

# **Aberdeen Harbour Board Retirement Benefits Scheme**

## **Statement of Investment Principles**

### **1. Background**

This Investment Statement sets out the principles governing decisions about investments for the Aberdeen Harbour Board Retirement Benefits Scheme (“the Scheme”) to meet the requirements of The Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustees consulted Aberdeen Harbour Board (“the sponsoring employer”) and took appropriate written advice. The Statement is reviewed at least every year, and without delay after any significant change in investment policy.

In preparing this Statement of Investment Principles, we, the Trustees, have obtained and considered written professional advice from Isio our investment consultant.

The Trustees’ investment responsibilities are governed by the Scheme’s Trust Deed: a copy of the relevant clauses, of which this Statement takes full regard, is available on request from the Trustees.

The Trustees are aware of the Myners principles, which set out a code of conduct for investment decision making and governance, and have reviewed their responsibilities and activities in the context of these principles.

### **2. Investment Objective**

The Trustees invest the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid.

The Scheme’s funding target is specified in the Statement of Funding Principles, and the Scheme’s funding position will be reviewed regularly to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme’s circumstances.

In setting the strategy, the Trustees pay due regard to requirements of Aberdeen Harbour Board with regards to the size and incidence of contributions payments.

### 3. Investment strategy

The Trustees have taken professional advice from Isio regarding setting the current investment strategy and manager structure. Isio is qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience.

The investment strategy was derived from careful consideration of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the Sponsoring Employee's covenant. The Trustees considered the merits of a range of asset classes, in agreeing the target strategy.

Following the completion of an investment strategy review and further strategy discussions, the Trustees appointed M&G Investment Management, BlackRock Investment Management, Partners Group, Legal and General and Insight Investments to implement the agreed investment strategy.

The Trustees are in the process of reviewing the Scheme's long-term objective and given the misalignment with the previous strategic benchmark, the Trustees have agreed an interim investment strategy during this period. The interim strategic benchmark allocation and the managers' specific performance benchmarks and targets, are set out in the table below:

<b>Manager - Asset Class</b>	<b>Benchmark (%)</b>	<b>Index</b>	<b>Target</b>
<b>M&amp;G</b> -- Diversified Credit	11.0	1 month SONIA	+3.0% to 5.0% p.a. (gross of fees)
<b>BlackRock</b> – Long Lease Property	12.0	MSCI AREF Long Income Property Funds Index	To deliver a distribution yield of 5.0% p.a. across the market cycle
<b>Partners Group</b> – Direct Lending	6.0	1 month SONIA	+4.0% p.a. (net of fees)
<b>Legal and General- ("LGIM")</b> – Absolute Return Bonds	12.0	3 month SONIA	+1.25% p.a. (net of fees)
<b>Insight</b> – Asset Backed Securities	22.0	1 month SONIA	+1.15% (net of fees)
<b>Insight</b> - Liability Driven Investment	27.0	Liability benchmark based on Scheme cashflows	n/a
<b>Cash</b>	10.0	N/A	N/A

<b>Total</b>	<b>100.0</b>		
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The Trustees are satisfied that the mandates awarded mean that sufficient assets will be realisable to provide cash to meet payments by the Scheme.

All decisions about the day-to-day management of the assets have been delegated to the investment managers (noted above) via a written agreement. This delegation includes decisions about:

- The realisation of investments;
- Social, environmental and ethical considerations in the selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments; and
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The day to day activities which the investment managers carry out are governed by agreements with the Trustees, which are reviewed from time to time to ensure that these remain appropriate.

The Trustees employ investment managers regulated by the Financial Conduct Authority (“FCA”) with whom day to day responsibility for the investment of the Scheme’s assets rests.

A summary of the policies the Trustees’ have in place in relation to the investment management arrangements for the Scheme are summarised in Appendix A.

A summary of the investment manager charges is given in Appendix B. and a summary of the Scheme’s cash flow policy is as stated in Appendix C.

The Trustees operate a bank account for daily cash flow needs.

