

# NACAB Pension and Assurance Plan (1991) Implementation Statement for the year ended 31 March 2021

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustee of the NACAB Pension and Assurance Plan (1991) ("the Plan"), has followed policies documented in their Statement of Investment Principles ("SIP") during the year ended 31 March 2021. In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Review of the Statement of Investment Principles

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The Plan's SIP was updated towards the end of the year, on 28 September 2020, to address stewardship in more detail and explain the incentives the Trustee uses to encourage investment managers to align their investment strategy with the Trustee's policies and to ensure decisions are based on long term performance.

This was the only update made to the SIP during the reporting year.

The previous version of the SIP had been in existence since September 2019 (updated due to regulatory changes).

## Investment-related activity during the reporting year

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The SIP was updated on 28 September 2020 to reflect regulatory changes which were required to cover policies on cost transparency and the Trustee's arrangements with their asset manager(s). This latest SIP includes policies on how the Trustee incentivises asset managers to achieve their long-term objectives, on cost transparency and on voting and stewardship.

Following advice from their Investment Adviser, XPS Investment, the Trustee updated their investment strategy during the reporting year. The result of this strategy change was to reduce the strategic allocation to the Columbia Threadneedle Multi Asset Fund to 40% of assets, and introduce a new fund, the Baillie Gifford Multi Asset Growth Fund, with a strategic allocation of 40% of assets. This transition was completed on 15 July 2020. The SIP is yet to be updated for the change to investment strategy.

The Trustee received advice in February 2021 from their Investment Adviser on increasing the allocation to the structured equity portfolio held with R&M from 20% of assets to 30% of assets, and reducing the allocations to the two Multi-asset funds to 35% each. The new structured equity contract was entered into on 10 March 2021.

During the reporting year the Trustee asked Punter Southall Aspire to prepare their annual review of the Defined Contribution ("DC") and Additional Voluntary Contribution ("AVC") sections for inclusion in the annual report and financial statements.

Regarding the Defined Benefit ("DB") section of the Plan, the Trustee monitored their LDI portfolio with the help of their investment consultant, considered the level of inflation-linkage in the LDI portfolio and considered scenario modelling and potential effects of COVID-19 on markets. In addition, the Trustee assessed their investment consultant against the strategic objectives required by the recent Order from the Competition and Markets Authority.

During the reporting period, the Trustee also introduced the following new policies with regards to their views on ESG factors:

- > The Trustee has determined their approach to financially material considerations over the Plan's long-term funding horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustee has delegated the ongoing monitoring and management of

ESG risks and those related to climate change to the Plan’s investment managers. The Trustee requires the Plan’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how, and the extent to which, they do this will be dependent on factors including the characteristics of the asset classes in which they invest. In pooled funds the Trustee has limited influence over the managers’ investment practices.

- > The Trustee will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee’s requirements as set out in the Statement of Investment Principles.
- > The Trustee’s policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments at this time.
- > The Trustee, with the assistance of XPS, monitored the processes and operational behaviour of the investment managers throughout the reporting year, to ensure they remain appropriate and in line with the Trustee’s requirements.

## The Trustee’s investment policies

Over the course of the reporting year, the Trustee had various investment policies and objectives, as documented in the SIP, on the topics listed in the table below; the table also provides commentary on how and the extent to which the various policies were followed during the reporting year. The numbering is in-line with the latest SIP dated 28 September 2020, starred items were only introduced or amendments made in the 28 September 2020 revision.

Policy	How and the extent to which the policy was followed
<p><b>1. Introduction</b></p> <p>1.02 The Trustee confirms that it has consulted with the principal employer and the Investment Adviser before preparing the SIP.</p> <p>1.03 The Trustee reviews the SIP at least every three years and as soon as practical after any significant changes in the Plan’s investment strategy.</p>	<p>Consultations were had before the latest SIP was implemented in September 2020.</p> <p>The SIP was reviewed in September 2020. The latest SIP will need to be updated in due course to reflect the updated solution with R&amp;M</p> <p><i>The Trustee is satisfied that they have followed these policies</i></p>
<p><b>2. Plan Governance</b></p>	<p><i>There are no policies in this section that the Trustee has to follow</i></p>
<p><b>3. Investment Objectives</b></p> <p>The primary investment objectives of the Plan are:</p> <ul style="list-style-type: none"> <li>a) To maintain and enhance the real value of the invested funds in order to pay benefits due to members and their beneficiaries as and when due.</li> <li>b) Achieve an investment return at least in line with that allowed for in the Plan’s Recovery Plan, in order to improve the overall funding position.</li> </ul>	<p>The investment strategy changes implemented during the reporting year have been carried out with due regard to the Trustee’s listed investment objectives.</p> <p><i>The Trustee is satisfied that they have followed these policies</i></p>

