings, as requested. The Trustee remain confident that the investment manager is seeking opportunities to allow the Trustee to meet its RI objectives within their constraints.</p>

Trustee's RI policies	Activity
<p>As part of its RI objectives, the Trustee has set the following goals:</p> <ul style="list-style-type: none"> • Net Zero carbon emissions by 2050, consistent with the Paris Climate Agreement¹ in so far as consistent with the Trustee's wider fiduciary duties, and • at least half of the portfolio's net asset value in investments which support the Trustee's RI beliefs. 	<p>At the end of the Scheme Year 82% of the portfolio's net asset value was in investments which support the Trustee's RI beliefs. This is an improvement from 50% in the previous Scheme Year. A key driver of this increase was the Trustee expanding the DGF's investment in ESG-based equities and sustainable bonds.</p> <ul style="list-style-type: none"> • The investment manager invested in regional LGIM Future World Funds; these funds invest in companies that have strong sustainability characteristics and lower carbon footprints than standard market capitalisation weighted indices. • The investment manager invests directly in sustainable bonds (including green bonds); these holdings support companies and projects that support the three sustainability themes of the Trustee. <p>The Trustee will continue to consider the transition risks, physical risks and environmental opportunities for its investment strategies over a range of different scenarios and undertake measurements which enable it to track its progress towards the goal of Net Zero carbon emissions by 2050.</p> <p>The Trustee reviews progress against its net zero goal and decarbonisation framework at least annually and undertook its full year review for the 2022-23 Scheme year at the Investment Committee on 15 May 2023. This was followed by a full Board training session on sustainability and stewardship, on 18 May 2023. The Trustee is comfortable with progress to date and discloses in line with Taskforce for Climate-Related Financial Disclosures ('TCFD') and the report for the year ended 31 March 2023 can be found here: nowpensions.com/tcfd.</p> <p>The Trustee also includes the following sustainability themes which act as guiding principles for investment decisions as part of its key investment beliefs:</p> <ul style="list-style-type: none"> • gender equality – all women, men, girls and boys should have equal rights, responsibilities and opportunities; • living wages – all companies should pay their employees a living wage, and • climate action – a speedy and fair transition to a low-carbon economy is the only way to address the climate crisis. <p>The Trustee believes the companies in which the Scheme invests should demonstrate the same values. For more detail please see the website: nowpensions.com/about-us/our-sustainability-focus.</p>

¹ Net Zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

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Trustee's stewardship, engagement and voting policies

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

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

- **climate action;**
- **living wage, and**
- **gender equality.**

The Trustee is satisfied that its stewardship, engagement and voting policies have been implemented throughout the Scheme Year, as demonstrated by the activity carried out against each policy per the table below.

Trustee's stewardship, engagement and voting policies	Activity
<p>The Trustee expects third-party managers appointed by the investment manager to manage funds, to conforming closely to standards consistent with its own beliefs and that of the SIP. The Trustee expects any such third-party asset managers to apply stewardship principles consistent with the Trustee's beliefs, priorities and principles in the SIP, and to provide appropriate disclosures to enable conformance with their overall policies and objectives.</p> <p>Where applicable, when considering the implementation approach, the Trustee expects that the investment manager and any third-party asset managers will engage with companies (and other investee entities) on relevant matters (including performance, strategy, capital structure, the management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) with the aim of having a meaningful impact of protecting and enhancing the value of assets consistent with the Trustee's policies.</p>	<p>Over the Scheme Year, the investment manager appointed two additional third-party managers to manage some of the Scheme's assets in pooled funds. Legal and General Investment Management (LGIM) for a proportion of assets in the Diversified Growth Fund (DGF) and HSBC Asset Management (HSBC) for the Shariah Fund available to Uber only. When selecting LGIM and HSBC, the investment manager scrutinised the stewardship, voting and engagement policies before the initial investment to ensure they aligned with the Trustee's stewardship policy. The Trustee is therefore comfortable that LGIM and HSBC apply stewardship principles consistent with its own beliefs.</p> <p>The investment manager allocates to and monitors BlackRock and LGIM, the third-party managers relevant for the Scheme's default fund. This is to ensure their activities align with the Trustee's RI beliefs and approach. The investment manager also engages with them to help improve their stewardship approach.</p> <p>As part of the quarterly reporting by the investment manager, details of BlackRock and LGIM's portfolios, including whether the holdings align with the SIP's RI goal, are provided.</p> <p>The investment manager uses the services of Sustainalytics, with participation in engagement activities also made available to NOW: Pensions, including the Trustee. This enables the investment manager to engage with companies in line with the Trustee's stewardship approach. The Trust manager and Trustee are permitted to participate and escalate the engagement with companies.</p> <p>Over the Scheme Year, the Trustee has co-signed an investor letter addressed to low-performing companies as part of a collaboration between Sustainalytics and the investment manager. The letter was addressed to three companies in particular: Meta Platforms, Starbucks Corps and Amazon.com Inc., all constituents of the BlackRock ACS Fund. The initiative focuses on engagements with companies that severely or systematically violate the UN Global Compact and specifically targets concerns relating to corporate governance, labour relations, biodiversity and natural capital.</p>

