

Statement of Investment Principles

October 2025



now:pensions

Statement of Investment Principles

Adopted by the Trustee on 6 October 2025.

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Chair of the Trustee Board
NOW: Pension Trustee Limited



Contents

1. Introduction	4
2. Governance	5
3. Trustee investment beliefs	6
4. Investment objectives	9
4.1 The scheme's default plan (lump sum plan)	9
4.2 Additional plans and funds	12
5. Approach to responsible investment	15
6. The scheme's policy to measure and manage risk	18
7. Arrangements with the investment adviser	20
8. Arrangements with the investment manager	21
9. Arrangements with the custodian	23
10. Appendix: Overview of objectives for all plans and funds	24

1 Introduction

Background

This Statement of Investment Principles (the 'SIP') sets out how the NOW: Pension Trustee Limited (the 'Trustee') invests the money in the NOW: Pensions Trust (the 'scheme'). It sets out the investment beliefs, high-level objectives, policies and principles that govern the investment decisions the Trustee makes and the stewardship activity it carries out. We have prepared the SIP in line with all the relevant legislation and regulatory guidance.

The SIP is available to members on the [now:pensions website](https://nowpensions.com) (nowpensions.com). We review it at least once every three years. We also review it if there are any significant changes in investment policy or to the demographic profile of the scheme's members.

The scheme provides a default investment plan, the lump sum plan, that members go into if they don't choose anything else. There's also a range of other investment plans and a fund members can choose from. You'll find details of these arrangements in sections 2 to 9 of this SIP.

About the scheme

The scheme is a defined contribution (DC) pension scheme. All the benefits it provides are based on the money saved in the member's individual pension account, without any guarantees of performance.



The scheme

Our scheme is a master trust – a type of defined contribution 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.



2 Governance

The scheme is governed by its Trust Deed and Rules which sets out the scheme's benefits and the Trustee's investment powers.

The scheme's assets - the money in individual members' pension accounts - are invested in the best interests of members and their beneficiaries.

The Trustee has established an investment governance framework setting out the roles and responsibilities for each party involved in developing and running the investment strategy and policies.

The parties are:

- the Trustee
- NOW: Pensions Limited (NPL) as scheme manager
- the investment manager
- the investment adviser.

They all have a role in:

- developing the investment strategy
- provision of investment choices to members
- integrating sustainability and stewardship within the portfolios.

The Trustee is responsible for deciding how to invest the scheme's assets. It sets, and regularly reviews, the investment beliefs, objectives and investment strategy for the scheme. This includes how the return on investment is consistent with the aims and objectives of the investment plans and funds, including the default investment plan.

The Trustee has entered into an investment management agreement (IMA) with Cardano Risk Management Limited (Cardano), as its 'investment manager', and has delegated all day-to-day investment functions to them, subject to regular monitoring and review. As investment manager, Cardano is responsible for making investment decisions in line with the SIP, as far as reasonably possible. There are processes in place for Cardano to notify the Trustee where this is not possible.

The Trustee delegates decisions around the realisation of investments to Cardano. 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.

The Trustee and Cardano agree guidelines and restrictions clearly stating Cardano's responsibilities and the scope of its powers, as set out in the investment governance framework. The Trustee has consulted with NOW: Pensions Limited (NPL), as the employer representative, on the contents of the SIP.

The Trustee has received and considered advice on the content of this SIP from its investment adviser. The Trustee is satisfied the investment adviser has the knowledge and experience the law says it needs to carry out this role, as set out in the investment governance framework. Before making any investment decisions, the Trustee takes professional advice from its investment adviser about the suitability of investments having regard to this SIP.

The Trustee has taken all reasonable steps to satisfy itself that the parties it delegates responsibilities to have the knowledge and experience they need to carry out their role.

The Trustee has set up an Investment Committee to develop and make proposals to the Trustee Board about the investment strategy and sustainability. The Investment Committee oversees and monitors the implementation, and ongoing delivery, of associated investment-related suppliers - including the investment manager, Cardano. This includes (but is not limited to):

- monitoring progress against the investment aims and objectives of the investment plans and funds, and
- ensuring alignment and consistency with this SIP.

