Stewardship Report

1 October 2022 – 30 September 2023

tpt Retirement Solutions

This Stewardship Report is issued by Verity Trustees Limited, in its capacity as the corporate trustee and asset owner of The Pensions Trust and The Pensions Trust 2016.

Verity Trustees Limited (VTL) is the corporate trustee of The Pensions Trust and The Pensions Trust 2016 (together, the ''Trusts''). It is a company limited by guarantee and is regulated by The Pensions Regulator (TPR).

TPT Retirement Solutions Limited (TPT) is wholly owned by VTL. TPT provides pension management and administration services to UK pension schemes[1].

For simplicity and to aid readability, this report may make use of terms such as TPT, we, us, our, and similar, as a way of collectively referring to entities and/or other constructs within the TPT Group. Whilst this document may make use of forms of collective reference, each entity has a distinct role within the Group, and the use of forms of collective reference and simplification within this document does not change this.

[1]There were changes to the governance structure that occurred after the reporting period. TPT Investment Management Limited (TPTIM) was launched to provide investment management and consultancy services to UK pension schemes. TPTIM is a wholly-owned subsidiary of TPT and regulated by the Financial Conduct Authority (FCA).

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Introduction

This Stewardship Report details our approach and commitment to responsible stewardship. It is structured around the 12 principles of the Financial Reporting Council's UK Stewardship Code 2020. It describes principle-by-principle how we meet the requirements outlined in the Code with a focus on activities and outcomes for the reporting period 1 October 2022 – 30 September 2023.

TPT is one of the UK's leading providers of workplace pensions.

Our mission is to make pension schemes perform better for everyone, from employers and trustees who have their own schemes to members who are saving for the future.

We view Responsible Investment (RI) as an approach that incorporates environmental, social, and governance (ESG) factors into investment decisions and have been investing responsibly for the benefit of our members, employers, and the planet since 2004. Our increasing scale gives us a real opportunity to generate better returns for our members, but also to make a real difference to the wider world. Savers want a strong risk-adjusted return, but also to contribute to a better society.

RI is embedded in our decision-making process. We believe in making sure that we have a resilient portfolio and act as a universal owner. As owners of such a large amount of assets and a representative slice of the economy, we take stewardship seriously. We want our investments to help build a sustainable future and work towards a lower-carbon economy.

We support the UK Stewardship Code 2020 definition of stewardship, which is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society, and we recognise the role of active ownership in creating long-term value for our employers and members. As a long-term investor, we believe it is our responsibility to:

- act as stewards of the assets in which we invest;
- promote good ESG practices; and
- contribute to the healthy functioning of markets and economies.

This includes engaging with issuers, our investment management partners, and policymakers. It also includes exercising our rights and having a robust voting policy and process.

This report highlights the actions we take to enable effective stewardship. It discusses our governance structure, culture, values, and strategy, as well as our approach to risk, conflicts of interest, and ESG integration. It focuses on activities and outcomes, with case studies to illustrate how policies and processes have been applied in practice throughout the reporting period to achieve the desired outcomes. The report also provides a summary of stewardship activity with key voting and engagement figures and examples.

The report covers the financial year 2022-23. However, for completeness, we also reference some of our current actions, priorities, and next steps.

Looking ahead

We believe in continuous improvement and understand that investing responsibly is an ongoing journey. We aim to continue growing and developing our capabilities and stewardship practice, which will enable us to take a more direct and active role in engaging and collaborating with issuers, market participants and regulators to drive forward meaningful change and continue to improve member outcomes. Looking ahead, we plan to focus on the following areas:

- Continuing to work towards our climate action plan and net zero commitment;
- Enhancing RI reporting to better inform the efforts and actions we are taking;
- Strengthening RI due diligence and monitoring of our investment manager partners;
- Investigating the interplay of climate and nature, and defining our stewardship approach in regard to nature.

Purpose and governance

1. Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

About TPT

TPT is one of the UK's leading providers of workplace pensions, with over 75 years' experience of managing Defined Benefit (DB) and Defined Contribution (DC) pension schemes. It has £9.6 billion of assets (as at 30 September 2023) under management and almost 450,000 members.

TPT is one of the only pension services providers to offer both DB and DC schemes as part of its two Master Trusts (The Pensions Trust and The Pensions Trust 2016). We provide cost-efficient investments for our employers and members, using an approach that's supported by market-leading investment strategies and a long-standing commitment to responsible investing.

75+ years of experience in the pensions sector

£9.6bn of assets under management

448,606 members across the UK

Our mission

Our mission is to **make pension schemes perform better for everyone**, from employers and trustees who have their own schemes to members who are saving for the future.

Making pension schemes perform better for everyone includes not only better service provision for our members, but also for our other stakeholders. This broader mission recognises all of the work that TPT does, and the impact we can have throughout pensions management. It also recognises our role as universal asset owners and the opportunity we have to make a difference to the world.

We're pension specialists

Pensions are all that we do. We've been providing them for employers and their members since 1946. With this heritage comes a huge amount of experience and the right skills – from day-to-day pension scheme management to navigating more challenging or unexpected situations.

We keep things simple

We can't always make pensions less complicated, but we can make them easier to understand. We're always reviewing our communication methods to make sure we provide the right information in the right way.

We're responsible investors

We were investing responsibly long before it was a requirement. It's not only the right way to work, but also an essential part of recognising financial risks and opportunities. We implement ESG policies to secure the best outcomes, and actively engage in industry initiatives to help make a difference.

We're future focused

We manage pension schemes based on knowledge and insight, so they can achieve better outcomes now and in the future. For the things we can't always predict, like market turbulence or new legislation, we have a long track record of adapting and innovating. It's what makes us one of today's leading pension providers and helps us to futureproof your pension scheme.

Our values as a business

Committed

We are engaged.

We keep to promises and meet our customers' expectations.

We are persistent in our pursuit of success.

Inclusive

We establish partnerships with customers.

We embrace diversity in all that we do.

We work towards one goal and one vision.

Cost effective

We always look for good use of resources.

We budget fairly and robustly.

We act competitively.

Innovative

We challenge current processes or traditional methods.

We act proactively and creatively.

We encourage and accept new ideas.

Customer focused

We offer a very high level of service.

We listen to and learn from our customers.

We're friendly, approachable, supportive, understanding and responsible.

Integrity

We consider the interests of others and respect their views.

We are fair in all of our dealings.

We offer the option of ethical investments.

These values are ingrained into how TPT operates as a business and how it interacts with, and treats, its people, suppliers and service providers. While these values are separate from the Trustee's Investment Beliefs and objectives which inform the schemes' investment strategies, TPT is a trustee-led business. This means the Trustee takes into account TPT's overarching values in its running and governance of the schemes, which includes its investment and stewardship activity.

Please see **section 12 (Exercising rights and responsibilities)** for examples of how these values are reflected in voting and stewardship practices undertaken on the Trustee's behalf.

Investment beliefs

The Trustee has agreed to a set of Investment Beliefs that the Investment Committee (IC) uses as a framework when making decisions and agreeing investment strategy. Given the significance of the topic, the Trustee has also agreed to a set of RI Principles. The Investment Beliefs and RI Principles are reviewed and published annually. They are both the foundation for the investment strategy and inform TPT's approach to stewardship.

Our Investment Beliefs

1. Assets are held to pay benefits and should be invested taking account of the characteristics of these benefits.
2. Risk should only be tolerated to the extent that the Trustee has confidence that the covenant of sponsoring employer(s) is sufficient to meet potential adverse consequences. The investment strategy may take account of the preferences of sponsoring employer(s), including ethical concerns, where these are consistent with risk tolerance and investment beliefs.
3. Asset allocation is a more important determinant of returns than manager or stock selection.
4. The potential to achieve a higher investment return requires taking higher risk (uncertainty in future returns). Higher risk assets (e.g. equities) are expected to outperform lower risk assets (government bonds) but are also expected to have higher variability of returns (volatility).
5. Diversification of risk assets, both within and across asset classes, reduces the variability of returns, both in absolute terms and relative to liabilities.
6. The real world is complex; judgement and qualitative research are important alongside quantitative analysis.
7. Illiquid assets, that provide sufficient reward to compensate for illiquidity, may be suitable investments. Sufficient liquidity to meet payments, including in stress scenarios, should be maintained.
8. Market opportunities to deliver returns in excess of an index may exist. However, identifying and implementing strategies that consistently deliver excess returns after costs is difficult.
9. Good governance improves the quality of investment decision-making. Transparency is an important enabler for good governance.
10. RI helps identify and mitigate risks. RI may also enhance portfolio returns.

Our RI Principles

1. TPT aims to act as a good steward toward its stakeholders.
2. TPT views itself as a universal owner; it strives to positively contribute to the debates in the real economy: climate change, fair society, and good governance.
3. ESG factors impact financial performance and create risk and opportunities.
4. Decisions relating to ESG matters should be made on a financial basis with an inclusive view of different ethical beliefs.
5. The Trustee prefers to engage with, rather than exclude, companies or sectors. Exclusion should be considered a last resort, e.g. when it becomes clear that engagement will not work.
6. The Trustee is responsible for the votes cast, even if voting is delegated to third-party investment managers. Therefore, the Trustee needs to appropriately oversee investment managers to assess whether they are voting in a manner consistent with its Voting and Engagement Policy.
7. We value collaboration with other investors and market participants to seek positive outcomes for the assets managed on behalf of our members.
8. TPT's aspiration is that its approach to and implementation of RI compares favourably with its peers.
9. RI is an evolving subject and the Trustee's principles and objectives should be reviewed regularly to ensure that they continue to be consistent with best practices and regulatory requirements.
10. Sufficient resources are required to fulfil the RI objectives in the interests of the members.

Investment strategy

The Trustee is responsible for determining the schemes' investment strategies.

In accordance with section 35 of the Pensions Act 1995, the Trustee has agreed two Statements of Investment Principles (SIP), one in respect of DB assets (available here) and one in respect of DC assets (available here). These SIPs define the policies and principles we work to in order to manage our members' investments.

Defined Benefit

TPT consists of two occupational pension schemes, The Pensions Trust and The Pensions Trust 2016. The Pensions Trust and The Pensions Trust 2016 provide DB pension benefits. The DB SIP governs decisions about investments with respect to the DB elements of the two schemes.

The investment strategy for the DB portfolio involves the decision on the mix between the Growth Asset Portfolio, the Matching-Plus Portfolio, and Liability Driven Investments (LDI). Assets within the Growth Asset and Matching-Plus portfolios have the potential for higher returns but typically bring additional risk. LDI comprises assets that have similar characteristics to the liabilities, including interest rate and inflation sensitivity. By allocating to the Growth Asset and the Matching-Plus portfolios, the strategy targets a higher return than LDI assets are expected to provide.

The Trustee employs third-party fund managers to implement the investment strategy. The Trusts use a combination of both passive and active investments depending on the perceived ability to add value and the availability of strategies in the relevant area.

Defined Contribution

The Pensions Trust provides DC pension benefits. The DC SIP governs decisions about investments in respect of the DC elements of The Pensions Trust, including the 'default arrangement'. The default arrangement is, broadly, the fund into which members' accounts are invested if they do not exercise a choice of investments.

The Trustee recognises that individual members have differing investment needs, that these may change during the course of members' working lives, and that members have differing attitudes to risk. The Trustee has established a suite of funds based on the 'target date' concept, i.e. funds that do not require members to make their own investment decisions and are designed to be suitable for members' own individual expected retirement dates.

The Trustee invests the DC assets via a unit-linked insurance policy with Phoenix Life Limited, which provides the DC investment platform for the default arrangement and self-select funds. By investing in this way, the Trustee has no direct ownership of the underlying funds, which has implications for stewardship – the Trustee does not own the voting rights and the level of influence it can exercise is limited. The Trustee has appointed a third-party manager, AllianceBernstein (AB), to appoint underlying investment managers, monitor investment performance, and vary the asset allocation of the underlying funds to enhance investment returns. AB's policies and stewardship practice are regularly reviewed by the Trustee Board to ensure they reflect the Trustee's expectations and align with the Trustee's stewardship priorities.

For members who wish to invest in accordance with ethical considerations and the Trustee's Ethical Investment Framework, a suite of ethical target-date funds is available within the default option. The Trustee also offers a range of self-select funds with diversification of asset class and risk to reflect the full range of membership for members who wish to make their own investment decisions.

For a more detailed description of how assets are managed in both our DB and DC portfolios, please see **section 6 (Client and beneficiary needs)**. For information on how we select and monitor our investment managers, please refer to **section 8 (Monitoring managers and service providers)**.

Responsible investment

A holistic view of investing

TPT is committed to being a responsible investor. We've been integrating ESG considerations for the benefit of our members, wider society, and the planet since 2004. It is a key component of our investment decision-making process and ownership practices.

We believe that ESG factors can impact financial performance and that it is part of our fiduciary duty to incorporate this information into our investment decisions and act as good stewards of the assets we are invested in. We believe that this helps to reduce investment risk and, in some cases, enhances long-term portfolio returns.

RI is included in our Investment Beliefs. It, 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 RI applies to both our DB and our DC investments and is reflected in the SIP for both strategies.

ESG and stewardship integration are addressed in **section 7 (Stewardship, investment and ESG integration)**.

2. Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Governance structure

Trustee Board

VTL provides the trustee services for the Trusts, which incorporate the funds from our DC and DB pension schemes. The members of the Trustee Board are responsible for keeping our members' benefits safe and making sure the Trusts are properly run.

As at 30 September 2023, the Trustee Board consisted of ten directors, four of whom are nominated by the members, four by the employers, and two co-opted onto the Trustee Board by the member and employer-nominated directors. From 1 October 2023, the number of directors decreased to nine following the resignation of David Robertson as a co-opted director. Under the Rules of the Trust, the Trustee can appoint up to three co-opted directors. The Trustee Board has decided not to appoint any further co-opted directors at this time. Joanna Matthews was the Independent Chair of the Trustee Board for the year ended 30 September 2023.

Figure 1. Trustee Board composition[2]

[2]As indicated, as at 30 September 2023, the Trustee Board consisted of ten directors. From 1 October 2023, the number of directors decreased to nine following the resignation of David Robertson. Figure 1 illustrates the current composition with nine members.

Good governance is essential to ensure effective oversight – our Trustee Board has ultimate responsibility for all issues relevant to the schemes.

Our governance structure provides clear oversight of RI-related matters, with the Trustee Board responsible for all aspects of running the Trusts. The Trustee annually reviews and approves the RI framework. The SIPs are also reviewed and approved annually by the Trustee.

More information on our review and assurance processes is detailed in **section 5 (Review and assurance)**.

Investment Management Team

The Trustee delegates the implementation of its Investment Beliefs and RI Principles to the IC, which is supported in implementing its investment decisions in line with the investment strategies by the Investment Management Team (IMT). The IMT is led by the Chief Investment Officer (CIO).

RI is fully integrated into the IMT's core investment functions. The IMT reports to the IC and covers RI issues as part of regular updates in the agenda. The CIO also sits on the Executive Board. The Executive Board is responsible for the day-to-day management and running of TPT's business. Climate change reporting is integrated into the Executive Board's key deliverables.

Subcommittees of VTL

Investment Committee
This Committee is responsible for the implementation of the Trustee's Investment Beliefs and RI Principles.

Funding Committee
The Committee oversees the valuation process and makes scheme-specific funding and investment decisions for TPT's DB pension schemes.

Audit, Risk and Compliance Committee
The Committee addresses such matters as internal controls, compliance, and the annual audit and the annual accounts of the Trusts.

Appeals & Discretions Committee
This Committee determines appeals to the Trustee at the second stage of the Internal Disputes Resolution Procedure and considers discretionary benefit payments.

Remuneration & Appointments Committee
The Committee approves the total remuneration strategy for all Trustee Board and committee members.

