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Retirement Solutions

Verity Trustees Limited
**Responsible
Investment
Framework**

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Introduction

Verity Trustees Limited (VTL) is committed to being a responsible investor. Responsible Investment is commonly defined as an approach which seeks to integrate environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices.

VTL believes that certain ESG factors can have an impact on financial performance and that it is part of our fiduciary duty to incorporate this information into our investment decisions. We believe that this helps to reduce investment risk and in some cases enhance long-term portfolio returns.

This view is expressed formally as a statement (number 10) in VTL's Investment Beliefs. Responsible Investment therefore forms an integral part of the governance and risk management framework used to protect the long-term value of the assets we manage on behalf of our members

and beneficiaries. Our approach to Responsible Investment is applicable to both our Defined Benefit (DB) and our Defined Contribution (DC) Investments, and is reflected in the Statement of Investment Principles (SIP) for both strategies.

In order to formalise the activities that VTL undertakes to demonstrate its commitment to being a responsible investor, it has put in place a Responsible Investment Framework. This Framework covers the key activities undertaken by VTL in managing the assets of the scheme and ultimately allows us to communicate our approach to both key suppliers and our members.

The Trustee Board delegates responsibility for implementation and oversight of this Framework to TPT Investment Management (TPTIM), with VTL collaborating closely with TPTIM to achieve its Responsible Investment objectives. In order to ensure the on-going suitability of VTL's approach to Responsible Investment the Framework is reviewed annually by both the Investment Oversight Committee and the Trustee Board.

Fund Manager Selection and Monitoring

VTL's Responsible Investment Framework applies to all of its investments although we tailor our expectations according to the different asset classes and the investment styles of our managers (e.g. active or passive strategies).

For DB investments, VTL delegates investment decisions to TPTIM. For DC investments, VTL delegates investment decisions to AllianceBernstein. Both TPTIM and AllianceBernstein delegate day-to-day investment management to authorised investment managers, ensuring these managers possess the necessary knowledge and experience to manage the Trustee's investments. The managers are not appointed for a fixed period of time and appointments are regularly reviewed as part of established monitoring and oversight processes. TPTIM and AllianceBernstein report back to the Trustee via the Investment Oversight Committee (IOC).

Expectations around ESG and climate change are integrated into the manager selection process to ensure that we understand the extent to which ESG is integrated into the investment philosophy and process. We also incorporate specific requirements for ESG capabilities and reporting into our operational due diligence and into the Investment Management Agreements we put in place which are tailored according to the particular mandate.

As part of ongoing monitoring, TPTIM and AllianceBernstein actively engage with incumbent managers on stewardship, climate change and ESG risks. Managers are required to provide regular updates on their Responsible Investment activities and are evaluated against defined scoring criteria, with ratings assigned to reflect their Responsible Investment approach.

Voting and Engagement

The following section describes in more detail VTL's approach to being a good steward of the assets held in its portfolios.

As a substantial investor in both UK and non-UK listed companies, VTL accepts its responsibilities as a shareholder and owner, whether that ownership is directly or indirectly held. This responsibility includes ensuring, where possible, that the companies in which it invests are run by executive officers and directors in the best long-term interests of shareholders.

Voting

- 1.1. VTL aims to vote its shares in all markets where practicable. In the normal course of events it delegates this activity to its investment managers.
- 1.2. That said, VTL retains the right (where possible) to direct investment managers to vote in a particular way which it believes is in the best interest of its members. VTL expects managers to use their best endeavours to facilitate the implementation of client voting decisions. This right is most noteworthy in situations where the voting decision taken on a resolution would enable VTL to better implement the commitments set out within this Framework. The Trustee Board delegates judgement on these matters to TPTIM and AllianceBernstein, the appointed investment managers for DB and DC investments, respectively. Where TPTIM and AllianceBernstein exercise their right in this way, they will inform the Investment Oversight Committee of their decision, together with the reasons for it.
- 1.3. VTL expects its investment managers to exercise its voting rights, on behalf of VTL, in line with this document and/or consistent with the **Corporate Governance Policy and Voting Guidelines** issued by the Pension and Lifetime Savings Association (PLSA). Although the PLSA guidelines focus solely on voting at UK companies, they reference support for the **G20/ OECD Corporate Governance Principles** and the **ICGN Global Governance Principles**. VTL expects its investment managers to use these guidelines when voting in markets outside the UK. In some cases, where VTL considers an investment manager's voting policy to be closely aligned with VTL's approach to responsible investment, VTL may instruct the manager to vote according to their own policy.
- 1.4. VTL may invest in funds that participate in securities lending programmes, which can sometimes prevent VTL from voting all of its shares. Where there is a contentious vote or a vote relating to VTL's engagement activities, VTL may choose to recall or restrict the amount of stock lent. This decision will be considered on a case by case basis with counsel from the relevant investment manager(s).
- 1.5. VTL's investment managers are required to submit data on a quarterly basis regarding their recent voting activities.
- 1.6. In extreme cases, the continued appointment of an investment manager who fails to comply with this policy, and fails to give a satisfactory explanation to VTL, may be reviewed.