- c) Reach the long-term target of the Plan being at least 100% funded on an ongoing basis (i.e. that the Plan meets its Statutory Funding Objective as set out in the Statement of Funding Principles).
- d) Match the Plan’s assets to the liability profile of the membership.
- e) For the Plan to be solvent in the event of a winding-up of the Employer.
- f) To set and monitor appropriate benchmarks and performance targets for the investment managers.
- g) To pay due regard to the interests of the Employer in relation to the payment of contributions.
- h) To maximise investment returns subject to an acceptable level of risk.

**4. Asset Allocation Strategy**

04.01 The Trustee chooses to appoint regulated investment firms to implement an appropriate allocation of asset classes which it believes best meets the Plan’s investment objectives as set out in Section 3

The asset allocation is determined following advice from the Investment Adviser, and the Employer will be consulted in the event of any significant change.

04.02 Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

The Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Plan’s investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees’ expectations.

The Trustees encourage the Plan’s Investment Managers to make decisions in the long-term interests of the Plan. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help investment managers to mitigate risk and improve long term returns

04.03 The Trustee, with the help of the Investment Adviser, monitors the balance of the Plan’s assets versus the benchmark. If the asset allocation is considered to be materially out of line with the benchmark, as a result of relative market movements or changes to macro factors, then the Trustee may decide to switch assets to bring it back into line.

04.05 The Trustee will monitor the strategy regularly to ensure that it is comfortable with the level of diversification.

04.06 The Trustee has taken advice from the Investment Adviser, as well as the Scheme Actuary, to ensure that the asset allocation strategy is suitable for the Plan, given its investment objectives.

The new investments made during the year were through regulated investment firms and were consistent with the Trustee’s overall attitude to risk.

The asset allocation was adjusted after receiving advice from the Trustee’s Investment Adviser.

Based on their monitoring of the Plan’s Investment Manager performance and XPS’s advice, the Trustee is comfortable that the Investment Managers are performing within reasonable expectations for their specific mandates.

The asset allocation is monitored and presented to the Trustee in the regular investment monitoring reports they receive.

During the year, the Trustee has sought to further diversify their portfolio, by introduction a second multi-asset fund.

Additionally, diversification is sought through investing in pooled funds that impose limits on individual concentrations within the fund. The Trustee is satisfied that the investment portfolio is suitably diversified.

During the year, the Trustee has received advice as to the suitability of their investment strategy, and have made changes accordingly.

By investing in daily or weekly dealt pooled funds, the Trustee is able to

04.07 As part of any change in investment strategy, the Trustee will consider the liquidity implications to ensure that the Plan will be able to meet benefit requirements as they fall due, in line with the investment objectives.

04.09 Whilst the Trustee has no explicit pre-agreed contingency plans in place, it will review the investment strategy in the event that performance is out of line with expectations.

ensure adequate liquidity within the investment portfolio to meet benefit requirements. These liquidity implications were considered as part of the strategy changes during the year.

The Trustee receives regular investment monitoring reports from the Investment Adviser which allows the Trustee to regularly review the performance of the funds in which they invest.

*The Trustee is satisfied that these policies have been met.*

## 5. Strategy Implementation

05.01 The Trustee has received advice on the appropriateness of each investment from the Investment Adviser and believes them to be suitable to meet the Plan's investment objectives.

05.02 The Trustee does not have a formal policy on the appointment of investment managers but monitors the performance on a regular basis and holds a formal tender process to coincide with the triennial review. In the event that the Trustee considers appointing another manager, they will seek advice from the Investment Adviser.

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities.

05.04 The Trustee receives regular performance monitoring reports from the Investment Consultant which consider performance over relevant periods. The Investment Consultant has also carried out a review of how well the Trustee's guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically. Manager fees are considered as part of the manager selection process. They are also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type. The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

05.05 The Trustee will monitor the overall strategy regularly to ensure that it is comfortable with the level of diversification being achieved.

During the year, the Trustee received advice from the Investment Adviser on the appropriateness of the new investments made during the year.

The Investment Adviser carried out a manager selection exercise before recommending the Baillie Gifford Multi Asset Fund to the Trustee. Performance is monitored through the regular investment monitoring reports.

The Trustee receives monitoring reports from the Investment Adviser quarterly. These reports outline Investment Manager performance, Fees, and the Managers' approach to ESG. Any issues with an Investment Manager deemed significant by the Investment Adviser will be flagged in these regular reports.