3 Trustee investment beliefs

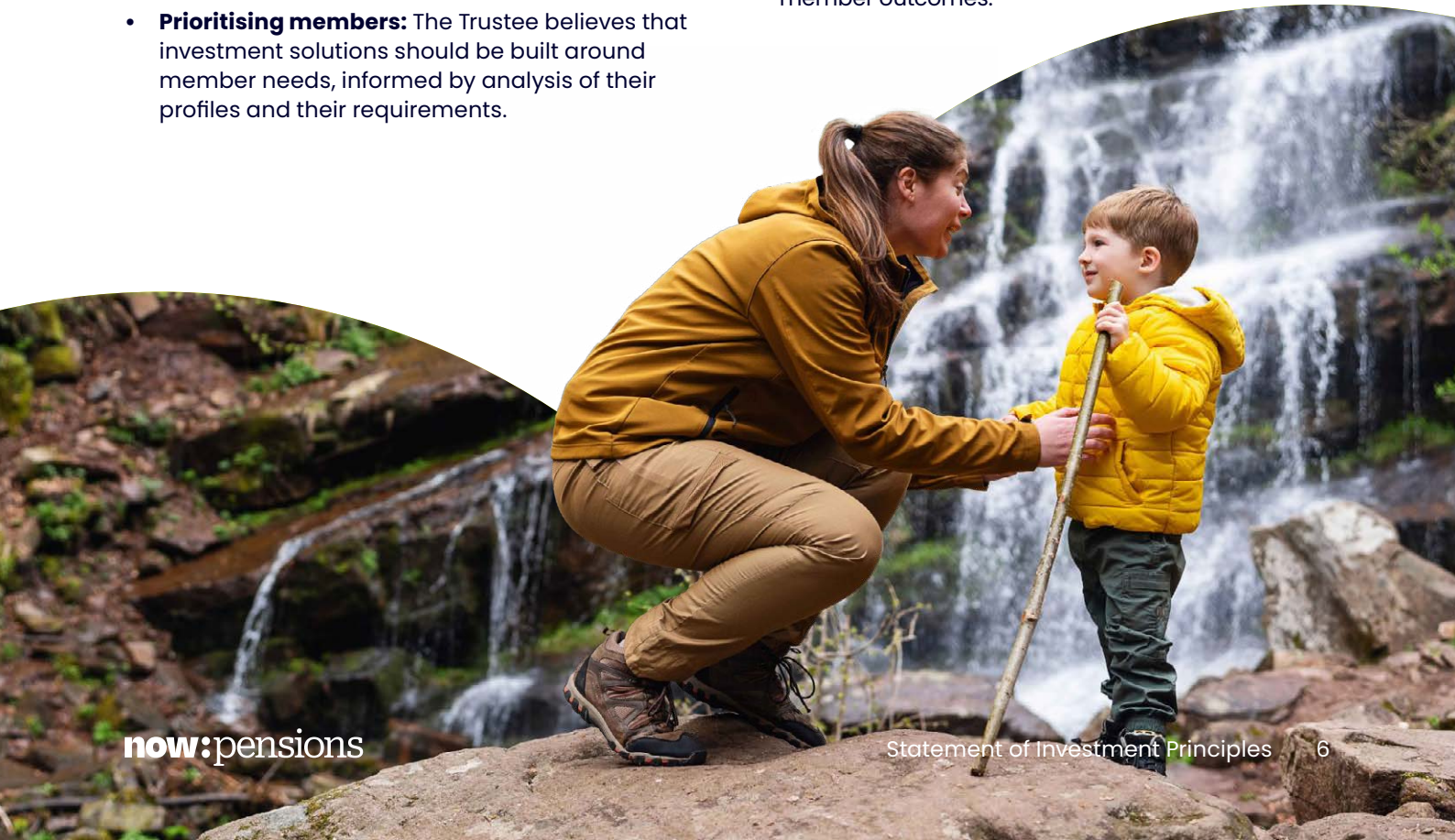
Investment beliefs

Our members are saving for retirement over the long term. This is why the Trustee takes a long-term view. It's reflected in our approach to our investment strategy so we can deliver the best outcomes for members, with their retirement in mind. The Trustee also determines the investment strategy based on a set of overarching investment beliefs that guide all investment activities. These beliefs are the foundation for the focus and direction of the investment strategy, ensuring the scheme delivers good value for all its members. They are the starting point for more detailed investment solution beliefs.

Overarching Trustee beliefs

- **Default investment strategy:** The Trustee believes that for the vast majority of members, the default investment strategy will be the right choice and they will stay invested in it. It is therefore our responsibility to ensure that the default investment strategy reflects the requirements of the membership group it is designed for. The Trustee should prioritise continuous development of the default investment strategy so it remains in the best interest of members.
- **Prioritising members:** The Trustee believes that investment solutions should be built around member needs, informed by analysis of their profiles and their requirements.

- **Strong investment governance:** The Trustee believes that strong and robust investment governance improves investment performance, wider member outcomes and protects member interests. This should include clear articulation of the governance in place with oversight of key investment suppliers, including the investment manager.
- **Whole-of-life savings journey:** The Trustee believes that better member outcomes can be achieved by taking a whole of life approach to members' savings journeys.
- **Value for money:** The Trustee believes that delivering value for money is best assessed net of costs and charges. We believe there must be a healthy balance between costs and charges incurred, and the value they deliver for members. To deliver better net member benefits, we will focus on value rather than just low cost.
- **Operational robustness:** The Trustee believes that well-governed systems and processes, accompanied by accurate member data, are necessary for delivering good member outcomes.