Engagement

1.1. VTL's approach to engagement consists of four elements:

Engagement by investment managers. VTL delegates primary responsibility for its corporate engagement activities to its investment managers. VTL believes that investment managers are best placed to engage with invested companies on ESG matters, given their knowledge of the company and the level of access they have to company management. This is a pragmatic approach because of the number of stocks owned by VTL, and the amount of time corporate entities have available for single investors. VTL expects its managers to engage on environmental, social and governance matters where they are considered material and relevant to the investment case. It also expects its managers to respond to specific requests that VTL might have.

Joint engagements with investment managers. There may be occasions when engagement topics identified by VTL overlap with the engagement efforts of its investment managers. In these situations, VTL, through TPTIM, will seek to undertake joint engagement activities with investment managers. VTL believes that by having both an asset owner and an investment manager at the table to talk about an issue, significant weight is added to the discussion.

Collaborative engagements. VTL recognises that as a responsible asset owner, it should, wherever practicable given time and resources, support initiatives which aim to improve the regulatory and operational environment for all investors. To support this goal, TPTIM, on behalf of VTL, will participate in collaborative engagements with other asset owners and industry groups, aligning these efforts with VTL's Investment Beliefs and Responsible Investment Framework.

Direct engagements. On occasions, an issue may arise where VTL believes it is necessary to directly engage with companies on particular ESG related issues. In such cases, TPTIM, in respect of the DB portfolio, and AllianceBernstein, for the DC portfolio, conduct targeted engagements on behalf of VTL to address these concerns and drive meaningful progress.

1.2. VTL's engagement activities will include written, oral and electronic communication and personal meetings with a company's senior policy makers. VTL's corporate engagement priorities are based on an understanding of where material ESG risk lies in the portfolio. VTL asks its investment managers to report back on their engagement activities on a quarterly basis. Where possible and appropriate, the information provided by investment managers to VTL on engagement activities is made available on TPT's website or as part of VTL's annual Stewardship Report.

The use of voting and engagement within VTL's Ethical Framework

VTL recognises the value of voting and engagement as tools for influencing corporate ethics and behaviour in addition to protecting the financial value of investments. On behalf of members and employers with an interest in Ethical Investment, VTL will undertake a dialogue with the relevant investment managers to ensure that the voting and engagement they undertake on behalf of VTL is consistent with its Ethical Investment Framework. This is used to enhance the ethical impact of companies operating in the UK and overseas.

Climate Change

Human activity has negatively contributed to the changes in the atmosphere, ocean, cryosphere¹ and biosphere, inducing weather and climate extremes, e.g. heatwaves, droughts and hurricanes. Climate and nature sustain life and intrinsically the wider economy. More than half of the world's GDP is connected with nature (the World Resources Institute). Nature loss as well as climate change pose systemic risks with the potential for damaging financial assets and sectors.

VTL is taking action to tackle the risks of climate change through a commitment to net zero by 2050. We support the objectives of the Paris Agreement, the Convention on Biological Diversity and the international standard guidelines on climate and biodiversity set at the United Nations Conference of the Parties (COP). The Intergovernmental Panel on Climate Change (IPCC) maintains that “limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society”.

Investors can play a part by reducing emissions in their investment portfolio and supporting the required real economy changes, e.g. investments in climate solutions.

