

# *Statement of Investment Principles*

**For the Rittal-CSM Limited 1978 Pension Scheme**

**Effective from: 14 July 2025**

# 1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustee of the Rittal-CSM Limited 1978 Pension Scheme.

It sets out our policies on various matters governing investment decisions for the Rittal-CSM Limited 1978 Pension Scheme (“the Scheme”), which is a Defined Benefit (“DB”) Scheme

This SIP replaces the previous SIP dated February 2024.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme’s investments, but which are not required to be included in the SIP.

**Agreed and adopted by the Trustee of the Scheme, Zedra Governance  
July 2025**

## Investment objectives

The primary objective Scheme is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- To acquire assets which, together with contributions from the Principal Employer and remaining active members, are expected to generate income and capital growth to meet the cost of the current and future benefits which the Scheme provides
- To limit the risk of the assets failing to meet the liabilities over the long-term, in particular, in relation to the Statutory Funding Objective
- Whilst having regard to the above objectives, to minimise volatility in the financial position of the Scheme relative to its liabilities and the risks identified in the addendum.

## Investment strategy

With input from our advisers and in consultation with the employer, we reviewed the investment strategy for the DB Section in July 2024, with implementation in November 2024, considering the objectives described in Section 2.

The investment strategy is shown in the following table.

Asset class	Strategic allocation
Global equities	6.0%
Diversified Growth	8.8%
Corporate Bonds	20.0%
Asset-Backed Securities (“ABS”)	15.5%
Liability driven investment & Cash	49.7%

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Scheme’s circumstances. We believe that the strategy above meets this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets.

As the Scheme matures over time, we intend to further de-risk the investment strategy to reflect the change in the liability profile (ie switching from growth to matching assets).

We have a leverage management plan in place which sets out the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. We review and update the plan periodically.

## Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

We take an integrated approach when assessing risk and reviewing the investment strategy. In particular we take account of: the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that we manage investment risk is via diversification, ensuring that we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. The Scheme's investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy it is our policy to consider:

- our investment objectives, including the target return required to meet these
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate

We also consider other factors that we believe to be financially material over time horizons relevant to the funding of the DB benefits, including

environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our **key investment beliefs**, which influence the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term
- aligning our assets with net zero greenhouse gas emissions by 2050 where practicable is expected to help reduce the risks to the Scheme from climate change
- to be effective, a net zero program needs to be consistent with climate science, with both short-term and long-term targets and a focus on real world impacts
- voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices
- collaborative investor action can help address systemic risks, for example we believe net zero alignment, if implemented well, could be an effective approach to addressing climate risk

## 2. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment

managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

## 3. Realisation of investments

We instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

## 4. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and review how the managers are taking account of these issues in practice.

We encourage our managers to improve their ESG practices, although acknowledge that we have limited influence over managers' investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.

Within each asset class, we considered investment options that give increased weight to ESG factors. We have chosen to invest the equity and buy and maintain allocation in three passively managed funds that track an index with reduced exposure to climate-related risks and increased exposure to climate-related opportunities.

We do not consider matters that are purely non-financial in nature (eg matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments. However, the line between financial and non-financial factors is not always clear and some non-financial factors that may not immediately present as financially material may have the potential to become so in

the future. We keep this under review as part of our overall consideration of ESG considerations.

## 5. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.

We seek to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

Before deciding which manager to appoint, we carry out a review of the manager's voting/stewardship activities and outcomes to determine how well they align with the Scheme's stewardship themes and priorities. We also express our preferences regarding ESG and stewardship approaches with prospective managers, to check alignment.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As all of our investments are held through managers or pooled funds we do not monitor or engage directly with issuers or other holders of debt or equity.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

From time-to-time we set priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. As appropriate, we communicate these stewardship priorities to our manager.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.

# *Addendum to the Statement of Investment Principles*

**For the Rittal-CSM Limited 1978 Pension Scheme**

**Effective from: 14 July 2025**

**This addendum to the Statement of Investment Principles (“SIP”) for the Rittal-CSM Limited 1978 Pension Scheme (the “Scheme”) has been produced by the Trustee of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme’s investment arrangements.**



# Part 1:

## Investment governance, responsibilities, decision-making and fees

**We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.**

### 1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary.

### 2. Platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers
- providing us with regular information concerning the management and performance of the assets.

### 3. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation
- taking account of financially material considerations (including climate change and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken.
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

## 4. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
- advising on and monitoring liability hedging and collateral management
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations)
- assisting us with reviews of this SIP.

