The Haseltine Lake Staff Pension Scheme

Investment Principles & Beliefs

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Introduction – updated June 2020

New legislation requires you to consider whether Environmental, Social and Governance matters (factors which are commonly referred to as "ESG") are likely to have a financially material impact on the Scheme's investments. This paper, which is addressed to the Trustees of The Haseltine Lake Staff Pension Scheme (the 'Scheme'), is designed to enable you to make that assessment. It should be read in conjunction with the document entitled "ESG Report" and dated 29 May 2019.

Taken together, the documents identify how the structure of the Scheme's investment strategy and the characteristics of the funds used help to mitigate ESG risks. You will need to assess whether you deem the mitigation of these risks to be satisfactory or whether you believe additional action is required.

The Pensions Regulator has commented that trustees may find it helpful to maintain a set of beliefs (see box below) and, throughout this paper, we identify a series of investment beliefs which, in our opinion, underpin the Scheme's current investment approach. For each of these beliefs, we assess whether any additional considerations are required in connection with ESG matters.

The paper includes questions for you to consider. However, completion of the paper is not intended to be an onerous exercise and, to assist you, we have pre-populated the answers based on our understanding of your investment approach. Of course, if you disagree with our suggested responses, you should not hesitate to make amendments.

Following discussions, you agreed to formally adopt the beliefs set out in this document, and this is referenced in the Scheme's Statement of Investment Principles (SIP) to reflect your investment beliefs and your approach to ESG-related risks. The SIP was updated in this way before 1 October 2019.

Further legislation introduces greater disclosure on stewardship policy, and policies in relation to their asset managers. Schemes must update their SIP document by 1 October 2020 to reflect their policies in these areas. This beliefs document has therefore been updated to cover the new requirements.

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"You may find it helpful to develop and maintain a set of beliefs about how investment markets function and which factors lead to good investment outcomes. Investment beliefs, supported by research and experience, can help focus your investment decision-making and make it more effective. If you do this, your investment strategy should then reflect those beliefs."

The Pensions Regulator's Investment Guidance for Defined Benefit Pension Schemes

Background: ESG Risks

In this section, we identify how the risks associated with ESG factors might adversely impact on the value of an investment in a single company.

Environmental

The key risk here is that an investment in a company might be materially devalued as a consequence of investor, consumer or government actions which are driven by environmental beliefs, but which are hostile to the company in which the investment is held.

It is not difficult to find examples of investor pressure being applied to encourage companies to adopt more environmentally friendly approaches to business. For example, the Church of England has announced it will not invest in oil and gas firms that are not on track to meet the Paris Agreement on climate change by 2023 whilst the California Public Employee's Retirement System has been prohibited from investing in coal stocks since July 2017.

It is reasonable to expect that some mitigation of the financial risk associated with Environmental matters will be delivered by those companies that are most at risk. For example, oil companies may take action to reduce their CO_2 emissions and control other pollution.

However, it is unlikely that positive action by carbon-heavy industries will be sufficient, in isolation, to satisfy all investors. Therefore, in our opinion, a risk remains that pressure may be applied (by governments or lobby groups) to accelerate efforts to manage global warming. This could manifest itself in the restriction of certain practices (such as coal-fuelled power stations) and/or prohibitive taxation. The consequences of such action, combined with investor behaviour, could have a materially adverse impact on certain industries – consider how diesel car manufacturers are currently struggling because of a change in the political view towards diesel fuel.

Social

The Social component of ESG relates to business practices that have the potential to adversely impact the share price of a company. For example:

- Consumer protection practices (such as VW's misleading emissions test data).
- Human rights and employment conditions.
- Diversity (for example, the proportion of females on the board – although this could equally be considered to be a Governance issue).

In our opinion, it is reasonable to conclude that poor Social practices could adversely affect a company's financial prospects. However, our expectation is that it will often be possible for the company's management to mitigate any problems of this nature. If a company becomes associated with acting in a manner that is deemed by consumers to be inappropriate, for example maintaining poor working conditions, it is likely that management will respond to negative publicity by addressing the issue. As such, there tends to be a degree of self-regulation when it comes to socially responsible matters.