Climate considerations are an integral part of VTL's Responsible Investment Principles and inform TPTIM's Responsible Investment and stewardship approach in portfolio construction, monitoring, advocacy and reporting.

Our approach to Fossil Fuel-Related Investments

The energy transition necessitates a substantial reduction in fossil fuel consumption. We recognise that certain activities, in particular, such as thermal coal mining, oil sands extraction, and Arctic drilling, are incompatible with the ambition for net-zero emissions. Although fossil fuel investments form a very small part of our portfolio, we are committed to achieving net zero in an equitable and strategic manner, ensuring these activities are phased out in line with our objectives.

Our preference is to allocate members' capital to asset managers who actively contribute to net-zero goals and participate in collaborative initiatives, such as the Net Zero Asset Managers Initiative (NZAMI). While some of our investment managers have exclusion policies covering fossil fuels, we do not mandate exclusions across all managers. Instead, we ask managers to have clear policies on managing fossil fuel-related investments. These policies should include robust engagement strategies to assess company progress against global climate commitments and to ensure that fossil fuel companies develop credible, 1.5°C-aligned transition plans, as defined by the International Energy Agency's Net Zero Scenario.

Our aim is to drive real-world impact and thus we prioritise engagement over exclusion. Nonetheless, we recognise that effective stewardship requires a robust escalation framework, including divestment if engagement efforts fail to drive meaningful progress.

Further details on our escalation approach and case studies of our engagement efforts can be found in our Stewardship Report.

Climate Action Plan

VTL's [Climate Action Plan](#) details our road map to net zero². We use the **Net Zero Investment Framework (NZIF)** as a reference for setting metrics and methodologies for decarbonising our investment portfolio as well as allocating investment in climate solutions. VTL's net zero journey is shaped by six commitments:

1. Be active in influencing the transition to a low carbon economy including reaching net zero within our operations.	2. Achieve net zero by 2050, with a decrease in our carbon intensity of at least 25% by 2025 and 50% by 2030.
3. Increase our investment in climate solutions to at least 6% of return-seeking assets by 2030.	4. Continue to build a rigorous approach to incorporating climate change risks and opportunities into the way we invest members' assets.
5. Work together with companies, governments and standard-setters and disinvest when no alternatives are possible.	6. Regularly report back to members and wider stakeholders including through TCFD reporting.

TPTIM is a member of the **Institutional Investors Group for Climate Change** and **Climate Action 100+**, and a supporting investor of the **Investors Policy Dialogue on Deforestation (IPDD)** initiative. This means that VTL, through TPTIM, is a part of the public discourse on climate change risks and opportunities and can influence change collaboratively.

¹ The cryosphere is the part of the Earth's climate system that includes solid precipitation, snow, sea ice, lake and river ice, icebergs, glaciers and ice caps, ice sheets, ice shelves, permafrost and seasonally frozen ground.

² VTL is committed to not make use of offsets or avoided emissions.

Human Rights

VTL supports the International Bill of Human Rights, international norms related to human rights and the UN Guiding Principles on Business and Human Rights. VTL has developed an approach to ensure that human rights are considered throughout the investment and stewardship process, particularly when appointing third-party investment managers as they select underlying securities in our investment portfolio.

Our approach

VTL believes that a responsible approach to investment can enhance long-term portfolio returns. As part of this approach, we are committed to taking environmental, social, and governance (ESG) risks into account in the way we manage our investments.

VTL holds a diversified portfolio of assets across sectors and markets in order to provide retirement benefits to over 400,000 members across the UK. As an organisation that was formed in 1946 to provide benefits to social workers through the Social Workers' Pension Fund, we trace our roots to the period of history in which the **Universal Declaration of Human Rights**¹ was adopted. We continue to share the values of, and encourage respect for, the **International Bill of Human Rights** and the **international norms** related to human rights.

Whilst governments have obligations to respect, protect and fulfil human rights and fundamental freedoms, we expect companies to follow the guidance of the **UN Guiding Principles on Business and Human Rights (UNGPs)**². The UNGPs are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.

VTL periodically reviews its portfolio to understand where value might be threatened due to ESG risks.

If concerns arise, as outlined in our RI Principles, our preference is to engage with rather than exclude companies or sectors. Our approach is driven by our Framework.

We expect our investments to be managed in line with our RI principles. We expect human rights to be regularly reported within our managers' RI approaches.

