



NASUWT Managed Pension Plan Implementation Report

5 April 2024

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Plan updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address: [NASUWT Managed Pension Plan SIP | Isio](#)

Implementation Report

This implementation report is to provide evidence that the Trustees continue to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 5 April 2024 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Plan reporting year

- Over the course of the reporting period, the Trustees of the Plan considered de-risking the investment strategy by increasing the Plan's hedging position from 90% up to 100%. This update was to lock-in the Plan's strong funding position. Post year-end, the Trustees will review strategy update options with a view to implementing a strategy that best achieves the Plan's objectives.
- The Plan held a sizeable sum of c.£8.4m in the Trustee Bank Account at year-end. This sum is earmarked to be utilised during the implementation of a new strategy being considered by the Trustees. The funds are expected to be divided between collateral to support the increase in the hedging position of the LDI mandate, and the remainder allocation going towards a new semi-liquid mandate.
- Due to significant gilt market volatility in late 2022, the Plan's assets are out of line with the strategic benchmark allocation. However, this is expected to be resolved soon; as the Trustees are reviewing the Plan's strategy post year-end.
- Post year-end the Trustees and Employer will participate in an ESG beliefs session which will establish the Plan's ESG priorities and guide the selection process for new mandates going forward.

Implementation Statement

This report demonstrates that the Trustees of the NASUWT Managed Pension Plan have adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	The Plan has an LDI mandate in place to manage this risk.	<p>The Plan's hedging arrangements should be reviewed periodically to ensure they remain appropriate, especially after updated actuarial valuation results are finalised.</p> <p>The Plan maintained its hedging position of c.90% during the reporting period. However, post year-end the Trustees are considering raising the hedge to c.100%.</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets within the diversified growth holdings and Trustee Bank Account to ensure there is a prudent buffer to pay member benefits as they fall due (including transfer values) and meet other liquidity requirements.	<p>No immediate action required, cashflow positive nature of the Plan is sufficient to meet ongoing liquidity needs.</p> <p>The Plan is well positioned from a liquidity perspective as it held c.19.5% of its total assets in its most liquid ABS mandates. The Plan has a further c.£8.4m in the Trustee Bank Account, though this holding is expected to be temporary as the Trustees consider an update to the investment strategy.</p>
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustees aim to diversify the Scheme's holdings across sectors and asset classes and are satisfied the strategy remains suitably diversified.
Credit	Experiencing losses due to the default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>To appoint investment managers who actively</p>	The Scheme invests in a range of credit funds diversified across geographies and sectors.

		manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.	
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	<p>The Trustees recognise that positive ESG factors can have a positive influence on the long-term stability and returns of investments. However, mandates are selected with the purpose of maximising the chance of achieving the return objectives as set out in their mandates, which in combination aim to optimise the chance of achieving the Plan's overall strategic objective.</p> <p>The Trustees acknowledge responsibility for the voting and engagement policies that are implemented by the Plan's investment managers on their behalf. The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.</p>	<p>The updated ESG policy agreed by the Trustees in September 2019 remains in place.</p> <p>Details of how the Trustees have acted in accordance with this policy are included later in this report.</p> <p>During the reporting period, the Statement of Investment Principles was reviewed to assure continued compliance with statutory guidance.</p>
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	To largely invest in GBP share classes where possible to eliminate direct currency risk. To largely invest with managers that hedge any exposure to foreign currency risk in underlying holdings, except where active currency positions are held.	<p>All pooled funds held are denominated in GBP to manage direct currency risk.</p> <p>Underlying currency risk from positions denominated in foreign currencies is generally hedged. For example, the Plan's investments in the Partners Group MAC Funds aim to hedge c.95% of underlying foreign currency exposure back to Sterling.</p>

Implementing current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy regarding ESG as a financially material risk. The Plan has agreed a more detailed ESG approach which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme's ESG approach. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Risk Management	<ol style="list-style-type: none">1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Plan.2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	<ol style="list-style-type: none">3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.4. ESG factors are relevant to investment decisions in all asset classes.5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none">6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.7. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge.8. The role of the Plan's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none">9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none">11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why.12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

Engagement

As the Plan invests via pooled funds managed by external fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2023 (the closest quarter end date to the Plan's accounting year end date).

Fund name	Engagement summary	Commentary
Insight – Liquid ABS	<p>Total engagements: 2521</p> <p>Number of different entities engaged: 571</p>	<p>Insight has demonstrated a comprehensive selection and monitoring process for assessing ESG risks in counterparties.</p> <p>Examples of significant engagement include:</p> <p>Mercedes Benz – The company is a significant issuer of auto ABS through their Silver Arrows entity. Insight engaged with Mercedes to further understand their ESG approach and encouraged the company to enhance their ESG reporting in-line with Insight's requirements. The company also collaborated in the completion of a proprietary questionnaire to ensure a quantitative score could be given to Mercedes regarding their ESG approach.</p> <p>Volkswagen (VCL) – The company is a major auto player in the global market. VCL engages with investors at the issuer level and issues green bonds from its main corporate entity. However, Insight engaged with VCL to enhance availability of ESG-related reporting and climate risk data from within its financing arm. VCL are working towards this goal as well as implementing carbon emissions reporting relating to the auto loans.</p>
Insight – LDI	<p>Total engagements: 43</p> <p>Number of different entities engaged: 19</p>	<p>The mandate only invests in UK government bonds and derivatives (such as swaps) to obtain hedging exposure. As such engagement rights with the underlying issuer (i.e. the UK government) are limited. Instead, Insight's engagement focuses on liaising with counterparties/suppliers of leverage, and wider LDI market issues.</p> <p>When identifying material ESG risks, Insight engages with relevant companies and other issuers to understand the issues and exert influence on behalf of clients to encourage change. Some issues are too big to tackle alone,</p>

