The Trustees monitor the Environmental, Social & Governance (“ESG”) and Stewardship policies employed by their investment managers on an ongoing basis. This document provides a high-level summary of these policies for each of the investment managers.

Legal & General Investment Management (“LGIM”)

The Pension Fund invests in an actively managed fund (Dynamic Diversified Fund) and a passively managed fund (World Equity Index Fund (GBP Hedged)) with LGIM.

Stewardship and ESG policies

For all investments/funds (including those that are passively managed), LGIM focus on “active ownership”; using their influence to encourage companies to improve their behaviours/management of ESG matters and incorporate ESG matters into their culture and everyday thinking. LGIM integrate their thoughts and the consideration of ESG risks and investment opportunities into their communication and engagement with individual companies and believe that well-governed companies are more likely to provide better long-term returns. LGIM’s expertise in passive investment strategies has allowed them to develop a track record of being active owners of the companies in which they invest, whether they invest passively or actively. Specifically, LGIM’s objective is to effect positive change in the companies and assets in which they invest, and for society as a whole.

For LGIM’s active investments, LGIM’s aim is to enhance their ability to separate between likely outperformers and underperformers within each sector, taking into account ESG-related criteria, with the purpose of supporting the process of security selection.

LGIM are a signatory to the United Nations Principles for Responsible Investing (“UNPRI”) and have been awarded a score of 5 stars for their Investment Stewardship & Policy.

Further information on LGIM’s ESG and stewardship policies can be found on their website (https://www.lgim.com/uk/en/capabilities/investment-stewardship/).

LGIM Dynamic Diversified Fund

The Dynamic Diversified Fund makes use of both passive and active investments in its underlying asset allocation and has moved towards greater incorporation of ESG factors into investment decision making in recent years. Specifically, LGIM are increasingly looking to integrate ESG and stewardship factors into the Dynamic Diversified Fund’s investment process. The LGIM Dynamic Diversified Fund is not obligated to adopt such an approach, however the management team are increasingly looking to utilise LGIM’s “Future World” and ESG focussed index fund ranges when accessing passive investments (specifically equity and corporate bonds) within the Fund. This fund range makes use of ESG “tilting”, rewarding companies with better ESG credentials by investing more than the benchmark index in them, and penalising those companies with lower ESG credentials by allocating less capital to them. As at the end...
of 30 September 2023, approximately 35% of the LGIM Dynamic Diversified Fund was invested in ESG Index funds (most of which related to the fund’s equity holdings).

LGIM produce a quarterly ESG report on the LGIM Dynamic Diversified Fund which can be found on their website (https://fundcentres.lgim.com/srp/lit/7xSMeZ/ESG-report_Dynamic-Diversified-Fund_30-06-2023_Multi-Audience.pdf).

Year in review
LGIM’s main focus over 2022 in terms of active ownership objectives has been policy advocacy and collaboration, environment, diversity, people and health, investor right and directors’ pay. For example, during 2022 LGIM: (i) engaged with a total of 902 companies, voting on 171,000 resolutions; (ii) increased their assets they manage in responsible investment strategies to £332.2 billion from £290 billion; (iii) launched 19 new responsible investment strategies; (iv) developed new ESG products (95% of all new product development in 2022 was ESG related); (v) introduced new long-term themes for engagement activity - people, nature, health, technology, governance and climate; (vi) participated in the development of the new industry guide on climate resilience for the commercial real estate sector with Better Buildings Partnership; (vii) published LGIM’s deforestation policy and launched an engagement campaign, writing to 300 companies from a set of deforestation-critical sectors explaining expectations and potential consequences if these were not met; (viii) voted against 69 companies in the FTSE 100 and S&P 500 for having all-male executive committees; and (ix) expanded their diversity engagement to Brazil, India, China and South Africa.

Newton Investment Management (“Newton”)
The Pension Fund invests in the BNY Mellon Real Return Fund, which is managed by Newton.

Stewardship and ESG policies
Newton have worked to integrate ESG analysis into their formal investment process and believe that responsibly managed companies are best placed to achieve sustainable competitive advantage and provide strong long-term investment opportunities. Newton believe that their role requires them to be not only conscious of the highest standards in corporate responsibility and the challenges presented by the voting proxy process, but also of the individual requirements of their clients. Newton believe that their approach to responsible investment seeks to capture best practices across the globe and where companies do not conform to best practice, a valid explanation should be provided. Newton have a designated Responsible Investment Team, which provides guidance at a thematic level on sustainability-related topics.