In addition, we expect that a well-run company should be nimble enough to take steps to protect or rebuild its reputation and that this has the potential to positively influence the share price. As an example, the VW share price has recovered, to some extent, following the scandal associated with mis-stating emissions.

It might be easier for a larger company to find the resources to address the fallout from negative publicity regarding a Social matter. Therefore, the impact might be more financially material for smaller organisations.

Governance

Governance is the collection of mechanisms and processes that underpin the way a company is directed and controlled. The term covers matters such as the composition of the managing board (for example, separation of the chair and CEO roles), director remuneration and behaviour regarding share issuance and buy-backs.

Robust Governance practices will help an organisation manage potential conflicts of interest between different stakeholders (the board, shareholders, creditors etc).

We have no doubt that, if a company fails to maintain suitable Governance standards, additional risk is introduced for an investor. In an extreme situation, this could lead to the bankruptcy of the company and there are well-known examples of large companies failing, at least in part, due to poor Governance practices – generally in relation to financial controls. For example, Enron, Worldcom and Parmalat were all tarnished by accounting scandals, with the former two entities ceasing to trade as a result.

Mitigating ESG Risks

On the pages that follow, we consider how the structure of the Scheme's investment strategy and the approach adopted by the Scheme's investment managers can help to mitigate ESG risks.

Investment Beliefs

The Trustees believe that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of both investment opportunities and financially material risks. Consequently, financially material considerations can have a material impact on investment risk and return outcomes.

The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustees when selecting and monitoring investment managers.

The Trustees have taken advice from its investment adviser to construct a portfolio of investments consistent with these objectives. In doing so, consideration is given to all matters which are believed to be financially material over the appropriate time horizon[1].

Asset Allocation & Diversification

The Trustees do not take account of non-financial matters when determining the Scheme's investment strategy.

In the relevant regulations "non-financial matters" refers to the views of the members. This includes, but is not limited to, ethical views, views on ESG factors and views on the present and future quality of life for the members.

Belief 1	Does this apply?
Long-term performance of the Scheme's assets is attributable primarily to the strategic asset allocation rather than the choice of investment managers.	Yes

Belief 2	Does this apply?
Asset diversification helps to reduce risk.	Yes

ESG Considerations

ESG risks vary considerably by asset class. For example, the risks associated with an equity investment might be material whereas the risks associated with developed market government bonds are negligible. Our assessment of the ESG risk associated with different asset classes is provided in Section 2 of the ESG Report which accompanies this paper.

[1] "appropriate time horizon" means the length of time that the trustees of a trust scheme consider is needed for the funding of future benefits by the investments of the scheme

Implementing a diverse portfolio helps to mitigate the risks associated with ESG factors. Diversification might be across asset classes thereby reducing exposure to the highest risk investments. In addition, within an equity allocation (where ESG risks can be high) a diversified portfolio will help to reduce the financial impact of an ESG-related problem with a specific company.

In our opinion, the key consideration when determining the Scheme's asset allocation should be the impact on risk/return characteristics. We do not think it would be appropriate to fundamentally adjust the asset allocation because of ESG considerations. Nevertheless, you should consider the extent to which the asset allocation exposes the Scheme's assets to ESG risks and this analysis is provided in Sections 3 of the ESG Report.

Confirmation of the Asset Allocation	Do you agree with this statement?
The Trustees do not wish to review the Scheme's asset allocation because of ESG considerations.	Yes

Use of Pooled Funds

Belief 3	Does this apply?
Pooled funds are the preferred investment vehicles for the Scheme's assets (as opposed to establishing segregated mandates with investment managers).	Yes

Investment Manager Selection

When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser), will take account of all matters which are deemed to be financially material. In particular, the Trustees will:

- ensure that the investment manager has the appropriate knowledge and experience;
- ensure that the investment manager's mandate is appropriate; and
- consider the investment manager's approach to ESG matters.

When selecting investment managers, the Trustees may also take into account non-financially material considerations such as the investment manager's administrative capabilities and the liquidity of the investments.