Investment solutions beliefs

- **Lifecycle investing:** The Trustee believes that the default investment strategy should reflect a member's ability to take appropriate investment risk over their savings journey to and through retirement. This is achieved with a lifecycle investment profile. The default investment strategy, and any other plans introduced, should be appropriately structured to incorporate a member's perceived ability to take investment risk throughout their lifecycle. This allows for taking more investment risk during the majority of a member's lifecycle, transitioning to a lower level of risk as the member gets closer to retirement.
- **Time horizon:** The Trustee believes that how much investment risk a member can take depends on how long they have to go until they can start to take their pension savings. This means we should be mindful of a member's investment time horizon which is expected to be long term in the growth phase, decreasing in the de-risking phase, and shorter at the destination phase.
- **Member choice:** Some members may choose to move away from the default investment strategy for varying reasons. The Trustee therefore believes it may be appropriate to offer a considered range of investment solutions to meet their needs and beliefs.
- **Communication:** The Trustee believes that to help members make an informed choice, the options and consequences of changing investments need to be clearly explained.
- **Investment risk and return:** The Trustee believes that to earn an investment return commensurate with our investment objectives, members must take considered investment risk. This means investing a member's pension savings and managing risk in a robust way. The Trustee also believes that not taking enough, or taking too much, investment risk can be a material risk for members.
- **Financial risks:** The Trustee believes that not all financial risks are rewarded equally. Over time, investors are expected to be rewarded for taking investment risk by earning a return. The risk and return will differ depending on what has been invested in, such as traditional and alternative assets, as well as a potential risk premium for illiquidity. There are also financial risks that investors are not rewarded for taking – those risks should be considered, and potentially mitigated.
- **Illiquidity risk premium:** The Trustee believes that less liquid assets can provide an additional return to compensate for the illiquidity. We are investing for our members for the long-term, and allocating a considered amount to less liquid assets can be an attractive addition to the portfolio.



- **Asset allocation:** The Trustee believes that asset allocation is the key strategic investment decision for long-term investment outcomes. By allocating to a range of different sources of investment returns, the combined investment risks can be reduced. In the long run, a well-diversified portfolio will be more robust and deliver a higher risk-adjusted investment return.
- **Financial markets:** Although financial markets are largely efficient, the world is volatile, uncertain, complex and ambiguous. The Trustee believes this means that passive management should be the starting point, but we recognise that active management and alternative investment can, under certain circumstances, add value after costs and charges, and improve member outcomes.
- **Responsible investment:** Incorporating financial environmental, social and governance (ESG) factors, as well as real-world sustainability impact, into the investment process is necessary as a long-term investor. The Trustee believes it mitigates risks, enhances returns and is in our members' best long-term interests.
- **Stewardship:** The Trustee believes that effective stewardship can generally improve member outcomes, and so we should engage with companies, regulators, and stakeholder groups. Where applicable, we should use our voting power to encourage investee companies to address sustainability risks, and make progress towards our priority sustainability themes: living wages, gender equality and climate action; and our categorisation of 'most significant votes'.
- **Climate crisis:** The Trustee believes that a speedy, fair and just transition to a low-carbon economy is the only feasible way to address the climate crisis. Therefore, the Trustee believes that investment solutions should be constructed to achieve net zero GHG emissions by 2050, with 50% emissions reduction by 2030 based on 2019 levels, consistent with the Paris Climate Agreement goal of limiting global warming to 1.5°C.



4 Investment objectives

Risk and return objectives

The Trustee's investment beliefs inform the aims and objectives of the Trustee's default investment plan and other investment options made available to members. These aims and objectives are intended to make sure we invest the assets in the best interests of the scheme's members and beneficiaries.

The investment objectives are set and reviewed by the Trustee with the primary focus being the expected long-term return, allowing for the trade-off with investment risk and cost. The return objectives and risk objectives are specified in the guidelines agreed with the investment manager as part of the investment management agreement. We summarise the risk and return objectives in the [Appendix](#).

The scheme's default investment plan is the lump sum plan.

4.1 The scheme's default investment plan (lump sum plan)

The Trustee has decided on an investment strategy for the lump sum plan, the default investment plan, that it believes is appropriate for scheme members who don't want to think or worry about investments. It takes into account the Trustee's analysis of the membership, including its age profile, planned retirement age and how members are expected to use their savings at or after retirement. This is based on data about the scheme's members' retirement trends and behaviours. In the long term, the Trustee

expects the strategy to deliver a satisfactory return in real (inflation-adjusted) terms on the contributions invested. The inflation-based return objectives are detailed in the [Appendix](#).

The next three-yearly review of the investment strategy will be due in 2026 when the suitability of the cash lump sum target will be reassessed. Until then we expect most scheme members approaching retirement to take their pension savings as a cash lump sum. The lump sum plan's objective is to meet those members' needs by de-risking their investments as they approach their planned retirement date.

The Trustee uses two investment funds – the **now: growth fund** and the **now: retirement countdown fund** in different proportions for each stage of the lump sum plan's investment lifecycle journey. The asset classes within these funds, set out in the investment management agreement, could include:

- equity (public equity across developed and emerging markets)
- bonds (green, sustainable and corporate bonds – mainly investment grade)
- other (e.g. commodities, emerging market debt, high-yield bonds, gold)
- illiquid assets (e.g. private equity, private debt, property, private infrastructure), and
- foreign exchange.

The Trustee has agreed to implement a stock lending programme across the assets managed directly by the investment manager within all the investment funds.

The lump sum plan's investment strategy follows a lifecycle journey consisting of three phases.

- **Growth phase:** This starts when a member, who is more than 10 years from their planned retirement age, first joins the scheme, and continues until 10 years before their planned retirement age. The growth phase is when the member's pension savings are building up and retirement is some time in the future. All the member's savings will be invested in the **now: growth fund**. This fund uses a broad range of investments seeking to provide growth higher than inflation, while managing risk.
- **De-risking phase:** During the 10 years leading to the planned retirement age, the member's expected risk and return expectation is gradually reduced. Their exposure to the **now: growth fund** reduces while their exposure to the **now: retirement countdown fund** increases. The **now: retirement countdown fund** is specifically designed to help preserve the purchasing power of the savings (i.e., relative to inflation) as the member approaches retirement. This also aims to reduce volatility, leading to a smoother transition to retirement.
- **Destination phase:** This is the position at (or beyond) the member's planned retirement age. By this stage, 30% of the member's savings will be in the **now: growth fund** and 70% in the **now: retirement countdown fund**.