#### 4. Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance,  Strategy and Risk	<ul style="list-style-type: none"> <li>• The Trustees receive a bi-annual performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting.</li> <li>• The Scheme's investment managers are invited to present to the Trustees on their performance, strategy and risk exposures.</li> </ul>	<ul style="list-style-type: none"> <li>• There are significant changes made to an individual manager's investment strategy.</li> <li>• The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations.</li> <li>• Underperformance vs the performance objective over the period that this objective applies.</li> </ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li> <li>• The Trustees receive information from their investment advisers on the investment managers' approaches to engagement.</li> <li>• The Trustees will engage, via their investment adviser, with investment</li> </ul>	<ul style="list-style-type: none"> <li>• The manager has not acted in accordance with their policies and frameworks</li> </ul>

	managers and/or other relevant persons about relevant matters at least annually.	
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Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and will consider terminating the arrangement.

#### **5. Leverage and collateral management**

The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio. Further details on this can be found in Appendix D.

The Trustees have a stated collateral management policy / framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this framework on a regular basis.

#### **6. The Trustees' Policy with Regard to Risk**

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

Further information on the risks, financially material considerations and non-financial matters that have been considered when deciding on the Scheme's investment strategy are set out in Appendix E.

#### **7. Environmental, socially Responsible Investment and Corporate Governance**

The Trustees recognise that social, environmental and governance ("ESG") considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The managers have been delegated by the Trustees to act accordingly in this respect

The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding ESG considerations. The Trustees also receive information from their investment advisers on the investment manager's approach to engagement. In the case where managers have not acted in accordance with their policies and frameworks or if the manager's policies are not in line with the Trustees' policies with regards to ESG factors, there is scope for further monitoring and engagement by the Trustees beyond the annual reports and regular updates.

#### **8. Employer-related investments**

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

#### **9. Direct investments**

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

#### **10. Governance**

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of fund managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

#### **11. Compliance with this Statement**

The Trustees and the investment managers (all of whom have been appointed by the Trustees) each have duties to perform to ensure compliance with this Statement. These are:

**The Trustees**, will review this Statement every year and will record compliance with it. The Trustees will take advice from and consult with such persons as they consider appropriate in this.

**The investment managers**, will prepare regular reports for the Trustees including:

- valuation of all investments held for the Scheme
- records of all transactions together with a cash reconciliation
- a review of recent actions (if any) undertaken on behalf of the Scheme together with their policies, and how they have engaged with issuers, regarding ESG considerations.

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**For and on behalf of**  
**The Trustees of the Aberdeen Harbour Board Retirement Benefits Scheme**

1st Draft June 2000  
Revised September 2002  
Revised January 2006  
Revised March 2008  
Revised August 2013  
Revised March 2015  
Revised August 2019  
Revised May 2022  
Revised December 2023  
Revised January 2025

## Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees of the Scheme seek to adopt an integrated risk management approach. The three key risks associated in this framework and how they are managed are stated below:

<b>Risks</b>	<b>Definition</b>	<b>Policy</b>
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> <li>• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring employer's covenant strength.</li> <li>• Investing in a diversified portfolio of assets.</li> </ul>
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> <li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li> <li>• The Scheme's Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.</li> </ul>
Covenant	The risk that the sponsoring employer becomes unable to continue providing the required financial support to the Scheme	<ul style="list-style-type: none"> <li>• When developing the Scheme's investment and funding objectives, the Scheme's Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.</li> </ul>

The Scheme is exposed to a number of underlying risks relating to its investment strategy. These are summarised below:

<b>Risk</b>	<b>Definition</b>	<b>Policy</b>
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks on a Technical Provisions liability basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values) and provide collateral to the LDI manager.



Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme's investors for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Allow the Scheme's active managers who invest in overseas securities the flexibility to hedge overseas currency exposure to manage risk.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

**Appendix B – Investment Management Charges**

<b><u>Manager</u></b>	<b><u>Fee Scale (% p.a.)</u></b>	
<i>BlackRock</i>	<i>Long Lease Property Fund</i>	<i>0.40%</i>
<i>M&amp;G</i>	<i>Total Return Credit Investment</i>	<i>0.45%</i>
<i>Partners Group</i>	<i>Private Market Credit Solutions 2018</i>	<i>0.80% p.a. + 8% of profits, subject to a 4% preferred return p.a. (with catch up)</i>
<i>LGIM</i>	<i>Absolute Return Bonds</i>	<i>0.25%</i>
<i>Insight</i>	<i>High Grade Asset Backed Securities</i>	<i>0.35%</i>
	<i>LDI Enhanced Selection Funds</i>	<i>0.10%</i>
	<i>Liquidity Holding Fund</i>	<i>0.08%</i>