Figure 2. Governance structure

Trustee Board				
Investment Commitee	Funding Committee	Audit, Risk and Compliance Committee	Appeals & Discretions Committee	Renumeration & Appointments Committee

Resourcing stewardship

Our RI experts are responsible for the day-to-day implementation of TPT's RI policies and stewardship practice. These professionals are dedicated exclusively to RI and stewardship. They review managers' stewardship policies against the Trustee's policies, set expectations of managers, request information on managers' approaches and challenge them on stewardship activity. The RI experts sit within the IMT – all members of the IMT are expected to keep abreast of relevant regulatory guidance, best practice, and ESG developments, and to exercise ESG integration and stewardship. The IMT is composed of 12 professionals with two of these dedicated entirely to RI.

Incentives

TPT believes that ESG should be integrated throughout the investment process and that all members of the IMT should have knowledge of specific ESG risks and opportunities. This is why, in addition to a dedicated RI Team, members of the IMT typically have specific ESG objectives for their overall yearly performance. This helps us to ensure that ESG priorities are appropriately addressed.

As mentioned, climate change reporting is integrated into the Executive Board's key deliverables. The Trustee also undertakes regular board effectiveness reviews measured against the Trustee's objectives and annual business plan. The Trustee has agreed to undertake the next external effectiveness review in 2025.

The robust processes for selecting, monitoring, and reviewing external investment managers (together with the overriding possibility of their appointment being terminated) ensure that managers are incentivised to provide a high-quality service that is aligned with the Trustee's policies and objectives.

Please consult **section 8 (Monitoring managers and service providers)** for a more detailed explanation of how we monitor and hold managers to account.

Education and training

The Trustee Directors have considerable relevant experience and expertise, with skills and knowledge that complement each other and provide a diversity of experience on the Trustee Board. Trustee Directors must complete The Pensions Regulator's Trustee Toolkit and satisfy "Fit and Proper" regulatory requirements for master trust authorisation and supervision. The Trustee is required to review and revise (at least annually) a skills matrix setting out its individual and collective skills and competencies, which ensures the Trustee maintains sufficient diversity of skills, competencies and experience.

The Trustee follows an annual training programme to ensure all Trustee Directors have appropriate knowledge and understanding. The training programme is reviewed regularly by the Trustee Board to ensure it is up-to-date. It is designed to cover major developments and ensure that any knowledge gaps identified in the individual assessment (and rolling assessment) are addressed.

ESG and climate change training is provided at least annually. For the year under review, a training event took place in June 2023, focusing specifically on stewardship.

In 2022-23, the Trustee undertook a range of training including:

- Equality, Diversity and Inclusion
- Retirement journey and Target Date Funds
- DC Member engagement
- Value for Money process and approach for 2022/23
- DC Legal update
- Pensions Dashboard
- UK Stewardship Code
- Climate Change Reporting Obligations

Education and training are also promoted internally with the IMT receiving regular sessions on RI and ESG issues. These sessions are provided by our RI professionals and / or external specialists. In addition to training sessions, the IMT meets bi-weekly and discusses any relevant issues and developments within RI. The IC also meets quarterly and RI is a regular agenda item.

3. Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Conflicts of interest policy

One of the key duties of a pension scheme trustee is to invest scheme assets in the best interests of beneficiaries. The Trustee has agreed to a Conflicts of Interest Policy, which identifies potential conflicts of interest and the procedures in place for managing them. The policy is reviewed annually as part of the review of the Governance Document and approved by the Trustee Board.

According to the Trustee's Conflicts of Interest Policy, the key issue for each director to consider is whether he or she is subject to a conflict of interest which prevents him or her from acting properly as a Trustee Director, and so should lead to him or her taking action. Broadly speaking, a conflict of interest arises where a person's duties and interests conflict, or where the duties owed in one capacity conflict with duties owed in another capacity. The directors recognise that even if no actual conflict of interest arises, they also need to guard against the perception of conflict.

Whilst it is not possible to specify all the instances where a conflict may arise, the directors have identified some particular situations as potentially leading to a conflict of interest, or the perception of a conflict of interest:

Personal interest

It is recognised that material personal interests in the outcome of a decision may amount to a conflict of interest. The directors, however, do not consider that a conflict of interest generally occurs if the director is affected in the same way as other members of the Trusts in the same category of membership, although the interest should generally be notified and recorded in the register.

Examples of personal interests which are likely to give rise to a conflict of interest include the following: a decision which is specific to the director (e.g. a decision about his or her benefits individually); the director, as a result of matters connected with his or her employment, has a significant interest in the outcome of a Trustee decision (e.g. it affects any bonus entitlement); or the director has a material ownership interest in a third party which may engage in a commercial relationship (e.g. as a potential supplier) with the Trustee or its subsidiaries. A conflict should also be recognised if a close family member would have a material personal interest in the outcome of a decision.

Negotiations

The directors acknowledge that a person cannot negotiate effectively on behalf of both the Trustee and an employer or employers. Any director who is likely to negotiate on behalf of an employer will not participate in the same negotiations on behalf of the Trustee. This situation could arise, for example, in relation to: a) funding discussions; and b) any negotiations with an employer in connection with corporate activity – for example, on scheme apportionment arrangements. The same principle would apply in commercial negotiations between the Trustee (or its subsidiaries) and a third party.

Confidential information

It is recognised that some directors may, by virtue of their role with an employer, have access to confidential information about the employer and owe a duty to the employer to keep that information confidential. Such a director is not obliged to share this information with the other directors (unless the employer expressly consents). Any affected director must consider: a) whether the information is relevant to any decisions the Trustee may be taking in relation to TPT or the Trusts; b) whether the information could reasonably be expected to affect a decision to be taken by the Trustee Board or cause the Trustee Board to revisit a decision already taken (i.e. it is material); and c) whether the information will be made available to the Trustee Board in time for the directors to take any reasonable action. Situations which may give rise to this occurrence could include the following: a) the director is aware of an employer's confidential financial information in any negotiations; and b) the director is aware of information relating to an employer's plans or finances which meets the tests set out above.

Managing competing member/employer interests

Members: The Trustee recognises that it is often required to balance the competing interests of different categories of members. The Trustee recognises that, where the rules assign discretions and powers to it, which will impact on different members in different ways, it is a part of its Trustee function (and its legal duty) to act impartially as between the members. The Trustee acknowledges that this is not, in itself, a legal conflict of interest.

Employers: The same applies to the competing interests of different employers, where the Trustee has a legal duty to act impartially between employers. Directors who act as their employer's liaison with the Trustee or its subsidiaries should be particularly live to the possibility of a conflict, or perception of conflict, arising if it appears or might appear that their Trustee role is obtaining partial or preferential treatment for their employer.

In circumstances where the Trustee has to manage competing member/employer interests, the directors recognise the need to ensure that, if one of them is subject to a specific conflict of interest which makes it difficult or impossible for him or her to act impartially, that conflict should be appropriately managed in accordance with the policy.

Trustee policy

Directors have a duty to declare any interest they may have in a decision, resolution, or exercise of any power. Directors should declare any conflict of interest before the agenda item is discussed. On appointment, directors are required to complete a declaration of interests form. All declared interests are recorded on the Register of Conflicts of Interest.

In the interests of transparency, the directors' policy is that each director should notify the other directors if any of the following apply (although this list is not intended to be exhaustive): a) he or she is a member of an underlying scheme within the Trusts; b) he or she is employed by an employer which participates in one of the Trusts or otherwise receives payment from any such employer; c) he or she holds any shares in an employer which participates in one of the Trusts; d) he holds any representative role within the workforce of an employer which participates in one of the Trusts (such as a trade union official); e) he or she has participated actively in drawing up any proposal which is put to the Trustee Board; f) he or she is affected by a Trustee Board decision in a way which is not similar to the effect on other parties; g) he or she has a material interest in a key supplier to the Trustee or its subsidiaries; or h) any other matter which the director thinks could lead to a conflict of interest or a perception of conflict of interest. Notifications should also be made if any of (a)- (h) apply to a close family member.

Policy on professional advisers

The Trustee's Conflicts of Interest Policy also addresses the importance of the Trustee's advisers being able to provide advice which is independent of any conflict of interest. The Trustee recognises that its advisers may be conflicted from time to time. All the Trustee's advisers have a professional responsibility to inform the Trustee if any circumstances arise in which they feel they are conflicted.

Investment managers in particular may be conflicted when making decisions on behalf of the Trustee, if they relate to the investment of the mandate they have been awarded to manage and they are exercising the Trustee's right to vote at company meetings. Investment managers are expected to exercise voting rights on behalf of the Trustee in accordance with the RI Framework.

In addition, investment managers will be required to provide, on a regular basis, details of how conflicts of interest may arise in their particular business and how those conflicts are managed or avoided. This confirmation may include, but is not limited to, providing copies of policies on: rules on gifts and entertainment; internal staff training on conflicts of interest; procedures for the voting of shares held in the manager's parent company; procedures for the voting of shares in companies where the manager or its parent company has another commercial interest; rules on personal share dealing by staff; and appropriate information barriers and other procedures to control the exchange of information.

The Trustee requires all advisers to explicitly inform the Trustee if they become conflicted in any way, in their letters of appointment.

The potential risks, avoidance, and management of conflicts of interest between the Trustee Board and advisers is managed by the Trustee on appointment through the due diligence process. This includes steps to understand any conflicts of interest to which the adviser may be subject and how the adviser would propose to manage them. Each adviser's record on conflicts arising and the appropriate management of them is regularly reviewed under Section 6 of the Governance Document – Policy on the Review of Suppliers.

Advisers are required to declare any conflicts that may arise in respect of their engagement in a timely manner. If a conflict does arise, the Trustee will consider, with or without the adviser concerned, how it should be managed. This may include (without limitation) use of a different team within the same firm, appointment of replacement advisers or (where permitted by legislation) appointment of additional advisers.

Any conflict of interest which arises, and the action taken to address it, will be recorded in the Trustee's minutes.

Managing conflicts of interest in relation to stewardship

The Trustee's priority is to act as a responsible steward and to always operate in the interests of its members. We understand that conflicts of interest in relation to stewardship may arise and it is our duty to be transparent and successfully manage these potential conflicts in alignment with our policies.

In regards to stewardship, different conflicts can arise, including but not limited to the following circumstances:

– A director or employee may hold a role or have a personal or business relationship with one of our investee companies;

– An investment manager and/or other service provider may have a conflict of interest that prevents them from exercising independent stewardship (for instance, by having a personal relationship with one of our investee companies or by acting on behalf of their own personal interests);

– An investment manager may vote shares contrary to our voting policy or engage with a company in opposition to our policy.

To minimise and efficiently manage the potential conflicts of interest that may arise from our stewardship activity, the Trustee has put in place guidelines for proxy voting and engagement which are to be implemented by our external investment managers. Our stewardship objectives are clearly communicated to managers, ensuring the presence of a common framework.

Investment managers are expected to exercise voting rights and engagement on behalf of the Trustee in accordance with the Trustee's approved policies. Investment managers are also required to regularly provide details of how conflicts of interest may arise in their particular business and how those conflicts are managed or avoided.

Case study 1. Reporting on conflicts of interest

We use the Pension and Lifetime Savings Association (PLSA) Vote Reporting Template to gather voting information from our investment managers. This template asks managers to confirm if they are affected by any of the following five conflicts:

1) The asset management firm overall has an apparent client-relationship conflict - e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5) There are differences between the stewardship policies of managers and their clients.

During the reporting period, Man Group identified a potential client-relationship conflict. Man Group reported maintaining a list, entitled 'Proxy Watch List', of issuers where it believes it may have an actual or potential material conflict of interest in voting proxies on behalf of its clients. This Proxy Watch List is updated periodically and maintained by Man Group's Stewardship Committee. In order to mitigate potential conflicts of interest during the voting process, any proxies of an issuer on the Proxy Watch List are voted in accordance with Man Group's custom voting policy unless otherwise decided by the Stewardship Committee. A majority vote of the participating voting members of the Stewardship Committee members is required for a final ruling on proxy issues.

4. Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Risk management

Principal risks and uncertainties

The management of the business and the execution of the Trustee's strategy are subject to risks. The Trustee has policies, processes, and controls in place to manage and mitigate such risks. The holistic Risk Management Framework aims to ensure that risks are effectively identified, managed, monitored and reported across the group.

Several risk appetite metrics, key risk indicators, and key controls are utilised to support the ongoing and active management of risk. Where a metric, indicator, or key control failing highlights that the company may be operating outside of its risk appetite, remedial action plans are developed, implemented, and tracked to resolution to ensure that appetite is maintained.

The Trustee uses a hierarchy of risk mechanisms to ensure that risks are identified and managed across all levels of the organisation. This incorporates principal risks, which are deemed to be the most significant and could potentially impact the achievement of strategic objectives, right through to process-level risk identification and management through control.

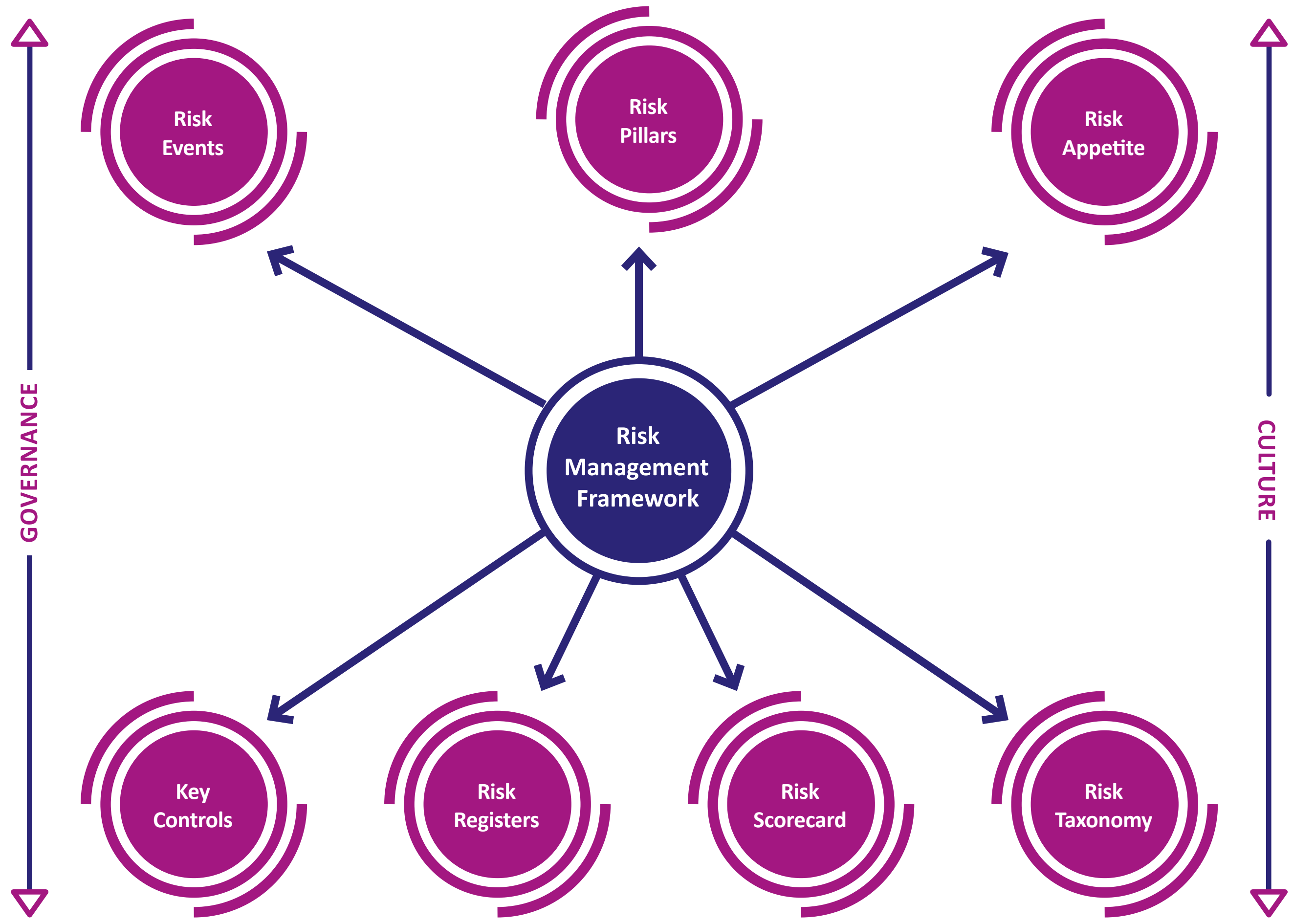
Processes for identifying, assessing, and managing risks

Risk factors are identified, managed, and integrated into the Risk Management Framework. Our SIPs and our Risk Management Framework are formally documented. The IC is responsible for overseeing the effectiveness of the Risk Management Framework.