You can see an illustration of the lump sum plan's lifecycle strategy on the next page.

Illiquid assets

The Trustee has set a goal to build up the illiquid allocation within the **now: growth fund**, with an initial target of 5% (other investment funds also hold illiquid assets in different proportions). The scheme is expected to reach its initial target allocation to illiquid assets in 2026. In May 2025, **now:pensions** signed the Mansion House Accord which sets an ambition to invest at least 10% of assets in the **now: growth fund** into private markets, including at least 5% in the UK, by 2030. The Trustee will be evolving its current strategy to target this ambition in due course, noting the ambition is subject to fiduciary duty and an appropriate pipeline of investible assets being available. However, the Trustee is already considering UK illiquid investments and, as an example, in May 2025 the Trustee invested in a UK affordable housing fund (through a Collective Investment Scheme) which aligns with the objectives of the Mansion House Accord.



Illiquid assets are those that are difficult to sell or turn into cash quickly – for example, infrastructure (roads and bridges, power networks and utilities). It includes investing in private companies including early stage companies such as venture capital.



'Purchasing power'

'...protect the amount of goods and services that the pension savings can buy.'

The allocation to illiquid assets is expected to improve diversification (as illiquid investments tend to change in value at different times from more traditional investments such as listed equities and bonds) and increase the expected return of the **now: growth fund** over the long term. This should lead to a better risk-adjusted investment return for members.

The type of illiquid asset held is not restricted (but also may not include the full range of illiquid investments available) and could include assets such as property (including affordable housing), private equity, private debt and infrastructure.

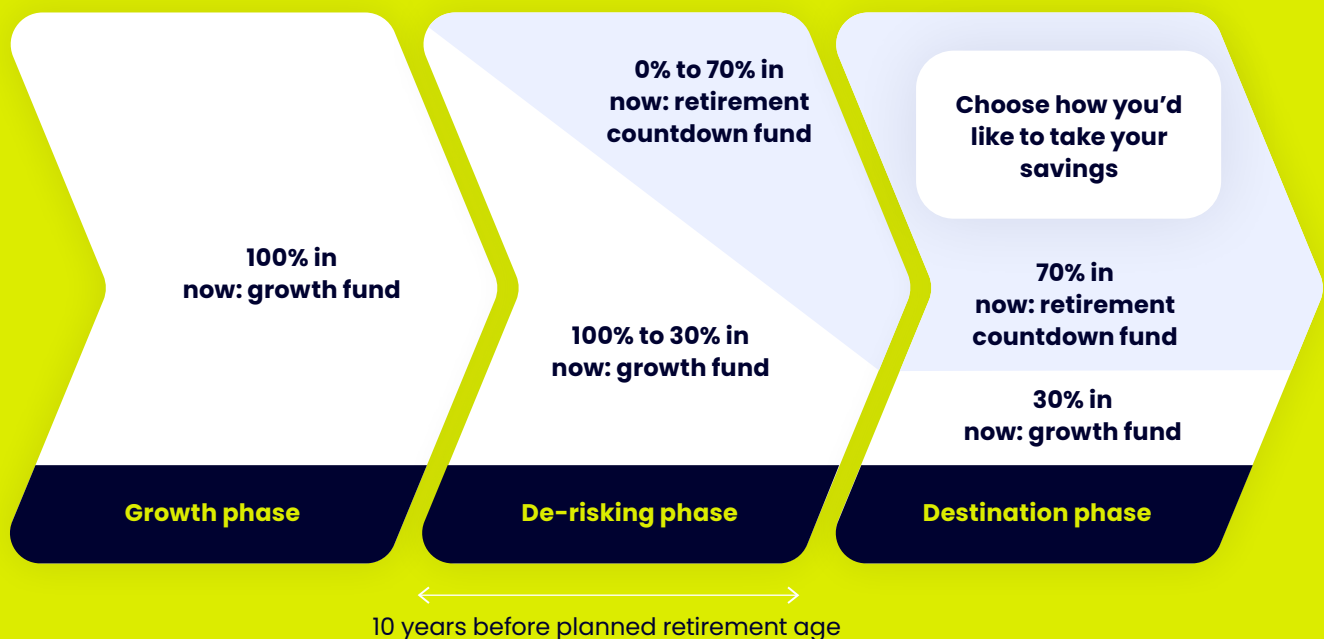
Any illiquid investments should be appropriately sized with due consideration to the investment objectives of the **now: growth fund** and other investment funds. It should also take account of the likely liquidity needs, diversification and cashflows of the portfolio, together with costs and valuation/pricing considerations.

Members in the lump sum plan up to 10 years before their planned retirement age are fully invested in the **now: growth fund**. In the de-risking phase, the allocation towards the **now: growth fund** will gradually decrease and, as a result, the allocation to illiquid assets will also decrease. In the destination phase, the member will hold 30% of their assets in the **now: growth fund**. Therefore, members of all ages may be invested in illiquid assets and, for members in the lump sum plan, the size of the allocation will decrease as they approach retirement. There remains sufficient liquidity to allow members to access their savings at retirement despite an allocation to illiquid assets as they approach retirement.

