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, Apollo Global Management, Legal and General and Insight Investments to implement the agreed investment strategy. The overall strategic benchmark allocation and the managers' specific performance benchmarks and targets, are set out in the table below:

Manager - Asset Class	Benchmark (%)	Index	Target
M&G – Diversified Credit	10.0	1 month SONIA	+3.0% to 5.0% p.a. (gross of fees)
BlackRock – Long Lease Property	12.0	IPD Long Income Property Funds Index	To deliver a distribution yield of 5.0% p.a. across the market cycle
Partners Group – Direct Lending	11.0	SONIA	+4.0% p.a. (net of fees)
Apollo – Semi-Liquid Credit	12.0	3 month SONIA	+5.3% p.a. (net of fees)
Legal and General ("LGIM") – Absolute Return Bonds	7.0	3 month SONIA	+ 1.5% p.a. (net of fees)
Insight – Asset Backed Securities	12.0	1 month SONIA	+ 1.15% (net of fees)
Insight - Liability Driven	31.0	Liability benchmark based on Scheme cashflows	n/a

Investment			
Cash	5.0%	N/A	N/A
Total	**100**		

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	• 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. • The Scheme's investment managers are invited to present to the Trustees on their performance, strategy and risk exposures.	• There are significant changes made to an individual manager's investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers' approaches to engagement. • The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.	• The manager has not acted in accordance with their policies and frameworks

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.

...
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 2013Revised March 2015
Revised August 2019
Revised May 2022
Revised December 2023

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:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring employer's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • 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.
Covenant	The risk that the sponsoring employer becomes unable to continue providing the required financial support to the Scheme	• 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.

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

Risk	Definition	Policy
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 80% 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 mangers 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

Manager	**Fee Scale (% p.a.)**	
BlackRock	*Long Lease Property Fund*	*0.40%*
M&G	*Total Return Credit Investment*	*0.45%*
Partners Group	*Private Market Credit Solutions 2018*	*0.80% p.a. + 8% of profits, subject to a 4% preferred return p.a. (with catch up)*
Apollo	*Total Return Fund*	*0.68%*
LGIM	*Absolute Return Bonds*	*0.25%*
Insight	*High Grade Asset Backed Securities*	*0.35%*
	LDI Enhanced Selection Funds	*0.10%*
	Liquidity Holding Fund	*0.08%*

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 manager 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.

AAppendix 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
LDI manager	**Cash**	**Daily frequency**	**T-1**	**T+1**
LDI manager	**Asset Backed Securities**	**Daily frequency**	**T-2**	**T+3**

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:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	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.
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.	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.
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.	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.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	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.
The duration of the Scheme's arrangements with the investment managers	The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. o 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. o 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.
Voting Policy - How the Trustees expect investment managers to vote on their behalf	The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about ‘relevant matters’	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. o Selecting and appointing asset managers – the Trustees will consider potential managers’ stewardship policies and activities o 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 o Collaborative investor initiatives – the Trustees will consider joining/ supporting collaborative investor initiatives

Implementation Statement – *wording for accounts*

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. The regulatory changes recognise that Environmental, Social and Governance ("ESG") factors are financially material to the Scheme, stating that pension scheme trustees are required to consider how these factors are managed as part of their fiduciary duty.

The regulatory changes require that the Trustees detail the Scheme's policies in its Statement of Investment Principles ("SIP"), and to demonstrate their adherence to these policies on an ongoing basis in an annual Implementation Report.

Statement of Investment Principles

The Trustees have updated the Scheme's SIP in response to the DWP regulation to cover:

- Policies for managing financially material considerations, including ESG factors and climate change; and
- Policies on the stewardship of the Scheme's investments.

The SIP can be found online at the web address below:

Changes to the SIP are detailed within this report.

Implementation Report

This Implementation Report is intended to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- Actions the Trustees have taken to manage financially material risks and implement the key policies outlined within the Scheme's SIP;
- The Trustees' current policies and approach to ESG considerations, and the actions taken with each of the Scheme's investment managers on managing ESG risks;
- The extent to which the Trustees have followed policies relating to engagement, covering both their engagement with the Scheme's investment managers and the engagement activity of each of the investment managers with the companies and counterparties in which they invest; and
- The voting behaviour of the Scheme's investment managers covering the reporting year to 31 March 2024 (noting the Trustees' delegation of Scheme voting rights to the investment managers through its investments via pooled fund arrangements).