The Risk Management Framework consists of individual components that support the consistent and effective identification, consideration, and mitigation of risk. The key elements are detailed in the graphic below.

As part of the Risk Management Framework, the Trustee monitors the risk of the Trusts being overly invested in an asset, manager, sector, country, or region, to the extent that any downturn in such investments would negatively affect investment returns. Within this framework, we believe investment returns can be affected by climate-related risks and investment appetite towards the opportunities presented by the transition to a lower-carbon economy. Within the Trustee's Risk Management Framework, such risk is inherently identified as high but mitigated by the current procedures and policies that adequately address such risk. Similarly, the Trustee identifies the risk that it fails to comply with regulatory requirements or invest in a manner consistent with the Trustee's SIPs, Investment Beliefs, and RI Principles. This could result in regulatory scrutiny, sanctions, and reputational damage.

Figure 3. TPT's Risk Management Framework



TPT's Risk Management Framework is supported by enablers, specifically:

- **Risk horizon scanning** – Formalised consideration of the upstream risk environment, identifying potential risks that could impact TPT and its management of the Trusts' assets in the short, medium, and long term. Performed to ensure that potential risks are understood and tracked.
- C**hange management risk assessment** – Formalised risk assessments performed at the inception point of significant change (e.g. new projects, processes, products) to capture new risks entering the TPT risk universe.
- **Risk management information (RMI) and reporting** – Risk information and insight provided to key stakeholders and forums to aid informed decision-making. Each element of the Investment Risk Management Framework is used to produce RMI and reporting, while techniques such as theme, trend, and root cause analysis provide useful insight.
- **Training and education** – Risk training and education are offered to key stakeholders, forums, and employees to ensure that the required standard of risk understanding is embedded throughout TPT. Risk management is used to identify specific training requirements e.g. thematic risk event failings.

DB

The following risks, which are not exhaustive, are assessed and monitored regularly.

Table 1. DB – Key risks and mitigation

Risk	Description	Mitigation
Basis	Liabilities cannot be perfectly matched.	Modelling of liabilities using Asset- Liability software enables risk relative to liabilities to be understood and monitored. Additionally, work with the LDI manager enables LDI approaches to be designed to mitigate mismatch risks.
Counterparty	Schemes or managers enter into financial contracts with a third party which then fails, for example, due to default, to fulfil its obligations.	Set an appropriately high minimum credit rating of counterparties to transact with and limit the exposure to any single counterparty. Collateral is required from counterparties to financial contracts to mitigate the loss in the event they fail to fulfil their obligations under the contracts.
Covenant	Financial capacity and willingness of the sponsoring employers to support the scheme.	Monitor and review on a regular basis.
Credit	Default or impairment by issuers of financial assets and the risk that the value of these assets depreciates as a result of an increase in the overall level of perceived credit risk in the market.	Control by imposing limits on the amount and type of credit assets that can be held.
Diversification	A high proportion of the assets are invested in securities of the same, or related, issuer or in the same or similar industry sectors.	Provide an appropriate spread of assets by type and spread of individual securities within each asset class through the overall investment arrangements.
ESG & Climate Change	Downside risks that result from ESG-related factors, including but not limited to climate change.	RI Framework sets out ESG risk management strategy as an integral part of the investment decision-making process, with specific reference to climate change and the Trustee's approach to engaging with and monitoring its investment managers in relation to ESG.
Foreign Exchange	Losses that result from unhedged overseas investments.	Implement a dedicated foreign currency hedging programme.
Illiquidity	Inability of assets to be sold quickly or sold at fair market values.	Set a prudent limit for the proportion of illiquid assets to be held in the portfolio and monitor the exposure on a regular basis.
Longevity	Pensioners live longer than expected, leading to greater-than-expected benefit payments being made.	Monitor schemes’ mortality experience and mortality trends, and consider the likely outlook for future experience. Carry out sensitivity testing on the mortality assumptions to determine the impact of changes in the assumptions.
Manager	Investment managers persistently underperform their performance objectives.	Maintain a robust manager selection and monitoring process, manager diversification, tracking error limits and performance targets.
Mismatch	Mismatch between the schemes’ assets and liabilities, particularly in relation to the impact of changes in long-term interest rates and inflation.	Implement bespoke liability hedging solutions to manage a significant portion of the mismatch risk for each scheme.
Operational	Loss arising from insufficient internal processes, people or systems and external events. This includes risk arising from the custody or transfer of assets, either internally or from new schemes entering TPT and TPT2016.	Ensure processes and procedures are robust, documented and operated by trained personnel. Appropriately test systems and put in place appropriate business continuity plans.
Strategic Investment	The selected long-term investment strategy fails to deliver the level of expected return or risk characteristics necessary to meet the underlying schemes’ objectives.	Set risk measures and limits, to be monitored regularly. Consider valuation metrics for investments, review strategic allocations on a regular basis.

DC

The following risks, which are not exhaustive, are assessed and monitored regularly.

Table 2. DC – Key risks and mitigation

Risk	Description	Mitigation
Counterparty	Exposure to credit risk of insurance provider.	Maintain regular reporting from provider and regular meetings to assess credit worthiness.
Costs and charges	The charging structure of the funds (and transaction costs) are disproportionately high compared to the type of investment.	Regular review of the charging structure; benchmarking process against charging structures of similar funds and providers in the market; and annual value for money assessment.
Diversification	A high proportion of the assets are invested in securities of the same, or related, issuer, or in the same or similar industry sector.	Regularly review and monitor the composition of the default arrangement and self-select funds to ensure diversity of asset class and risk profile.
ESG & Climate Change	Downside risks that result from ESG-related factors, including climate change.	RI Framework sets out ESG risk management strategy as an integral part of the investment decision-making process, with specific reference to climate change and the Trustee's approach to engaging with and monitoring its investment managers in relation to ESG.
Illiquidity	Inability of assets to be sold quickly or sold at fair market value.	Set a prudent limit for the proportion of illiquid assets to be held in the portfolio and monitor the exposure on a regular basis.
Managers / Product provider	Investment managers / product providers persistently underperform their performance objectives.	Maintain a robust manager selection and monitoring process, manager diversification, tracking error limits and performance targets. This is delegated to the investment manager for the default arrangement.
Operational	Loss arising from insufficient internal processes, people or systems and external events. This includes risk arising from the custody or transfer of assets, either internally or from new schemes entering TPT.	Ensure processes and procedures are robust, documented and operated by trained personnel. Appropriately test systems and put in place appropriate business continuity plans.
Strategic investment	The selected long-term investment strategy fails to deliver the level of expected return or risk characteristics necessary to meet members' objectives.	Set risk measures and limits, to be monitored regularly. Consider valuation metrics for investments, review strategic allocations on a regular basis.

Case study 2. Conflict in Ukraine

The Trustee has monitored the consequences of the Ukraine conflict for the Trusts and has considered, in particular, the payment of pensions, the effect on the employer covenant, and the effect on the Trustee's investment strategy. The Trustee does not pay any benefits to pensioners who are based in Russia or Ukraine and, therefore, no special measures regarding the payment of pensions have been necessary.

The Trusts had minimal exposure to Russian, Belarusian, and Ukrainian assets prior to the invasion. The exposure to Russia was below 0.1% in September 2022. Where possible, assets were sold down following the invasion and managers instructed not to purchase further Russian assets. Given this minimal exposure, the Trustee was satisfied that the risks posed to the management of the Trusts and their investments had been adequately managed.

Case study 3. Post-fiscal event volatility

Following the government's 'mini-budget' on 23 September 2022, a significant sell-off took place in the UK government bond ('Gilt') market, resulting in a c.120 basis points (bps) increase in the 30-year nominal yield from 23 September 2022 to 27 September 2022. The Bank of England intervened on 28 September 2022, with the 30-year nominal yield falling c.100bps on the same day. Additional measures were put in place on 10 October 2022 and 11 October 2022 by the Bank of England, and on 19 October 2022 the majority of measures from the 'mini-budget' were reversed, resulting in further falls in the 30-year nominal Gilt yield.

As part of normal collateral-monitoring processes, the Trustee compares the availability of collateral against potential requirements on a daily basis. Yields had been rising throughout 2022 with an increase in the 30-year nominal Gilt yield from c.1.0% to c.3.5% prior to the 'mini-budget'. This daily monitoring continued post-mini-budget and allowed the Trustee to react quickly to collateral and recapitalise requirements on LDI funds. Regular communication with non-LDI investment managers was maintained in relation to the selling of assets to meet the collateral calls, ensuring that there were no excessive transaction costs and sales were executed at market value (avoiding significant discounts).

During the first quarter of 2023, volatility greatly reduced in the Gilt market (compared to September and October 2022). Increased collateral buffers were requested by regulators and implemented by our LDI manager. As a result, the Trustee believes it has greater resilience to future periods of high volatility in the Gilt market. The Trustee completed a review of the strategic asset allocation during the first quarter of 2023 as a consequence of these events.

Case study 4.
Managing risks associated with the current economic environment

Over the past year, there has been a continued rise in the Bank of England base rate, rising from 2.25% on 1 October 2022 to 5.25% on 30 September 2023, as the Bank sought to bring inflation back towards its target of 2%. This increase, and the associated rise in Gilt yields, meant that it was necessary to post collateral to manage the interest rate and inflation risk present in the Trusts' liabilities. Globally, inflation and the tightening of monetary policy is the primary risk to economic expansion, and in turn asset prices. Labour markets continue to be tight and consumer demand is holding up well despite the increase in global interest rates, which provides little room for immediate interest rate cuts. The increase in borrowing costs as a result of high global interest rates will eventually feed through into the corporate sector, which may lead to pressure on profitability and increased defaults on corporate debt, as companies are required to pay higher rates of interest as they refinance existing debt. This trend may also feed through to the consumer through the mortgage market. The Trustee retains a well-diversified portfolio in order to mitigate these associated risks.

ESG risk management

As part of its approach to RI, the Trustee considers a range of ESG risks, including corporate governance, human rights, bribery and corruption, as well as labour and environmental standards. Of the environmental and social issues that we consider, we believe that climate change presents a material financial risk to the assets held in our portfolios.

The Trustee has developed an approach to ensure that climate change risk, including physical, regulatory and transition risks, are explicitly considered through the investment process. The Trustee's approach to climate change is set out in its Climate Change Policy, which includes its commitments towards net zero.

The IMT provides regular updates to the IC on its activities related to climate change considerations and it is committed to reporting on its progress as part of its annual update on RI.

Climate-related risks and opportunities

Climate change has the potential to affect many of the sectors and companies TPT is invested in. Our Climate Change Policy helps us to ensure that climate-change risk is explicitly considered during the investment process, from understanding how exposed our portfolio is to the risks, to the way we actively engage with the wider investment community on climate change.

We believe that changes to macroeconomic factors, caused by climate change, have varying levels of impact across all asset classes and apply globally. Because we do not know when and how these changes will take effect or their exact impacts on the financial system, we use scenario analysis to consider the potential impact on our portfolios and to inform investment decision-making.

The key risks:

- **Physical risks** are driven by the effects of a gradual increase in global temperatures and by the increase in severity and frequency of extreme weather events. Over the longer term, these are expected to come mainly in the form of natural events affecting investee companies and the impact of changing temperatures on mortality rates.
- **Transition risks** are driven by a combination of policy actions and technological innovations. These risks are generally expected to occur in the short and (in particular) medium term. These risks mean some high-emitting economic sectors could see material decreases in their valuations.

With risks come opportunities – these opportunities are likely to include assets that will benefit from the transition to a net-zero economy. Assets such as renewable energy or the creation of new technologies developed to address the transition to net zero will provide new investment opportunities.

In the following table, we have considered how climate change may affect some of the key asset classes employed by the Trustee through different risks and opportunities.

Table 3. Transition and physical risks relating to the scheme

Asset class	Transition risks (short and medium-term)	Mitigation	Mitigation
Listed equities	Risk of asset impairment and stranded assets in fossil fuel energy stocks.	Eroded profitability and value of corporate assets in climate-vulnerable locations, increased risks to supply chains, water scarcity, logistical operations, supply disruptions, loss of services, and increased insurance and regulatory costs.	Increased profitability of companies involved in the clean-tech revolution.
Corporate fixed income	Reduced credit rating and potential default risk of issuers that finance high-carbon assets and activities.	Eroded profitability and value of corporate assets in climate-vulnerable locations, increased risks to supply chains, water scarcity, supply disruptions, loss of services, and increased insurance and regulatory costs.	More stable credit ratings and lower default risk associated with physical and transition risk for issuers that finance
Real estate	Properties with poor energy efficiency ratings or standards are likely to underperform more highly-rated assets e.g. older properties may require capital spending to improve energy efficiency.	Higher insurance costs and declines in the value of properties that are at high risk from climate-related weather events.	Increased valuation of properties with high environmental credentials (also called the 'greenium').
Infrastructure	Policy changes and technological advancements could affect the value of infrastructure assets less suited to a low-carbon world, or render them redundant (e.g. coal power incompatible with carbon capture and storage).	Higher insurance costs (or uninsurable assets) and lower valuation of assets in climate-vulnerable locations.	Strong performance of renewable energy infrastructure assets, also encompassing renewable energy enabling and distribution assets.

DB

DB pension schemes must meet the statutory funding objective, which means the Trusts must make sure they have sufficient assets to pay the pension benefits to members. The funding position of a scheme compares the market value of a particular scheme's assets with the present value of its liabilities. This can be expressed as a ratio of the scheme's assets to liabilities (referred to as the funding ratio) or the scheme's assets minus liabilities (referred to as either a deficit or surplus).

The Scheme Actuary determines the assumptions used in setting contributions.

Climate change can affect DB schemes by:

- impacting the investment returns that assets can achieve;
- changing mortality assumptions;
- changing the strength of the covenant provided by the sponsoring employer(s).

DC

DC pension schemes must invest members' contributions wisely to provide a retirement pot of sufficient size to help support a member through retirement.

Climate change can affect DC schemes by:

- impacting the investment returns that the assets can achieve.

Climate scenario analysis

In 2022, we conducted climate scenario analysis to stress-test the DB and DC portfolios of The Pensions Trust against climate-change risks. It was the first quantitative climate scenario analysis conducted on TPT's assets. The complete analysis can be found in our 2022 TCFD report (pages 10-21).

Codes and industry initiatives

TPT also seeks to promote a well-functioning financial system by working collaboratively with other stakeholders and taking part in relevant industry initiatives. This includes dialogue with industry bodies, responding to consultations, joining working groups, and participating in collaborative initiatives, to support the continued improvement of the functioning of financial markets.

TPT supports industry-wide initiatives to promote RI and stewardship and is a signatory to both the Principles for Responsible Investment (PRI) and the Montreal Pledge. The Trustee also aims to engage on relevant policy issues alongside other like-minded, responsible investors. To support the Trustee's work in this regard, the Trustee is an active member of the Institutional Investors Group on Climate Change (IIGCC) and the UK Sustainable Investment and Finance Association (UKSIF).

