

Implementation statement

For the year ending
31 March 2021



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Implementation Statement for year ending 31 March 2021

Introduction

Under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 which became effective from 1 October 2020, the Trustee is required to produce an annual Statement setting out how voting and engagement policies described in the Fund's Statement of Investment Principles ("the SIP") have been followed. This is the first Implementation Statement produced by the Trustee and describes how the Trustee of the NOW: Pensions Trust ("the Scheme"):

- a. **Has followed the Statement of Investment Principles (SIP) over the year;**
- b. **Has reviewed and updated the SIP; and**
- c. **Actioned voting rights and activities relating to the Scheme's investments.**

Based on regulatory requirements, the Statement covers the Scheme financial year ended 31 March 2021 (the "Scheme Year").

It includes sections on the Trustee's review of the SIP over the Scheme Year and how the Trustee policies in the SIP have been followed over the Scheme Year regarding:

1. **Investment objectives;**
2. **Investment management;**
3. **Voting activities;**
4. **Responsible investment; and**
5. **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 responsibility for managing the Scheme's assets is delegated to its investment manager, Cardano Risk Management Limited ("the Investment Manager"). However, there was no voting activity over the Scheme Year on which to report, as no physical equities or third-party funds held during the reporting year. (All equity exposure was achieved through derivatives (which carry no voting rights).

Trustee's review of the SIP over the year

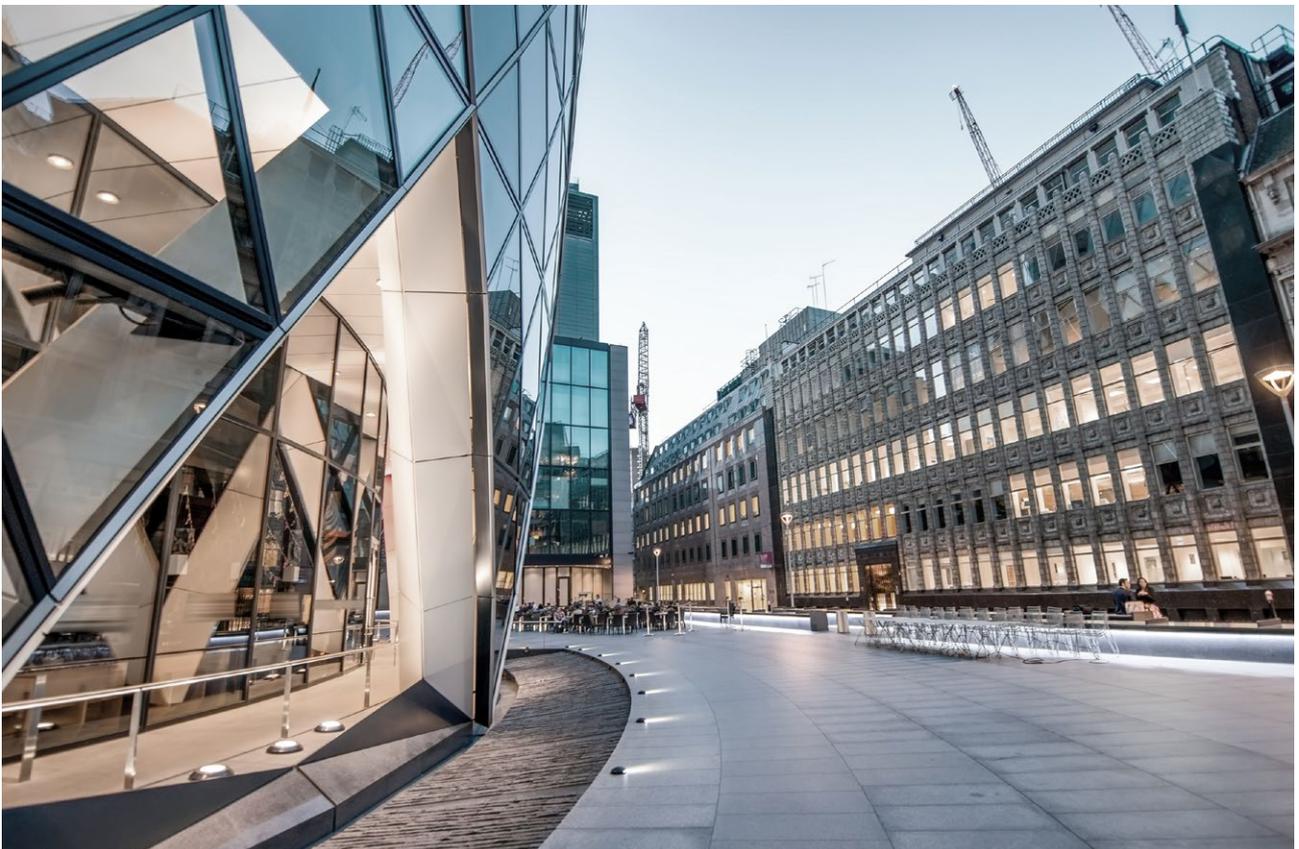
Two versions of the SIP are relevant for the Scheme Year. The SIP dated 25 September 2019 ("2019 SIP") was reviewed and replaced with a new SIP on 24 September 2020 ("2020 SIP"). The reason for the changes was to comply with new legal requirements.