### **Appendix C - Cash Flow Policy**

- The distributions are taken from the M&G Total Return Credit Investment Fund on a quarterly basis in order to help meet the cashflow requirements.
- Any additional cash requirements are sourced by disinvestments from Insight Liquidity (Cash) Fund and Insight High Grade ABS Fund. The Scheme has a strategic allocation to cash within the investment strategy to help manage cashflow needs.
- The Trustees will monitor the Scheme's asset allocation position on a regular basis and seek to disinvest from other mandates to rebalance the assets if required.

## Appendix D – Collateral Management Policy

### Collateral management policy

At the time of writing, the Trustees are targeting a level of collateral sufficient to withstand (at least) one collateral call from each of the Scheme's LDI Funds.

The Trustees will review this no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustees also adopt a framework for maintaining sufficient collateral levels.

Trigger	Action	Responsibility
Pooled LDI fund issues capital call	Assets sold from below collateral waterfall to meet capital call (Cash & Asset Backed Securities)	LDI manager
When collateral held within collateral waterfall is insufficient to meet three collateral calls from the Scheme's funds	Assets from out with below collateral waterfall (Absolute Return Bonds and Diversified Credit)	Trustees responsible for monitoring and implementing

The latest collateral waterfall is set out below. Assets held within the immediate collateral framework (Tier 1 & 2) with the same manager as the LDI mandate are shown in bold. The LDI manager has been given discretion to source collateral from these funds when required without further instruction from the Trustees.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
<b>LDI manager</b>	<b>Cash</b>	<b>Daily frequency</b>	<b>T-1</b>	<b>T+1</b>
<b>LDI manager</b>	<b>Asset Backed Securities</b>	<b>Daily frequency</b>	<b>T-2</b>	<b>T+3</b>

Non-LDI manager	Absolute Return Bonds	Daily frequency	T-1	T+2
Non-LDI manager	Diversified Credit	Daily frequency	T-1	T+2

## Appendix E – Investment Management Arrangement Policies

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

<b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.</b>	As the Scheme is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
<b>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</b>	The Trustees' review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.
<b>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.</b>	The Trustees' review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
<b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b>	The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<b>The duration of the Scheme's arrangements with the investment managers</b>	The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> <li>○ For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees objectives and Scheme's liquidity requirements.</li> <li>○ For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.</li> </ul>
<b>Voting Policy - How the Trustees expect investment managers to vote on their behalf</b>	The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

<p><b>Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'</b></p>	<p>The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually. Example stewardship activities that the Trustees have considered are listed below.</p> <ul style="list-style-type: none"> <li>○ Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities</li> <li>○ Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustees' investment decision making</li> <li>○ Collaborative investor initiatives – the Trustees will consider joining/ supporting collaborative investor initiatives</li> </ul>
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## Implementation Statement

This report demonstrates that the Trustees of the Aberdeen Harbour Board Retirement Benefits Scheme have adhered to the Scheme's investment principles and their policies for managing financially material considerations, including ESG factors and climate change.

Signed

A handwritten signature in black ink, appearing to read 'Hazel Matthews'.

Position

Contracts, Legal and Procurement Manager

Date

11 December 2025



## Managing Risks and Policy Actions

Risk/ Policy	Definition	Policy	Actions over reporting period
<b>Interest Rates and Inflation</b>	The risk of mismatch between the value of the Scheme's assets and present value of the liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks on a Technical Provisions liability basis.	<p>The Trustees increased the hedge from 90% to 100% (on the TPs basis) over the reporting period.</p> <p><b>The revised liability hedge target is reflected in the January 2025 SIP update.</b></p>
<b>Liquidity</b>	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investments.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values) and provide collateral to the LDI manager.	<p>The Trustees monitor the availability of daily liquid assets as part of the semi-annual investment reports.</p> <p>The Trustees de-risked the investment strategy by removing the Apollo semi-liquid credit mandate. The proceeds were invested across the Scheme's existing liquid credit mandates - Diversified Credit, Absolute Return Bonds and Asset Backed Securities.</p> <p><b>The revised strategic asset allocation is reflected in the January 2025 SIP update.</b></p>
<b>Market</b>	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	<p>As noted in previous sections, the Trustees took action over the reporting period to increase the liability hedge (to minimise the extent of unrewarded risks) to 100% on a Technical Provisions basis.</p> <p>The Scheme's growth assets were also</p>