The Trustee 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 and whether they are signatories. The Trustee does not insist that investment managers publicly support the UK Stewardship Code but it will discuss with its investment managers how they demonstrate their support for the code.

More information on our collaborative engagement and memberships can be found in **section 10 (Collaboration)**.

Case study 5.
Open letter to the UK government

TPT is an active member of the UKSIF. UKSIF is an organisation for those in the finance industry who are committed to growing sustainable and responsible finance in the UK. It aims to bring together the UK's sustainable finance and investment community and support members to expand, enhance and promote the sector. UKSIF has been hugely active in efforts to promote the sustainable finance agenda and work closely with policymakers and others to find new ways to overcome the barriers to the growth of sustainability and deliver progress towards decarbonisation of the economy.

As a member of UKSIF, in August 2023, TPT joined forces with 35 other financial institutions in signing an open letter to the UK's Prime Minister, over concerns the government was preventing the finance sector from 'making the transformative investments needed to reach net zero'. The letter urged the government to provide long-term policy certainty to ensure the UK is a world leader in sustainable finance, and warned the UK government of the consequences of wavering in their climate commitments.

5. Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Review processes

Our RI and stewardship function is subject to a variety of internal and external review and assurance processes. The Trustee is charged with annually reviewing policies on, and determining the status of, the response to opportunities and risks arising from RI and climate-related issues. The Trustee believes that its overall approach to RI helps to identify and mitigate risks and potentially enhances portfolio returns. The Trustee has:

- developed a range of RI Principles, which delineate the chosen implementation approach to RI and stewardship matters;
- embedded a process that ensures new and existing investments are managed to take account of ESG and climate change risks and opportunities;
- approved the schemes' overall climate-related strategy, including integration into investment strategy, scenario analysis, and metrics and targets on the recommendation of the IC and;
- positioned climate change-related risk as one of the key risks that it must pay close attention to. These risks are discussed by the IC and Funding Committee, all of which are under the direct supervision of the Trustee Board.

Specifically, the Trustee handles issues requiring a group-wide perspective and, to this end, identifies important themes deserving intensive discussion, thereby managing these issues within an annual schedule. The Trustee actively addresses RI-related matters through dedicated sessions and deliberations at regular meetings.

Annual review

The Trustee integrates consideration of investment risks at the portfolio level by adopting an RI Framework and associated Climate Change Policy. The Trustee also assesses how the schemes' external managers integrate considerations of RI and climate within their investment and business activities. The Trustee annually reviews the RI Framework and Climate Change Policy. Through the IC, the Trustee ensures that it remains satisfied with the external managers' implementation of the Trustee's Investment Beliefs, RI Principles and processes.

The DB and DC SIPs embed the spirit of the Trustee's policies and processes towards RI, climate and stewardship. Both SIPs are reviewed annually by the Trustee and communicated to the schemes' members. Subsequently, the Implementation Statements serve as an annual account for the schemes' members and related parties about how the Trustee discharges the policies and principles encapsulated in the SIPs.

The Trustee regularly reviews the asset allocation of its DB and DC investments to ensure the security, liquidity, quality, and performance of the respective portfolios as a whole, and to ensure investments are appropriately diversified. The IC requires all investment managers to confirm, through their reporting, that the investments are diversified and suitable, and that they have complied with the principles set out in the DB and DC SIPs.

Implementation Statement

Trustees of most schemes with 100 or more members, such as VTL, must include an Implementation Statement within all Annual Report and Accounts produced on or after 1 October 2020. The Implementation Statement requirements differ between DC/hybrid schemes and pure DB schemes, but the statement must set out information about how the Trustee has put its SIP into practice, particularly in relation to stewardship and engagement. The Trustee is required to set out its opinion on how its policy and the SIP have been followed; describe voting behaviour; and explain any change to the SIP and the reason for it. The Trustee must also publish the Implementation Statement online and inform members about its availability.

DB

The IC and CIO determine the targets for each manager and monitor their performance using quarterly independent reports. The Trustee believes it is desirable to balance return and risk by using a combination of index tracking and active managers, and by taking account of the different investment styles of active managers. In the longer term, this approach is expected to produce overall returns in excess of those of the relevant objectives.

The Growth Asset and Matching-Plus portfolios both aim to be well-diversified between asset classes and return drivers. The strategy for each scheme is reviewed at least every three years to ensure it remains appropriate.

Each investment manager executes its own stock selection decisions within asset allocation ranges agreed with the IC. The discretionary managers determine the investments held, subject to objectives agreed, and reviewed from time to time. Some assets are readily marketable and investments may be realised from time to time, as required, to provide monies in order to make payment of benefits. Formal meetings are held regularly with the investment managers and the custodian. By using a number of investment managers, the risk attached to adverse performance by any one manager is reduced.

DC

The IC and CIO determine the targets for the default arrangement and self-select funds. The long–term performance of the target date funds, comprising the default, depends on the asset allocation strategy. The Trustee has appointed the investment manager (AB) to determine asset allocation within the default arrangement to ensure appropriate risk-adjusted returns. The self-select funds are designed to match the performance of the underlying index tracking funds (before allowing for fees).

A review is undertaken annually (and whenever there has been a significant change in investment policy which exceeds the minimum legal requirement). A formal triennial review considers both the performance of the investment manager and the on-going suitability of the default arrangement. The last formal triennial review was completed in May 2021.

A typical review process (triennial or annual) involves various layers of delegated roles and responsibilities. The Trustee monitors performance continuously and receives relevant updates at each quarterly Trustee Board meeting.

In 2022/23, the IC undertook quarterly and annual performance monitoring in conjunction with the investment manager and convened a dedicated committee meeting to cover the DC Scheme and the culmination of the review process. The output of the annual review was reported back to the Trustee.

The IC keeps the investment strategy of the ethical target date funds under regular review as part of its oversight responsibilities.

Assurance

The provision of assurance on stewardship reporting is an evolving area. Having considered the need to include an independent assurance review, and to enable appropriate challenge, the Trustee appointed an independent external consultant to review this Stewardship Report.

Internally, the Stewardship Report was reviewed by the IMT and Trustee Board (who also approved the report). Regular updates were provided at committee and board level and two separate sessions were organised for members of the Trustee Board to provide feedback.

Investment approach

6. Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Understanding our members

The Trusts are centralised occupational pension funds for non-associated employers. There were 55 (2022: 53) segregated schemes within The Pensions Trust and 10 (2022: 10) within The Pensions Trust 2016 as at 30 September 2023. The individual schemes and asset values are detailed in the Annual Reports and Financial Statements 2023.

Table 4. 2023 membership

Status	Members	Average Age
Deferred	266381	45
No Liability	213719	-
Active	132997	44
Pensioner	48149	71
Dependants Pension	4120	68
Paid Up	958	54
Life Assurance Only	645	45
Pending Decision	70	47
Serious IHER	33	56
Taunton GP Pension	12	82

Data as at 30 September 2023

Table 5. Statement of net assets – The Pensions Trust

	Defined Benefit Schemes £m	Defined Contribution Schemes £m	Expenses Reserve Account £m	Total 2023 £m	Total 2022 £m
Investment Assets					
Equities	143.4	-	-	143.4	114.9
Bonds	194.1	-	-	194.1	323.7
Property	168.7	-	-	168.7	228.6
Pooled Investment Vehicles	5,646.6	2,819.6	-	8,466.2	9,200.6
Derivatives	5.3	-	-	5.3	6.8
Insurance Policies	119.9	-	-	119.9	134.9
AVC Investments	1.1	-	-	1.1	1.1
Cash and Cash Equivalents	120.1	-	-	120.1	124.7
Other Investment Balances	186.6	-	-	186.6	275.1
	6,585.8	**2,819.6**	**-**	**9,405.4**	**10,410.4**
Investment Liabilities					
Derivatives	(39.4)	-	-	(39.4)	(138.8)
Cash and Cash Equivalents	(26.6)	-	-	(26.6)	(33.7)
Other Investment Balances	(13.5)	-	-	(13.4)	(284.0)
	(79.5)	**-**	**-**	**(79.4)**	**(456.5)**
Total Net Investments	**6,506.3**	**2,819.6**	**-**	**9,325.9**	**9,953.9**
Fixed Assets	5.2	-	2.6	7.8	8.2
Current Assets	53.1	49.4	40.1	142.6	124.6
Current Liabilities	(53.5)	(5.3)	(21.0)	(79.8)	(34.9)
Total Net Assets (available for benefits)	**6,511.1**	**2,863.7**	**21.7**	**9,396.5**	**10,051.8**

Source: The Pensions Trust Annual Report and Financial Statements 2023

Table 6. Statement of net assets – The Pensions Trust 2016

	Total 2023 £`000	Total 2022 £`000
Investment Assets		
Equities	967.9	704.0
Bonds	7,869.3	6,489.2
Pooled Investment Vehicles	240,687.9	302,656.3
Derivatives	88.5	192.7
Insurance Policies	5,186.4	5,700.9
AVC Investments	261.1	332.0
Cash and Cash Equivalents	1,892.3	905.5
Other Investment Balances	11,922.4	1,498.9
Serious IHER	33	56
Taunton GP Pension	12	82
	268,875.7	**318,479.5**
Investment Liabilities		
Derivatives	(772.3)	(2,195.8)
Cash and Cash Equivalents	-	(16.3)
Other Investment Balances	(38.2)	(1.7)
	(810.5)	**(2,213.8)**
Total Net Investments	**268,065.2**	**316,265.7**
Current Assets	1,389.0	1,732.0
Current Liabilities	(1,074.4)	(975.5)
Total Net Assets (available for benefits)	**268,379.8**	**317,022.2**

Source: The Pensions Trust 2016 Annual Report and Financial Statements 2023

DB

The Trustee's objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns sufficient to meet, together with future contributions, the benefits payable under the Rules as they fall due.

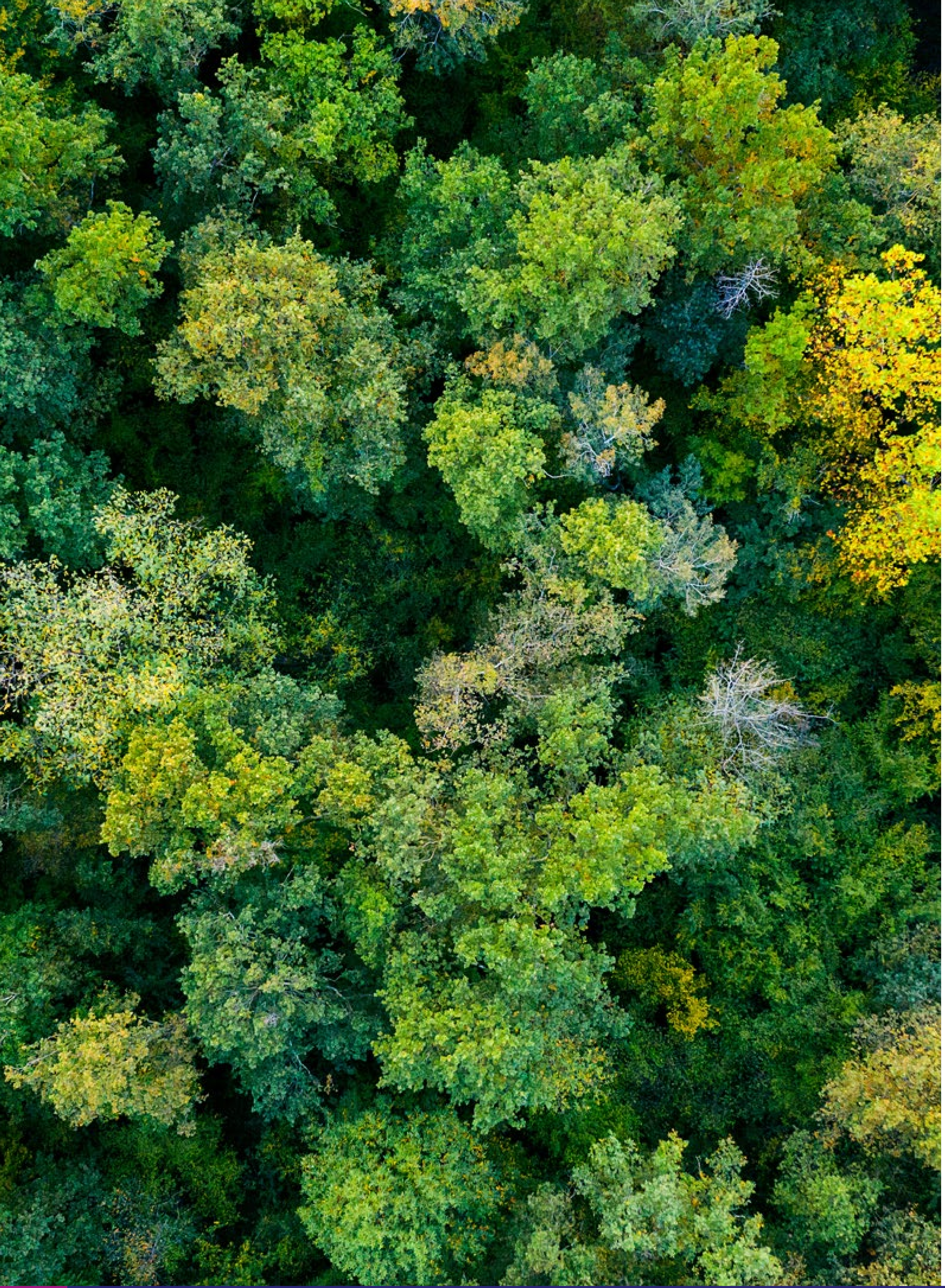
The Trusts are multi-employer pension schemes that provide tailored investment solutions for a number of underlying DB sections. In order to achieve its objective, the Trustee constructs pools of assets that are then used to determine scheme-specific investment strategies tailored to meet their individual set of liabilities.

The Trustee has delegated the power to set investment strategy to its IC and Funding Committee. In summary, the IC determines the strategic asset allocation and fund selection, after taking advice from the Trusts' independent investment consultants, for the various pools of assets from which the scheme-specific strategies are drawn. The Funding Committee sets scheme-specific asset allocation strategies at the same time as assessing scheme-specific funding needs.

When constructing the pools of assets from which scheme-specific investment strategies are drawn, the IC considers a number of factors including, but not limited to, the expected risk and return of each asset class, diversification benefits, liquidity requirements, and fees. In order to support its decision-making, the IC takes independent advice from the Trustee's investment consultants, as well as receiving input from the CIO.

The Trustee employs third-party fund managers to implement the investment strategy. It employs a combination of both passive and active investments depending on the perceived ability to add value in the relevant area, as well as the availability of investment strategies. Fund managers are monitored on an ongoing basis by both the IC and the in-house IMT and are met with at least annually.

When considering the investment strategy on a scheme-specific basis for each section of the Trusts, the Funding Committee takes into account a number of considerations such as the strength of the employer covenant, the long-term liabilities of the scheme, the appetite for investment risk and the funding strategy agreed with the employer(s). These are reviewed at least every three years in line with the individual scheme's valuation, to ensure that the strategy remains appropriate.



DC

TThe Trustee's objective is to make available to members an appropriate range of investment options designed to generate capital growth and/or income depending on a member's specific requirements. Together with contributions from members and their employers, this will provide a retirement amount with which the member can either purchase an annuity or take other types of retirement solutions.

In order to achieve this objective, the Trust offers a range of Target Date Funds (TDF) and Ethical TDFs (ETDFs), managed by AB, alongside a number of self–select funds. These funds sit on an investment platform provided by Phoenix Life Limited.

The Trustee monitors the underlying risks through annual investment reviews with AB.

Most members (over 90%) choose the default investment offered and governed by the Trustee. Some members actively self-select their investments from the range offered by the Trustee. The default solution uses TDFs. ETDFs are also available as the default option for members who wish to invest in a manner consistent with the Ethical Investment Framework (EIF).