The scheme will implement each private markets investment in the most efficient way for its circumstances and the investment in question. This means the investments may be held directly or through collective investment schemes.

The lump sum plan's investment strategy

The lump sum plan gradually moves your pension savings from the **now: growth fund** to the **now: retirement countdown fund**, over a 10-year period.



4.2 Additional plans and funds

We expect most members to stay in the default investment plan, where they are well served by an investment strategy that balances risk and return over a lifetime of saving. It's designed for the majority of members, who don't want to think or worry about investments.

While the Trustee believes the default investment plan is the most appropriate approach for most members given their profiles, it recognises it will not meet all members' needs. For example, members who have clear views on how they plan to use their pension savings in retirement, or those with significant pension savings in other schemes, might want different investment options. To support those members, the Trustee has developed a framework to guide members towards one of the other plans or fund that may better meet their needs.

For members who are not sure which plan or fund to choose, the Trustee cannot and does not provide advice and strongly recommends members seek guidance or talk to a regulated financial adviser. The MoneyHelper service offers free, impartial guidance **about pension investments**.

All the plans on offer follow a lifecycle strategy with three investment phases.

Growth phase: This starts when a member, who is more than 10 years from their planned retirement age, first joins the scheme, and continues until 10 years before their planned retirement age. The growth phase is when the member's pension savings are building up and retirement is some time in the future.

De-risking phase: During the 10 years leading to the planned retirement age, members' pension savings are moved into investments designed to prepare their pension savings for retirement, including reducing investment risk.

Destination phase: This is the position at (or beyond) the planned retirement age. By this stage, the member's savings will be in the destination fund or funds for the plan the member has chosen.

The plans and fund provided by the Trustee include the following.

- A shariah plan designed to enable members with Islamic religious beliefs to invest in a suitable plan rather than the default investment plan. This plan is available to all members.
- Specific plans designed for members who want to take their savings as one or more cash lump sums at retirement, take a flexible income in retirement (drawdown), or who want to buy a guaranteed income (annuity) at retirement.
- Specific plans for members who want to take greater investment risk to aim for greater expected returns, or are willing to accept lower returns because they want to take less risk.
- A shariah equity fund for members who want to be fully invested in Shariah-compliant equities until their planned retirement age.

Lump sum plan: This is the default investment plan. It is described in section 4.1 on page 9.

Drawdown plan: This plan is suitable for members who want to take their pension savings as flexible income, also known as drawdown.

In the in the growth phase, the drawdown plan holds the same growth assets as the lump sum plan. Ten years before planned retirement age, the member's pension savings start to move into investments which keep more of their savings aiming to deliver growth in the years leading up to the member starting to take those savings.

Annuity plan: This plan is suitable for members who want to buy an annuity at retirement. It reduces the variability of the guaranteed payments in retirement the member can buy with their savings as the member approaches their planned retirement age.

In the growth phase, the annuity plan holds the same growth assets as the lump sum plan. Ten years before planned retirement age, the member's pension savings gradually move into bonds. The value of these is designed to change broadly in line with annuity prices, helping to reduce annuity conversion risk.

Higher risk plan: This plan is designed for members who are willing to take more investment risk to aim to earn a higher return but also understand and accept the potential downsides that come with taking more risk. For example, members could see large swings in the value of their savings or even significant losses.

In the growth phase, the higher risk plan takes more risk than the lump sum plan. Ten years before planned retirement age, the investments are de-risked towards a largely growth-oriented destination portfolio.

Lower growth plan: This plan is designed for members who want to take less investment risk but understand and accept that investing more defensively could lead to less growth over longer time periods and a lower retirement income.

In the growth phase, the lower growth plan holds a more defensive growth portfolio compared to the lump sum plan. Ten years before planned retirement age, the investments are de-risked towards a more defensive destination portfolio.



Shariah plan: This plan is suitable for members who want their pension savings to be invested in line with the requirements of Shariah law and the principles of Islam.

The shariah plan has a similar risk and return profile as the lump sum plan. In the growth phase, the plan holds mainly Shariah-compliant equity assets and also some defensive Shariah assets (sukuk). Ten years before a member's planned retirement age, the investment risk is gradually reduced by increasing the investment in more defensive Shariah assets (sukuk).

Shariah equity fund: Like the shariah plan, the shariah equity fund is designed to be suitable for members who want their pension savings to be invested in accordance with the requirements of Shariah law and the principles of Islam. It is designed for members who are willing to take more investment risk to aim to earn a higher return but understand and accept that higher risk also could have negative effects. For example, members could see large swings in the value of their savings or even significant losses.

The shariah equity fund does not follow a lifecycle in which assets are de-risked 10 years before a member's planned retirement age. Members' pension savings stay fully invested in Shariah-compliant equities until (or beyond) their planned retirement age.

You can find more detail on these plans in the Appendix.

Shariah investments

The investment manager has appointed third-party manager(s) to manage the Shariah assets. The appointed manager(s) will aim to only invest in assets that meet the third-party manager's interpretation of Shariah compliance principles or are approved by the third-party manager's Shariah committee. The investment manager is responsible for investing the assets to deliver against the return objective, the risk objective, Shariah law and the principles of Islam.