We actively engage with the wider investment community and policymakers on human rights. As part of this, TPTIM is an active member of organisations supporting advancement in this area.

¹ <https://www.ohchr.org/sites/default/files/Documents/Publications/Compilation1.1en.pdf>

² https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

Deforestation

VTL recognises that deforestation poses significant environmental, social, and economic risks, contributing to climate change, biodiversity loss, and the degradation of essential ecosystem services. As part of our commitment to responsible investment, VTL supports sustainable practices that protect and restore forests. Addressing deforestation aligns with our duty to safeguard beneficiaries' long-term interests while contributing to a sustainable global economy.

Our Commitment

As a Trustee Board, we play a critical role in setting expectations for responsible investment practices across the portfolios we oversee. We seek to influence meaningful action on deforestation by:

- **Promoting Strong Governance:** Encouraging investment managers to integrate robust due diligence and active stewardship practices to address deforestation risks. We expect investment managers and the companies they invest in on our behalf to commit to eliminating deforestation from their supply chains, including avoiding activities that contribute to the loss of primary or secondary forests.
- **Setting Clear Expectations:** Advocating for zero-deforestation supply chains in high-risk sectors, including agriculture, forestry, and infrastructure. We expect investment managers to engage with companies to map, monitor and disclose supply chains for key commodities linked to deforestation, such as palm oil, soy, beef and timber.
- **Supporting Best Practices:** Promoting adherence to credible sustainability certifications and standards across the value chain. We advocate alignment with frameworks such as the Forest Stewardship Council (FSC), the Roundtable on Sustainable Palm Oil (RSPO) and the Accountability Framework initiative.

Stewardship

We see stewardship as a cornerstone of our responsibility to beneficiaries. Through TPTIM, VTL amplifies its influence by collaborating with investment managers and participating in industry initiatives. Our stewardship approach includes:

- **Engagement Oversight:** Monitoring how investment managers engage with companies on deforestation and ensuring alignment with our expectations.
- **Priority Sectors:** Focusing on industries with high deforestation impacts, such as palm oil, soy, beef and timber, and infrastructure projects that threaten forested regions.
- **Escalation Mechanisms:** Encouraging managers to escalate engagement where progress on deforestation issues is insufficient.

Collaboration and Advocacy

Through TPTIM, VTL participates in collaborative efforts to address deforestation at the systemic level. By engaging with other asset owners, policymakers and industry groups, we aim to drive the adoption of zero-deforestation policies and frameworks that deliver measurable outcomes.

Accountability and Transparency

VTL is committed to holding investment managers accountable for identifying, assessing and mitigating deforestation risks. This includes:

- Requesting reporting on portfolio exposure to deforestation and engagement outcomes.
- Encouraging the use of third-party data providers to assess deforestation risks and monitor progress.
- Incorporating deforestation criteria into our manager selection and review processes.

Reporting and Review

We will ensure that our efforts to address deforestation are communicated transparently through updates in our stewardship reporting. This includes highlighting the effectiveness of our engagement efforts and progress in mitigating deforestation-related risks across our investments.

Controversial Weapons

VTL recognises that the Defence sector poses particular risks to the value of assets held within its portfolio, specifically with regard to the status of certain weapons, and that investments in the sector have to be informed by the restrictions set out in international conventions. As a result, VTL does not invest in companies involved in certain controversial weapons.

Background

International Humanitarian Law seeks to protect persons who are not participating in hostilities and restricts those means of warfare that have indiscriminate effects and causes disproportionate harm. The rest of this section covers weapons that are banned under specific international legal instruments that the UK government has signed to enforce this principle.

These are the Biological and Toxin Weapons Convention, the Chemical Weapons Convention, the Convention on Certain Conventional Weapons, the Convention on Cluster Munitions and the Mine Ban Treaty¹.

It also covers nuclear weapons in countries that are not party to the Non-Proliferation Treaty². The treaty classifies state-parties into two categories: nuclear-weapon states – consisting of the United States, Russia, China, France and the United Kingdom – and non-nuclear-weapon states.

While the international instruments referred to above do not explicitly address financing, mandatory financing prohibitions have been introduced in a number of countries³ and voluntary financing restrictions are implemented across Europe.