The objective of the default arrangement is to provide an investment return in excess of inflation (measured by CPI). The investment manager may seek to dampen the impact of short-term market moves by adjusting the asset allocation tactically. Over the life of the funds, the strategic asset allocation shifts so that, as a member approaches retirement, the exposure to growth assets (such as equities) is reduced in favour of more defensive, less volatile assets (such as bonds). This default strategy and the objectives of the default arrangement are intended to ensure that assets are invested in the best interests of members and their beneficiaries. Members who choose the self-select funds bear the risks associated with their chosen fund(s).

Case study 6. Improving the DC investment offering

In 2022/23, the investment options offered to DC members were subject to a comprehensive review. The objective was to ensure that members are offered access to an appropriate range of options whilst saving for retirement and then accessing their pension savings. Following employer feedback and market research, the decision was made to change the investment options to support members who want to:

- receive an income through to the age of 95, but without purchasing an annuity;
- target the purchase of an annuity at the age of 75 to guarantee income in later years;
- put money aside in a "safety-net" for unforeseen circumstances; and/or
- specifically leave part of their pension pot as a legacy.

The functionality and underlying investments of this offer will be developed as part of the DC Scheme's digital transformation. They will be launched as part of TPT's new retirement proposition in the second half of 2024.

The self-select fund range was also reviewed and it was agreed to introduce new ways to invest in a sustainable future with six new self-select funds. These funds are designed to give greater freedom and choice in relation to socially responsible investment strategies, such as low-carbon-emitting or positive impact investing. The new funds will enable members to tailor their pension investments to better reflect specific beliefs, financial objectives, and risk preferences.

Those who invest through the default option will not be affected by the introduction of these new self-select funds. The default already has a fully responsible approach to investment integrated into the strategy, with 5-10% of a pension pot allocated to impact investments over the long term.

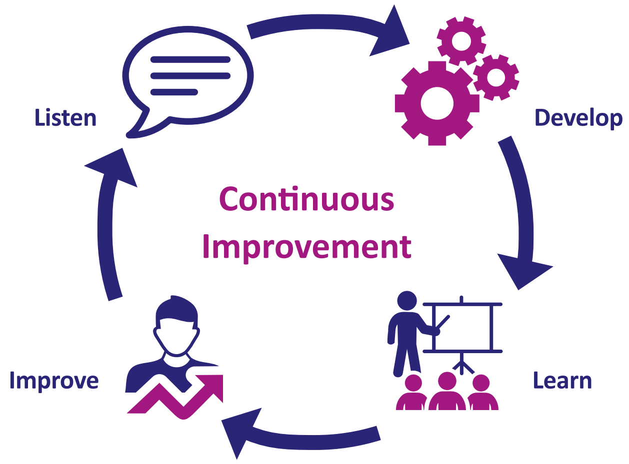
Listening to members

Active communication

The Trustee is committed to a comprehensive programme of member engagement and reviews its communications plan annually. Non-financial matters are taken into account in the selection, retention and realisation of investments. Non-financial matters, as defined in the Occupational Pension Schemes (Investment) Regulations 2005, means the views of the members and beneficiaries, including (but not limited to) their ethical views and their views in relation to social and environmental impact, and the present and future quality of life of the members and beneficiaries of The Pensions Trust and The Pensions Trust 2016.

The Trustee shares information on its RI activities via regular member and employer reporting channels. TPT's website also contains a dedicated RI page, which contains the Group's key policies and stewardship reporting.

Figure 4. Member engagement at TPT



Case study 7.
Updating communications strategy

During the 2022/23 scheme year, the Trustee carried out a formal review of the DC communication strategy. In-depth member research was undertaken with over 1,500 members participating. Insights from the research, along with ongoing member and employer feedback, were used to shape the communication strategy. Three new key objectives were agreed:

- To give members reassurance in the DC Scheme's expertise to manage their pension savings;
- To help members understand how their pension works, what it might be worth and how and when to make decisions; and
- To encourage members to engage with the DC Scheme and make it easy for them to engage.

Taking these objectives into account, the Trustee's updated member-communication strategy includes:

- using member research to better understand members' needs and to measure the effectiveness of communications at meeting these needs;
- reaching members by regularly communicating in different ways and through various channels, including through employers and by email and using targeted content appropriate to different sections of the membership;
- improving engagement and member service through digital channels, including improving the ability for members to make changes to their arrangements themselves through the website; and
- promoting the DC Scheme's RI approach and helping members understand how their savings are invested.

Ethical offering

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 who want to reflect ethical concerns in their pension investments, TPT offers an EIF. This EIF sets out the standard ethical criteria which are applied to TPT's ethical funds. It was adopted by the IC in 2016 following consultations with key member organisations and serves as an assurance to certain members that investments in TPT's ethical funds do not support companies, products, policies, or practices of particular concern to them.

The EIF applies to both DB and DC assets.

7. Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Stewardship and ESG integration

The Investment Regulations require that trustees disclose their policies in relation to:

a) Financially-material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments;

b) the exercise of the rights (including voting rights) attached to the investments;

c) undertaking engagement activities in respect of investments (including methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters); and

d) the extent (if at all) to which non-financial matters (the views of members and beneficiaries including their ethical views) are taken into account in the selection, retention and realisation of investments.

The Investment Regulations also require trustees to be transparent about their scheme's arrangements with their asset managers, including how (if at all) the arrangement incentivises the asset manager to act in accordance with trustee policies and the duration of the arrangement.

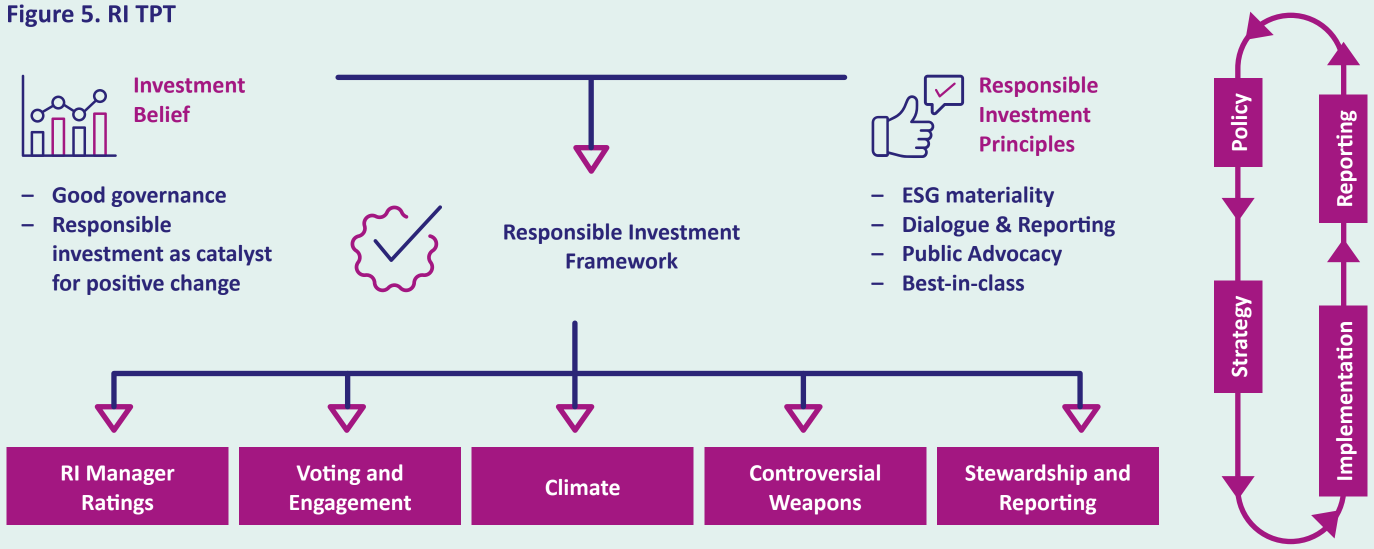
Financially material considerations are defined in the Investment Regulations as ESG considerations, including but not limited to climate change.

The Trustee is committed to being a responsible investor in line with its legal duties under the Investment Regulations. In order to formalise the activities that the Trustee undertakes to demonstrate its commitment to being a responsible investor, it has put in place a **Responsible Investment Framework**. The RI Framework covers the key activities undertaken by the Trustee in managing the assets of the schemes, and ultimately allows the Trustee to communicate its approach to both key suppliers and members.

The Trustee Board delegates responsibility for implementation of the RI Framework to the IC. To ensure the ongoing suitability of the Trustee's approach, the RI Framework is reviewed annually by the IC and the Trustee Board.

The Trustee's RI Framework applies to all of its investments, although it tailors its expectations according to the different asset classes and the investment styles of its managers (e.g. active or passive strategies).

Figure 5. RI TPT



RI 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 RI Framework describes how we incorporate ESG into our investment decisions and the selection and monitoring of investment managers.

Stewardship and ESG integration

The integration of stewardship and investment, including material ESG issues, is supported by several processes and activities, including:

– asset allocation;
– manager selection and monitoring;
– risk management;
– active ownership;
– training and education; and
– advocacy.

In regards to material ESG issues, the RI Framework identifies the following ESG areas as key:

Climate change

Human rights

Board governance

The Trustee annually reviews and agrees to a number of **stewardship priorities**. These typically incorporate the material ESG issues identified in the RI Framework and any other emerging topics or themes that we would like to focus on during the year. Our stewardship priorities are communicated to our investment managers and we also seek to understand their priorities and the degree of alignment that exists between ours and our managers' thinking. These themes also support our annual engagement plan. We do not request that managers adopt all of our stewardship priorities, but expect some convergence in the topics addressed and stewardship goals for the year.

2024 Stewardship Priorities

We plan to focus on the following themes in 2024:

– Climate
– Human rights
– Diversity
– Nature

Climate change

Of the environmental and social issues that we consider, we believe that climate change represents a material financial risk to the long-term value of our investment portfolio, and has the potential to reduce the security of our members' retirement benefits.

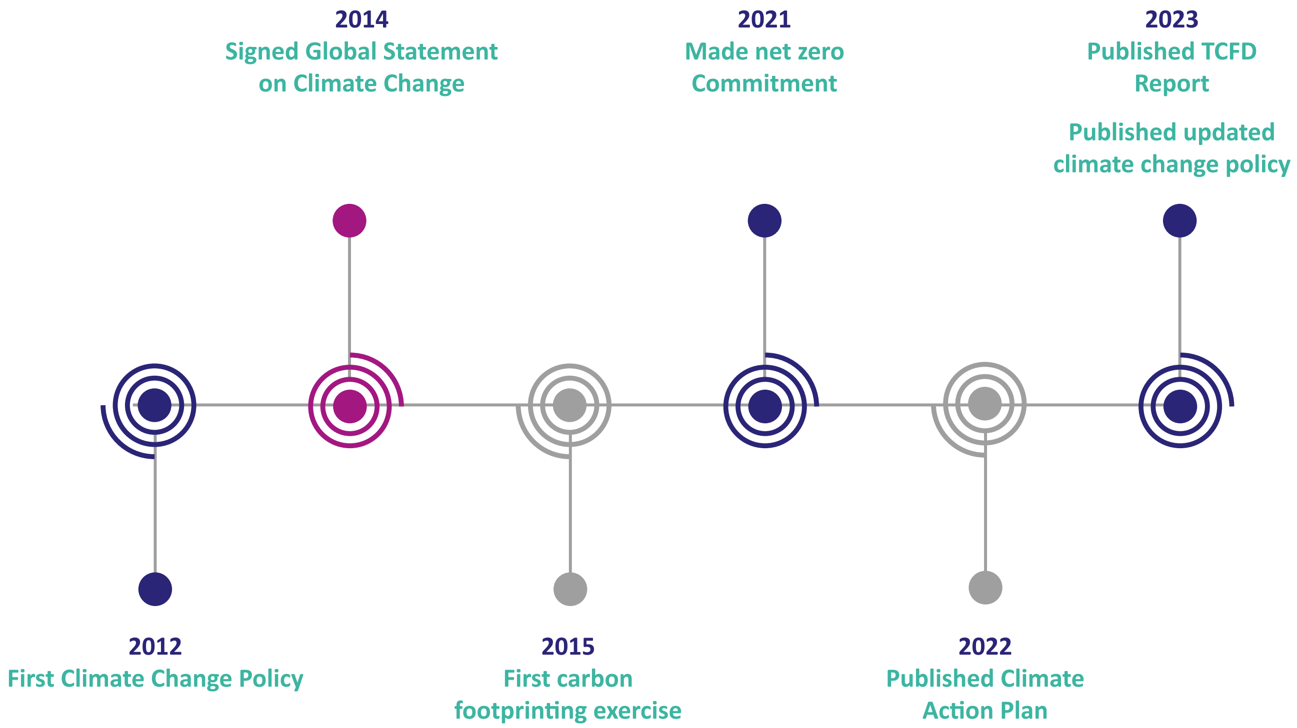
The Trustee is committed to achieving a net-zero emissions portfolio by 2050. Our Climate Action Plan details our roadmap to net zero. The plan is shaped by the following commitments:

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.

Climate considerations are integral to our RI Principles and our RI approach in portfolio construction and monitoring, advocacy and reporting. 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. Our efforts also include active participation and engagement with the wider investment community and policymakers. We believe that industry-wide focus and transparency will help facilitate the transition to a net-zero economy.

Our Climate Change Policy was updated in 2023 to integrate the latest best practices and recommendations, and include our interim climate targets.

Figure 6. Embedding climate considerations into our investment decisions for over 10 years



TCFD reporting

Our TCFD report looks at our objectives, actions, risks, opportunities, and investments through a climate-related lens. Read the full report.

Net-zero investment strategy

We aim to provide investments that make a difference to the world and support the transition to a net-zero economy. We integrate climate change into our investment decisions to achieve our targets. This includes changing our asset allocation and portfolio construction processes, and also implementing a stewardship strategy with a strong voting and engagement policy.

Screening

TPT's Climate Policy was updated in 2023, and makes explicit reference to investments in **thermal coal, oil sands and arctic drilling activities** not being aligned with an ambition for net zero. Whilst investments in these activities were a very small part of our portfolio, throughout the year **we engaged with our managers to apply an exclusion policy** consistent with our revised policy.

Asset allocation

Portfolio allocation to **green infrastructure** and **renewable energy** is part of our asset allocation approach. We have committed to **increasing investment in climate solutions to at least 6% of return-seeking assets by 2030**. In 2016, we made our first dedicated allocation to renewable-energy generation and renewable-supporting technologies. In 2021, we invested in two additional renewable-energy strategies.

Tilting

In 2021, we changed our passive equity implementation from a traditional market capitalisation approach to the Low Carbon Transition Global Equity Fund (Legal and General Investment Management (LGIM)).

Replacing our passive equities with a **climate tilt** resulted in a **decrease in absolute portfolio emissions from the equity portfolio** of c.79% in 2021 compared to 2019.

Stewardship

We believe our target emission reductions should be primarily achieved through **real-world decarbonisation**. We value the role that **active ownership** can play in meeting our targets and make use of our **engagement and voting tools** to help achieve our net-zero objective.

8. Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

Selecting and monitoring managers

The Trustee has delegated investment decisions and compliance with its stewardship policies to the IC which reports directly back to the Trustee. The IC has delegated day-to-day investment management to authorised managers and has taken steps to satisfy itself that the managers have the appropriate knowledge and experience to manage the Trustee's investments.

These managers, which are regulated by the appropriate regulatory body in their country of operation (such as the Financial Conduct Authority in the UK), manage the investments within the restrictions set out in investment management agreements, which are designed to ensure that the objectives and policies set out in the SIPs are followed.

The mandates put in place by the Trustee specify how rights attaching to the Trusts' segregated investments are acted upon. These include active voting participation and a requirement to consider ESG factors when making investment decisions.

