



National Communications Union Staff Superannuation Scheme Implementation Statement

April 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [here](#) changes to the SIP are detailed on the following page.

The Implementation Report details:

- actions the Scheme has 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 Scheme has 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 31 December 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

Summary of key actions undertaken over the Scheme reporting year

There were no changes to the Scheme's Statement of Investment Principles during the reporting year.

The Trustee updated the Investment Implementation Document ("IID") to include a collateral management policy which outlines the agreed process for meeting collateral calls should these be made by the Scheme's LDI manager.

There were no other changes made to the Scheme investments during the reporting year.

Implementation Statement

This report demonstrates that the Trustees of the National Communications Union Staff Superannuation Scheme have adhered to their investment principles and their policies for managing financially material consideration including ESG factors and climate change.

Signed	Brian Healy
Position	Chair, NCUSSS
Date	17 June 2025

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 Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To invest in a pensioner buy-in to hedge the respective pensioner liabilities; and to hedge 100% of liabilities not included in buy-in	There have been no changes to the policy over the reporting year. The interest rate and inflation hedge target is 100% of Technical Provision liabilities (not including buy-in).
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 so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	Cashflow requirements were met from the DGF mandate and Liquidity Fund. The Trustee updated the Scheme's IID with a collateral waterfall and framework policy to agree a process for meeting LDI collateral calls. There have been no other changes to the policy over the reporting year.
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.	There have been no changes to the policy over the reporting year.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	There have been no changes to the policy over the reporting year.

Environmental, Social and Governance	<p>Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.</p>	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory <p>The Trustees monitor the managers on an ongoing basis.</p>	<p>There have been no changes to the policy over the reporting year.</p>
Currency	<p>The potential for adverse currency movements to have an impact on the Scheme's investments.</p>	<p>Hedge all currency risk on all assets that deliver a return through contractual income</p>	<p>There have been no changes to the policy over the reporting year</p>

Changes to the SIP

Over the period to 31 December 2024, there have been no changes to the Scheme's investments and SIP during the reporting year.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme's ESG policy. 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 Scheme2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustees
Approach / Framework	<ol style="list-style-type: none">3. The Trustees 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 Trustees will receive training as required to develop their knowledge.8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustees 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 Trustees 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 Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 31 December 2024.

Fund name	Engagement summary	Commentary
BlackRock – Dynamic Diversified Growth Fund	Total engagements: 2,138	BlackRock engages with their companies through their Investment Stewardship team to provide feedback and inform their voting decisions. These engagements largely relate to the Fund's Equity positions only (38.0% as at 31 December 2024).
	Environmental: 828	
	Social: 832	
	Governance: 2,027	An example of a significant engagement includes:
	(E, S and G engagements include multiple meetings during the year)	<p>Shell, Plc.: BlackRock Investment Stewardship (BIS), over several years, had communicated with Shell on the board oversight of, and management's approach to, climate-related risks and opportunities, among other topics. In recent engagements BIS raised concern over a proposal to align the 2030 reduction target with the goal of the Paris Agreement. BIS was concerned that the proposal was overly restrictive and impeded managerial decision-making. While they understand the importance of scope 3 emissions and their influence on long-term risks they also acknowledged that companies' current scope 3 disclosures are mainly on a good-faith, best-efforts basis.</p> <p>Tesla, Inc.: BlackRock Investment Stewardship (BIS), over several years, had communicated with Tesla on the governance structure and the approach to human capital management, among other topics. In recent engagements BIS supported the shareholder proposal, that requested that the board "oversee the preparation of an annual public report describing and quantifying the effectiveness and outcomes of Tesla, Inc.'s (Tesla) efforts to prevent harassment and discrimination against its protected classes of employees." as they believe enhanced disclosures on this issue, which they deem material, would help investors better assess risks at the company. As a result, BIS determined that support for the proposal was warranted as the request is aligned with the long-term financial</p>

		interests of our clients. the long-term financial interests of our clients.
BlackRock – Liability Matching Funds & ICS Heritage Liquidity Fund	<p>We've requested this information from the manager, but due to the fund's characteristics, the manager is unable to generate this degree of reporting for this mandate.</p>	<p>BlackRock incorporates ESG factors into its decision-making process through three main approaches. Firstly, the cash fund is utilised to back the derivative exposure. Secondly, BlackRock utilise the derivative counterparties, and the final way they incorporate ESG encompasses the physical instruments held.</p> <p>BlackRock believes that engagement can't be incorporated within LDI funds, as the instruments being traded have no direct association with public companies.</p> <p>BlackRock performs thorough due diligence assessments centred around the counterparty's credit fundamentals when dealing with derivative counterparties, including governance aspects. They continue to initiate discussions with these derivative counterparties on issues of governance and are also involving them in discussions about environmental matters.</p>

Voting (for equity/multi asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund manager has provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2024. The Trustees have adopted the managers definition of significant votes and have/has not set stewardship priorities. The manager has provided examples of votes they deem to be significant, and the Trustees have shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, via their investment consultant, the Trustees inform the manager what they deem most significant.

Fund name	Voting summary	Examples of most significant votes	Commentary
BlackRock – Dynamic Diversified Growth Fund	Votable Proposals : 6,705	Tesla, Inc - BlackRock voted in favour of a proposal regarding reporting on harassment and discrimination prevention efforts	BlackRock's approach to stewardship and governance form part of their Global Principles framework which describes their philosophy on stewardship, including how they monitor and engage with companies. These high-level principles are the groundwork for more detailed, market-specific voting guidelines. BlackRock do not see engagement as one conversation and have ongoing direct dialogue with portfolio companies to explain their views and how they evaluate their actions on relevant ESG issues over time. Where BlackRock have concerns that are not addressed by these conversations, they may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitor developments and assess whether the company has addressed our concerns.
	Proposals Voted : 6,340*	BIS supported the shareholder proposal, that requested that the board "oversee the preparation of an annual public report describing and quantifying the effectiveness and outcomes of Tesla, Inc.'s (Tesla) efforts to prevent harassment and discrimination against its protected classes of employees," as they believe enhanced disclosures on this issue, which they deem material, would help investors better assess risks at the company.	
	Votes with management : 6,017		
	Votes against management : 323		
	Abstain votes : 71		
	Votes contrary to proxy advisor: 20	As a result, BIS determined that support for the proposal was warranted as the request is aligned with the long-term financial interests of our clients. the long-term financial interests of our clients.	
	<i>(Note: * Total votes submitted may be higher than unique proposals voted)</i>		
		Temenos AG - BlackRock did not support Temenos' executive remuneration policy.	
		Temenos proposed changes to the remuneration policy that introduces an award in the long-term variable pay component which was not subject to performance targets. BIS was concerned that the changes would further misalign payments to executives and financial returns to shareholders. In their view the proposed structure and disclosures lacked sufficient detail as to how it aligns with the	

long-term financial interests of minority shareholders.

As a result, the proposal did not pass and the company have confirmed they will reflect on the result of the vote and provide more detailed rationale in future remuneration disclosures.

The Boeing Company - BlackRock supported the company's Say-on-Pay proposal.

BIS supported the advisory vote on executive compensation as they acknowledge that the Compensation Committee made significant changes to reduce payouts and restructure the compensation program following the Alaska Airlines incident. BIS understands that executive compensation is an important tool to drive long-term financial value creation by motivating and rewarding successes and outperformance. As a result, despite some concerns regarding yearly increases in the CEOs long-term incentive opportunity, BIS considered the approach to be aligned with their clients' financial interests.