			<p>restructured as part of a wider de-risking exercise.</p> <p><b>The agreed strategic changes are reflected in the January 2025 SIP update.</b></p>
<b>Credit</b>	<p>Default on payments due as part of a financial security contract.</p>	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme's investors for the risk of default.</p>	<p>The revised investment strategy agreed over the period resulted in the Scheme terminating its semi-liquid credit mandate, with the proceeds being distributed across the Scheme's existing liquid credit mandates. This activity decreased the Scheme's overall level of risk and increased the average credit quality of the Scheme's credit exposure.</p> <p><b>The revised strategic asset allocation is reflected in the January 2025 SIP update.</b></p>
<b>Environmental, Social and Governance (ESG)</b>	<p>Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.</p>	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> </ol>	<p>The Trustees have agreed a formal ESG policy for the Scheme, which includes a formal set of ESG beliefs which guide decision making related to the Scheme's investments.</p> <p><b>This is reflected in the January 2025 SIP update.</b></p>

		<p>5. UN PRI Signatory</p> <p>The Trustees monitor the managers on an ongoing basis.</p>	
<b>Currency</b>	The potential for adverse currency movements to have an impact on the Scheme's investments.	Allow the Scheme's active managers who invest in overseas securities the flexibility to hedge overseas currency exposure to manage risk.	No action or change over the reporting period.
<b>Non-financial</b>	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No action or change over the reporting period.

## Changes to the SIP

Policies added to the SIP over reporting period																																							
Date updated: January 2025																																							
Hedge target	The SIP was updated to reflect the change in the Scheme's liability hedging target to 100% (on a Technical Provisions basis).																																						
Strategic benchmark	<p>The Trustees are in the process of reviewing the Scheme's long-term objective and given the misalignment with the previous strategic benchmark, the Trustees have agreed an interim investment strategy during this period. The interim strategic benchmark allocation and the managers' specific performance benchmarks and targets, are set out in the table below:</p> <table> <tr> <th>Manager - Asset Class</th><th>Benchmark (%)</th><th>Index</th><th>Target</th></tr> <tr> <td>M&amp;G - Diversified Credit</td><td>11.0</td><td>1 month SONIA</td><td>+3.0% to 5.0% p.a. (gross of fees)</td></tr> <tr> <td>BlackRock – Long Lease Property</td><td>12.0</td><td>MSCI AREF Long Income Property Funds Index</td><td>To deliver a distribution yield of 5.0% p.a. across the market cycle</td></tr> <tr> <td>Partners Group – Direct Lending</td><td>6.0</td><td>1 month SONIA</td><td>+4.0% p.a. (net of fees)</td></tr> <tr> <td>Legal and General ("LGIM") – Absolute Return Bonds</td><td>12.0</td><td>3 month SONIA</td><td>+1.25% p.a. (net of fees)</td></tr> <tr> <td>Insight – Asset Backed Securities</td><td>22.0</td><td>1 month SONIA</td><td>+1.15% (net of fees)</td></tr> <tr> <td>Insight - Liability Driven Investment</td><td>27.0</td><td>Liability benchmark based on Scheme cashflows</td><td>n/a</td></tr> <tr> <td>Cash</td><td>10.0</td><td>N/A</td><td>N/A</td></tr> <tr> <td>Total</td><td>100.0</td><td></td><td></td></tr> </table>			Manager - Asset Class	Benchmark (%)	Index	Target	M&G - Diversified Credit	11.0	1 month SONIA	+3.0% to 5.0% p.a. (gross of fees)	BlackRock – Long Lease Property	12.0	MSCI AREF Long Income Property Funds Index	To deliver a distribution yield of 5.0% p.a. across the market cycle	Partners Group – Direct Lending	6.0	1 month SONIA	+4.0% p.a. (net of fees)	Legal and General ("LGIM") – Absolute Return Bonds	12.0	3 month SONIA	+1.25% p.a. (net of fees)	Insight – Asset Backed Securities	22.0	1 month SONIA	+1.15% (net of fees)	Insight - Liability Driven Investment	27.0	Liability benchmark based on Scheme cashflows	n/a	Cash	10.0	N/A	N/A	Total	100.0		
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## Current ESG Policy and Approach

### ESG as a Financially Material Risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs which were agreed by the Trustees as part of the May 2021 ESG Beliefs Session. The rest of this statement details Isio's view of the managers, the actions for engagement and an evaluation of each of the manager's stewardship activity.