Newton complies with each of the seven principles of the UK Stewardship Code, which is overseen by the Financial Reporting Council, and is Tier 1 rated. The Code aims to enhance engagement between institutional investors and companies. Newton has obtained an independent assurance opinion over their stewardship activities as recommended by the UK Stewardship Code. Newton is also a signatory to Net Zero Asset Managers initiative, demonstrating their commitment to work with clients to help fulfill net-zero ambitions. Furthermore, Newton aims for 50% of their financed emissions to be covered by credible transition plans by 2030 and 100% by 2040. Newton are a signatory to the UNPRI and have been awarded a UNPRI rating of 5 stars for Investment and Stewardship in their most recent review.

Further information on Newton’s ESG and stewardship policies can be found on their website (https://www.newtonim.com/uk-lgps/responsible-investment/).
**Year in review**

Newton are constantly evolving their approach to responsible investment in order to ensure it is “fit-for-purpose” in today’s world. Two key changes that were implemented are over the last year were:

- The ownership of ESG integration and ESG analysis for new equity research ideas and recommendations, which now sits within the investment team and is undertaken by fundamental equity-focused research analysts. This aligns with the process already undertaken for fixed-income holdings. In fulfilling this function, both the analysts and portfolio managers are supported by the Responsible Investment team.

- A focused approach to stewardship that prioritises outcomes. Newton have redefined engagement as the purposeful dialogue they have with companies to add value or reduce risk. Clear objectives requiring actionable change by the company are set for each engagement, against which progress can be tracked and measured. As part of this, Newton launched the ESG quantitative score and their stewardship app – a technology-based solution (database) allowing them to centralise and better track progress on objectives and outcomes from engagement and voting activities. Newton’s priority engagement themes for 2023 cover the following five areas.
  
  o Climate and Net Zero
  o Biodiversity
  o Workforce Engagement
  o Supply Chain Oversight and Human Rights
  o Board Accountability.

Newton publishes quarterly reports on their responsible investment activities, which provides details of voting decisions, together with research and engagement undertaken by the responsible investment team. In addition, Newton publishes thematic reports on topical and relevant ESG issues.

**M&G Investments (“M&G”)**

The Pension Fund invests in the M&G Long Dated Corporate Bond Fund.

**Stewardship and ESG policies**

M&G consider factors that they believe can have a meaningful impact on the long-term performance of the investments they make, as far as possible, which include the full range of ESG issues.

M&G is essentially a long-term investor and ESG issues often evolve over a longer period. Consequently, ESG factors are considered a fundamental component of the investment process at M&G and are incorporated into the investment analysis process across all asset classes, including fixed income. M&G have a significant fixed income capability – lending to companies, governments, infrastructure projects, housing associations and other borrowers. M&G embed responsible investing into their fixed income investment processes, so that all of their investment professionals have a duty to assess and evaluate the role of ESG issues and risks in any given investment. Such assessments are factored into credit analysis and investment decision making and are a contributing component of valuations. These assessments focus on all issues that could impair the future creditworthiness of a borrower and interrupt expected future investment returns. ESG risks are assessed in conjunction with all other risks. M&G generally do not use external ESG company scores within fixed income as they have
a large team of credit analysts and engage directly with borrowers on ESG issues to enhance the value of their clients’ investments.

M&G undertake climate change scenario analysis and have participated in a pilot initiative run by the United Nations Environment Programme Finance Initiative (UNEP FI) to develop an industry-leading methodology to enable investors across asset classes to assess both transition and physical risks related to climate change at portfolio level.

The board of M&G plc is ultimately responsible for all of M&G’s stewardship activities and the M&G ESG Executive Committee (ESG exco) reports into the board. Within M&G Investments, the head of each investment team (Equity, Multi Asset, Fixed Income, Real Estate and Private Equity) reports into the Chief Investment Officer (who sits on the M&G ESG exco), while the Corporate Finance and Stewardship team reports to the Chief of Staff.

M&G have been supporters of the UK Stewardship Code since its inception. M&G actively seek to realise the principles of the code and have a robust policy in place to support such, and obtain independent assurance of their compliance with the principles.