When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

ESG Considerations & Other Factors

When selecting a pooled fund, the Trustees consider various factors, including:

- the assets that will be held within that fund and whether the asset allocation of the fund is expected to change over time;
- the risks associated with the fund along with the return that is expected;
- the fund's objective (as stated by the fund's investment manager) and whether the objective is consistent with the performance that the Trustees expect from that fund;
- the fund's fee structure to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the fund in a way that differs from the expectations of the Trustees.
- how frequently underlying investments within the fund are expected to be traded by the investment manager;
- how financially material considerations[2] (including ESG factors) over the appropriate time horizon are taken into account by the investment manager;

[2] "financially material considerations" includes (but is not limited to) environmental, social and governance considerations (including but not limited to climate change), which the trustees of the trust scheme consider financially material

- the investment manager’s policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund; and
- the investment manager’s policy in relation to undertaking engagement activities in respect of the investments held within the pooled fund*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG matters. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

After analysing the above characteristics for a fund, the Trustees identify how that fund would fit within their overall investment strategy for the Scheme and how the fund is expected to help the Trustees meet their investment objectives.

Where a pooled fund is used, the extent to which ESG factors can be taken into account will be determined by the investment manager’s approach to such matters. Similarly, ongoing engagement with companies in which investments are made (including the exercise of voting rights) will be determined by the investment manager’s own policies.

Trustees with particularly strong views on ESG matters could invest via a segregated mandate rather than in a pooled fund. Under a segregated mandate, assets are kept apart from those of other investors meaning the investment manager can accommodate specific requests from the trustees – to avoid investing in oil companies for example.

However, segregated mandates are generally only viable for investments in excess of £100m. Such an approach is unlikely to be possible for the Scheme and, even if an investment manager could be identified to accept a segregated mandate, such an approach is likely to incur materially higher investment management fees and require more ongoing governance from trustees.

Confirmation that pooled funds should continue to be used	Do you agree with this statement?
The Trustees do not wish to consider replacing any of the pooled funds currently held with segregated mandates.	Yes

If you decide to make changes to the Scheme’s investment strategy in the future, we suggest that the ESG position of any potential new funds should be something that you consider along with other characteristics of the fund. That is not to say that ESG matters should drive investment decisions, but you should be aware of the position before selecting a new fund. As a matter of course, future advice that we provide on new funds will include ESG information.

Confirmation that ESG matters should be considered in future fund selection exercises	Do you agree with this statement?
When considering a potential new pooled fund, the investment manager’s approach to ESG matters will be considered alongside the other characteristics of the fund. This includes how the managers engage with the companies in which they invest.	Yes

Mitigating ESG Risks – Investment Manager Actions

The Trustees (in conjunction with their investment adviser) have considered the likely impact of the financially material ESG risks associated with all of the Scheme's investments and have assessed the mitigation of such risks implemented by each of the investment managers. In making this assessment, the Trustees recognise that, where pooled investment vehicles are held, the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.

Ideally, before any investment is made by an investment manager, the associated ESG risks should be assessed. An informed decision should then be made by the manager as to whether the investment is worthwhile in the context of this (and other risks) and the return that is expected to be achieved.

Investment managers should also engage with organisations to encourage practices that protect investors from ESG risks. For example:

- A manager may support resolutions at a company's AGM that aim to reduce the use of plastic, encourage equal pay or improve accountability of the management board.
- A manager investing in property may take direct action such as improving the energy efficiency of the buildings owned.

Investment managers may also favour investments where ESG risks are mitigated by the nature of the underlying asset class. An example would be an investment in renewable energy infrastructure (such as wind and solar farms) which are likely to be viewed favourably from an Environmental risk perspective.

Duration of Investment Manager Arrangements

The Trustees normally expect that pooled funds will be held for several years.

However, as part of the periodic strategic asset allocation reviews (which take place at least every three years), the Trustees will review whether the ongoing use of each fund remains consistent with their investment strategy.

The Trustees regularly monitor the financial and non-financial performance of the pooled funds held and details of this monitoring process is set out below. If the Trustees become concerned about the ongoing suitability of a pooled fund, they may reduce exposure to it or disinvest entirely. Such action is expected to be infrequent.