The table below outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

#### Implementing the Current ESG Policy

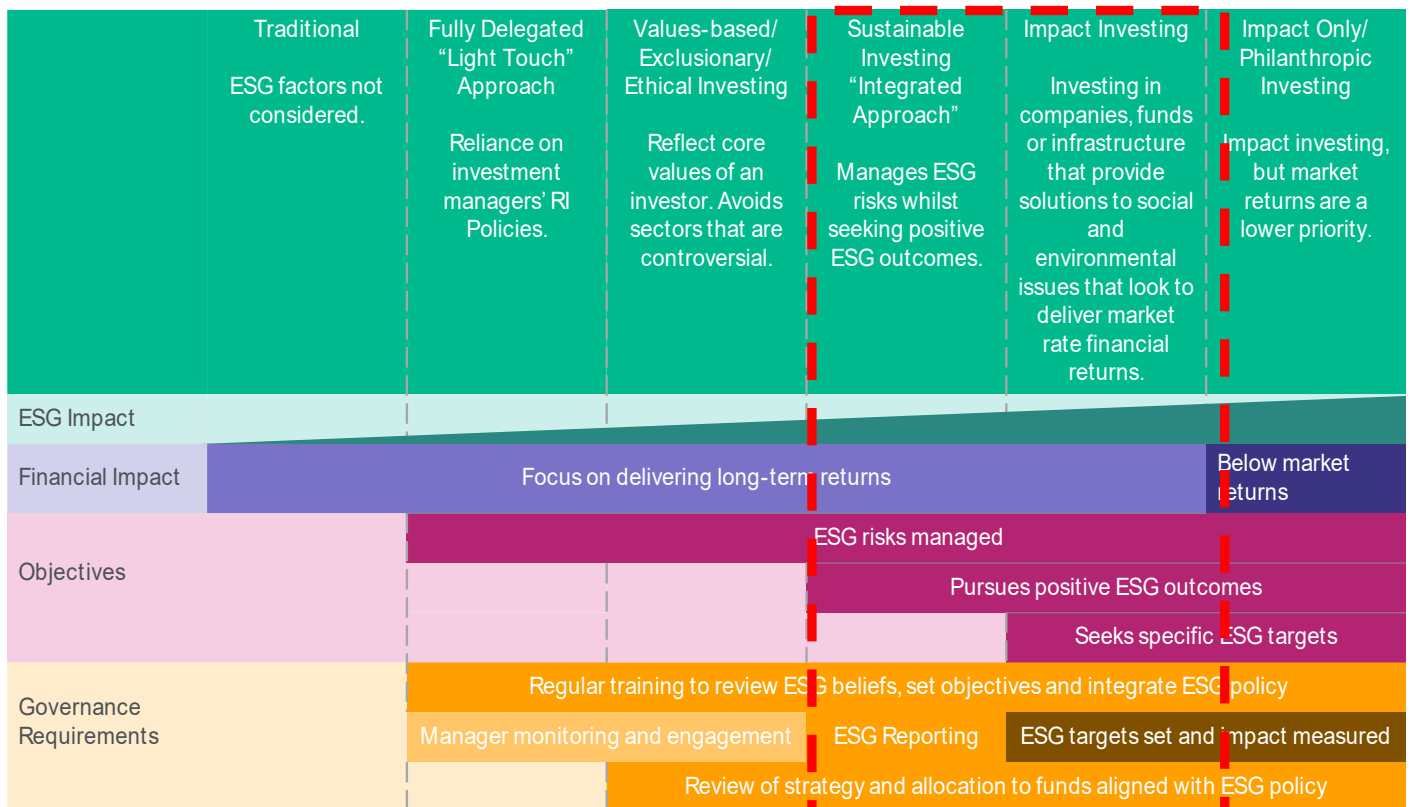
Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
<b>Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity</b>	<ul style="list-style-type: none"><li>• Through the manager selection process, ESG considerations will form part of the evaluation criteria.</li><li>• The Scheme's investment advisor, Isio, will monitor managers' ESG policies on an ongoing basis.</li><li>• When attending Trustee meetings, investment managers will be asked to present to the Trustees on actions they have taken in respect of ESG factors and their exercise of rights and engagement activity.</li><li>• The Trustees review the Scheme's investment managers' ESG policies at least on an annual basis to ensure they continue to operate in line with their ESG policies.</li></ul>	<ul style="list-style-type: none"><li>• The investment manager has not acted in accordance with their policies and frameworks.</li><li>• The investment managers' ability to abide by the Trustees' ESG policies ceases due to a change in the manager's ESG policies.</li></ul>