Summary of Key Actions Undertaken over the Scheme's Reporting Year

- Over the previous reporting period, the Trustees agreed to a new strategic benchmark for the Scheme. Amongst changes to existing mandates' strategic weightings, the new strategy involved terminating the existing Global Equity mandate and the introducing a new Asset Backed Securities ("ABS") mandate (12% of Scheme assets).

- **LDI mandate transition and increase of target liability hedge:** As part of the strategic discussions, the Trustees also reviewed the previous decision to switch the Scheme's LDI mandate from BlackRock to Insight. At the March 2023 Trustee meeting, the Trustees re-confirmed their decision to switch to Insight via their pooled fund range. The transition of the LDI portfolio to Insight completed in July 2023. As part of the switch to Insight, the Trustees also agreed to increase the liability hedge to 80% (on the Technical Provisions ("TPs") basis). As part of this transition, the Trustees invested excess cash released from the BlackRock LDI portfolio and funds held within the BlackRock Liquidity Fund into the Insight Liquidity Fund to act as a source of collateral to support the LDI mandate.

- **Implementation of Asset Backed Securities ("ABS") mandate:** Prior to proceeding with the new allocation, the Trustees received training on the asset class in May 2023. As part of this meeting, the Trustees agreed to implement the ABS mandate with Insight, primarily due to the governance efficiencies available when managing re-capitalisation events within the Scheme's LDI portfolio. At the September Trustee meeting, the Trustees agreed to Isio's proposal for the ABS allocation to be invested via Insight's High Grade ABS Fund. The initial investment in the Insight ABS mandate took place in early-October, alongside the remaining rebalancing activity to align the Scheme with its new strategic benchmark.

- **Liability Hedge Increase:** Following receipt of the liability cashflows from the 2023 Actuarial Valuation, Isio reviewed the Scheme's liability hedge relative to the 80% target (on the TPs basis). As part of this review, Isio assessed how far the hedge could be increased by utilising excess cash held within the Trustee Bank Account. In early 2024, Isio received final analysis from Insight (the Scheme's LDI manager) which indicated that there was scope to increase the liability hedge to 90% using the available excess cash. Given the ongoing volatility in gilt yields, the Trustees agreed to proceed with this increase at the earliest opportunity, and liability hedge was subsequently increased in early-March.

- **Actuarial Valuation - Investment Strategy Considerations:** At the September Trustee meeting, the Scheme Actuary presented the preliminary results of the 2023 Actuarial Valuation. As part of the discussions, the Scheme Actuary proposed changing the Technical Provisions discount rate from Gilts + 0.85% p.a. to Gilts + 0.70% p.a.. Prior to deciding whether to adopt the new discount rate, the Trustees requested that Isio review the alignment of the investment strategy with the new discount rate and whether there would be scope to de-risk the strategy further. Isio presented their analysis at the December Trustee meeting which highlighted that the strategy's expected return could be reduced to Gilts + 1.6% p.a. whilst retained the current level of prudence.

- At the March Trustee meeting, Isio presented de-risking options to the Trustees which aligned with this target return and increased the hedge to 100% on the TPs basis. Isio presented two options to the Trustees for consideration – one which removed the Apollo semi-liquid credit mandate (in line with illustrative options previously explored) and one which removed the BlackRock long lease property mandate (following a change in Isio's research rating in response to significant team changes within the European Real Estate team at BlackRock). These options were explored further post-reporting period, and a new strategic benchmark for the Scheme was agreed. This new strategy removes the semi-liquid credit mandate and utilises the proceeds to increase allocations to the Scheme's existing liquid growth assets and to increase the liability hedge to 100%.

