

Chair's DC Governance Statement, covering 6 April 2022 to 5 April 2023

1. Introduction

The Selfridges Pension Scheme (the "Scheme") is an occupational pension scheme providing defined benefit ("DB") and defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Scheme, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- processing of core financial transactions (ie administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.

- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

There is no default arrangement for the Scheme (a default arrangement is an investment strategy for members who join the Scheme but don't make an explicit investment selection themselves) as it has been closed to new contributions and new members since 2012.

The Scheme has one DC policy with Utmost Life ("Utmost") and two Additional Voluntary Contributions ("AVC") policies (one with Aviva Life & Pensions UK Limited ("Aviva") and the other with Utmost). Since there is no default arrangement the Trustee is not subject to the requirement to review the investment on a triennial basis. Nevertheless the Trustee reviews the investments from time to time as appropriate.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Scheme, Barnett Waddingham (“BW”). Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

We have received assurance from BW that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Scheme has a Service Level Agreement (“SLA”) in place with BW which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by BW to help it meet the SLA are as follows: The standard SLA for providing details to members is 10 working days (the SLAs for retirement payments and transfer payments after receipt of documentation is 5 working days). However, this can vary for each case depending on the length of time to arrange for disinvestments or request information from Aviva or Utmost.

BW has confirmed that any disinvestment request made for retirement or transfer purposes is actioned in line with the agreed SLA with the Trustee. BW's procedures follow a do-check-review process and also have a two-level authorisation stage before any payment can be processed. The Trustee bank account it holds is a pooled bank account and any disinvestments are reconciled to the member record on a daily basis, once a payment has been received. The Trustee receives quarterly administration reports from BW. The quarterly administration report, which includes all Defined Benefit (“DB”) transactions, shows the SLAs for all case types completed in the reporting period, along with the percentage of completed cases within the target for that period. Individual cases can comprise multiple stages. Over each of the four quarters to 30 April 2023, the percentage of stages completed in or near target (also including DB transactions) are summarised in the following table.

Period	Stages of cases completed in target	Stages of cases completed in target plus 3 days
1 May 22 – 31 Jul 22	89%	95%
1 Aug 22 – 30 Oct 22	93%	97%
1 Nov 22 – 31 Jan 23	86%	93%
1 Feb 23 – 30 Apr 23	94%	96%

Please note that BW's time reporting time period covers 1 May 2022 - 30 April 2023, rather than 6 April 2022 - 5 April 2023, which is the period covered by the rest of the DC Chair Statement. We are comfortable that this will not significantly impact the monitoring of the administrator service levels.

To help us monitor whether service levels are being met, we receive quarterly reports about BW's performance and compliance with the SLA. Any issues identified as part of our review processes would be raised with BW immediately, and steps would be taken to resolve the issues.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

To process retirements BW initiates contact with Aviva or Utmost following receipt of the members retirement forms. All disinvestment requests from Aviva or Utmost require Trustee approval. Once Trustee approval has been provided, BW supplies Aviva or Utmost with the necessary documentation to request the disinvestments. On receipt of this documentation, the disinvestment usually takes 10-15 days to be completed. BW communicates with the relevant member initially by providing a holding letter advising of expected timescales, and then again once the pension payments have commenced.

All correspondence from Aviva and Utmost is sent to BW, who issues the correspondence to members on behalf of Aviva and Utmost.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum (“pa”) figure and include any administration charges, since members incur these costs.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. Transaction costs are borne by members.

The charges and transaction costs have been supplied by Utmost and Aviva who are the scheme's investment fund providers. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

The level of charges for each self-select fund (and the transaction costs over the period covered by this Statement are set out in the following table.