Trustee's stewardship, engagement and voting policies	Activity
<p>The Trustee expects the investment manager (and all its third-party managers):</p> <ul style="list-style-type: none"> • to be a signatory of the UK Stewardship Code, and • to exercise voting rights in accordance with the Trustee's policies, with the aim of having a meaningful impact protecting and enhancing the value of assets consistent with the Trustee's policies. <p>Where engagement fails to achieve meaningful impact, the Trustee expects the investment manager to exercise its voting rights appropriately.</p> <p>The Trustee expects the investment manager to be a signatory to ESG industry initiatives engaging collaboratively, and to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</p>	<p>The investment manager and third-party managers are signatories to the UK Stewardship Code.</p> <p>The investment manager believes that engagement is more effective when managers collaborate, and are signatories to Climate Action 100+, the Net Zero Asset Managers Initiative and the Institutional Investors Group on Climate Change.</p> <p>NOW: Pensions Limited (NPL) as Scheme strategist and Trust manager is a member of the Occupational Pension Stewardship Council and Institutional Investors Group on Climate Change.</p> <p>Sustainalytics is used by the investment manager and NOW: Pensions for specialised engagement services.</p> <p>Within the Scheme Year, engagements with Procter & Gamble Co, Tesla Inc., Pepsi Co. Inc., related to the sustainability priority of climate action. Engagement with Amazon.com Inc. took place related to the living wages sustainability priority.</p>
<p>The Trustee will carry out an annual review of engagement activities (including voting) undertaken by the investment manager and any third-party asset managers as part of producing this annual implementation statement. The Trustee will challenge any arrangements or stewardship policies that do not align with the RI approach.</p>	<p>The investment manager and NPL's head of sustainability provide engagement activity updates to the Trustee at each quarterly IC meeting. These updates focus on how Trustee's sustainability beliefs are being exercised through the voting rights attached to the Scheme's equity investments (by third-party managers used in the default) and through the engagement activities performed via the investment manager's appointment of Sustainalytics. The updates included investment manager reporting across the Trustee's three priority sustainability topics: climate action, gender equality and living wage.</p> <p>On the Trustee's instruction, the investment manager undertook several conversations with third-party managers on sustainability themes ahead of voting season and has followed up post vote in order to assess alignment with Trustee beliefs. Where there remain areas for further improvements, the Trustee remain satisfied with progress. During the Scheme Year, NPL, on behalf of NOW: Pensions Trustee Limited (NPTL), engaged with a number of underlying equities, including Tesla and National Railway of Canada, with engagement focussed on the Trustee's three stewardship priorities such as worker rights, which are aligned with the living wages and gender equality priorities.</p> <p>In addition, the investment manager provided an annual RI and real-world impact review at the February 2023 IC meeting.</p> <p>The Trustee monitors and discloses the voting records (included on page 15).</p>
<p>As part of its annual review of the investment manager, stewardship policies and voting records are reviewed (and discussed with the third-party asset managers) at least annually by the investment manager, who will collate the qualitative and quantitative information required to allow the Trustee to review these each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their RI approach.</p>	<p>The Trustee received qualitative and quantitative information about the stewardship policies and voting records on a quarterly basis. Further detail on the voting record is provided on pages 15-17.</p>