The policy to monitor portfolio turnover was implemented in September 2020 and the Trustee will carry this after the reporting year.

*The Trustee is satisfied that these policies have been met.*

## 6. Monitoring

06.01 The Trustee, and the Investment Adviser on behalf of the Trustee, will monitor the performance of the funds against their stated performance objectives and the performance of the funds to satisfy themselves that the funds remain suitable. If the Trustee is not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation.

The Trustee reviews fund performance in the regular investment monitoring reports.

The Trustee reviewed the advice given by the Investment Adviser and submitted the Compliance Statement to the CMA.

<p>06.02 The Trustee will monitor the advice given by the Investment Adviser on a regular basis. The Trustee will establish a formal mechanism in due course in line with the Pensions Regulator’s guidance following the <i>Competition and Markets Authority</i> review into investment consultants.</p> <p>06.03 The Trustee is required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.</p>	<p>The Trustee reviewed the SIP in September 2020, following regulatory changes. They are yet to review the SIP following recent changes to the investment strategy.</p> <p><i>The Trustee is satisfied that these policies have been met.</i></p>
<p><b>7. Fees</b></p> <p>07.01 The Trustee will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry.</p> <p>07.02 Fees paid to the Investment Adviser are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects. These are reviewed periodically.</p>	<p>Fees charged by the funds are outlined in advice received from the Investment Adviser before any investment is made. Additionally, information about fund fees is available in the regular investment reports.</p> <p>Fees paid to the Investment Adviser are reviewed periodically to confirm their suitability. The Trustee will raise an issue if they feel that the fees become unsuitable.</p> <p><i>The Trustee is satisfied that these policies have been met.</i></p>
<p><b>8. Risks</b></p> <p>The Trustee recognises a number of risks involved in the investment of assets of the Plan. The Trustee will keep these risks under regular review.</p>	<p>The risks to the Plan are kept under regular review, and risks are considered before any new fund is introduced as part of the investment strategy. A review of the Plan’s LDI holdings was carried out during the year.</p> <p><i>The Trustee is satisfied that this policy has been met.</i></p>
<p><b>9. Other Issues</b></p> <p>09.01 The Trustee will consider the investment strategy at each actuarial valuation and determine whether it is necessary to make changes to the investment strategy to ensure continued compliance with the statutory funding requirement.</p> <p>09.02 The Trustee will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time to ensure they remain appropriate and in line with the Trustee’s requirements as set out in this Statement.</p> <p>09.03 The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee</p>	<p>Changes to the investment strategy during the year have been made with due consideration for the statutory funding requirement.</p> <p>ESG matters formed part of the investment strategy advice received by the Trustee over the period. Investment Manager’s ESG processes and behaviour is monitored by the Investment Adviser, and reports are provided to the Trustee from time to time which outline their Investment Managers’ approaches to ESG.</p> <p>The Managers’ significant votes made during the period form have been reviewed, and form part of this statement.</p>

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	<i>The Trustee is satisfied that these policies have been met.</i>
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## Voting activity

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The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers. In the September 2020 update to the SIP the Trustee added that they encourage investment managers to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The main asset class where the investment managers will have voting rights is equities. Investments in equities will form part of the strategy for the diversified growth funds in which the Plan invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

Please note that the information on the managers' voting activity has been provided by the investment managers, and this is reflected in the use of "we" throughout. Any opinions contained within do not necessarily reflect the views of the Trustee.

Voting Information

Columbia Threadneedle Multi Asset Fund

The manager voted on 98.9% of resolutions of which they were eligible out of 6988 eligible votes.

Investment Manager Client Consultation Policy on Voting

N/A for pooled vehicles

Investment Manager Process to determine how to Vote

Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and our proxy voting practices are implemented through our Proxy Voting Policy.

For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision. We utilise the proxy voting research of ISS and Glass Lewis & Co., which is made available to our investment professionals, and our RI team will also consult on many voting decisions.

The administration of our proxy voting process is handled by a central point of administration at our firm (the Global Proxy Team). Among other duties, the Global Proxy Team coordinates with our third-party proxy voting and research providers.

Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. We have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.

In voting proxies on behalf of our clients, we vote in consideration of all relevant factors to support the best economic outcome in the long-run. As an organisation, our approach is driven by a focus on promoting and protecting our clients' long-term interests; while we are generally supportive of company management, we can and do frequently take dissenting voting positions. While final voting decisions are made under a process informed by the RI team working in collaboration with portfolio managers and analysts, our Global Proxy Team serves as the central point of proxy administration with oversight over all votes cast and ultimate responsibility for the implementation of our Proxy Voting Policy. Our voting is conducted in a controlled environment to protect against undue influence from individuals or outside groups.