Further information on M&G’s ESG and stewardship policies can be found on their website (https://www.mandgplc.com/our-business/mandg-investments/responsible-investing-at-mandg-investments)

**M&G Long Dated Corporate Bond Fund**

Within the Long Dated Corporate Bond fund, M&G do not invest in securities issued by companies directly involved in the manufacture, development or trade of cluster munitions and anti-personnel mines across all funds, where investments are made directly in an issuer. M&G also aims to be carbon net zero by 2030 and to achieve carbon net zero investment portfolios by 2050 across total assets under management. M&G has specific policies excluding investments across all actively managed funds, including the M&G Long Dated Corporate Bond Fund. These include companies that derive revenue from cluster munitions, anti-personnel landmines and thermal coal.

**Year in review**

M&G has been a signatory of the UNPRI since January 2013 and seek to encourage best practices in the interest of both their clients and the wider market. In their most recent UNPRI submission, M&G obtained a score of 4 stars for Investment and Stewardship policy. M&G are an active member of Climate Action 100+ and co-lead on two issuers listed in the UK and Europe, international diversified miner Rio Tinto and German chemicals company BASF. Furthermore, through their membership of the IIGCC, Paris Aligned Investor Initiative, and service on IIGCC working groups, throughout 2022 and 2023 M&G continued to help form a more harmonious and considered approach to assessing asset class frameworks for 1.5°C degree alignment with respect to decarbonisation and climate solutions.

**Partners Group**

The Pension Fund is invested in the Partners Group Generations Fund.

**Stewardship and ESG policies**

Partners Group state they are a committed and experienced responsible investor and have sought to develop and enhance their approach to incorporating ESG factors into the investment decision making
process informed by the UNPRI. Partners Group integrated the ten principles of the United Nations Global Compact into their investment processes in 2006 and was one of the first private markets signatories to the UNPRI when it joined in 2008.

Partners Group support a range of external initiatives including voluntary participation in the Carbon Disclosure Project since 2008, being the first adopted of the IFC's Operating Principles for Impact Management in 2019, and supporting the Task Force on Climate-related Financial Disclosures, a framework to help public companies and other organisations to report climate-related risks and opportunities. Furthermore, Partners Group have been a constituent of the FTSE4Good Index Series since 2018.

Partners Group have developed a Responsible Investment Policy and Framework, which they seek to apply to each investment opportunity in order to integrate ESG factors into the investment decision making process. Partners Group believe this approach mitigates investment risk and has the potential to enhance investment returns in the best interest of the firm’s clients and their beneficiaries.

To successfully implement ESG into their investment and ethical objectives, the implementation of the methodology is tailored to different asset classes (e.g. private equity, private debt etc.) and investment types (e.g. direct and secondary) depending on the opportunities for engagement and value creation. At present, Partners Group has an internal, dedicated ESG team (of 10 professionals) that work with external ESG providers. The team is embedded within the wider investment team that comprises over 500 professionals globally.

Partners Group’s integration of ESG factors into its investment activities is guided by the following principles:

- ESG factors are part of the investment process and considered when identifying potential investment opportunities and / or potential investment risks.
- Investment returns must be generated in a way that complies with relevant local and international laws, including adherence to international protocols on banned products.
- Partners Group avoids investing in companies whose practices or products cause significant social or environmental harm.
- Partners Group is committed to using their corporate governance influence as a private markets investor to encourage companies and assets in which it has invested to improve their ESG performance.
- Partners Group base their judgments regarding ESG factors on their own research as well as third-party research, respecting that ESG topics are often diverse and vary over time.
- Partners Group strive to collaborate where reasonably possible with likeminded investors and organisations on responsible investment matters.

Partners Group have not committed to the UK Stewardship Code. This is a voluntary code that Partners Group feel has been designed primarily for institutional investors that hold minority positions in UK public companies. Such investments make up a very small proportion of Partners Group’s overall assets under management and therefore whilst they do generally support the objectives that underline the Code, they feel it would be disproportionate to comply with this voluntary Code, particularly in light of the various other ESG standards to which Partners Group, as a global business, commits to.
Further information relating to Partners Group’s policies can be found at the following website: https://www.partnersgroup.com/en/sustainability/

**Partners Group Generations Fund**

Please note, Partners Group do not invest in companies/assets whose main business is the exploration or direct extraction or production of fossil fuel, regardless of their origin or use. They also refrain from investing in companies associated with products such Tobacco, Weapons and Fire Arms, landmines and Cluster Bombs and Pornography. However, the Generations Fund may be exposed to such investments via its liquid holdings.