Manager – Fund name	TER	Transaction costs
Utmost Life – Multi-Asset Growth Fund	0.75%	0.29%
Utmost Life – Multi-Asset Moderate Fund	0.75%	0.35%
Utmost Life – Multi-Asset Cautious Fund	0.75%	0.37%
Utmost Life – European Equity Fund	0.75%	0.05%
Utmost Life – US Equity Fund	0.75%	0.07%
Utmost Life – UK Equity Fund	0.75%	0.23%
Utmost Life – UK FTSE All Share Tracker Fund	0.50%	0.07%
Utmost Life – Fund of Investment Trusts	0.75%	0.26%

Manager – Fund name	TER	Transaction costs
Utmost Life – UK Government Bond Fund	0.50%	0.36%
Utmost Life – Property Fund	1.37%	0.00%
Utmost Life – Global Equity Fund	0.75%	0.10%
Utmost Life – Money Market Fund	0.50%	0.02%
Utmost Life – Managed Fund	0.75%	0.09%
Aviva – Pacific Equity Standard Series	n/a	n/a
Aviva – My Future Focus Consolidation	n/a	n/a
Aviva – Gilt Standard Series	n/a	n/a
Aviva – UK Index Tracking Standard Series	n/a	n/a
Aviva – Mixed Invest (40-85% Shares)	n/a	n/a
Aviva – Deposit Standard Series	n/a	n/a
Aviva – Property Standard Series	n/a	n/a

Please note, Aviva have been unable to provide transaction costs for the funds above at this time.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the manager, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). They have been calculated over the 12-month period to 31 December 2022.
- The illustration is shown for the funds from the Scheme’s DC policy and the AVCs held by Utmost Life. The funds shown in the illustration are:
 - the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) – this is the Utmost Life Property Pension Fund
 - the fund with lowest annual member borne costs – this is the Utmost Life Money Market Fund.
- Aviva has been contacted on numerous occasions in reference to its Statutory Money Purchase Illustration (“SMPI”) assumptions, and its fee information, but has failed to provide these figures. As such, we have not been able to include projections for Aviva.

Utmost

Years invested	Utmost Life Property Pension Fund (highest cost)		Utmost Life Money Market Fund (lowest cost)	
	Before costs	After costs	Before costs	After costs
1	£2,100	£2,100	£2,000	£2,000
3	£2,300	£2,200	£2,000	£2,000
5	£2,400	£2,300	£2,000	£2,000
10	£3,000	£2,600	£2,100	£2,000
15	£3,600	£2,900	£2,100	£2,000
20	£4,400	£3,300	£2,200	£1,900

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation. The long term annual inflation assumption used is 2.5%.
- Annual salary growth is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is for the Utmost are £2,000. The starting pot size for Aviva would have been £12,000 but Aviva were not able to provide any data. These are the median pot sizes for members still invested in the AVC policies of the Scheme as at 5 April 2023.
- The projection is for 20 years, being the approximate duration that the youngest scheme member has until they reach the scheme’s Normal Pension Age.
- The starting salary is assumed to be £27,000.
- The projected annual returns used are as follows:
 - Utmost Property Pension Fund: 4.1% above gilts, Money Market Fund: 0.8% above gilts.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the scheme year.

Self-select fund net returns over periods to scheme year end

Fund name	1 year
Utmost Life – Multi-Asset Growth Fund	-4.83%
Utmost Life – Multi-Asset Moderate Fund	-5.88%
Utmost Life – Multi-Asset Cautious Fund	-7.76%
Utmost Life – European Equity Fund	6.26%
Utmost Life – US Equity Fund	-5.93%
Utmost Life – UK FTSE All Share Tracker Fund	1.91%
Utmost Life – Fund of Investment Trusts	-6.65%
Utmost Life – UK Government Bond Fund	-16.53%
Utmost Life – Property Fund	-11.68%
Utmost Life – Global Equity Fund	-1.96%
Utmost Life – Money Market Fund	1.82%
Utmost Life – Managed Fund	-1.88%
Aviva – Pacific Equity Standard Series	5.79%
Aviva – Gilt Standard Series	-13.95%
Aviva – UK Index Tracking Standard Series	4.40%
Aviva – My Future Consolidation	-0.33%
Aviva – Mixed Invest (40-85% Shares)	-3.13%
Aviva – Deposit Standard Series	2.43%
Aviva – Property Standard Series	-13.36%

The above Aviva performance figures used were as at 30 June 2023 and Utmost Life performance figures were as at 31 March 2023 due to availability.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that

determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Scheme is currently undertaking a review as part of the production of this statement. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