The Trustee has less of an influence on the underlying investments within pooled investment vehicles, but reviews the managers' policies and statements of compliance in respect of these matters to ensure they reflect the Trustee's expectations and alignment with the Trustee's investment policies.

As part of the Trustee's selection process, investment managers and partners are required to demonstrate robust climate expertise to be included in the cohort of prospective managers. The Trustee selects a variety of managers who share a number of key attributes, including: a long-term mindset; appropriate remuneration structures; robust risk management; and integration of ESG factors into their decision-making process.

The managers are not appointed for a fixed period of time but these appointments are regularly reviewed as part of structured monitoring and review processes. Investment managers' approaches to stewardship, climate change and ESG risks are assessed and discussed at review meetings. Investment managers are also asked to report regularly on their RI and stewardship activities.

Each manager's approach is assessed using the Trustee's rating system, with four key areas considered: values, stewardship, RI integration, RI reporting and transparency. Each investment manager is then assigned an RI Rating. The Trustee reports RI Ratings to the IC on a quarterly basis, as an integrated part of its manager monitoring dashboard.

The continued appointment of an investment manager who fails to comply with the Trustee's policies and fails to give a satisfactory explanation will be reviewed. The details of individual managers are published each year in the investment report within the Trustee's Annual Report.

Figure 7. RI manager oversight

Investment Strategy & RI Manager Oversight

- Appointing managers with strong RI policies and processes
- Investing in mandates with climate solutions credentials
- Integrating RI into legal documents
- Integrating RI as part of the due dilligence and monitoring processes

Internal Assurance

- Manager meeting reviews
- Executive Board - Dashboard
- Investment Committee - IMT recommendation

Reporting

- Implementation Statement
- TCFD Reporting
- Stewardship Reporting
- PRI

Selecting and monitoring service providers

Service providers are also subject to engagement and due diligence processes. These processes vary depending on the deemed importance of the service in question. Key service providers, such as our custodian Northern Trust, are subject to comprehensive checks and controls. These include weekly calls, regular reporting, a service-level agreement (SLA), and attestation. Communication is key – we look not only at conducting risk assessments but also at providing feedback and collaborating to enhance the service. For example, in 2023, we engaged with our main ESG data provider (MSCI) in regards to coverage and data quality. We also appointed Ortec Finance to assist us with climate-scenario analysis following a comprehensive review of external vendors and methodologies.

Responsible Investment Manager Rating System

Managers are assessed on their approach to RI on an ongoing basis, based on a proprietary scoring system. The RI Rating System comprises four areas: values, stewardship, ESG integration, and transparency. The scoring is translated into an A, B, C, or D rating (with A being the highest possible rating and D being the lowest). The Trustee reports its RI ratings to the IC as an integrated part of its manager monitoring dashboard. External managers are reviewed at least annually on their performance and RI credentials. We continuously engage with our investment managers on our expectations for incorporating RI considerations and utilise appropriate escalation strategies if they fall short of our expectations.

A guide to the ratings is provided below.

A: Leading approach to integration of RI at investment level, with the manager being able to clearly articulate the relevance and value of RI as part of the investment philosophy. RI considerations should influence portfolio positioning. There are dedicated RI professionals or ESG champions as well as frequent and suitable RI reporting. The manager can evidence that RI systems and processes are in place and the manager is a good 'steward' of the assets.

B: The firm has a satisfactory approach and is reasonably well aligned with TPT's expectations on RI. There is sufficient evidence of ESG integration, stewardship and reporting to demonstrate that the manager is committed to embedding its own policies.

C: The manager employs a 'light-touch', compliance-based approach and is not willing/intending to move beyond this. Managers in this category may also be 'new' to ESG and in the process of implementing policies and processes.

D: The manager has not given consideration to RI at the organisational or strategy level and/or does not see ESG as being relevant. IMT should seek improvements from the manager over an agreed time period.

Case study 8. RI Rating review

During the reporting year, we reviewed investment manager Apollo's RI practices and subsequently upgraded their RI Rating to B. This upgrade reflects improvements in governance and reporting, following sustained engagement with the manager.

Key developments included:

Enhanced Governance: Since a leadership change, Apollo has demonstrated a stronger commitment to RI and expanded resources. This shift is evidenced by the hiring of a dedicated Head of ESG for Credit and Private Equity, as well as the appointment of a new Chief Sustainability Officer.

Integration of ESG: Apollo has effectively integrated ESG risks into their credit risk analysis. This is accomplished through the use of comprehensive due diligence templates and sector-specific scorecards, which assign different weights to ESG factors based on materiality.

Improved Reporting and Transparency: Apollo has begun publishing quarterly investment reports that include TCFD-aligned carbon metrics.

Industry Collaboration: Apollo was appointed as the inaugural Chair of the Steering Committee of the ESG Integrated Disclosure Project. This initiative, led by the Principles for Responsible Investment (PRI) and other organisations, aims to standardize and enhance ESG disclosure practices in private credit markets.

Engagement

9. Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Engagement policy

We believe that we should act as a responsible owner of the assets we invest in on behalf of our members. An important part of this is making sure that we use our rights to influence corporate behaviour through voting and engagement, and contribute to policy and regulatory development by working with governments and regulators.

The Trustee's approach to engagement consists of four elements:

a) Engagement by investment managers: The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee 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 the Trustee, and the amount of time corporate entities have available for single investors. Engagement, with the aim of improving the medium to long-term performance of investor companies, is one of the factors taken into account by the Trustee in the selection, monitoring and review of managers. The Trustee expects its managers to engage on ESG matters where they are considered material and relevant to the investment case. It also expects its managers to respond to specific requests the Trustee might have.

b) Joint engagements with investment managers: There may be occasions when engagement topics identified by the Trustee overlap with the engagement efforts of its investment managers. In these situations, the Trustee will seek to undertake joint engagement activities with investment managers.

c) Collaborative engagements: The Trustee recognises that, as a responsible asset owner, it should, wherever time and resources allow, support initiatives which aim to improve the regulatory and operational environment for all investors. As part of this, the Trustee will participate in collaborative engagements with other asset owners, which it sees as furthering the aims and objectives of its investment beliefs and its RI Framework. As part of its efforts in this area, the Trustee is committed to joining collaborative engagements through its association with organisations such as the Principles for Responsible Investment (PRI), IIGCC, 30% Club and the Investors Policy Dialogue on Deforestation (IPDD).

d) Direct engagements: On occasions, an issue may arise where the Trustee believes it is necessary to directly engage with companies on particular ESG-related issues. Here, our engagement is shaped by direct dialogue with companies.

In each case, the Trustee's approach to engagement is designed so that there is effective stewardship over the investments. As mentioned previously, the Trustee follows an engagement plan, which is reviewed and updated annually and shaped by the ESG themes identified as priorities for the year.

Engagement activity undertaken on our behalf by asset managers

All our investment managers are requested to submit engagement data every quarter. This data is reviewed and informs discussions with managers. The quality and detail provided vary amongst managers and the type of investment. We continuously engage with managers to enhance their reporting and share our expectations in regard to engagement. A particular area of focus is the clear identification of the engagement objective as well as the assessment of if / how that objective was met. We believe that the identification of milestones is particularly important but often lacking in investment managers' reporting.

We produce quarterly stewardship reporting that includes engagement data as well as case studies, and this is available on our website. Below are some examples of engagements undertaken by our asset managers on our behalf. It is our intention to complement the work of our investment managers and conduct engagement in-house for a number of priority companies. For this reason, we have developed an engagement action plan for 2024 based on agreed stewardship priorities. We want to be strategic and focus our resources where engagement is most needed. We understand that good stewardship can be applied in different ways and that it is also an evolving process – our aim is to continue growing and improving our practice.

Equity

Investment manager: LGIM

Engagement theme: Climate change

Rationale: Climate is changing globally. There is overwhelming scientific consensus that greenhouse gases emitted as a result of human activities are causing global warming.

The global temperature increase we will experience in the coming decades will have a profound impact on people's lives and, therefore, on our economies. To minimise the most damaging consequences, governments around the world are pursuing efforts to limit the global temperature increase to no more than 1.5°C above pre-industrial levels, as part of the Paris Agreement on climate change. Achieving net-zero global greenhouse gas emissions by 2050 or sooner is increasingly recognised as offering a higher chance of reaching the Paris goals. Meeting this ambitious target is dependent on increased policy support and changes in consumer behaviour, as well as significant upscaling of investment in climate solutions.

Action: LGIM's Climate Impact Pledge is a targeted engagement campaign LGIM started in 2016 to address the systemic risk of climate change. The programme initially focused on 80 companies, with divestment sanctions associated with a single fund. In 2020, it was expanded to around 1,000 companies, and as at the end of 2022, potential exclusions applied to over £157.6 billion of LGIM's assets. Drawing on c. 70 data points, leveraging LGIM's proprietary climate modelling as well as third-party data, company assessments (climate ratings) are focused on five key pillars: governance; strategy; risks and opportunities; scenario analysis; and metrics and targets. These are in alignment with recommendations from the TCFD and are publicly available under a 'traffic light' system on LGIM's website. This enables companies to transparently verify progress and identify areas that need improvement.
By linking votes to specific data points aligned with its principles-based approach, LGIM aims to exert influence consistently and widely across markets.

Outcomes and next steps: Towards the end of 2022, LGIM substantially broadened the scope and strengthened the expectations of their dedicated climate engagement programme with the goal of accelerating progress towards net-zero GHG emissions globally. LGIM has expanded the scope in three main ways. They have: 1) increased the number of 'climate-critical' sectors assessed and engaged with from 15 to 20; 2) significantly extended the number of companies covered by their data-driven assessment from around 1,000 to over 5,000, thereby capturing more of LGIM's portfolio emissions; and 3) increased the number of companies subject to direct engagement from 60 to over 100. LGIM selected 100+ companies for this in-depth engagement, combining the expertise of sector specialists from across LGIM's investment teams and their Investment Stewardship team.

Private Income

Investment manager: PIMCO

Engagement theme: Deforestation

Rationale: Halting and reversing land degradation is crucial to limiting global warming and mitigating a wide variety of risks, such as biodiversity loss and human rights violations.

Action: While PIMCO's direct exposure to forest-risk commodities is limited, the team engaged with more than 20 companies, including food manufacturers, retailers and banks, on their commitment to eliminating deforestation in their value chain. PIMCO emphasised the importance of supply chain traceability, independent verification and grievance mechanisms to form a robust due diligence process.

Outcomes and next steps: PIMCO found some companies moving gradually towards physical certification and full traceability of commodities, while the link between zero deforestation and net zero commitment could be further solidified in banks' climate strategies. PIMCO plans to continue engaging on this topic.

Equity

Investment manager: Northern Trust Asset Management

Engagement theme: Biodiversity (Water Management & Deforestation)

Rationale: More than half of the world's GDP depends to varying degrees on nature across industries as varied as agriculture, construction, tourism and retail. Investors are increasingly interested in understanding the impacts that businesses have on natural resources – whether positive or negative.

Action: Northern Trust aims to influence impacts in two critical sectors: food and agriculture, and metals and mining. These two sectors consume large quantities of fresh water. What's more, they cause more land use change and biodiversity loss than other sectors. Severe droughts in parts of Latin America, Africa, Asia, the Middle East, Australia and the US are making water scarcer. This hinders business operations and raises production costs, which could result in difficulties obtaining mining permits, as well as assets becoming stranded and conflicts with local communities over resources. Expanding farms are among the main causes of deforestation, resulting in significant loss of biodiversity. The growth of the palm oil industry, especially, is contributing to large-scale deforestation in Indonesia and, increasingly, West Africa.

Outcomes and next steps: This was the first year Northern Trust began to engage with companies with the intent to pursue milestones outside their outsourced engagement activity. Northern Trust made good progress identifying the companies whose performance lags on deforestation certifications and water management targets, and aims to move towards setting specific KPIs to pursue positive change.

Equity

Investment manager: RBC

Engagement theme: Climate change

Rationale: Climate change is a systemic risk that could affect the global economy. It is also a cross-cutting risk that may both impact and amplify other principal risk types, such as investment risk and operational risk. The impacts of climate change on specific markets, regions and investments are complex, varied and uncertain. RBC recognises the importance of the global goal of achieving net-zero emissions by 2050 or sooner in order to mitigate climate-related risks. RBC considers material climate change issues in its ESG integration and active stewardship processes, for applicable types of investments. RBC also recognises the importance of the principles of the Paris Agreement and the international goal of holding temperature rise to "well-below 2°C", and preferably to no more than 1.5°C by the end of the century, in order to mitigate climate-related risks. RBC is committed to establishing a plan to actively engage with issuers for whom it believes climate change is a material financial risk if they do not have a net-zero target and action plan or are lagging their peers. They expect issuers in which they are invested, where climate represents a financially material risk, to: 1) establish credible targets and develop action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner; and 2) demonstrate progress in meeting their commitments.

Action: RRBC engages on climate change both directly, through their investment teams' direct meetings with management teams and boards of directors, and collaboratively, through industry initiatives. RBC also aligns proxy voting with overarching climate-related engagement expectations and commitments.

Examples of industry initiatives related to climate change include:

– participation in the launch of four collaborative engagements as part of Climate Engagement Canada;
– continued support of the IPDD in securing support from investors for the initiative's goals, as well as continued engagement with Brazilian and international stakeholders on the issue of deforestation;
– participation in five Climate Action 100+ engagements. The purpose of these engagements was to encourage companies to take action to reduce GHG emissions, improve governance oversight of climate change and enhance climate-related disclosures; and
– support of the CDP's Science Based Targets Campaign, which engages with select companies in order to seek their adoption of credible science-based climate targets.

Outcomes and next steps: Several issuers with whom RBC have engaged have made progress in the following areas: 1) Released public climate-related disclosures aligned with the recommendations of the TCFD; 2) Enhanced existing disclosures of climate-related strategies, metrics and targets; and 3) Created interim targets and action plans for the achievement of net-zero emissions by 2050. Where objectives have not been met, RBC continues to engage with the issuer over time and/or may escalate by commenting publicly, either alone or in collaboration with other investors, or take more formal steps, such as filing a shareholder resolution for equity investments.

Property

Investment manager: CBRE IM

Engagement theme: Green leases

Rationale: Green leases help CBRE to improve ESG performance of assets. Green leases help to measure and manage ESG risks and support tenants in reducing energy consumption. Green leases are increasingly becoming market practice and improve the sustainability credentials of the assets. This example aligns with UN SDG 11 (Sustainable Cities and Communities).

Action: During lease negotiations, CBRE seeks to include green lease clauses within tenancy agreements. These can fall into three categories: 1) EPC compliance- clauses that support compliance requirements with regard to EPCs; 2) Data sharing- clauses which support sharing of ESG data for reporting and performance updates; and 3) Collaboration- clauses in which CBRE agrees with the tenants to collaborate to improve a building's ESG performance.

Outcomes and next steps: Where possible, green lease clauses are integrated into all new and renewal leases. CBRE plans to continue to introduce more green lease clauses into the portfolios when leases are being negotiated. This will also assist in data collection, particularly for assets that are tenant-controlled.

Corporate Fixed Income

Investment manager: Royal London Asset Management (RLAM)

Issuer: Barclays PLC
Topic: Just transition

Rationale: To encourage companies to integrate social considerations in their climate transition plans. For a number of years, RLAM has been advocating for a 'just transition' which asks companies and governments to consider the social implications of moving to a low-carbon economy. It is an inclusive approach which helps avoid exacerbating existing injustices or creating new ones. Capital providers play an important enabling role in transitioning customers to sustainable low-carbon economies. By developing and having in place a just transition policy, banks can better assist the wide range of sectors, regions, and communities that they finance. Social and financial inclusion is one of RLAM's six engagement themes for 2022 to 2024.