These changes will help encourage appropriate long-term decision making between the Trustee and the Investment Manager. They set out:

- The arrangements with the Investment Manager, including how they are incentivised to act and invest in line with the Trustee's policies and how the Trustee will monitor the Investment Manager's performance, fees and portfolio costs; and
- The Trustee's Engagement policy, including the exercise of the rights (including voting rights) attaching to the Scheme's investments.

The Trustee consulted with NOW: Pensions Limited as the Employer Representative and obtained written advice from its Investment Adviser, Redington Ltd, before the 2020 SIP was finalised.

During the Scheme Year the Trustee undertook a Strategic Investment Review and, as a result, a new SIP was signed on 26 April 2021 ("2021 SIP"). This will be reported on in the next Implementation Statement.



1

Trustee's policy on investment objectives

The Trustee must establish and regularly review the investment objectives and decide on how best to achieve these objectives:

- For the Scheme Year, the Trustee determined the investment strategy based on its key investment beliefs set out in Section 3.2 of the 2020 SIP and section 3.2 of the 2019 SIP (depending on the period in question). During the Scheme Year, the Trustee undertook a review of its investment beliefs as part of the planned full Strategic Investment Review.
- This led to a review of the investment objectives and strategy; changes were implemented in April and May 2021 (after the current Scheme Year) and will be covered in the next Implementation Statement.

2

Trustee's policy for investment management

The Trustee has entered into an investment management agreement with the Investment Manager, Cardano Risk Management Limited, appointing them as its primary fund manager. The Trustee has delegated all day to day investment functions to the Investment Manager, subject to regular monitoring and review, as outlined in the sections which follow.



3

Trustee's voting activities

The use of voting rights is most likely to be financially material where physical equities are held. There were, however, no physical equities or third-party funds held during the reporting year as all equity exposure was achieved through derivatives (which carry no voting rights). As such, there was no voting activity to report for the Scheme Year by either the Investment Manager or any proxy service on the Investment Manager's behalf.

The Trustee voting policies, which were followed during the Scheme Year, are that:

- direct engagement with the underlying companies (in respect of shares and debt) is carried out by the Investment Manager; and
- where the Investment Manager invests assets in third party funds, it will engage with the managers of these funds regarding their voting records and level of engagement with the underlying investments.

4

Trustee’s policies on responsible investment (RI)

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 RI Policy	Activity
<p>The members and Trustee have a long-term investment horizon for the portfolio and therefore the Trustee acknowledges the importance of being a responsible investor. The Trustee considers responsible investment to be the integration of environmental, social and governance factors (“ESG”) into investment decisions in respect of the portfolio where financial risk and / or return is or could be materially affected. From September 2020, the Trustee also added that these considerations include the potential impact of climate change.</p>	<p>The Trustee has delegated investment management responsibility to the Investment Manager. The Trustee has chosen a manager that aligns with its beliefs on stewardship but acknowledges there are instances where the Trustee has less direct influence over the managers’ policies on the exercise of investment rights.</p> <p>As part of their mandate, the Investment Manager is responsible for taking account of ESG in decisions regarding the selection, retention, and realisation of investments.</p>
<p>The Trustee monitors how the Investment Manager integrates ESG into its investment process. Prior to September 2020, the Trustee focused on those areas where ESG had a material impact on the financial risk and / or return characteristics of the investment.</p>	<p>The Investment Manager attended the quarterly meetings of the Investment Committee from September 2020 to discuss their performance as responsible investors - with specific consideration to how the Investment Manager has implemented the responsible investing policies and engagement activities included in this Implementation Statement.</p>
<p>The Trustee does not ordinarily take the views of individual members and beneficiaries, including (but not limited to) their views in relation to governance, social and environmental impact, into account when making investment decisions. The Trustee is working on gaining a better understanding of the views of the membership in relation to these investment and other matters to ensure these are reflected in decisions on investment and delivering our services to members.</p>	<p>The Trustee received feedback from individual members on an ad hoc basis regarding their views and has been considering how best to canvass members in future to better understand their views.</p>

Trustee RI Policy	Activity
<p>The Trustee is undertaking a full Strategic Investment Review during the Scheme Year to enhance the opportunities to integrate ESG factors into the investment portfolios. (The current investment strategy is achieved predominantly through derivative instruments related to global market indices which limits opportunities to hold individual stocks and integrate ESG factors.)</p>	<p>Over the Scheme Year, the Trustee completed its full Strategic Investment Review and changes were implemented in April and May 2021, after the Scheme Year end. The Trustee held an allocation to sustainable bonds in the portfolio as part of their RI policy.</p>
<p>The Trustee's policy from September 2020 was that, where the Investment Manager invests assets in third party funds, it will engage with the managers of these funds regarding their voting records and level of engagement with the underlying investments that are being invested in to ensure the approach is consistent with the policies of the Trustee.</p>	<p>Over the Scheme Year, there were no third-party funds held.</p>

5

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. The following table provides some more detail on the main policies of the SIPs.