Our assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

The majority of the Scheme's funds had delivered negative returns over the periods reviewed. However, the Aviva Property Fund, Aviva Pacific Equity Fund, Aviva Mixed Investment (40-85% Shares) and Aviva Gilt Standard Series Fund had outperformed their respective benchmarks over the year to 30 June 2023. The majority of Utmost Life funds produced negative returns over the year to 31 March 2023. However, benchmark data at this date was unavailable.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Scheme are receiving reasonable value for money for the charges and cost that they incur, for the reasons set out in this section.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustee undertook the following:

- Received training provided at Trustee meetings;
- Maintained a training log to support decision-making;
- Identified knowledge gaps (which is part of the Trustee's annual governance plan) through a specific agenda item at each meeting;
- Monitored their governance via an external agency on an ongoing basis and being subject to peer review through representation on the board of an independent Trustee; and
- Received updates on topical pension issues from their legal and pension advisers.

We are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and Statement of Investment Principles (SIP) which sets out the policies on investment matters. In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

Over the year to 5 April 2023, the Law Debenture Pension Trust Corporation P.L.C. (Law Debenture), a provider of professional trustee services acted as the independent Trustee for the Scheme. Law Debenture has a high level of Scheme-specific knowledge and conversance with Scheme documentation, accumulated over the period since the Scheme was established. All Law Debenture's trustee directors are accredited members of the Association of Professional Trustees, or are in the process of obtaining accreditation, and undertake continuous professional development activity. Over the latest Scheme year, this consisted of a formal training programme including regular meetings with industry participants and away days where business strategy, regulatory matters and client case studies were discussed. Since the end of the Scheme year, Independent Governance Group ("IGG"), which is also a provider of professional trustee services, has replaced Law Debenture in acting as the independent Trustee for the Scheme.

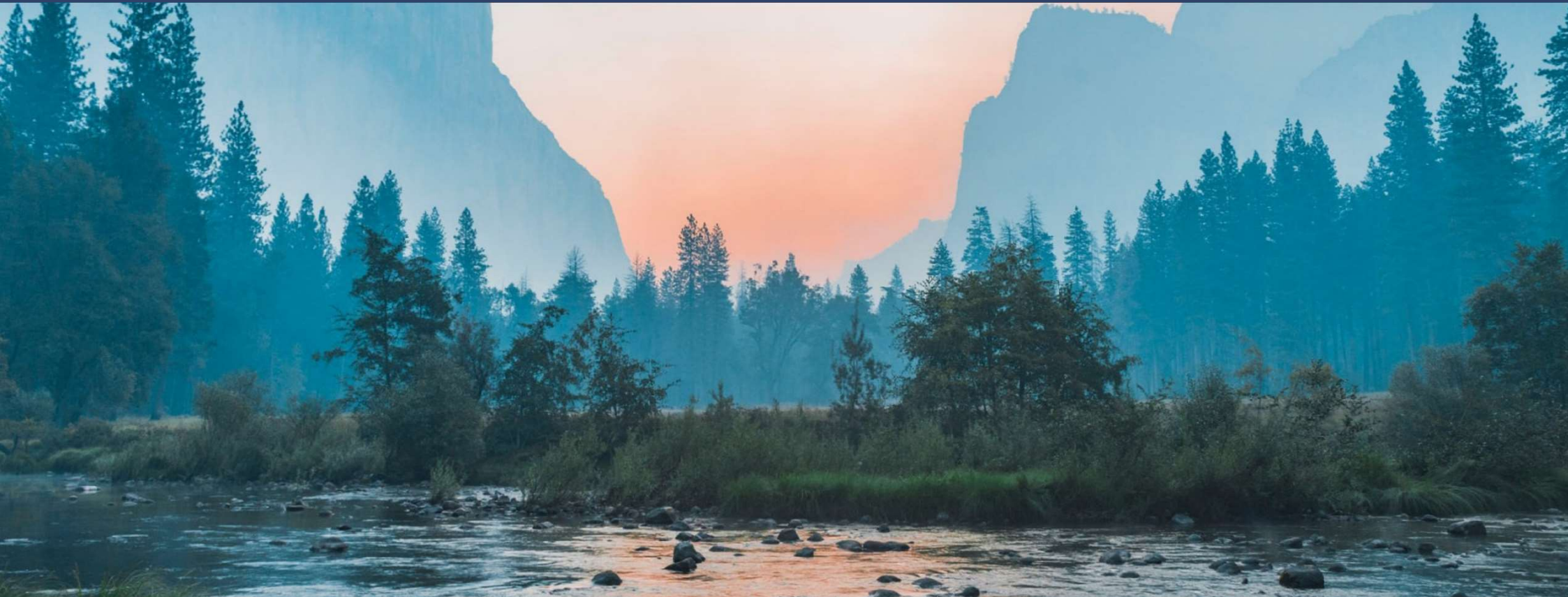
Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Scheme properly and effectively.