## 5. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms with the Scheme's advisers under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment manager and platform provider receive fees calculated by reference to the market value of assets under management.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

## 6. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

## 7. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with

the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

# Part 2:

## Policy towards risk

### 1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time
- the agreed journey plan and employer contributions
- the Scheme's long-term and shorter-term funding targets
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Scheme's cash flow and target return requirements
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

#### Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

#### Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets

accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

#### Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Scheme's assets. We believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

#### Equity risk

We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

#### Credit risk

The Scheme is subject to credit risk because it invests in bonds via pooled funds. This risk is managed by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invest in bonds that are classified as "investment grade".

#### Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy and believe that it diversifies the strategy and is appropriate.

Furthermore, we manage the amount of currency risk by investing in some pooled funds that hedge currency exposure.

### **Interest rate and inflation risk**

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in asset-backed securities ("ABS"), corporate bond funds and Liability Driven Investment ("LDI") funds. However, the interest rate and inflation exposure of the Scheme's assets provide protection (hedges) part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

### **Investment manager risk**

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

### **Climate-related risks**

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice.

### **Other environmental, social and governance (ESG) risks**

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

### **Illiquidity/marketability risk**

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. We are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income generating assets, where appropriate.

### **Counterparty risk**

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation.

This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, Legal and General Investment Management (L&G) make use of derivative and gilt repos contracts within its LDI funds and this fund is used to efficiently match a portion of the Scheme's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract.

### **Collateral adequacy risk**

The Scheme is invested in leveraged LDI arrangements to provide hedging protection against adverse changes in interest rates and inflation expectations. From time to time, depending on market movements, additional cash may need to be invested in the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Scheme's liability hedging could be reduced, potentially leading to a worsening of the Scheme's funding level.

To mitigate this risk, the Trustee has invested all of its assets with one manager under a "platform" structure. This gives the investment manager direct access to reallocate the Scheme's collateral as needed, under an agreed policy. The Trustee keeps this policy reviewed and updated periodically. The Trustee periodically monitors the impact of movement in interest rates and inflation expectations and how that compares to the change that can be supported by the assets invested in the LDI arrangements.

### **Other non-investment risks**

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements. Examples include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

# Part 3:

## Investment manager arrangements

### Legal and General Asset Management – Low carbon global equities

The Scheme invests in low carbon global equities via two pooled funds called the L&G Low Carbon Transition Global Equity Index Fund (OFC) and the L&G Low Carbon Transition Global Equity Index Fund – GBP Currency Hedged (OFC).

- the objective of the Low Carbon Transition Global Equity Index Fund (OFC) is to track the performance of the Solactive L&G Low Carbon Transition Global Index (less withholding tax where applicable) to within +/- 0.6% p.a. for two years out of three.
- the objective of the Low Carbon Transition Global Equity Index Fund – GBP Currency Hedged (OFC) is to track the performance of the Solactive L&G Low Carbon Transition Global Index – GBP Hedged (less withholding tax where applicable) to within +/- 0.6% p.a. for two years out of three.

The funds are both weekly dealt. The funds are open ended and are not listed on any stock exchanges.

### Legal and General Asset Management – Liability Driven Investment (LDI)

The Scheme invests in LDI via two pooled fund called the L&G Matching Core Fixed Long Duration Fund and the L&G Matching Core Real Long Duration Fund.

- The objectives of these funds are to match the interest rate and inflation characteristics of a representative set of pension scheme liabilities.

The funds are both weekly dealt. The funds are open ended and are not listed on any stock exchanges.

### Legal and General Asset Management – Liquidity Fund

The Scheme invests in cash via a pooled fund called the L&G Sterling Liquidity Fund.

- the objective of the fund is to offer access to liquidity whilst providing capital stability. The investment objective of the fund is to provide diversified exposure and a competitive return in relation to SONIA (Sterling Overnight Index Average).

The fund is weekly dealt. The fund is open ended and is not listed on any stock exchanges.

### Legal and General Asset Management – Net Zero Short Dated Global Corporate Bonds GBP Hedged

The Scheme invests in L&G net zero corporate bonds via a pooled fund called the Net Zero Short Dated Global Corporate Bonds GBP Hedged Fund.

- The investment objective of the Fund is to provide a combination of growth and income by outperforming the Bloomberg Global Corporates 1-5 year Index, the “Benchmark Index”, before the deduction of any charges and measured over rolling five -year periods.

The fund is daily dealt. The fund is open ended and not listed on any stock exchanges.

## **Legal and General Asset Management – Buy and Maintain Credit**

The Scheme invests in buy and maintain credit via a pooled fund called the L&G Future world net zero buy and maintain credit fund.