The Trustee's responsible investment principles and goals are applied as far as reasonably possible, while still investing in line with Shariah principles.

5 Approach to responsible investment

Responsible investment objectives

The Trustee invests responsibly, which includes integrating financially material environmental, social and governance (ESG) factors in investment decisions, engaging companies in which the scheme invests, and policymakers, on our three priority sustainability themes (namely, climate action, gender equality and living wages) and, where consistent with our investment objectives, allocating to investments with specific sustainability objectives.

The Trustee has core investment beliefs relating to responsible investment (RI), stewardship and the climate crisis. The Trustee believes investing responsibly 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 risk-adjusted returns, which it believes is in the best interests of the members and beneficiaries of the scheme.



Stewardship is the 'responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.' Financial Reporting Council, UK Stewardship Code 2020.

The Trustee has set the following responsible investment goals for the scheme.

- Net zero greenhouse gas emissions by 2050 with 50% emissions reduction by 2030, based on 2019 levels. This is in line with the Paris Climate Agreement goal of limiting global warming to 1.5°C, compared to pre-industrial levels.

- At least 75% of the portfolio's net asset value to be in investments which support the Trustee's responsible investment beliefs by having an explicit sustainability objective.



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

In addition, the Trustee has set three sustainability priorities.



climate action – a speedy and fair transition to a low-carbon economy is the only way to address the climate crisis.



gender equality – everyone should have equal rights, responsibilities, and opportunities.



living wages – all companies should pay their employees a living wage.

The Trustee considers the impact of its investments and whether they are leading to sustainable financial benefits for members. This gives us a better understanding of the financial risks and opportunities involved in the transition to a more sustainable world.

The Trustee aims to meet its responsible investment objectives within the framework of the investment strategy, costs and operational considerations, while continuing to deliver the chosen risk and return objectives.

Engagement activities

The Trustee undertakes engagement activities on behalf of the scheme and its members.

We do this through industry participation, including the Principles for Responsible Investment (PRI), Institutional Investors Group on Climate Change (IIGCC), Pensions for Purpose, Climate Action 100+ and the Asset Owner Council.

The responsible investment objectives and priorities inform the Trustee's engagement activities, including how the investment manager exercises voting rights on the Trustee's behalf.

The Trustee monitors progress regularly and reports to members annually in our implementation statement and Task Force on Climate-related Financial Disclosures (TCFD) report.

Stewardship

The Trustee believes that effective stewardship can generally improve member outcomes, and so we should engage with companies, regulators, and stakeholder groups. Where applicable, we should use our voting power to encourage investee companies to address sustainability risks, and make progress towards our priority sustainability themes: living wages, gender equality and climate action; and our categorisation of 'most significant votes'.

- The Trustee believes the greatest impact will be achieved where we are able to exert an influence on the companies we invest in through active engagement and dialogue.
- The Trustee recognises the value that comes from being a signatory of the UK Stewardship Code and exercising voting rights to have a meaningful impact. The Trustee expects the investment manager to be a signatory of the UK Stewardship Code and to exercise voting rights in accordance with the Trustee's policies and beliefs.
- Where engagement and voting doesn't achieve meaningful impact, we may reduce investment or disinvest completely.

- The Trustee expects the investment manager to be a signatory to ESG industry initiatives to engage collaboratively, such as PRI, Climate Action 100+, the Institutional Investors Group on Climate Change (or equivalent group in other regions) and the Diversity Project. It also expects the investment manager to adopt the recommendations of the TCFD report. Consistent with the approach to responsible investing, the Trustee believes that this stewardship and engagement approach should be applied through all aspects of the scheme as far as possible.

The Trustee has considered the investment manager's policy on taking account of financially material ESG factors in decisions about the selection, engagement, retention and realisation of investments. The Trustee believes these policies are consistent with its responsible investment beliefs. As a result, the Trustee has delegated responsibility for taking account of financially material ESG factors to the investment manager as part of their overall delegation of day-to-day investment management responsibilities. The Trustee monitors how the investment manager integrates ESG into its investment process and receives quarterly reports. This enables it to oversee and, if necessary, challenge the investment manager's approach, including how it makes decisions based on medium-to-long term assessments of the financial and non-financial performance of investee companies.

The Trustee supports the investment manager's approach to align its portfolios, in the long term, to support the United Nations Sustainable Development Goals (and specifically in respect and support for human rights and avoiding human rights abuses as set out in UN Global Compact Principles 1 and 2) and where possible the Paris Climate Agreement. This enables the Trustee to invest scheme assets in the best interests of members and beneficiaries.

While it's important that ESG considerations are given to all assets, the Trustee believes it does not detract from the investment approach the investment manager has adopted in delivering good value for members.

The Trustee recognises that, to achieve some of these objectives, the investment manager might appoint third-party asset managers to manage particular mandates or funds. The Trustee expects those third-party managers, mandates and funds to conform closely to standards consistent with its own beliefs as set out in this SIP, 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 the Trustee has identified, and to provide appropriate disclosures to show they are conforming with overall policies and objectives.

Each year the Trustee produces an annual implementation statement. As part of this, it will review the engagement and voting activities of the investment manager and any third-party asset managers. When considering the implementation approach, the Trustee expects the investment manager and any third-party asset managers to engage with relevant persons with the aim of having a meaningful impact on protecting and enhancing the value of assets consistent with the Trustee's policies.