Trustee's stewardship, engagement and voting policies	Activity
<p>The investment manager is required to provide information, at least annually, on how it takes financial and non-financial performance into consideration in its assessment of investee companies, including but not limited to detailing its engagement activities with investee companies, where relevant.</p> <p>The Trustee has delegated responsibility for ensuring this to the investment manager and will monitor the investment manager's performance in this regard.</p>	<p>Engagement activity based on investment type was as follows.</p> <ul style="list-style-type: none"> • The Trustee held an allocation to sustainable bonds in the DGF, as part of their RI policy. When selecting these bonds, the investment manager considered the attractiveness of the bond in isolation, and its role within the investment strategy. • Third-party funds were introduced to the Scheme over the Scheme Year. The investment manager engages with third-party managers to determine their suitability for running responsible investment mandates on behalf of the Scheme. <p>The Scheme's assets are invested in indexed passive equity funds with specific exposures to ESG factors. By use of this approach and exposure to ESG factors, the Trustee incentivises investee companies to make medium- and long-term decisions.</p>



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Trustee's voting activity

The use of voting rights is most likely to be financially material where physical equities are held. During the Scheme Year, the Scheme's DGF, which forms part of the default investment strategy, included investment in physical equities via third-party funds managed by BlackRock and LGIM. The Trustee's voting policy, where the investment manager invests assets in third-party funds, states it will engage with the managers of these funds regarding their voting records and level of engagement with the underlying investments.

The voting record of the BlackRock equity fund over the Scheme Year is included in the table below.

BlackRock voting activity year to 31 March 2023	ACS World ESG Equity Tracker Fund XI Acc GBP
Number of meetings at which eligible to vote	367
Number of resolutions on which eligible to vote	5,355
Proportion of eligible resolutions on which voted	96%
Of resolutions on which voted:	
· proportion voted with management	96%
· proportion voted against management	4%
· proportion from which abstained	0%

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

The voting record of the LGIM funds over the Scheme year is included in the table below.

LGIM Voting Activity Year to 31 March 2023	Future World Europe (ex UK) Equity Index Fund – GBP Currency Hedged	Future World Japan Equity Index Fund – GBP Currency Hedged	Future World Asia Pacific (ex-Japan) Equity Index Fund – GBP Currency Hedged	Future World UK Equity Index Fund
Number of meetings at which eligible to vote	431	332	177	473
Number of resolutions on which eligible to vote	7,617	4,236	1,382	7,158
Proportion of eligible resolutions on which voted	100%	100%	100%	100%
Of resolutions on which voted ² :				
• proportion voted with management	82%	89%	70%	94%
• proportion voted against management	17%	11%	30%	6%
• proportion from which abstained	0%	0%	0%	0%

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.

No physical equities or third-party funds were held in the Scheme default investment strategy during the reporting year other than in BlackRock and LGIM pooled funds. (Other equity exposures in the default were achieved through derivatives, which carry no voting rights.) There was therefore no other voting activity over the Scheme Year on which to report.

² Rounding of percentages may mean voting totals do not sum to 100%. These are figures provided by LGIM

Most significant votes

The Trustee has identified three priority sustainability (engagement) themes of gender equality, living wages and climate action, which in turn informs the Trustee position on voting and identifying most significant votes. The Trustee's engagement activities are supported by the investment manager and the investment manager's appointment of Sustainalytics. The Trustee receives reporting on a quarterly basis to show the most significant votes alignment with those themes.