Portfolio Turnover

The Trustees are aware of the requirement to monitor portfolio turnover costs (the costs incurred as a result of the buying, selling, lending or borrowing of investments).

When selecting a pooled fund, the Trustees will consider how the investment manager defines and measures:

- the targeted portfolio turnover (the frequency within which the assets of the fund are expected to be bought or sold); and

- turnover range (the minimum and maximum frequency within which the assets of the fund are expected to be bought or sold).

At least annually, the Trustees, in conjunction with their investment adviser, will consider the transaction costs incurred on each pooled fund. As part of this analysis, the Trustees will consider whether the incurred turnover costs have been in line with expectations.

The Trustees will take the above information on portfolio turnover into account when assessing the ongoing suitability of each pooled fund.

UN Principles of Responsible Investment (UNPRI)

Investment managers can sign up to the UNPRI and those that do so will receive an annual score of the extent to which they incorporate ESG considerations into their investment management approach. There are six principles which are listed in the Appendix.

Compliance with the principles is voluntary but the majority of investment managers used by pension schemes are signatories. We have asked all managers to confirm their latest score for 'Investment Strategy and Governance' which is the most commonly reported of the UNPRI measures.

We suggest that, for future investment manager selections, you should normally restrict shortlists to managers who have signed up to the principles.

Confirmation that new investment managers would normally be expected to be signatories to the UNPRI	Do you agree with this statement?
The Trustees will normally select investment managers who are signatories to the UNPRI and who publish the results of their annual UNPRI assessment. This principle may be waived if a fund offered by a non-signatory manager is deemed to have investment characteristics which are particularly important for meeting the Trustees investment objectives.	Yes

Resources

Our analysis of each investment manager's ESG position includes an assessment of the resources allocated to ESG matters. We issued a questionnaire to all managers which included questions designed to enable us to assess this.

Conflicts of Interest

Conflicts of interest may arise where an investment manager holds a stock in a passive fund and manages a separate active fund which could also invest in the stock.

If the investment manager does not favour the underlying company, the active fund will not invest and may even go 'short' (a derivative-based position which will be rewarded if the share price falls). Through the passive fund, the investment manager will be indifferent to the underlying company's performance since the passive fund will track the benchmark index regardless. However, the passive exposure provides the investment manager with voting rights and the investment manager's attitude to voting could be influenced by the benefit that would arise to the active fund if the share price was to fall.

Our Assessment of the Scheme's Investment Managers

An explanation of how we have assessed the ESG credentials of investment managers is provided in Section 4 of our ESG Report and our score for the managers that you use is provided in Section 6 of the same document.

Mitigating ESG Risks – Fund Mandates

The mandate for a pooled fund will determine the extent to which ESG factors can be taken into account.

Active versus Passive Management

In our opinion, your approach towards active management to date is reflected by the following statement:

> Active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility. For each asset class, it will be considered whether the higher fees associated with active management are justified.

ESG Considerations

A passive fund manager will invest in a company if it is in the index being tracked regardless of any ESG-related concerns the investment manager may hold about that company. In contrast, an active fund manager will only invest in a company if the expected return is deemed to be sufficient reward for the risk being accepted. Part of that risk assessment is likely to include an analysis of ESG matters. Consequently, ESG risks can be mitigated by selecting an actively managed fund.

We suggest a belief statement on the use of active management should include recognition of the potential benefit of such an approach for mitigating ESG risks.

Belief 4	Does this apply?
Active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility. In addition, it is recognised that active management may help to mitigate the financial impact of ESG risks.	Yes

Use of Active Funds	Does this apply?
For each asset class, the Trustees will consider whether the higher fees associated with active management are justified.	Yes

ESG Focus

If you are concerned that climate change, for example, poses a financial risk to future investment returns, you might wish to select funds which are designed to minimise exposure to those companies likely to be most affected by climate change. As this becomes an increasingly popular way of investing, the range of funds managed in this way is expanding.

Similarly, there are funds available which place an emphasis on other ESG factors.

