

# LLOYD'S REGISTER SUPERANNUATION FUND ASSOCIATION (THE "LRSFA")

## ESG and Stewardship Policy

### 1. BACKGROUND TO THE POLICY

#### 1.1 Regulatory requirements

With effect on and from 1 October 2019, the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Regulations**") will require the Trustee to include in the LRSFA's Statement of Investment Principles ("**SIP**") its policy:

- (a) in respect of Environmental, Social and Governance ("**ESG**") considerations that the Trustee considers financially material (the "**ESG Requirement**");
- (b) if any, on how the views of beneficiaries on certain matters (including in relation to ethical, social, environmental and other matters impacting their present and future quality of life) are taken into account (the "**Ethical Requirement**");
- (c) on the exercise of rights attaching to investments and the undertaking of engagement activities in respect of them (the "**Stewardship Requirement**").

#### 1.2 Role of the Policy

The Trustee's SIP refers to these requirements and this Policy provides a greater level of detail about the Trustee's approach. This Policy forms part of the SIP for the purposes of fulfilling the requirements of the Pensions Act 1995.

#### 1.3 Implementation

The Trustee's Investment Adviser will be responsible for practical implementation of the regulatory requirements. It will:

- (a) communicate the Trustee's approach to all relevant Investment Managers;
- (b) consider ESG and stewardship in appointing and assessing Investment Managers (including reviewing the Investment Managers' own ESG policies);
- (c) review the Investment Managers' performance at regular intervals, including requiring information about their ESG investing policies and stewardship activities.

### 2. ESG REQUIREMENT

#### 2.1 Meaning of ESG

The Trustee acknowledges that ESG covers many different matters and, in addition, is a constantly developing concept. It takes the UN Principles for Responsible Investing's guidance as its reference point for understanding ESG issues.

#### 2.2 Approach to ESG

- (a) The Trustee recognises the view that companies that have strong ESG credentials are likely to be stronger and more sustainable companies than those that do not. However, it also recognises that the market may already price in a discount to appropriately reflect the additional risks that companies with weak ESG credentials face and there is currently limited empirical evidence to show a positive sustained link between strong ESG credentials and long-term higher returns.

- (b) Consequently, the Trustee considers that ESG is an acceptable investment consideration but only where consistent with the LRSFA's general investment objectives.

**3. THE ETHICAL REQUIREMENT**

The Trustee has given consideration to the Ethical Requirement and concluded that at the current time it is not appropriate for it to take any specific steps with respect to it.

**4. THE STEWARDSHIP REQUIREMENT**

**4.1 Meaning of stewardship**

The Regulations separate stewardship into two areas:

- (a) the exercise of rights attaching to investments; and
- (b) engagement with debt and equity issuers on issues including performance, strategy, risks, social and environmental impact and corporate governance.

**4.2 Considerations**

The Trustee recognises that the exercise of rights attaching to investments and engagement with debt and equity issuers may have a long term positive impact on the underlying investment.

**4.3 Approach**

The LRSFA's Investment Managers will be requested to consider (but are not obliged) to be active owners and to exercise the rights attaching to investments and engage with debt and equity issuers on relevant matters. This approach does not apply to quantitative and passive investments and other strategies where active ownership is not practical.

**For and on behalf of ~~Lloyds~~ Register Superannuation Trustees Ltd**

Signed:

Name:

Date: 27.09.19.