BlackRock Voting

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

- **board quality;**
- **environmental risks and opportunities;**
- **corporate strategy and capital allocation;**
- **compensation that promotes long-termism, and**
- **human capital management.**

LGIM voting

LGIM make all voting decisions in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. These are reviewed annually and take into account views expressed by attendees of its yearly stakeholder roundtable event, which includes clients and other stakeholders (civil society, academia, the private sector and fellow investors). They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries. Each member of the Investment Stewardship team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, helping to ensure the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

The Trustee delegates certain responsibilities for applying its engagement priorities to the investment manager. The investment manager prioritises its scrutiny of BlackRock's and LGIM's engagement activities, including voting, based on the Trustee's engagement priorities, the size of the position, and its ability to achieve influence. The investment manager has confirmed that much of BlackRock's and LGIM's engagement activities (gender equality, living wages and climate action) aligned with the Trustee's engagement priorities, with consistent focus on climate change throughout the year.

The investment manager has provided information based on the Trustee's definition of most significant votes, included as Appendix 1 for BlackRock voting and for LGIM voting.

Beyond these requirements of responsible investing and the additional offering for a new employer, the Trustee did not explicitly target any other non-financial matters in their investment decision-making. The Trustee continues to work on maintaining and improving its understanding of the membership and the views of the membership, including in relation to investment and other matters to ensure that, as far as legally permitted, these are reflected in decisions on investment and delivering our services to members. The Trustee received feedback from individual members in Q1 2023 regarding their views, with relevant findings captured in our annual Taskforce for Climate-Related Financial Disclosures (TCFD).

8

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

In the opinion of the Trustee, the SIPs have been followed throughout the year. Two versions of the SIP are relevant for the Scheme Year. A new SIP was signed on 22 June 2022 ('2022 SIP') which replaced the previous SIP of 26 April 2021 ('2021 SIP').

The following table provides some more detail on the main policies of the SIP, indicating where any differences applied between the 2022 and 2021 SIPs, and the Trustee's evaluation of how it has followed the main policies in the SIP during the Scheme Year.

Trustee's policies on investment strategy	
Trustee Policy	Activity
Given the membership profile and limited member engagement/feedback, offering a single investment choice (or default strategy) is most appropriate. This option means one Journey Path and common risk/return profile for members at each stage of the Journey Path.	<p>The assets of the Scheme continue to be invested in the DGF and the RCF to achieve the appropriate risk profile of the three phases of a member's Journey Path.</p> <p>The DGF has met its RI and risk objectives but has underperformed its return objective in a period of rising interest rates, and mixed returns from equity and inflation-linked assets.</p> <p>The RCF has delivered in line with all objectives.</p>

Trustee's policies on Investment Strategy

Trustee Policy	Activity
<p>The majority of assets are readily realisable which is intended to provide for sufficient liquidity to meet members' purchases and sales and to manage the derivatives.</p>	<p>The majority of assets held during the Scheme Year were readily realisable, and cash is readily accessible.</p> <p>The Investment Manager manages each fund so there is sufficient liquidity to meet members' withdrawals, and to expect to remain stable in stressed market conditions in the following way:</p> <ul style="list-style-type: none"> • Cash levels are monitored daily by the Investment Manager, with allocations to different investments managed in compliance with the Investment Management Agreement (IMA); • The Investment Manager considers forecasted cashflows when revising positions. <p>In addition to quarterly reporting, the Investment Manager provides the Investment Committee with a monthly dashboard (for the DGF, RCF and Shariah Fund) designed to highlight important changes, including material changes to the portfolio, new instruments traded, and any material issues impacting the portfolio.</p>
<p>The Trustee delegates to the Investment Manager:</p> <ul style="list-style-type: none"> • Assessment of the expected return on investments; and • Decisions around the realisation of investments. 	<p>The Trustee continues to delegate these assessments and decisions to the Investment Manager. During the Scheme Year, the Trustee received monitoring reports on these aspects at its quarterly meetings.</p>
<p>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) if expressly requested by the employer in deciding whether to offer any self-select funds to members.</p> <p>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 Scheme. 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.</p> <p>However, 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.</p>	<p>The Trustee has encouraged Cardano (the Investment Manager) to undertake engagement and assessment of the third party managers. The Investment Manager has undertaken an annual ESG assessment of third-party managers as part of their service provision. The Investment Manager has also supported the Trustee in their annual assessment of Shariah-compliance of the Shariah fund.</p> <p>Furthermore, the Investment Manager has supported the Trustee in furthering their engagement on its three Stewardship Priorities, including the appointment of Sustainalytics, and supporting the Trustee in developing these priorities into Belief Cycles which have been published to the NOW: Pensions website.</p> <p>The Trustee receive regular updates and undertook Stewardship trustee training.</p> <p>The Trustee's investment adviser, Redington, has also undertaken a review of the Investment Manager's capabilities during the scheme year. The Trustee are satisfied that the Investment Manager's assessment process is comprehensive and aligns with the Trustee's beliefs.</p> <p>The Trustee continue to believe that integrating climate change and other environmental, social and governance (ESG) issues into our investment decisions leads to better risk-adjusted investment returns and helps identify new investment opportunities. In other words, investing sustainably is in our members' best financial interests. The Trustee has made good progress with its member engagement in this area during the Scheme year.</p>

