

NAAFI Pension Fund

Implementation Statement, covering the Fund Year from 1 January 2024 to 31 December 2024

The Trustees of the Fund (the “Fund”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles (“SIP”) during the Fund Year, as well as details of any review of the SIP during the Fund Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-3 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

The Trustees last reviewed the SIP during the Fund Year, in August 2024. As part of this, the voting and engagement policies were updated in the SIP to reflect:

- the Trustees’ ambition to align the Fund’s assets with net zero greenhouse gas emissions by 2050 where practicable; and
- a general strengthening of the wording around the Trustees’ policies on ESG factors and engagement in the SIP.

The latest SIP can be found online at: <https://www.myworkpension.co.uk/SchemeNoticesNAAF>

The Trustees have, in their opinion, followed the voting and engagement policies during the Fund Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, by seeking to appoint managers that have strong stewardship policies and processes and considering a manager’s ESG credentials during the selection, retention, and realisation of investments.

The Trustees took a number of steps to review the investment managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its ongoing manager research programme and review of the investment managers, the Fund's investment adviser (LCP) incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Should LCP become concerned about the way in which any of the investment managers are undertaking voting and engagement, it would notify the Trustees and suggest a course of action to take, which may include more detailed engagement with a manager to improve its policies or possibly to review the manager. There were no significant concerns raised about any of the Fund’s investment managers during these Fund Year.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

The Trustees have identified corporate transparency as their current stewardship priority. This priority was set to focus monitoring and engagement with the investment managers on specific ESG factors. The Trustees selected this priority as they believe it is a key market-wide risk and an area where good stewardship and engagement can improve long-term financial outcomes for members. The Trustees communicated this priority to the managers and have informed the managers of their expectations in relation to ESG and stewardship.

During the Fund Year, following LCP's biennial responsible investment (RI) investment manager survey, the Trustees reviewed the ratings for each of the existing managers. The ratings covered five key areas: ESG foundations, net zero, engagement, systemic stewardship and voting. All of the managers' ratings were assessed to be either in line with or ahead of the market standard practices. Following discussions about the results, the Trustees decided to engage with one of the Fund's managers (M&G) on some areas where they believe it's RI practices could be improved.

On a quarterly basis the Trustees also monitor LCP's fund-level scores which are based on ongoing manager research. Overall, the Fund's investment managers and funds scored highly in the RI assessments and there were no significant causes for concern.

Additionally, the Trustees received quarterly updates on ESG and Stewardship related issues from their investment adviser during the Fund Year, to ensure they remained up to date on the latest developments in the area.

3. Description of voting behaviour during the Fund Year

The SIP notes that the Fund's investments are all units of pooled funds and the Trustees do not have any direct voting rights. Any voting rights are indirect as they pertain to the underlying investments within the pooled funds. Hence, in effect the Trustees have delegated voting rights to the investment managers of the pooled funds and the Trustees themselves have not used proxy voting services over the Fund Year.

Over the Fund Year, the Fund did not invest in any funds that held listed equities nor any other assets which had voting rights.

Please note this does not include the AVC investments, on materiality grounds. These assets are not considered significant in size, in relation to the overall investments of the Fund.