## Areas of Assessment and ESG Beliefs

<b>Risk management</b>	<ol style="list-style-type: none"> <li>1. ESG factors such as climate change are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees.</li> <li>2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.</li> </ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"> <li>3. The Trustees want to understand how investment managers integrate ESG within their investment process and in their stewardship activities.</li> <li>4. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors.</li> </ol>
<b>Voting &amp; engagement</b>	<ol style="list-style-type: none"> <li>5. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.</li> <li>6. The Trustees believe that engaging with managers is more effective to initiate change than divesting, but that divestment is an important tool where engagement fails to procure results.</li> <li>7. The Trustees want to understand the impact of voting &amp; engagement activity within their investment mandates.</li> </ol>
<b>Reporting &amp; monitoring</b>	<ol style="list-style-type: none"> <li>8. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.</li> <li>9. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.</li> </ol>
<b>Collaboration</b>	<ol style="list-style-type: none"> <li>10. Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD.</li> </ol>

## ESG Approach

As per the spectrum of ESG approaches chart presented on the following page, the Trustees wish to pursue a “sustainable” investment approach for the Scheme that integrates ESG risk analysis into investment decision-making, whilst pursuing certain “impact” opportunities that generate competitive financial returns, and whilst also providing positive and measurable environmental or societal impact. The Trustees will seek clear financial rationale in any investment decision, and also consider in balance all financial and non-financial considerations. The Trustees’ position is indicated on the spectrum chart below.



## Engagement with Investment Managers

To date, while the Trustees consider a prospective manager's ESG credentials when appointing a manager and evaluate managers on this criteria, the Trustees have not yet carried out a detailed ESG specific review of the Scheme's investment managers. A high-level overview of the Scheme's managers' approach to ESG was carried out as part of a wider ESG training exercise in 2019.

Isio has engaged with all the Scheme's investment managers on their ESG policies to ensure they meet a set of minimum criteria.

## Investment Managers' Engagement Activity

As the Scheme invests via pooled funds managed by various investment managers, each manager has provided details on their engagement activities, including a summary of the engagements by category over the Scheme's reporting year.

Fund name	Engagement summary	Commentary
M&G Total Return Credit Investment Fund	Total Engagements: 15  Environmental: 13 Social: 1 Governance: 1	<p>M&amp;G have a systematic approach to engagements whereby specific objectives are outlined in advance and results measured based on the outcomes from the engagements.</p> <p>M&amp;G Analysts are expected to have a more granular awareness of key ESG risks which impact the individual issues they monitor. Where engagement is deemed to be necessary, analysts engage with issuers supported by M&amp;G's Corporate Finance &amp; Stewardship ("CF&amp;S") Team, allowing them to leverage their expertise and sustainability themes.</p> <p>An example of an engagement includes:</p> <p><b>Capital One</b> – As Capital One plan to acquire Discover Financial Services, M&amp;G engaged with the company to align its sustainability practices with Discover's standards. M&amp;G urged Capital One to establish a Scope 2 emissions reduction target and to disclose / publish Scope 3 Category 15 emissions data. While Capital One initially deemed a Scope 2 target unnecessary, as they currently report 100% renewable energy usage, M&amp;G proposed a "maintenance target" to sustain renewable commitments, which they agreed to review. On Scope 3, the company is refining its Category 15 calculations and plans to disclose once confident in the</p>