Trustee's policies on Investment Strategy

Trustee Policy	Activity
	<p>The Trustee published the Scheme's first TCFD report in 2022. As part of the report's next steps, a commitment was made to run focus groups with members and employers, to better understand their views on sustainability topics including climate change. The research took place in Q1 2023. A summary of this research is included below and has been shared with Occupational Pensions Stewardship Council (full details can be found in our 2023 TCFD report):</p> <ul style="list-style-type: none"> • Members need help to understand pensions and their investment strategies, including responsible investing. • Older members closer to retirement understand pensions better than younger members – but knowledge is still inconsistent. • Among members and employers, risk profiles are understood, but there is little sense of what makes a good investment versus a bad investment. • Members and employers currently have little sense that they can, or should, influence pension investment decisions. • Without being able to see why investment decisions are being made, there is an assumption that decisions will be driven exclusively by profits. • The TCFD report has the potential to shape perceptions, but members found it very difficult to understand. • Some members feel that some investments are morally wrong, for example specific products like weapons and tobacco. • There is an increasing awareness of corporate social responsibility and ESG, however, there is also a scepticism surrounding these due to a lack of progress. • Members understand issues are not always straightforward, such as divesting from fossil fuels. <p>Whilst the findings are helpful, at this stage the Trustee does not believe that the focus groups give cause for a change in investment strategy. The findings are consistent with the Scheme's current investment and stewardship activities. However, NOW: Pensions (and the broader pensions industry) can, and should, do more to explain responsible investment to the Scheme's employers and members. The Trustee will further consider the findings of the research.</p>

Trustee's policies on Risk Management

Trustee Policy	Activity
The key risk to members is not meeting their financial retirement objectives. This could be due to insufficient contributions into the Scheme or a lack of growth in investment returns.	The Trustee helps members manage the risk of not saving enough by providing information on the importance of saving for retirement. The Trustee assess the risk of insufficient investment returns through quarterly updates with the Investment Manager.
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.
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.
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.
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.
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.
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 Scheme and monitoring the requirements for derivative positions.
Operational risks: This is the risk of loss caused as a result of, but not limited to, fraud, acts of negligence or lack of suitable processes.	This risk is managed through agreements with each service provider which are monitored regularly by the Trustee. Before the appointment of any new service provider, due diligence is undertaken. 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 Fund Administrator, the Investment Manager, NPL and Mercer.
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 Fund Administrator, and requiring the Investment Manager and Fund Administrator to have clear valuation policies in place for those that assets which are not quoted.

Other Policies	
Trustee Policy	Activity
The Trustee's Investment Adviser appointment is reviewed periodically during the year formally every three years.	Redington Ltd has continued to provide advice to the Trustee on whether the assets of the Trust are invested in accordance with the policies set out in the SIP and various legislative requirements of the Pensions Act 1995 and was reviewed in December 2022 through the Supplier Management Board. As part of this review process the Trustee determines that the Investment Adviser is providing value for members.