Exclusion

To the best of its ability VTL does not invest in companies involved in the following:

1. Anti-personnel mines
2. Biological weapons
3. Chemical weapons
4. Cluster munitions
5. Nuclear weapons in countries not party to the Non-Proliferation Treaty

VTL defines corporate involvement in controversial weapons as development, production, stockpiling, maintenance and the offering for sale of controversial weapons and their key components.

Implementation

The purpose of this stance is to avoid making investments in activities that are deemed by international conventions as unacceptable, by either prohibiting or restricting their use. Total avoidance of these companies may not however

always be practicable from an implementation perspective, partly because of the range of asset classes and investment strategies in which VTL invests and in particular the use of derivatives in the portfolio.

The exclusion of companies involved in controversial weapons as defined above therefore applies to investments in physical equities and corporate bonds where VTL also has the ability to direct which assets are held within the fund structure.

VTL does not restrict investments in sovereign bonds based on states' commitment or adherence to the above international legal instruments.

Monitoring

Annually, VTL will update its list of publicly and privately listed companies which should be excluded and carries out an audit of holdings to verify adherence.

For those investment managers who do not manage equity or corporate bond mandates, or where VTL does not have the ability to direct which assets are held, a comply or explain approach will be taken.

¹ Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (Biological and Toxin Weapons Convention), entry into force 26 March 1975, UK signature date 10 April 1972
Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Chemical Weapons Convention), entry into force 29 April 1997, UK signature date 15 Jan 1993
Convention on Cluster Munitions, entry into force 1 August 2010, UK signature date 3 December 2008

² Treaty on the Non-Proliferation of Nuclear Weapons (Non-Proliferation Treaty), entry into force 5 March 1970, UK signature date 1 July 1968

Stewardship and Communication

Stewardship and Active Ownership

VTL believes that it should act as a responsible owner of the assets in which it invests. An important part of this is making sure that we use the rights we have as shareholders in companies to influence corporate strategy through voting and engagement.

VTL expects its managers to engage on environmental, social and governance matters where they are considered material and relevant to the investment case. VTL believes that investment managers are well placed to engage with invested companies on ESG matters, given their knowledge of the company and the level of access they have to company management. This is also a pragmatic approach because of the number of stocks owned by VTL, and the amount of time corporate entities have available for single investors.

From time to time, VTL, through TPTIM, participates in collaborative engagements which are well aligned with VTL's ESG priorities. As an asset owner with relatively limited resources available for engagement VTL prefers to focus its efforts on industry engagements at the policy and regulatory level rather than at the investee/corporate level.

Responsible investment is different from ethical investment

It is important to note that our commitment to being a responsible investor is an approach which we believe helps manage risk and return, and as such it should not be confused with ethical investment. Ethical investment is a specific style of investment which screens out certain companies or activities based on moral or ethical preferences.

For members that do want to reflect ethical concerns in their pension investments, please see VTL's Ethical Investment Framework.

Codes and industry initiatives

VTL supports industry-wide initiatives to promote Responsible Investment and Stewardship and is a signatory to the Principles for Responsible Investment (PRI) and the Montreal Pledge.

VTL does not insist that current and potential future investment managers are themselves PRI signatories, but it will discuss with its investment managers how they are implementing the spirit of these principles whether or not they are signatories. VTL does not insist that its investment managers publicly support the UK Stewardship Code, but it will seek an explanation from its investment managers as to how they demonstrate their support for the code (for asset classes where it is appropriate).

VTL also aims to engage on relevant policy issues alongside other like-minded, responsible investors. To support VTL's work in this regard, TPTIM is a member of the Institutional Investors Group on Climate Change (IIGCC) and the UK Sustainable Investment and Finance Association (UKSIF).

Communicating and reporting

VTL is dedicated to upholding transparency and accountability in the implementation of this Framework. A key component of this commitment is the release of an annual Stewardship Report, which highlights VTL's progress and achievements in responsible investment and stewardship. This report features key data, statistics, and case studies, providing clear evidence of how VTL fulfils its responsibilities.

VTL also shares information on its Responsible Investment activities via regular member and employer reporting channels.

Get in touch

If you would like to learn more about our Responsible Investment Framework, please feel free to contact us:



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[TPT Responsible Investing](#)



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