The Statement was approved by the Board and signed by the Chair in conjunction with the Trustee Report and Accounts on 26 October 2023.

Signed by the Chair of Trustee of the Selfridges Pension Scheme

Statement of Investment Principles

For the Selfridges Pension Scheme



1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee of the Selfridges Pension Scheme

It sets out our policies on various matters governing investment decisions for the Selfridges Pension Scheme ("the Scheme"), which has a Defined Benefit ("DB") and a Defined Contribution ("DC") section in respect of some historic benefits transferred in to the Scheme.

This SIP replaces the previous SIP dated July 2020.

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.

2. Investment objectives for the DB and DC Sections

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

- the Scheme should be able to meet benefit payments as they fall due; and
- that the Scheme's funding position (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. We are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme. In particular, we have considered the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

The key underlying principles of the Scheme's investment strategy are:

- to deliver greater certainty of investment outcomes (and therefore member outcomes), by investing largely in assets which deliver secure, contractual income; and
- to invest, where possible and affordable, in assets whose expected income matches expected benefit payments.

Our primary objective for the DC policy is to provide members with access to an appropriate range of investment options, reflecting the membership profile of those in the DC policy and the variety of ways that members are likely to draw their benefits in retirement.

Investment strategy

An investment strategy review for the DB Section took place in 2022, considering the objectives described in Section 2.

The current asset allocation for the **DB Section** is shown in the following table.

Asset class	Allocation
Long-lease property	14%
Infrastructure	17%
Private credit	15%
Multi-asset credit	8%
Corporate bonds	8%
Short duration credit	11%
Leveraged LDI	27%
Target interest and inflation hedging (technical provisions basis)	100%

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 de-risk the investment strategy to reflect the change in the liability profile (ie switching from growth to matching assets).

For the **DC Section**, we have made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. This policy is no longer open to new contributions and there is no default option in place. We will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

3. 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. The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Further details of specific risks (for example 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 for the **DB Section** 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.

In determining the investment arrangements for the **DC Section** it is our policy to consider:

- the overall best interests of members and beneficiaries
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement
- the need for appropriate diversification between and, where appropriate, within the investment options offered to members.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the DB and DC benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced 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
- long-term environmental, social and economic sustainability is one factor that should be considered when making investment decisions
- responsible investment in well governed companies and engaging as long-term investors can reduce risk over time and may positively impact Scheme returns;
- Investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management (which includes a range of rules-based portfolio construction strategies) is usually better value.

4. 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.

We have signed agreements with the investment managers setting out the terms on which the portfolios are to be managed.

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.

5. Realisation of investments

For the **DB Section**, 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 less volatile portfolio may mean holding some investments that are less liquid. In general, our policy is to use income where possible to help meet benefit payments.

For the **DC Section**, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

6. Financially material considerations and non-financial matters

We consider how environmental, social, governance (“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 periodically review how the managers are taking account of these issues in practice.

All the Scheme’s assets are invested in pooled funds. We have limited influence over managers’ investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

We do consider non-financial matters (ie 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. We will aim to incorporate the sponsor’s ethical investment guidelines for pension schemes, where possible. We cannot directly control the underlying investments, where investments are made via pooled funds, but will make the investment managers aware of these guidelines and will periodically review the underlying investments against these guidelines.

More generally, investment managers may also be requested by us from time to time to provide a report on the overall impact of social, environmental and ethical considerations on investment management, and to comment on situations in which social, environmental or ethical considerations have been decisive.

The over-arching aim is to assess the extent to which environmental, social and governance factors will contribute to, or detract, from the long-term value of a company.

7. 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.

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 do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.