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Appendix 1 Significant votes

The default investment strategy in which the majority of members are invested, uses the NOW: Pensions’ Diversified Growth Fund (“DGF”) and the NOW: Pensions’ Retirement Countdown Fund (“RCF”). The DGF invests in BlackRock’s ACS ESG Equity Fund and Legal and General Investment Management’s (“LGIM”) Future World regional equity funds, for which BlackRock and LGIM exercise voting rights. The Trustee and the Investment Manager work with BlackRock and LGIM, via Sustainalytics, to help ensure voting activity reflect the Trustee’s investment priorities. No investments held by the RCF have voting activity associated with them.

The Investment Manager undertook several conversations with third party managers on sustainability themes ahead of voting season and has followed up post vote in order to assess alignment with Trustee beliefs. It was noted that both BlackRock and LGIM were assessed to be aligned but cultural differences have been noted, with each third party manager identifying different key priorities and themes. The Trustee is in the process of considering these aspects in more detail.

The Trustee considers the most significant votes made on behalf of members to be those focussed on its three priority sustainability themes for its engagement with companies – gender equality, living wages and climate action. These most significant votes are summarised by theme in the two tables which follow.

Most Significant Votes – BlackRock’s ACS ESG Equity Fund

NOW: Pensions theme	Company	Proposal	Vote	Reason	Was proposal passed?
Climate action	Exxon Mobil Corporation	Report on low carbon business planning	Against	Request was not clearly defined and not in the best interest of shareholders.	No
	Tesla Inc	Report on water risk exposure	For	It is in the best interest of shareholders to have access to greater disclosure on this issue.	Yes
Gender equality		Report on racial and gender board diversity	Against	The company already has policies in places to address the request.	No
	Amazon.com Inc	Report on median gender/racial pay gap	Against	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	No
Living wages		Report on protecting the rights of freedom of association and collective bargaining	Against		No
	Umicore	Approve remuneration policy	For	The new policy has several improvements on the current policy, with free shares being substantially reduced for management and introduction of ESG metrics.	Yes

Most Significant Votes – Legal and General Investment Management’s (LGIM’s) Future World equity funds³

NOW: Pensions theme	Company	Proposal	Vote	Reason	Was proposal passed?
Climate action	Amundi	Approve climate transition plan	Against	The plan was not consistent enough with the Paris goals of limiting global average temperature increase to 1.5°C.	No
	BP Plc.	Approve net zero plan	For	The company has taken significant steps to progress towards a net zero pathway; LGIM will continue to engage with BP due to the inherent challenges in decarbonisation in the oil and gas sector.	Yes
	Sumitomo Mitsui Financial Group	Disclose measures so company lending is not used for fossil fuel supply	For	Boards should devise a strategy and 1.5°C aligned pathway which should include stopping investments toward exploration of new greenfield sites for new oil and gas supply.	Yes
	QBE Insurance Group	Approve climate risk management	For	This supports the company to devise a strategy to be more 1.5°C aligned and help to commit to less energy.	Yes
	Santos Limited	Approve advisory vote on climate change	Against	The company had not outlined three tangible scope targets in their transition plan. This action, coupled with the potential for fossil fuel expansion, the contradict its level of ambition required to align with the goals.	No
Gender equality	Just Eat Takeaway.com NV	Re-Elect Adriaan Nuhn as Director	Against	LGIM expects a company to have a diverse board, with at least 25% women. This re-election would hinder an increase in female participation on the board.	No
	JD Wetherspoon Plc.	Re-Elect Tim Martin as Director	Against	The company has lacked in progress on gender diversity on the board. LGIM expects the board to have at least 30% female representation.	No
	Hisamitsu Pharma. Co	Elect Nakatomi Kazuhide	Against	There is a lack of meaningful diversity on the board. The board also has a lack of independent directors.	No

³ Future World Europe (ex UK) Equity Index Fund - GBP Currency Hedged, Future World Japan Equity Index Fund - GBP Currency Hedged, Future World Asia Pacific (ex-Japan) Equity Index Fund - GBP Currency Hedged and Future World UK Equity Index Fund



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**Information correct as at October 2023. NP/D0268/10/2023.
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