Partners Group extend exclusion to:

- assets that would not exist if their main product or service did not support coal extraction, transportation, or use for energy generation;
- service providers to the coal industry that generate more than 10% of their revenue from thermal coal and have no plans to reduce this percentage over time;
- service providers for the shale oil and gas industry, such as drilling rig operators, fracking sand suppliers, and oilfield service providers;
- treatment and logistics services for tar sands and heavy oil; and
- deforestation or the burning of vast natural ecosystems for the purpose of land clearance.

**Year in review**

In 2022, following more than 15 years of sustainability leadership, Partners Group consolidated their existing ESG frameworks and created one overarching Sustainability Strategy that articulates the firm’s commitment to creating positive and lasting impact. The strategy sets out key ESG focus areas at both corporate and portfolio level which include:

- Tackling climate change;
- Realising employees’ potential;
- Achieving ownership excellence; and
- Sustainability at scale.

Each of these ambitions has a series of associated sustainability targets and related projects attached that can be tracked over time.

In 2023, Partners Group signed a carbon dioxide removal agreement with Climeworks, a leading provider of high-quality carbon dioxide removal via direct air capture (DAC). As part of this, Climeworks will remove more than 7,000 metric tons of carbon dioxide from the atmosphere on behalf of Partners Group contributing to their goal of achieving net zero corporate greenhouse gas emissions by 2030. Partners Group also became a signatory to the UK Stewardship Code in 2023 and had their ESG & Stewardship activities formally recognised by the FRC via the UKSC.

Partners Group also published their first Task Force on Climate Related Financial Disclosures (TCFD) report. This is a report disclosing climate-related financial information, produced in line with the TCFD recommendations.

The Report can be accessed here: ESG data & documents - Partnersgroup.
Partners Group were also included in the Dow Jones Sustainability Index for a second year running, underlining their position as a corporate sustainability leader in private markets.

In their 2022 UNPRI assessment, the Partners Group scored 4-5 stars across all UNPRI areas of assessment aside from direct real estate which scored 3 stars. As a note, this included a rating of 4 stars for their Investment Stewardship Policy and 5 stars for Direct Private Equity.

**Insight Investments (“Insight”)**

The Pension Fund’s LDI strategy managed by Insight utilises UK government bonds and derivative instruments (such as swaps).

**Stewardship and ESG policies**

Insight’s ability to apply an ESG procedure is limited due to the nature of the investment and the counterparties/sellers of these instruments. Insight do, however, adopt a screening framework which incorporates ESG factors, when assessing and selecting the counterparties they use. Poor ESG scoring by one of Insight’s counterparties can merit engagement with the company. Insight engaged directly with the UK Debt Management Office on the proposed issuance of Green Gilts and allocated them on behalf of their clients. Furthermore, for government and sovereign issuers of fixed income, Insight use a propriety ESG framework which highlights the key ESG risks to consider before investing.

Central to Insight’s consideration of ESG issues are the below themes:

- Integrated ESG analysis across the investment process, from assets to counterparties.
- Active engagement with all relevant parties to foster collaborative progress on ESG issues.
- Supporting sustainable markets and protecting client interests by working with policy makers and regulators to best serve client interests.

Insight were a founding signatory of the UNPRI in 2006 and climate change is addressed through the application of this.

As a firm, Insight believe that ESG issues can be important drivers of risk and investment value and have integrated ESG into their entire investment decision making process. Insight’s analysts maintain a large focus on ESG factors when undertaking investment research.

Further information on Insight’s ESG and stewardship policies can be found on their website (https://www.insightinvestment.com/investing-responsibly/).

**Year in review**

For their latest assessment, they have been awarded a UNPRI rating of 5 stars across most of the relevant categories including Investment and Stewardship policy.

In 2022/23 Insight focus on climate change and responsible investment continued to progress. Insight commissioned an academic research study by Bayes Business School which analyses how integrating ESG factors could influence fixed income investments in order to support clients considering these issues.

To further build on this, in 2023, Insight created a long-term collaboration with the University of Oxford to establish the Greening Finance Prize, devised to inspire academics to conduct more research on how
environmental change influences finance and investment, and how economic and financial systems can contribute to achieving global environmental sustainability.

Future reviews
This report will be reviewed annually, and the ISC will have the opportunity to question the investment managers at the ISC meetings they attend.

November 2023