### How does this manager determine what constitutes a 'Significant' Vote?

We consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management. We report annually on our reasons for applying dissenting votes via our website. Our report on dissenting votes cast across 2020 is available [here](#).

### Does the manager utilise a Proxy Voting System? If so, please detail

As active investors, well informed investment research and stewardship of our clients' investments are important aspects of our responsible investment activities. Our approach to this is framed in the relevant Responsible Investment Policies we maintain and publish. These policy documents provide an overview of our approach in practice (e.g., around the integration of environmental, social and governance (ESG) and sustainability research and analysis).

As part of this, acting on behalf of our clients and as shareholders of a company, we are charged with responsibility for exercising the voting rights associated with that share ownership. Unless clients decide otherwise, that forms part of the stewardship duty we owe our clients in managing their assets. Subject to practical limitations, we therefore aim to exercise all voting rights for which we are responsible, although exceptions do nevertheless arise (for example, due to technical or administrative issues, including those related to Powers of Attorney, share blocking, related option rights or the presence of other exceptional or market-specific issues). This provides us with the opportunity to use those voting rights to express our preferences on relevant aspects of the business of a company, to highlight concerns to the board, to promote good practice and, when appropriate, to exercise related rights. In doing so we have an obligation to ensure that we do that in the best interests of our clients and in keeping with the mandate we have from them.

Corporate governance has particular importance to us in this context, which reflects our view that well governed companies are better positioned to manage the risks and challenges inherent in business, capture opportunities that help deliver sustainable growth and returns for our clients. Governance is a term used to describe the arrangements and practices that frame how directors and management of a company organise and operate in leading and directing a business on behalf of the shareholders of the company. Such arrangements and practices give effect to the mechanisms through which companies facilitate the exercise of shareholders' rights and define the extent to which these are equitable for all shareholders.

We recognise that companies are not homogeneous and some variation in governance structures and practice is to be expected. In formulating our approach, we are also mindful of best practice standards and codes that help frame good practice, including international frameworks and investment industry guidance.

While we are mindful of company and industry specific issues, as well as normal market practice, in considering the approach and proposals of a company we are guided solely by the best interests of our clients and will consider any issues and related disclosures or explanations in that context. While analysing meeting agendas and making voting decisions, we use a range of research sources and consider various ESG issues, including companies' risk management practices and evidence of any controversies. Our final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Amazon.com, Inc.	Elect Director Thomas O. Ryder	Against	Pass
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Alphabet Inc.	Elect Director L. John Doerr	Withhold	Pass
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Facebook, Inc.	Report on Median Gender/Racial Pay Gap	For	Fail
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Comcast Corporation	Report on Risks Posed by Failing to Prevent Sexual Harassment	For	Fail
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Knorr-Bremse AG	Elect Heinz Thiele to the Supervisory Board	Abstain	Pass
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			

### Voting Information

#### Baillie Gifford Multi Asset Growth Fund

The manager voted on 97.73% of resolutions of which they were eligible out of 749 eligible votes.

### Investment Manager Client Consultation Policy on Voting

All voting decisions are made by our Governance & Sustainability team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

### Investment Manager Process to determine how to Vote

Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long-term investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.

### How does this manager determine what constitutes a 'Significant' Vote?

- The list below is not exhaustive, but exemplifies potentially significant voting situations:
- Baillie Gifford's holding had a material impact on the outcome of the meeting
  - The resolution received 20% or more opposition and Baillie Gifford opposed
    - Egregious remuneration
    - Controversial equity issuance
  - Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
    - Where there has been a significant audit failing
    - Where we have opposed mergers and acquisitions
    - Where we have opposed the financial statements/annual report
    - Where we have opposed the election of directors and executives.

Does the manager utilise a Proxy Voting System? If so, please detail

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
COVIVIO SA	Remuneration - Report	Against	Pass
Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
COVIVIO SA	Remuneration - Report	Against	Pass
Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
COVIVIO SA	Remuneration - Report	Against	Pass
Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
COVIVIO SA	Remuneration - Policy	Against	Pass
Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
COVIVIO SA	Remuneration - Policy	Against	Pass
Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see			

improvements in the targets so will continue dialogue with the company and to take appropriate voting action.

Signed: \_\_\_\_\_, Chair of Trustees

Date: \_\_\_\_\_