Action: RLAM has been engaging with banks on just transition since 2022, when RLAM and Friends Provident Foundation (FPF) asked at the AGMs of HSBC, Lloyds, Barclays and Natwest if the banks would consider integrating just transition throughout their climate transition plans. RLAM has further enhanced this ask to include evidencing implementation at a product, sector and regional level. RLAM sent a letter to each of their Chairs, outlining what positive progress they have made and what further action they wish to see.

Outcomes and next steps: RLAM has met with Barclays on several occasions to discuss their progress and suggest improvements. Although Barclays had limited mention of just transition prior to engagement, in 2023 the bank provided a definition of just transition and implemented an assessment of just transition in its climate transition framework for reviewing its corporate clients. RLAM will continue engaging with the bank to improve their integration of just transition into their plans.

Equity

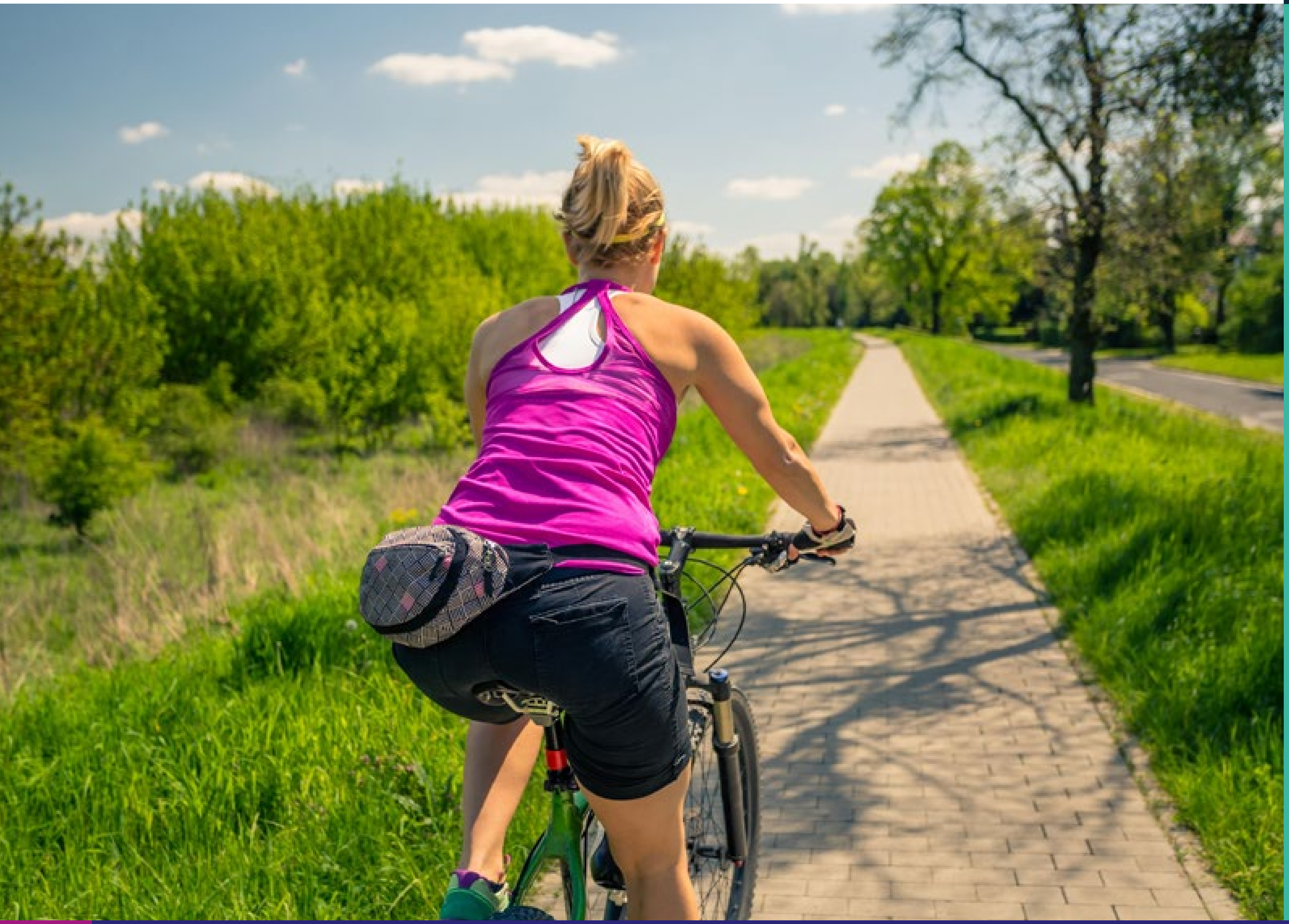
Investment manager: RBC

Issuer: B3 - Brasil Bolsa Balcao
Topic: Diversity

Rationale: Diversity was a prior focus area for the team in terms of engagement and continues to form an important part of RBC's conversations with portfolio companies. RBC spoke with B3 on this matter to monitor how the company is tracking on its diversity target.

Action: RBC spoke with Brazilian stock exchange, B3 Brasil Bolsa, on its diversity goal of reaching 35% of women in management positions by 2026. So far, the company is on track to reach this target (currently c. 30%) and RBC will continue to monitor progress.

Outcomes and next steps: RBC scored this engagement 'satisfactory'- the company is on track. In terms of future actions, RBC will continue to monitor the company's progress in this area and will engage with them as necessary.



Corporate Fixed Income

Investment manager: TwentyFour Asset Management

Issuer: Yorkshire Building Society (YBS)
Topic: Climate change

Rationale: This engagement was conducted in relation to YBS's new 'Brass 10' Residential Mortgage Backed Securities transaction and came under TwentyFour's Carbon Emissions Engagement Policy, since YBS is lagging peers with respect to its ESG disclosures. Following the government's proposal for all UK homes to have a minimum EPC rating of C from 2035 (2025 for private landlords), TwentyFour wanted to understand: the issuer's plans to reach this target, what green products it offers to incentivise homeowner upgrades, when it plans to disclose Scope 3 financed emissions, and any plans to reinforce its net zero commitments through signing up to the Science Based Targets initiative (STBi) or the Net Zero Banking.

Action: TwentyFour contacted YBS to discuss the reporting of Scope 3 emissions. TwentyFour learned that YBS did not have a plan in place to report these but will consider it in the future, and TwentyFour reiterated that it was very important to obtain this data. YBS did not have any green products, but was looking at offering some in the near term, and TwentyFour highlighted they were lagging peers in this regard. There are now plans to improve the average EPC rating to C on owner-occupied mortgages (TwentyFour asked the issuer to focus on this given it intends to be in line with net zero for Scope 1 & 2 emissions by 2025 and the minimum EPC of C is to be in line with net zero). On the social side, TwentyFour challenged YBS on its social-labelled securitisation and if it was doing anything differently. The lender has not changed its lending criteria and believe in its social label on the grounds that it targets underserved borrowers (i.e. self-employed borrowers who wouldn't be accepted by high street banks) and provides affordable housing. YBS doesn't have specific targets to increase social lending as a proportion of its total origination, since this is already part of what it does and all the proceeds of Brass 10 have already been allocated for social lending.

Outcomes and next steps: Ongoing monitoring situation rather than a completed outcome. There is significant scope for improvement, especially regarding net-zero and green products. TwentyFour will continue to monitor progress.

10. Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaborative engagement

We're active members in a variety of global causes and groups that make an impact through responsible investing. The Trustee is committed to joining collaborative engagements and working with other investors and stakeholders to promote and support progress on a variety of ESG topics.

As an asset owner with comparatively few resources available for engagement, we prefer to focus our efforts on industry engagements at the policy and regulatory level rather than at the individual investee/ corporate level. However, and especially in regards to our stewardship priorities, we also seek to participate in collaborative engagements with corporates. Collaborative engagement is one of the pillars of our engagement plan for 2024.

The Trustee supports the goals of the Paris Agreement and has signed the Global Investor Statements to Governments on Climate Change. The Trustee is a member of the Paris Aligned Asset Owners Group. Alongside other major global asset owners, the Trustee committed to achieving a net-zero emission portfolio, helping to drive the transition to a low-carbon economy by 2050.

The Trustee is a member of the IIGCC. Due to the interdependence of climate change with nature and society, it is a signatory of Climate Action 100+, the Investor Statement on Just Transition (World Benchmarking Alliance), and the IPDD initiative. This means that the Trustee is a part of the public discourse on climate change risks and opportunities and can influence change collaboratively.

The Trustee is also a member of the PRI, UKSIF, 30% Club and the Investor Alliance for Human Rights.

This list is not exhaustive.

Case study 9. Advocating for human rights

Human rights is one of our stewardship priorities. The Trustee adopted a Humans Right policy in 2022, which was included in the RI Framework. TPT supports the International Bill of Human Rights, international norms related to human rights and the UN Guiding Principles on Business and Human Rights. TPT 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.

TPT was formed in 1946 to provide benefits to social workers through the Social Workers' Pension Fund, two years before the Universal Declaration of Human Rights 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). The UNGPs are a set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations.

TPT 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 RI 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, TPT is an active member of organisations supporting advancement in this area, such as the Investor Alliance for Human Rights.

Collaborative engagement activity undertaken on our behalf by asset managers

We also encourage our investment managers to engage collaboratively and request quarterly collaborative engagement reporting. Below are some examples of collaborative engagement conducted by asset managers on our behalf.

Market Neutral

Investment manager: Man Group

Engagement theme: Water

Rationale: Part of the 'Valuing Water Finance Initiative', coordinated by Ceres – a set of six, science-based, actionable expectations provides investors with the framework required to help companies to strategically address water risk, aligning with the United Nation's 2030 Sustainable Development Goal for Water (SDG6) and the actions laid out in the Ceres Roadmap 2030. Ceres is a non-profit organisation working with capital market leaders to solve the world's greatest sustainability challenges. Through networks and global collaborations of investors, companies and nonprofits, Ceres aims to drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future.

Action: Man Group joined a co-engagement group with LAPF, Mercy, ASR, Sumitomo Mitsui, and ACTIAM in conducting dialogue with the US beverages company, Constellation Brands. The three main areas of discussion were water quality, water quantity, and access to water and sanitation. Man Group was able to provide the company with some industry examples of good practice with regards to water stewardship.

Outcomes and next steps: Engagement ongoing.

Property

Investment manager: CBRE IM

Engagement theme: Climate change

Rationale: ISO- International Organisation for Standardisation. This example demonstrates how CBRE engages with international organisations to influence the future debate and approach to ESG issues.

Action: CBRE EMEA Head of Sustainability participated in the development of the new ISO – net-zero standard launched during the UN's COP27 summit in Egypt. With leadership from Our 2050 World, CBRE joined hundreds of international sustainability practitioners to create the ISO Net-Zero Guidelines to help accelerate the transition to net zero by providing a single core reference text for ambitious and coordinated net-zero action.

Outcomes and next steps: With 'Influence' as a cornerstone of CBRE Sustainability Vision, CBRE recognises the importance of supporting key initiatives, sharing industry insights and supporting the transition to a sustainable economy through better standards and coordinated action.

Equity

Investment manager: LGIM

Engagement theme: Health (Antimicrobial resistance)

Rationale: The term 'antimicrobial resistance' ('AMR') sums up the damaging effect of bacteria increasing its resistance to antibiotics. AMR is one of LGIM's global systemic engagement themes. The World Health Organisation (WHO) describes AMR as one of the top 10 global public health threats facing humanity today. The World Bank estimated in 2016 that AMR could result in a 3.8% loss in global GDP, an impact comparable to that of the 2008 financial crisis. A study published in January 2022 confirmed that 1.27 million deaths globally in 2019 were directly attributable to bacterial AMR, while 4.95 million deaths were indirectly linked to bacterial AMR. As a global investor across multiple asset classes, LGIM can see the widespread impact AMR may have across numerous sectors, from healthcare and pharmaceuticals, to travel and leisure.

Action: LGIM has been collaborating with policymakers and peers. Writing a letter ensures LGIM receives acknowledgement, a response and forms the platform for future engagement with policymakers and peers at conventions, research events and policy groups. LGIM is a member of Investor Action on AMR. The group was founded by the PRI, the UK Department of Health and Social Care, the Access to Medicine Foundation, and Farm Animal Investment Risk and Return (FAIRR). In collaboration with them, LGIM has gained access, signed letters to the G7 and supported the UN General Assembly Call to Action on AMR. These collaborations enable LGIM to reach higher and further than they would alone and are vital to garnering support amongst peers, at national and international levels.

LGIM's focus for company meetings has been on the water utilities sector. LGIM has written to more than 25 water utility companies globally. LGIM is yet to see a management-proposed resolution on AMR, however, LGIM has supported relevant shareholder resolutions where they have been proposed. LGIM has supported shareholder resolutions related to AMR at Hormel Foods Corporation, McDonald's and Abbot Laboratories.

Outcomes and next steps: During the autumn of 2022, LGIM was approached by The Shareholder Commons to co-file a shareholder proposal asking McDonald's to apply the World Health Organisation Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals throughout its supply chains. LGIM co-filed the shareholder proposal in December 2022. The company has since released its antibiotics reduction targets. LGIM continues to engage with policymakers and relevant companies around AMR. Forming realistic but ambitious expectations of companies and developing recommendations for policymakers are crucial steps in LGIM's engagement.

11. Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalation policy

We recognise the critical role that stewardship plays in protecting the interests of our members and upholding our fiduciary duty. It is our responsibility to closely monitor the actions of our managers and adherence to our policy. We set clear expectations and, as described in section 8, we define stewardship requirements as part of the selection and monitoring processes. Investment managers are required to submit data on a quarterly basis regarding their stewardship activities. If non-compliance is identified, we seek to take appropriate action to address the issue and maintain the integrity of our stewardship approach.

In such instances, we may consider the following actions depending on the severity of the breach:

- **Engagement:** Initiate a discussion with the investment manager, communicate expectations and agree on future action;
- **Warning:** Issue a formal warning to the investment manager outlining the breach and expected corrective measures;
- **Escalation:** Escalate the matter internally and also with the investment manager;
- **Mandate review:** Review the on-going suitability of the mandate with the investment manager (when other measures fail).

We also seek to understand our managers' policies on engagement escalation and what actions they consider when there is a persistent lack of response to engagement, adverse behaviour, or violation of policies and best practice. We also request examples of escalation in quarterly reporting.

Our managers have similar approaches and typically list the following escalation tools:

- Voting against Board of Directors;
- Writing an open letter to the Chair or Independent Director;
- Initiating / joining collaborative engagement;
- Speaking at the AGM;
- Filing shareholder resolution;
- Supporting litigation;
- Disinvestment.

The Trustee agrees with the escalation process outlined above and will consider similar steps for escalation with issuers if necessary.

Case study 10. Engagement escalation leading to shareholder resolution

Investment Manager: Amundi

Engagement theme: Climate change

Rationale: Climate Action 100+ is an investor-led initiative designed to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Since 2020, Amundi has been a lead investor within the initiative for a cement and aggregates company based and operating in the US. This company has been identified as a climate laggard in the CA100+ Net Zero Company Benchmark, as it lacks critical climate-related information such as Scope 3 emissions. It discloses carbon emissions reduction targets that cover only part of its activities and material scopes. These targets present poor climate ambition that is not aligned with the Paris Agreement.

Action: Amundi initially struggled to get a meeting with the company but finally obtained a meeting in 2021. Based on the initial engagement, the key objectives were as follows: strengthen climate-related disclosure; establish additional climate-reduction targets on all material scopes and activities; and seek external certification for targets such as by the SBTi. Over the course of 2021, Amundi saw a lack of progress on their engagement objectives.