Trustee's policies on Investment strategy	
SIP Trustee Policy	Activity
Based on the investment beliefs, the Trustee offers a single investment journey for all members, taking into account an individual member's planned retirement age and dividing the investment period into three phases.	The Trust continues to be invested in the Diversified Growth Fund and the Retirement Countdown Fund to achieve the appropriate risk profile of the three phases of a member's Journey Path.
The majority of assets held will be readily realisable to provide cash to ensure the necessary liquidity to meet payments under the Scheme.	<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 Diversified Growth Fund only) designed to highlight important changes, including material changes to the portfolio, new instruments traded, and any material issues impacting the portfolio.</p>

Trustee's policies on Risk Management	
Trustee Policy	Activity
<p>From September 2020, as part of the appointment process, and on an ongoing basis, the Trustee reviews the investment objectives and contract terms of the Investment Manager, including financial incentives, to ensure consistency with their investment strategy and investment policies, including their Responsible Investment requirements.</p>	<p>Over the Scheme Year, the Trustee commenced a review of the contract terms of the Investment Manager, which concluded after the end of the Scheme Year.</p>

Trustee's policies on Review and Evaluation of Arrangements	
Trustee Policy	Activity
<p>The Trustee regularly monitors performance and compliance with the risk limits of each fund. The performance of each fund is measured and reported on against relevant benchmarks.</p>	<p>The Investment Manager measures the investment performance of each fund. The Trustee's Investment Committee has received this reporting from the Investment Manager on a quarterly basis during the Scheme Year and reviewed the investment performance against benchmarks and risk limits.</p> <p>The Investment Manager attended the Investment Committee meetings to discuss their investment performance. There were no instances of non-compliance with any risk limits.</p>

Trustee's policies on Risk Management

Trustee Policy	Activity
<p>From September 2020, as part of the appointment process, and on an ongoing basis, the Trustee reviews the investment objectives and contract terms of the Investment Manager, including financial incentives, to ensure consistency with their investment strategy and investment policies, including their Responsible Investment requirements.</p>	<p>Engagement activity based on investment type was as follows:</p> <ul style="list-style-type: none"> • As the Scheme did not hold any direct investment in companies, the Investment Manager did not have the opportunity to engage with any investee companies. • 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. • In the final quarter of 2020, the Investment Manager evolved their counterparty rating system to include ESG risks. • Third-party funds were introduced to the Scheme following the end of the Scheme Year. The Investment Manager engages with third-party managers to determine their suitability for running responsible investment mandates on behalf of the Trust. <p>Financial risk reporting for the DGF has been provided to the Investment Committee during the Scheme Year as part of the Investment Manager's quarterly reporting, including investment risk, credit risk, and liquidity risk:</p> <ul style="list-style-type: none"> • Debt issuance is accessed via a combination of government bonds and bonds of investment grade quality. • The Investment Manager monitors the creditworthiness of each counterparty used and reports to the Trustee using a "traffic light" rating system. • Liquidity risk is minimised by trading liquid instruments and managed in the manner described above. <p>The Trust assets are exposed to non-financial risks, including operational, legal and compliance risks involved in investing. They are taken into account in the management of the portfolio and reported on to the Trustee, for example in the explanation of the purchases of a particular green bond or reporting of counterparties.</p>
<p>The Trustee reviews strategies and results with the Investment Manager every quarter. Prior to September 2020 (under the 2019 SIP), the Director of Investment of the Employer Representative also undertook such reviews.</p>	<p>The Investment Manager attended the quarterly meetings of the Trustee to review strategies and results. The Director of Investment for NOW: Pensions Limited was involved in the reviews prior to September 2020.</p>

Trustee's policies on Review and Evaluation of Arrangements

Trustee Policy	Activity
The Trustee Board has an Investment Committee to monitor and review the performance of the Investment Manager and consistency with the policies set out in this Statement of Investment Principles. This review also includes any managers of third-party funds. The Investment Committee reports to the Trustee Board.	The Investment Committee met on 13 May 2020, 11 August 2020, 10 November 2020 and 16 February 2021 and reported its findings at the subsequent quarterly Trustee Board meetings. The Investment Committee had no significant concerns about the performance of the Investment Manager nor consistency with the policies set out in this Statement of Investment Principles. (Over the Scheme Year, there were no third-party funds held.)
The Trustee's policy is from time to time to review the suitability of the agreed investment strategies and the investment approach, including reviewing the investment allocation annually.	The Trustee undertook a comprehensive Strategic Investment Review during the Scheme Year. Changes were implemented in May 2021 (after this reporting period).

Final Remarks

Overall, the Trustee has demonstrated how it:

- a. **Followed the 2019 SIP and 2020 SIP over the Scheme Year;**
- b. **Reviewed the 2019 SIP and adopted the updated 2020 SIP; and**
- c. **Applied any voting rights relating to the Scheme's investments.**

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

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

**Information correct as at September 2021. NP/D0268/09/2021.
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