Responsibility for Action

We are increasingly seeing the launch of ESG-focussed index-tracking (passive) funds. These track the performance of an index which has been constructed by an index provider (FTSE Russell or MSCI for example) in a way that reduces exposure to high risk ESG organisations. However, the passive fund manager has, in effect, passed responsibility to the index provider to determine how ESG risks should be assessed and to establish the allocation to make to each stock.

Our preference is for the responsibility for assessing ESG risk to be maintained by the investment manager themselves. The investment manager, through purchasing shares, has greater access to company management and therefore should be better placed than an index provider to assess the risks faced.

Our Assessment of the Mandates of the Scheme's Funds

An explanation of how we assess the ESG qualities of fund mandates is provided in Section 5 of our ESG Report and our score for the funds that you use is provided in Section 6 of the same document.

Views of the Scheme Membership

The Trustees believe that their duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due and the Trustees Investment Objectives are designed to ensure this duty is achieved.

The Trustees recognise that it is likely that members and beneficiaries will hold a broad range of views. However, the Trustees do not take non-financial matters into account in the selection, retention and realisation of investments. The Trustees will review their policy on whether or not to take account of non-financial matters as appropriate.

In the relevant regulations “non-financial matters” refers to the views of the members. This includes, but is not limited to, ethical views, views on ESG factors and views on the present and future quality of life for the members.

Excluding Sectors

You may be of the opinion that avoiding investments in certain industries (alcohol, tobacco or armaments for example) or avoiding organisations which carry out certain practices (such as animal testing) might be viewed favourably by many of the Scheme’s members. It is possible to select funds which exclude particular sectors if you consider this would be in line with the views of the Scheme’s membership and the new legislation requires that you include a comment in the SIP to explain the extent (if any) to which you have done this.

However, exclusions of this nature can be difficult to justify on pure investment grounds – for example, is it reasonable to expect that a fund that does not invest in tobacco companies will outperform an equivalent fund without such a restriction? If you do wish to reflect non-financial considerations in the Scheme’s investment strategy, we would caution that care is needed. The view of the Law Commission[3] is that such an approach would only be permissible if two criteria are met:

i) trustees should have good reason to think the scheme members hold the concern; and

ii) the decision should not involve a significant financial detriment.

Any exclusions that apply to the Scheme’s funds are listed in Section 7 of our ESG Report.

ESG Tilts

Members of the Scheme may also have concerns regarding the Environmental and Societal harm that some companies are perceived to cause – even if those companies are not operating in controversial sectors.

Examples fall under a number of categories including:

- **Treatment of employees**: some employers may offer poor pay whilst expecting staff to work long hours in unsatisfactory conditions.

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[3] Law Commission – Fiduciary Duties of Investment Intermediaries

- **Tax avoidance:** some global firms have received recent criticism for avoiding paying tax on their British sales.
- **Plastic pollution:** Several organisations have been identified by Greenpeace as being large contributors to plastic pollution.

As investment managers respond to a growing demand from investors, it is increasingly possible to select funds under which a portfolio is tilted away from those companies assessed as causing the most harm to society and the environment.

Any tilts that apply to the Scheme's funds are listed in Section 7 of our ESG Report.

Allowance for Members' Views	Does this apply?
The Trustees do not directly take members' views on matters such as ESG into account when determining the investment strategy as the Trustees believe that their duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due. The Trustees Investment Objectives are designed to ensure this duty is achieved.	Yes

Exclusions and Tilts	Does this apply?
Taking into account the points above, the Trustees would ideally like to avoid investing in the following industries: --- --- ---	No
Wherever possible, the Trustees will seek to select funds under which the portfolio is tilted away from those companies assessed as causing the most harm to society and the environment.	No

Corporate Engagement

Shareholders can engage with companies with the aim of influencing corporate behaviour for the benefit of the environment and society. This would be achieved by voting at shareholder meetings and expressing opinions directly to company management.

Corporate Engagement	Does this apply?
As the Scheme's assets are invested via pooled funds, the Trustees rely on the investment managers to carry out engagement with the companies in which the Scheme invests. The Trustees recognise that the investment managers' engagement policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.	Yes

The Trustees' policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.