- The objective of the fund is to produce a return derived from capital growth and income through investment in credit markets. The fund seeks to preserve its value over the course of the credit cycle by avoiding securities experiencing a significant deterioration in credit quality and defaults.

The fund is weekly dealt. The fund is open ended and is not listed on any stock exchanges.

## **Legal and General Asset Management – Diversified Growth Fund (DGF)**

The Scheme invests in DGFs via a pooled fund called the L&G Diversified fund.

- the objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes.

The fund is weekly dealt. The fund is open ended and is not listed on any stock exchanges.

## **Aegon Asset Management (“Aegon”) – European ABS Fund GBP (via L&G Platform)**

The Scheme invests in ABS through the Aegon’s European ABS Fund, via the L&G Platform.

- the objective of the fund is to provide long term capital growth through investing predominantly in investment grade asset-backed securities from European issuers. The debt securities held may be fixed or floating rate.

The legal structure of the investment in the fund is through an insurance policy issued by L&G AM, where this policy acts as a “wrapper” for the assets invested. The fund is daily dealt. The “wrapped” fund is open ended and is not listed on any stock exchanges.

# Part 4:

## Monitoring and engaging with managers on voting and engagement

This section sets out our effective system of governance (“ESOG”) in relation to stewardship. This includes monitoring the voting and engagement activities that our investment managers undertake on our behalf, engaging with them regarding our expectations in relation to stewardship, and encouraging improvements in their stewardship practices. We will review this ESOG and conduct an own risk assessment (“ORA”) periodically.

### Stewardship priorities

We have selected some priority themes to provide a focus for our monitoring of investment managers’ voting and engagement activities. We will review them regularly and update them if appropriate. Our current priorities are climate change, biodiversity loss, human rights, diversity equity and inclusion, business ethics and corporate transparency.

We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore we believe it is in our members’ best interests that our managers adopt strong practices in these areas.

We will write to our investment managers regularly to notify them of our stewardship priorities, set out viewpoints and issues of interest ahead of the voting season and remind them of our expectations of them in relation to responsible investment – ie ESG considerations, climate change, voting and engagement.

### Manager selection

We aim to appoint investment managers that have strong responsible investment skills and processes. We therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative.

When selecting new managers, we consider our investment consultant’s assessment of potential managers’ capabilities in this area. If we meet prospective managers, we usually ask questions about responsible investment, focusing on our stewardship priorities.

### Manager monitoring

We receive information regularly to enable us to monitor our managers’ responsible investment practices and check how effective they’re being.

This information includes metrics such as our investment consultant’s responsible investment grades for each manager, whether they are signatories to responsible investment initiatives, and (where available) carbon emissions data for our mandates.

### Responsible investment review

From time-to-time, the Trustee Board undertakes a more comprehensive review of our managers’ responsible investment practices. This includes our investment consultant’s qualitative responsible investment assessments for each manager, a summary of the managers’ voting and engagement policies including in relation to our stewardship priorities, and summary statistics for their voting and engagement over the previous year where available.

### Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, we expect most managers will have areas where they could improve. We therefore aim to have an ongoing dialogue with our managers to clarify our expectations and encourage improvements.

We review the information outlined above to identify any concerns, for example where the managers’ actions are not aligned with our views. Where there are concerns, we typically seek further information through our investment consultants. If a concern is confirmed, we will consider what further action is appropriate/intend to take the following steps:

1. We define clearly what the issue is, the objectives for the engagement and the target date for achieving those objectives.
2. We contact the manager to raise the concern and set out our expectations in relation to the issue
3. We aim to agree an improvement plan with the manager with target date for achieving engagement objectives

4. We review periodic progress reports as the plan is implemented. This may include inviting the manager to one of our regular meetings to discuss the issue
5. As appropriate we may seek to escalate the concern with a more senior individual at the manager
6. If our concerns are not addressed, we might reduce the allocation to that mandate or replace the manager.

The Trustee Board reviews progress on the engagements on a regular basis and agrees any next steps.

### Implementation statement

Following the end of each Scheme year, we prepare a statement which explains how we have implemented our Statement of Investment Principles during the year. We publish it online for our members to read.

In the statement, we describe how our managers have voted on our behalf during the year, including the most significant votes cast. The Trustee Board selects these votes from a set of significant votes compiled by our investment consultant from those provided by our managers. In doing so, we have regard to:

- whether it relates to one of our stewardship priorities;
- the potential financial impact of the vote;
- any potential impact of the vote on our investor rights or influence;
- the size of our holding; and
- whether the vote was high-profile or controversial.