'Relevant persons' can include issuers of debt or shares, sub-investment manager companies, other stakeholders or other holders of debt or shares. The managers are expected to engage with them on matters such as performance, strategy, capital structure, the management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee expects responsible investment to develop as policies from governments, regulators and other institutions evolve. As a result, the Trustee expects its own policies to evolve over time and, accordingly, for the investment manager's policies to evolve in line with the Trustee's policies and priorities.

Non-financial factors

The Trustee believes that by being a responsible investor, they are managing investment risk with the aim of enhancing long-term risk-adjusted returns. The Trustee believes this is likely to be in the best interests of the scheme's members and beneficiaries. Beyond these responsible investing requirements, the Trustee doesn't currently explicitly integrate any non-financial matters when making decisions about the scheme's default investment plan.

The Trustee continues to try and gain a better understanding of the membership's views on investment and other matters to ensure that, as far as legally permitted, these are reflected in the decisions it makes about investment and delivering services to members.

The Trustee has set up a shariah plan and a self-select shariah equity fund to provide choice for members who hold particular beliefs. 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.



6 The scheme's policy to measure and manage risk

Member risks

A key risk to members is not meeting their financial retirement objectives. This could be due to members not paying enough money into their pension savings or assets not achieving enough investment growth. The Trustee provides information to members on the importance of saving for retirement and what members can do to help achieve their financial retirement objectives. This can be found on the **now:pensions** website and in communications to members.

The Trustee manages the risk of low investment growth by implementing the default investment plan to help members manage the money they've invested. For members with many years to retirement, the default investment plan seek to provide growth greater than inflation, while managing risk. However, the value of members' pension savings can go down as well as up and growth above inflation is not guaranteed.

To achieve long-term growth above inflation, some investment risk needs to be taken. The Trustee has return, risk and responsible investment objectives which are set out in the [Appendix](#). It has agreed delegations to the investment manager to ensure the appropriate level of risk is taken throughout the member's time in the scheme.

There are still many reasons why investment growth could be lower than expected - for example, because of economic and market conditions. The Trustee can't control this, but it has designed the agreed investment strategy to help manage the risks.

The Trustee carries out a full review of the scheme's investment strategy every three years, or more often if there's a significant change in investment policy or to members' demographic profiles. It also reviews the ongoing suitability of the investment strategy every year. The investment manager regularly reviews the portfolio composition to ensure it remains appropriate.

Portfolio risks

The Trustee has put limits on the portfolio risks detailed below. These are specified in the investment management agreement (IMA) between the Trustee and investment manager.

Concentration risk: The risk of underperformance due to one or two investments having an unduly large adverse effect on the overall investment 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: 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, diversifying by counterparty and by regular monitoring of the exposures.

Credit risk: The risk of loss caused by the default on expected cashflows. This risk is managed by the investment manager who operates within guidelines that set out diversification and credit limits.

Currency risk: The risk of loss caused by 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: 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: The risk of not having enough assets that can be easily sold to meet immediate cashflow needs. This risk is managed by the investment manager who operates to guidelines which require enough liquid assets in each fund to provide for members' likely withdrawals. It takes into account cashflows into the scheme and monitoring the requirements for derivative positions.

Operational risks: The risk of loss caused by, 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. Due diligence is done before appointing any new service provider. The Trustee and NPL as the scheme manager review all key suppliers each year. The key suppliers with operational risk are the scheme custodian and fund administrator, the investment manager, NPL and the scheme administrator.

Climate risk: The risk that member outcomes are affected by climate change. This risk is managed through the voting and engagement activity of the Trustee (or appointed suppliers on its behalf) and regularly reviewing the integration of responsible investment, including climate change. Each year the Trustee publishes their progress on reducing greenhouse gas emissions and mitigating the financial risk of climate change in the TCFD report. The Trustee also publishes a yearly implementation statement showing how far they have followed this SIP (and previous SIPs if this applies) during each scheme year.

Other risks

Valuation risk: The risk that investments are not valued properly and fund unit prices are incorrect. This risk is managed through the selection process and regular monitoring of the fund administrator, investing in assets which are quoted, and requiring the investment manager and fund administrator to have clear valuation policies in place for those assets which are not quoted.



7 Arrangements with the investment adviser

Arrangements

The Trustee has appointed an independent investment adviser. The investment adviser will advise the Trustee on whether the scheme assets are invested in accordance with the policies set out in this SIP and the requirements of sections 34, 35 and 36 of the Pensions Act 1995. The Trustee may also engage with them to undertake separate projects. The Trustee's investment governance framework includes an overview of the role and responsibilities of the investment adviser.

Fees

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

Service review

Every year, the scheme's supplier management board reviews the services the investment adviser provides, including fees. A formal review takes place every three years. The review includes the Trustee determining whether the investment adviser is providing good value for members.



8 Arrangements with the investment manager

Arrangements

The Trustee reviews the investment manager's (Cardano's) investment objectives and contract terms including financial incentives, to ensure consistency with the IMA and this SIP. The investment manager is incentivised to align its investment strategies with the Trustee's policies set out in the SIP through the terms of the IMA, and the investment objectives set by the Trustee.

