



Transport Salaried Staffs' Association Staff Pension Scheme

Scheme Year to 31 December 2024

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as environmental, social and governance (ESG) considerations become 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 Transport Salaried Staffs' Association Staff Pension Scheme (the "Scheme") continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at: <https://www.tssa.org.uk/about-tssa/who-we-are/staff-pension-scheme>

This 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.

Implementation Statement

This report demonstrates that Transport Salaried Staffs' Association Staff Pension Scheme has 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

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.	The Trustees and their advisers considered this mismatching risk when setting the investment strategy.	The investment strategy, as at 31 December 2024, targets a hedging ratio of c. 70% to both interest rate and inflation rate risks.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	The Trustees will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability of a shortfall of liquid assets.	The investment strategy, as at 31 December 2024, has an 12.5% target allocation to buy and maintain credit to partially match liability cashflows.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	The Trustees and their advisers considered this risk when setting the Scheme's investment strategy and have also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.	The investment strategy, as at 31 December 2024, has a 35% target allocation to equities. The Trustees are considering further de-risking of the investment strategy in 2025.
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 Scheme's investments.	<p>The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Scheme's assets are being managed appropriately.</p> <p>In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.</p>	The investment strategy, as at 31 December 2024, has an allocation to an ESG-tilted equity fund. ESG factors will also be taken into consideration for any future changes to the investment strategy.

Implementing the 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, which is summarised below.

Approach / Framework	The Trustees' policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function
Risk Management	The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks.
Reporting & Monitoring	The Trustees have set an appropriate monitoring framework to ensure the Scheme's Investment Manager is regularly reviewed. The monitoring framework is intended to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures. The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Scheme's assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Scheme's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.
Voting & Engagement	In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.
Collaboration	The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustees' expectations and views.

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.

The Trustees, with guidance from their advisors, have chosen BlackRock as the Scheme's investment manager.

Fund name	Engagement summary	Commentary
ACS World ESG Equity Tracker Fund	<p>Total engagements: 569 Environmental: 233 Social: 251 Governance: 535 Number of entities engaged: 313</p>	<p>BlackRock provided an annual stewardship report that sets out the engagement priorities. These focus on:</p> <ul style="list-style-type: none"> • Board quality and effectiveness; • Strategy, purpose, and financial resilience; • Incentives aligned with financial value creation; • Climate and natural capital. <p>At firm-level, BlackRock engages with many companies and informs clients about its engagement and voting policies through various forms of communication. The Investment Stewardship team is responsible for encouraging sound corporate governance practices and encouraging companies to deliver long-term, sustainable growth and returns for clients through engagement and proxy voting.</p>
Buy and Maintain UK Credit Fund	<p>Total engagements: 111 Environmental: 52 Social: 33 Governance: 103 Number of entities engaged: 51</p>	<p>BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.</p>

Voting

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

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2024. The managers also provided examples of any significant votes.

Having reviewed the actions taken by BlackRock, the Trustees believe that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Manager's policies over the year. The Trustees will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from BlackRock, particularly with respect to ESG factors.

If the Investment Manager deviates substantially from the Trustees' stated policies, the Trustees will initially engage with BlackRock in an attempt to influence its policies on ESG and stewardship. If it is concluded that the difference between the policies and BlackRock's actions are material, the Trustees will consider terminating the mandate and look to appoint a replacement Investment Manager or managers that are more closely aligned with the Trustees' policies and views.

Fund name	Voting summary	Examples of significant votes	Commentary
ACS World ESG Equity Tracker Fund	<p>Votable Proposals: 6,681</p> <p>Proposals Voted: 6,174 (92.4%)</p> <p>Votes with management: 6,027 (97.6%)</p> <p>Votes against management: 147 (2.4%)</p> <p>Abstain votes: 14 (0.2%)</p>	<p>Shell Plc</p> <ul style="list-style-type: none"> - 21 May 2024 - BlackRock voted on a shareholder proposal to advise Shell to align its medium-term emissions reduction targets covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement. - BlackRock voted against the resolution and with management because, in their view, the proposal was overly prescriptive and would contradict Shell's 'Energy Transition Strategy 2024'. 	<p>BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas (AMRS), Asia-Pacific (APAC), and Europe, Middle East and Africa (EMEA) - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.</p> <p>BlackRock's market-specific voting guidelines are available at: https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines</p>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.