Given the lack of expressed interest in accelerating climate topics, as well as the company's rating in the CA100+ Net Zero Company Benchmark, Amundi triggered an escalation by voting down all but one item at the company's 2022 AGM. During the 2022 discussion with the company's representatives, Amundi reiterated their requests and expressed concerns about the company's lack of progress. In 2022, Amundi sent a letter to the Board of Directors detailing its expectations and informed the company they were considering several escalation methods if elements of their request remained unanswered. Unfortunately, several critical elements remained unaddressed and Amundi did not receive a reply from the company in response to the letter to the Board of Directors. Amundi filed a climate-related shareholder proposal for the company's 2023 Annual General Meeting.

Outcomes and next steps: Amundi plans to keep pushing for additional efforts that would better align the company's strategy with Climate Action 100+ expectations.

Exercising rights and responsibilities

12. Exercising rights & responsibilities

Signatories actively exercise their rights and responsibilities.

Voting policy

As a substantial investor in both UK and non-UK listed companies, the Trustee accepts its responsibilities as a shareholder and owner. 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.

The Trustee aims to vote its shares in all markets where practicable. In the normal course of events, it delegates this activity to its investment managers. That said, the Trustee retains the right (where possible) to direct its investment managers to vote in a particular way that it believes is in the best interest of its members. The Trustee expects its 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 the Trustee to better implement the commitments set out in its RI Framework.

The Trustee expects its investment managers to exercise its voting rights, on behalf of the Trustee, in line with its RI Framework and/or consistent with the Corporate Governance Policy and Voting Guidelines issued by the PLSA. Although the PLSA guidelines focus solely on voting at UK companies, they reference support for the G20/OECD Corporate Governance Principles and the International Corporate Governance Network (ICGN) Global Governance Principles. The Trustee expects its investment managers to use these guidelines when voting in markets outside the UK. In some cases where the Trustee deems the investment manager to have voting policies that better reflect the Trustee's approach to RI than those set out by the PLSA, the IMT may choose to instruct the investment manager to vote in line with the investment manager's own policy.

Where an investment manager intends to vote at variance with the Trustee's policy, the manager is asked to inform the Trustee as far in advance as possible to afford the best possible chance for the IMT to review the appropriateness of that manager's voting intentions on behalf of the Trustee.

Although voting rights are delegated to investment managers, the Trustee may choose to exercise its voting rights (or wish to express interest in exercising its voting rights) when companies' actions are not deemed satisfactory or as part of an engagement and escalation strategy. In line with the RI Framework, manager voting is reviewed against the Trustee's voting guidelines.

Stock lending

The Trustee has an active securities lending programme. The Trustee may choose to recall or restrict the amount of stock lent in case of a contentious vote or a vote relating to the Trustee's engagement activities. This decision will be considered on a case-by-case basis with counsel from the relevant investment manager(s). It is recognised that stock lending may sometimes prevent the Trustee from voting all of its shares.

DB and DC voting practices

The Trustee's voting policy, as outlined in the RI Framework, applies to both DB and DC elements. However, given the difference in the investment structure, it is recognised that the Trustee has varying levels of power and influence in the way it exercises stewardship across DB and DC.

For DB investments, TPT gives preference to segregated mandates. This provides the opportunity for the Trustee to direct its investment managers to vote in a particular way. It also allows for the inclusion of specific RI language in the Investment Management Agreements.

For DC, the Trustee invests assets via a unit-linked insurance policy with Phoenix Life Limited and appointed AB to nominate underlying investment managers. Given that the asset allocation of the TDFs is primarily implemented by third-party managers, these managers are typically responsible for voting and engaging with issuers. Nonetheless, there are selected allocations within the TDFs where AB is responsible for voting and engagement. This is because these allocations are themselves either managed by AB or AB has negotiated pass-through voting. Pass-through voting refers to the practice of giving investors control over voting. Given the inherent challenge of undertaking stewardship directly within strategies that primarily employ third-party managed allocations, and the importance of stewardship and active ownership to the Trustee, the emergence of innovations in the marketplace is something that the Trustee monitors closely, including the optionality to pass-through voting.

Exercising rights and responsibilities across asset classes

Effective stewardship covers all asset classes and geographies. While only listed equities carry voting rights, voting is just one component of the stewardship process. We expect our investment managers to incorporate stewardship in the investment process across all asset classes and strategies. This includes quarterly engagement reporting, as described earlier. Negotiating board roles, supplier monitoring, contributing to research and public discourse, or litigation, are other examples.

Please see **section 9 (Engagement)** for more details and case studies.

Voting activity undertaken on our behalf by asset managers

As with engagement, our investment managers are requested to submit voting data on a quarterly basis. This data is reviewed and meetings are held in order to discuss alignment with our stewardship priorities and preferred approach to determine significant votes.

As previously indicated, TPT produces quarterly stewardship reporting – this includes voting data as well as case studies. Below are some examples of significant votes undertaken by our asset managers on our behalf. Voting statistics for both the DB and DC portfolios can also be consulted in the Annex (see pages 82-85).

Significant votes

Investment manager name: Legal and General Investment Management (LGIM)

Company name	Pearson Plc
Date of vote	28-04-2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.36%
Summary of the resolution	Approve the remuneration policy
How you voted	Against (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.
Rationale for the voting decision	LGIM continues to review and strengthen its executive pay principles to improve pay practices and help companies better align pay with long-term performance. The company consulted with LGIM in advance of the publication of its remuneration policy to propose some changes to executive pay. The changes focused around the fact that their CEO is based in the US and should therefore be compensated in line with US peers. Thus, there was a higher proposed annual bonus opportunity and long-term incentive award. LGIM's main concern was that, although the company wants to align the CEO's salary with US peers, they have elected to use UK practices when it comes to his pension. This would result in a pension provision of 16% of salary, which is more than his US peers typically receive. LGIM voted against the policy.
Outcome of the vote	Pass
Implications of the outcome	LGIM will continue to engage with the company and monitor progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	Pre-declaration engagement: LGIM considers this vote to be significant as it is in application of an escalation of engagement activity.

Investment manager name: Legal and General Investment Management (LGIM)

Company name	Costar
Date of vote	08-06-2023
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.30%
Summary of the resolution	Shareholders' proposal: Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal
How you voted	For (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
Rationale for the voting decision	Ownership Capital supports emission-reductions proposals by shareholders. Whilst Ownership Capital is encouraged that the company is seeking to be SBTI-aligned, Ownership Capital supports any action to further reduce emissions.
Outcome of the vote	Fail
Implications of the outcome	Ownership Capital will continue to engage on emissions reductions.
On which criteria have you assessed this vote to be "most significant"?	Ownership Capital supports emissions reductions in light of portfolio-level net-zero targets.

Investment manager name: Sands Capital

Company name	Amazon.com, Inc.
Date of vote	24-05-2023
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.90%
Summary of the resolution	Shareholders’ proposal: Human rights risk assessment
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No. Sands Capital engaged with the company on the topics of labour and health and safety before the vote.
Rationale for the voting decision	Sands Capital believes the issue has reached a level of importance where a report could be useful. While Sands Capital agrees that Amazon is committed to responsibly using its technology products and services, and has taken steps to address illegal and discriminatory use, the primary mechanism has been through customer contractual requirements and policies. Given the proliferation and importance of artificial intelligence and machine learning, this topic is one where Amazon has an opportunity to be a thought leader through transparency.
Outcome of the vote	Fail
Implications of the outcome	Sands Capital will continue to monitor the issue and engage with the company.
On which criteria have you assessed this vote to be "most significant"?	The criteria selected to assess the "significance" of the vote were the dissent level, shareholder proposals voted ‘for’, times voted ‘against’ management or proxy service provider, historical votes on similar proposals and overall relevance to the strategy.

Investment manager name: Amundi

Company name	NIKE, Inc.
Date of vote	12-09-2023
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.25%
Summary of the resolution	Shareholders’ proposal: Report on median gender/racial pay gap
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	While being mindful of the company's current disclosures, Amundi considers that the proposal has merit insofar as it will give an additional view to shareholders to complete their assessment of how the gender pay gap is managed.
Outcome of the vote	Fail
Implications of the outcome	Amundi will continue to engage with the company and monitor progress.
On which criteria have you assessed this vote to be "most significant"?	As determined at Amundi level, significant votes are a selection of the most important environmental and social shareholder proposals. Emblematic votes, as encountered by the voting analysts from time to time (linked, for example, to controversies that have been highly publicised), vote of all items for meetings of issuers that have been noted as a conflict of interest as well as votes against board members of climate and social laggard companies.

Glossary

Term	Acronym	Definition
Defined Benefit	DB	A Defined Benefit pension scheme is one where the amount you are paid is based on how many years you have been a member of the employer's scheme and the salary you have earned when you leave or retire. They pay out a secure income for life, which increases each year in line with inflation.
Defined Contribution	DC	Defined contribution pension schemes are occupational pension schemes where your contributions and your employer's contributions are invested and the proceeds used to buy a pension and/or other benefits at retirement.
Department for Work and Pensions	DWP	The Department for Work and Pensions is responsible for welfare, pensions, and child maintenance policy in the UK.
Environmental, social and governance	ESG	The incorporation of environmental, social and governance issues into investment analysis and decision-making processes.
Greenhouse gases	GHG	Gases that trap heat in the atmosphere.
Montreal Carbon Pledge	-	The Montreal Carbon Pledge is a global initiative encouraging investment management firms to monitor and reduce the carbon emissions associated with their investment portfolios.
Net Zero Investment Framework	NZIF	Provides a common set of recommended actions, metrics, and methodologies through which investors can maximise their contribution to achieving global net zero emissions by 2050 or sooner.
Responsible investment	RI	Responsible investment involves considering ESG issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship). It complements traditional financial analysis and portfolio construction techniques.
Task Force on Climate-Related Financial Disclosures	TCFD	A reporting framework that helps organisations disclose climate-related financial risks and opportunities.
Universal owner	-	Universal owners are investors whose portfolios encompass a representative slice of the market. Universal Ownership recognises the role played by highly diversified asset owners (like pension schemes and insurers) in tackling global externalities such as climate change.

Links to referenced documents

- **2022 TCFD Report:** tpt-tcfd-report-2022.pdf
- **2023 TCFD Report:** tpt-tcfd-report-2023.pdf
- **Climate Action Plan:** tpt-climate-action-report-2023.pdf
- **DB SIP:** Trustee Statement of Investment Principles- DB (tpt.org.uk)
- **DC SIP:** Trustee Statement of Investment Principles- DC (tpt.org.uk)
- **Ethical Investment Framework:** ethical-investment-framework.pdf (tpt.org.uk)
- **Investment Beliefs:** TPT Investment Beliefs
- **Responsible Investment Framework:** tpt-responsible-investment-framework.pdf
- **Responsible Investment Principles:** TPT Responsible Investment Principles

Annex – Voting statistics

Voting statistics - DB

Investment manager	Legal and General Investment Management							Man Group	Ownership Capital
Fund	Ethical UK Equity Index	Ethical Global	UK Equity Index	North America Equity Index	Europe (ex UK) Equity Index	Asia Pacific (ex Japan) Developed Equity Index	Japan Equity Index	Man Risk Premia SPC	Long-Horizon Equity
How many meetings were you eligible to vote at?	240	1135	660	559	486	429	503	668	20
How many resolutions were you eligible to vote on?	4427	16486	10239	7628	8045	3091	6032	8417	324
What % of resolutions did you vote on for which you were eligible?	99.98%	99.90%	99.98%	99.76%	99.91%	100%	100%	96.59%	100%
Of the resolutions on which you voted, what % did you vote with management?	94.37%	81.36%	94.30%	65.11%	81.18%	73.70%	88.06%	79.41%	86.00%
Of the resolutions on which you voted, what % did you vote against management?	5.63%	18.44%	5.70%	34.88%	18.40%	26.30%	11.94%	20.18%	11.00%
Of the resolutions on which you voted, what % did you vote to abstain?	0.00%	0.20%	0.00%	0.01%	0.42%	0.00%	0.00%	0.50%	3.00%
In what % of meetings, for which you did vote, did you vote at least once against management?	44.77%	75.42%	41.49%	98.03%	80.86%	75.29%	70.38%	73.50%	85.00%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	4.29%	13.93%	4.50%	28.70%	11.01%	16.40%	9.71%	11.77%	9.00%

Voting statistics - DB

Investment manager	RBC Global Asset Management			Ruffer LLP		Sands Capital Management
Fund	Emerging Markets Equity SRI	Emerging Markets Equity ex-China	China Equity	Ruffer Absolute Return SRI	Ruffer Absolute Return	Global Growth
How many meetings were you eligible to vote at?	72	67	56	31	33	36
How many resolutions were you eligible to vote on?	679	627	483	433	438	406
What % of resolutions did you vote on for which you were eligible?	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Of the resolutions on which you voted, what % did you vote with management?	93.52%	93.78%	88.20%	92.84%	92.69%	96.30%
Of the resolutions on which you voted, what % did you vote against management?	6.48%	6.22%	11.80%	3.70%	3.88%	3.70%
Of the resolutions on which you voted, what % did you vote to abstain?	2.50%	6.54%	0.00%	3.46%	3.43%	0.00%
In what % of meetings, for which you did vote, did you vote at least once against management?	33.33%	35.82%	41.07%	45.16%	45.45%	22.20%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2.21%	2.39%	0.00%	7.62%	7.53%	14.00%

Annex – Voting statistics

Voting statistics – DC

Investment manager	Amundi							
Fund	Global Multi-Factor Equity	MSCI World Climate Transition	Index MSCI World SRI	Index MSCI Emerging Markets	Index MSCI Emerging Markets SRI	Index FTSE EPRA NAREIT Global	Index MSCI ex China ESG Leaders	Index MSCI China ESG Leaders
How many meetings were you eligible to vote at?	541	84	258	1330	135	262	201	261
How many resolutions were you eligible to vote on?	7674	1066	3930	15232	1602	3227	2241	3099
What % of resolutions did you vote on for which you were eligible?	100%	99.00%	100%	97.00%	99.00%	99.00%	93.00%	98.00%
Of the resolutions on which you voted, what % did you vote with management?	74.00%	77.00%	76.00%	82.00%	81.00%	77.00%	83.00%	79.00%
Of the resolutions on which you voted, what % did you vote against management?	26.00%	23.00%	24.00%	18.00%	19.00%	23.00%	17.00%	21.00%
Of the resolutions on which you voted, what % did you vote to abstain?	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
In what % of meetings, for which you did vote, did you vote at least once against management?	71.00%	72.00%	79.00%	59.00%	61.30%	72.00%	58.00%	70.00%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Voting statistics – DC

Investment manager	BlackRock		Legal and General Investment Management					HSBC IM
Fund	Blackrock AB GLB EQ	iShares ESG Screened Gbl Corp Bnd Idx GBP Hgd Acc	Ethical UK Equity Index	Ethical Global Equity Index	Diversified Fund	Global Equity Market Weight (30:70) Index	Future World Annuity Aware	HSBC Islamic Global Equity Fund
How many meetings were you eligible to vote at?	1136	4494	240	1135	8827	6862	2	105
How many resolutions were you eligible to vote on?	12562	48349	4427	16486	93066	71828	2	1677
What % of resolutions did you vote on for which you were eligible?	99.00%	93.37%	99.98%	99.90%	99.80%	99.93%	100.00%	94.00%
Of the resolutions on which you voted, what % did you vote with management?	96.00%	85.54%	94.37%	81.36%	76.66%	81.36%	100.00%	76.00%
Of the resolutions on which you voted, what % did you vote against management?	3.00%	7.83%	5.63%	18.44%	22.97%	18.08%	0.00%	23.00%
Of the resolutions on which you voted, what % did you vote to abstain?	0.00%	0.50%	0.00%	0.20%	0.38%	0.56%	0.00%	0.00%
In what % of meetings, for which you did vote, did you vote at least once against management?	22.00%	34.98%	44.77%	75.42%	75.02%	61.11%	0.00%	80.00%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.00%	0.00%	4.29%	13.93%	14.40%	10.42%	0.00%	1.00%

Get in touch

If you would like to contact us about this report, please feel free to, via:

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