

## **Approach to Socially Responsible Investment, including Environmental, Social and Governance (ESG) factors and Sustainability**

### ***Responsible Investing***

The Scheme's primary concern in setting its investment strategy is to act in the best financial interests of its members and the investment strategy is formulated to support its objective of paying member benefits as and when they fall due.

As the Scheme is now closed to future accrual, the Trustee increasingly holds longer dated assets that better match the liability cashflows of the Scheme. These include credit and real assets and because they are less liquid, the Trustee is very focussed on the sustainability of these assets that the Trustee's appointed investment managers invest in and the companies and other entities in which they invest or lend to.

The Trustee believes that Environmental Social and Governance ("ESG") factors, including Climate Change are financially material considerations that will have significant influence on the future success of companies and their ability to service debt and of security of cashflows and asset values. Integration of ESG factors is fundamental to the design and implementation of the investment strategy of the Scheme.

In appointing investment managers, the Trustee considers in detail their experience and capabilities and in managing ESG factors and sustainability in the securities or assets in which they invest, and this assessment forms a part of the regular on-going monitoring of the investment managers.

At present, the Trustee does not explicitly take account of non-financial matters in the Scheme's investment strategy but may consider reflecting specific non-financial considerations in future.

### ***Stewardship***

The Trustee believes that companies that effectively manage ESG risks can protect and enhance value by, for example, avoiding risk to their reputation, reducing potential financial liability and by increasing their ability to recruit and retain high-quality staff.

Therefore, the Trustee wishes to promote the proactive management of ESG risks amongst the companies in which the Scheme invests and expects its appointed investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process and also to exercise their voting rights. To aid the Trustee in monitoring of and engagement with ESG issues, the Trustee has appointed an ESG overlay service.

The Trustee's policy is to delegate responsibility for exercising of ownership rights (including voting rights) to the investment managers. The Trustee monitors the stewardship practices of its managers to understand how they exercise these duties on their behalf and to aid them in so doing, the Trustee seeks the advice of expertise from third parties.

The Trustee is a signatory to both the United Nations Principles of Responsible Investment and the FRC Stewardship Code and has produced a policy on voting and engagement which is shared with the Scheme's appointed equity investment managers. The Scheme's policy on voting and engagement and UK Stewardship Policy Statement are published on the Scheme's website and copies are available on request.