		<p>methodology. Target-setting challenges include consumer-driven credit card usage and electric vehicle (“EV”) adoption rates for auto loans, with commercial clients posing data hurdles due to varying disclosures. M&amp;G will revisit post-acquisition, following discussions with Capital One’s climate lead and Investor Relations (“IR”) team, to track progress on these priorities.</p>
<p><b>Partners Group Private Market Credit Strategies (2018) Fund</b></p>	<p>During the reporting period, the Fund did not undertake any ESG-related engagements, which is consistent with its current phase of winding down operations.</p>	<p>Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as debt lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks.</p> <p>Given the nature of the Fund and its underlying investments, Partners Group were unable to provide fund-level engagement examples.</p>
<p><b>LGIM Global Unconstrained Bond Fund</b></p> <p>(Previously named the LGIM Absolute Return Bond Fund)</p>	<p>Total engagements: 355</p> <p>Environmental: 208 Social: 72 Governance: 57 Other: 18</p>	<p>LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments and other industry participants to address long-term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.</p> <p>LGIM’s Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>LGIM currently do not provide detailed examples of their engagement activities at Fund level but do provide high-level details of the engagement activity undertaken (e.g. company name, engagement type and key theme).</p>
<p><b>BlackRock UK Long Lease Property Fund</b></p>	<p>BlackRock do not currently provide details of their engagement activities due to the nature of the Fund. Isio will continue to work with BlackRock on behalf of the Scheme to</p>	<p>BlackRock’s ESG related engagement is led by BlackRock’s Investment Stewardship Team (“BIS”). BlackRock lease on full repairing and insuring (“FRI”) terms, which means that whilst a tenant is in a property, BlackRock has little control over that property, therefore engagement opportunities are scarce.</p>

	develop BlackRock's engagement reporting.	BlackRock does recognise the importance of engaging with tenants and other stakeholders to gain insight into their ESG practices and key performance indicators where possible. Engagement activity varies from asset to asset, but often includes a combination of campaigns, activities and events to address sustainable best practice, particularly in relation to energy and resource efficiency, which is a key priority area for BlackRock and the wider industry.
<b>Insight High Grade ABS</b>	<p>Total engagements: c. 60</p> <p>Insight do not currently provide details on the underlying engagement themes at the fund-level for ABS mandates.</p>	<p>Insight engage with their underlying portfolio projects on a range of ESG issues, mainly related to corporate governance within portfolio companies and share issuance.</p> <p>An example of an engagement includes:</p> <p>Pepper – Insight engaged with Pepper, a major Australian issuer held across Insight portfolios, as the company initially lacked ESG integration in loan origination and disclosures. Insight initiated engagement in Q4 2022, raising concerns over these gaps. Follow-up discussions in 2023 then led to progress: Pepper now provides borrowers with Energy Performance Certificate (“EPC”) improvement insights, introduced EPC-linked cashback incentives, and explores sharing EPC data for its back book (though investor demand remains limited). While Pepper acknowledged the need to enhance ESG metrics in annual reports and review origination practices, concrete policy changes are pending. Insight views improved disclosures as a positive step but will continue pushing for stronger ESG alignment in underwriting. Further engagement is planned post-2024 issuance to monitor commitments.</p>
<b>Insight LDI</b>	<p>Total engagements: 126</p> <p>Environmental: 64 Social: 38 Governance: 26 Strategy, Financial and Reporting: 329 Other: 16</p>	Insight operate an ongoing Counterparty Engagement Programme that assesses core trading partner counterparties' sustainability performance through a bespoke Sustainability Assessment Questionnaire issued every two years. The questionnaire was enhanced in 2024 to respond to the changing ESG landscape, developing regulation, and increased stakeholder expectations and focused on six main areas: climate change, natural capital, human rights, diversity and

		<p>inclusion, business ethics, and pay. It was issued in 2024 to 26 counterparties, representing c.95% of Insight's total exposure.</p> <p>Insight regularly engage with regulators, governments and other industry participants to address long-term structural issues; however, Insight have not provided examples of fund-specific significant engagements within the LDI mandate.</p>
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Notes: For some managers, total engagements do not sum up, as a number of engagements are related to a combination of E,S and G issues.