		<p>in which case they may collaborate with other stakeholders.</p> <p>An example of significant engagement is:</p> <p>FAIRR – The FAIRR Initiative is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities across the globe. Insight is a member and active participant of this body. This organisation aims to fill investor knowledge gaps to better understand and mitigate climate-related risks, and to take advantage of ESG-related opportunities. The organisation does this by providing speciality data analytics.</p>
Aegon – European ABS	<p>Total engagements: 127</p> <p>Number of different entities engaged: 98</p> <p>Note: The Aegon ABS engagement data is as at 31 December 2023. This is due to the investment manager not having 5 April data available at the time this statement was produced.</p>	<p>Examples of significant engagements at the fund level include:</p> <p>Everbridge – Aegon have engaged with the company over several years on numerous issues. Aegon believe the company has room for improvement in its reporting on governance and non-financial disclosures. During the engagement process Aegon were satisfied with progress made the areas previously highlighted by the manager. The company also provided assurance that it would prioritise enhancing the availability of non-financial and ESG performance data going forward.</p>
Partners Group – Multi Asset Credit 2016 Fund	<p>The Partners MAC III (2016) Fund did not provide a breakdown of engagement.</p>	<p>To assist with the engagement on private companies in which they invest, Partners Group aim to have a seat on the advisory board of each company and formulate a dialogue with portfolio companies to monitor investment decisions.</p> <p>The Partners MAC III (2016) Fund regularly engages with its portfolio companies across ESG themes. Working with them to incorporate, monitor and improve their ESG scores. One of the ways by which they do this is encouraging companies to conduct ESG surveys and produce detailed annual ESG reports.</p>
Partners Group – Multi Asset Credit V Fund	<p>The Partners MAC V Fund did not provide a breakdown of engagement.</p>	<p>Examples of significant engagements include:</p> <p>Envision Pharma – Partners Group engaged with the company following an IT breach that occurred in the previous year. Envision</p>

		confirmed that new policies and protections had been implemented following a consultation with a 3 rd party specialist. There was also transparent communication with customers on this issue.
Partners Group – Multi Asset Credit VI Fund	The Partners MAC VI Fund did not provide a breakdown of engagement.	<p>Examples of significant engagements include:</p> <p>Schwind – Partners Group engaged with the company to agree on KPIs relating to Greenhouse gas emissions and Gender ratios at company and board level. The company agreed to begin reporting on these metrics from the beginning of 2024.</p>
Partners Group - The Partners Fund	The Partners Fund did not provide a breakdown of engagement.	<p>Examples of significant engagements include:</p> <p>KinderCare – Partners Group engage with their portfolio companies to monitor and further enhance their ESG credentials. Partners Group has worked with the company to develop social commitments, a diversity & inclusion strategy, and a living wage program. The implementation of these policies has contributed to teacher retention rates exceeding targets, and the company achieving a WELL health safety rating.</p>

Voting (for equity/multi asset funds only)

As the Plan invests in pooled funds via third party fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2023 (the closest quarter end to the Plan's reporting year-end). The managers also provided examples of any significant votes.

The Trustees have adopted the managers definition of significant votes and have not set stewardship priorities.

Fund name	Voting summary	Examples of significant votes	Commentary
The Partners Fund	Meetings voted: 56	Breitling - Breitling has completed initiatives involving environmental impact (specifically GHG emissions) and developed measures to reduce negative impact. They have also set a target to reduce Scope 1 and 2 emissions by 80% by 2032 and achieve net zero emissions by 2050. They have also partnered with companies to support various carbon removal activities. There is a future focus by the company in the development of products using sustainable inputs.	Partners Group’s voting rights are a particularly useful tool for managing ESG risks within their private equity holdings, whereas their debt positions do not carry any voting rights and are more reliant on any engagement rights Partners Group can establish. As mentioned above for engagement, as a larger shareholder in smaller private companies, Partners Group’s vote carries more weight and can drive more action than other managers can in larger public corporations.
	Votes cast: 847		
	Votes ‘for’ management: 779		
	Votes ‘against’ management: 42		
	Vote ‘abstain’: 25		
	Note: The above voting data is as at 31 December 2023. This is due to the investment manager producing data bi-annually.		
		Socially, Breitling has assessed equal pay initiatives for 1658 employees in 19 countries and been proactive in reducing this. There is a future focus on the traceability of its products ensuring the origin of them is appropriate.	Private markets investments are the largest exposure within the fund, and these are typically held directly, where Partners Group controls the board and therefore direction/strategy of the business. The Partners Fund’s exposure in listed equity is usually <5%.
		It should be noted that Partners Group have control of the board at Breitling	