Although the arrangement with the investment manager is expected to be a long-term partnership, the appointment can always be terminated due to other factors such as a significant change in business strategy, structure of the investment team or if the investment manager fails to ensure alignment with the Trustee's policies.

The Trustee's investment governance framework includes an overview of the role and responsibilities of the investment manager.

Service review

Each year, the scheme's supplier management board reviews the services Cardano provides, including fees. 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. The review includes the Trustee determining whether the investment manager is providing good value for members.

Reporting

The investment manager reports regularly to the Investment Committee and the Trustee. It details performance and progress against the return, risk and responsible investment objectives, and the Shariah objective where this applies. It also reports the portfolio turnover costs (i.e. fees and expenses, including transaction costs incurred in managing the investments). These are assessed and monitored against the expected level.

The Investment Committee meets with the investment manager at least once a quarter to review fund performance against its objectives, focusing on longer-term outcomes. The review looks at how the investment manager has implemented the investment strategy consistent with the IMA and this SIP.

The investment manager is responsible for appointing, reviewing and terminating third party managers, and for ensuring any third-party asset manager is aligned with the IMA and this SIP at the time of their appointment – or explaining why to the Trustee, if they are not. The manager must also report on any areas of potential divergence between the Trustee's policies and their own.



Portfolio turnover costs

The costs of buying and selling units in an investment fund.

At least every year the investment manager must provide information on how it takes financial and non-financial performance into consideration. This includes, but is 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:

- make decisions, based on assessment, about medium-to-long term financial and non-financial performance of an issuer of debt or shares; and
- 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 on this.

As part of the review, stewardship policies and voting records are reviewed (and discussed with the third-party asset managers) by the investment manager at least every year. The investment manager collates the qualitative and quantitative information required to allow the Trustee to also review these each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their responsible investment approach.

Fees

The investment manager is paid on a 'percentage of assets' basis, as set out in the IMA. The investment manager is not allowed to receive payments from other sources such as commissions, the spread between buying and selling price of units, or exit charges.



9 Arrangements with the custodian

Arrangements

The Trustee has appointed State Street as its custodian. The custodian provides custody, fund accounting, fund administration and additional services including unit dealing. The role and responsibilities of the custodian are laid out in the custody agreement, and the accounting and administration services agreement.

Service review

Each year, the scheme's supplier management board reviews the services State Street provides, including fees. A formal review takes place every three years. This includes the Trustee determining whether the custodian is providing good value for members.

Valuation and pricing of units

Fund units are valued and priced daily.

Fees

The custodian's fees are paid out of the annual management fee charged to members, by taking member units out of the funds the members are invested in.



10 Appendix: Overview of objectives for all plans and funds

The table below summarises the risk and return objectives of the plans and funds. It also shows which plans and funds are covered by the responsible investment objectives and Shariah principles. Please look at the fund factsheets for detailed information about a specific fund's investment strategy.

The table doesn't show the de-risking phase. This is because the investments gradually move from the growth phase portfolio to the destination phase portfolio.

All plans	Growth phase Until 10 years before planned retirement age	Destination phase At (or beyond) planned retirement age
Lump sum plan (default) Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: growth fund CPI + 3.5 - 4.0% p.a. 12.5% - 14.0% p.a. Yes No	30% now: growth fund CPI + 3.5 - 4.0% p.a. 12.5% - 14.0% p.a. 70% now: retirement countdown fund CPI + 0.0% p.a. 1.0% - 2.0% p.a. Yes No
Drawdown plan Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: growth fund CPI + 3.5 - 4.0% p.a. 12.5% - 14.0% p.a. Yes No	now: drawdown destination fund CPI + 2.75 - 3.25% p.a. 10.5% - 12.0% p.a. Yes No
Annuity plan Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: growth fund CPI + 3.5 - 4.0% p.a. 12.5% - 14.0% p.a. Yes No	now: annuity destination fund CPI + 1.0 - 1.25% p.a. 4.0% - 5.5% p.a. Yes No
Higher risk plan Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: higher risk growth fund CPI + 4.0 - 4.5% p.a. 14.5% - 16.5% p.a. Yes No	now: higher risk destination fund CPI + 3.25 - 3.75% p.a. 12.0% - 13.5% p.a. Yes No

Continued...

All plans	Growth phase Until 10 years before planned retirement age	Destination phase At (or beyond) planned retirement age
Lower growth plan Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: lower growth fund CPI + 3.0 – 3.5% p.a. 10.5% - 12.0% p.a. Yes No	now: lower growth destination fund CPI + 0.0% p.a. 1.0% - 2.0% p.a. Yes No
Shariah plan Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: shariah growth fund CPI + 3.5 – 4.0% p.a. 13.5% - 15.0% p.a. Limited Yes	now: shariah destination fund CPI + 1.25 – 1.5% p.a. 4.0% - 5.5% p.a. Limited Yes

Fund	
Shariah equity fund Fund name Return objective (gross of ABC) Risk objective (annual volatility) Responsible investment objective Shariah principles	now: shariah equity fund To track the return of the Dow Jones Islamic Market Titans 100 Net Total Return Index The tracking error of the fund to be less than 0.5% p.a. Limited Yes

CPI: Consumer Price Index

ABC: Asset Based Charges

Volatility targets are based on long-term asset class expectations and actual experience may differ.

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