However, the Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters. For that reason, the Trustees recognise that their ability to directly influence the action of companies is limited.

Nevertheless, the Trustees expect that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees also expect that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

The Trustees recognise that the members might wish the Trustees to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives. In making this assessment, the Trustees will receive advice from their investment adviser. The Trustees recognise that the investment managers' own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

Suitability of the Funds Held

Our assessment of how ESG risks are mitigated for the Scheme's funds is provided in the accompanying ESG Report. This includes details of any industries that are excluded from particular funds.

You should consider whether you believe the financial risks associated with ESG matters are adequately controlled through the combination of the Scheme's investment strategy and the approaches adopted by the investment managers used.

Confirmation that the existing funds remain satisfactory	Do you agree with this statement?
Having considered the approach to ESG matters adopted by the Scheme's investment managers and their relative materiality within the Scheme's overall investment strategy, the Trustees do not think any change is required to the Scheme's investment strategy or the funds held.	Yes

Monitoring the Investments

The Pension Regulator's Investment Guidance for Defined Benefit Pension Schemes states that trustees should make arrangements to monitor and review investment managers' performance. It also comments that such monitoring should include an evaluation of the investment manager's actions regarding ESG factors.

The new legislation coming into effect on 1 October 2019 requires the SIP to outline how you will monitor and engage with investment managers in connection with performance, strategy, risks and ESG matters.

We routinely monitor funds which are on our approved list. Our monitoring provides details of fund manager performance and asset allocation decisions and includes comparisons with benchmarks and relevant peer-group data.

We assess whether performance has been in line with expectations given market conditions and whether the level of risk has been as expected. In addition, we also provide regular updates on the fund managers' actions regarding ESG factors and shareholder engagement.

Ongoing monitoring	Do you agree with this statement?
The Trustees regularly consider whether fund manager performance has been in line with expectations given market conditions and whether the level of risk has been as expected.	Yes – The Trustees' investment advisor provides 6-monthly monitoring reports
In addition, the investment advisor regularly participates in Trustee meetings. The investment advisor provides a bi-annual performance update to coincide with regular Trustee meetings, which helps the Trustees assess the ongoing suitability of the funds selected, including ongoing assessment in relation to ESG factors.	Yes

Monitoring Pooled Funds

The Trustees regularly assess the performance of each fund held and this monitoring includes an assessment of whether the investment manager continues to operate the fund in a manner that is consistent with the factors used by the Trustees to select the fund (as listed under the subsection "Use of Pooled Funds").

When assessing the performance of a fund, the Trustees do not usually place too much emphasis on short-term performance although they will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

The Trustees expect the investment managers of pooled funds to invest for the medium to long term and they expect investment managers to engage with issuers of debt or equity with a view to improving performance over this time frame.

If it is identified that a fund is not being operated in a manner consistent with the factors used by the Trustees to select the fund, or that the investment manager is not engaging with issuers of debt or equity, the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their investment adviser to raise the Trustees' concerns with the investment manager. Thereafter, the Trustees, in conjunction with their investment adviser, would monitor the performance of the fund to assess whether the situation improves.

The Trustees regularly review the Scheme's investments for all matters considered to be financially material over the future period for which benefits are expected to be paid from the Scheme. This includes reviewing that the assets continue to be managed in accordance with each manager's mandate and that the choice of managers remains appropriate.

Furthermore, the Trustees regularly monitor the position of the investment managers with regards to ESG matters and the investment adviser also provides regular updates on the investment managers' actions regarding ESG factors and shareholder engagement.

Appendix: The UN Principles of Responsible Investment

Principle 1:	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2:	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3:	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4:	We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5:	We will work together to enhance our effectiveness in implementing the Principles.
Principle 6:	We will each report on our activities and progress towards implementing the Principles.

Important Notes

The advice contained within this paper is provided by First Actuarial LLP, the Trustees investment adviser, in accordance with the requirements of the Pensions Act 1995 and the Occupational Pensions (Investment) Regulations 2005 made under the Pensions Act 2004. First Actuarial LLP is qualified for this purpose through its knowledge and practical experience of financial matters relating to pension schemes.

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