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

Position

Date

Managing Risks and Policy Actions

Risk/ Policy	Definition	Policy	Actions over reporting period
Interest Rates and Inflation	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.	The Trustees increased the hedge to 80% (on the TPs basis) over the reporting period. Following the receipt of the liability cashflows from the 2023 Actuarial Valuation, Isio reviewed the position of the Scheme's liability hedge. Final analysis from the Scheme's LDI manager, Insight, indicated that there was scope to increase the hedge to 90% using excess cash available in the Trustee Bank Account. This increase to the liability hedge was implemented by the Trustees in early-March. Post-reporting period, as part of the wider discussions on the Scheme's investment strategy, the Trustees agreed to increase the liability hedge to 100% **The revised liability hedge target will be reflected in the next SIP update.**
Liquidity	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 if required.	The Trustees monitor the availability of daily liquid assets as part of the semi-annual investment reports. The Trustees implemented a new investment strategy over the period which improves the liquidity profile of the strategy by introducing a new, daily liquid asset backed securities allocation (12% of Scheme assets) to act as the primary source of collateral for the LDI portfolio, alongside a standalone allocation to Cash (5% of Scheme assets). These allocations were implemented in October 2023.

			The Trustees included a formal collateral management policy within the SIP to document their approach to funding collateral calls from the LDI manager. Over the reporting period, the Trustees reviewed the investment strategy in light of the results of the 2023 Actuarial Valuation. In December 2023, Isio presented a review which identified there was scope to de-risk the investment strategy further under the new TPs discount rate being proposed by the Scheme Actuary. The Trustees reviewed de-risking options at the December 2023 and March 2024 Trustee meetings. Both options presented further improve the liquidity profile of the Scheme (by terminating either the semi-liquid credit or long lease property mandates, in favour of higher allocations to the Scheme's daily liquid assets). The Trustees agreed to one of these options post-reporting period. **The revised strategic asset allocation will be reflected in the next SIP update.**
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified across asset classes and hedge away any unrewarded risks, where practicable.	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) and to consider further de-risking options for the Scheme's investment strategy. **These agreed strategic changes will be reflected in the next SIP update.**

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.	The Trustees implemented a new asset backed securities mandate over the reporting period, whilst the strategic allocations to diversified credit and absolute return bonds were reduced as part of the new strategy. The revised investment strategy agreed post-reporting period will see the Scheme terminate its semi-liquid credit mandate, with the proceeds being distributed across the Scheme's liquid credit mandates. This activity is expected to increase the average credit quality of the Scheme's credit exposure. **The revised strategic asset allocation will be reflected in the next SIP update.**
Environmental, Social and Governance (ESG)	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 ESG 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 from an ESG perspective on an ongoing basis. The Trustees have also 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.	No additional action or change over the reporting period.

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.	No additional action or change over the reporting period.
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.	No additional action or change over the reporting period.

Changes to the SIP

<table>
<tr><td colspan="2">Policies added to the SIP over reporting period</td></tr>
<tr><td colspan="2">Date updated: December 2023</td></tr>
<tr><td>Hedge target</td><td>The SIP was updated to reflect the change in the Scheme’s liability hedging target to 80% (on the Technical Provisions basis).</td></tr>
<tr><td>Strategic benchmark</td><td>Following completion of an investment strategy review and further strategic discussions a revised strategic benchmark was agreed in March 2023. The SIP was updated to reflect the updated investment strategy and new manager line-up.</td></tr>
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		• The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.	

Cash Flow Policy	The Scheme's cashflow policy was updated to the following: • 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 manager 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.
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 of the SIP. • 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. **Appendix D – Collateral Management Policy** <u>Collateral management policy</u> 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

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<tr><th>Manager</th><th>Asset Class</th><th>Dealing frequency</th><th>Notice period</th><th>Settlement period</th></tr>
<tr><td>LDI manager</td><td>Cash</td><td>Daily frequency</td><td>T-1</td><td>T+1</td></tr>
<tr><td>LDI manager</td><td>Asset Backed Securities</td><td>Daily frequency</td><td>T-2</td><td>T+3</td></tr>
<tr><td>Non-LDI manager</td><td>Absolute Return Bonds</td><td>Daily frequency</td><td>T-1</td><td>T+2</td></tr>
<tr><td>Non-LDI manager</td><td>Diversified Credit</td><td>Daily frequency</td><td>T-1</td><td>T+2</td></tr>
</table>
</td>
</tr>
<tr>
<td>Voting Policy - How the Trustees expect investment managers to vote on their behalf</td>
<td>The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme’s investment managers on their behalf.</td>
</tr>
<tr>
<td>Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about ‘relevant matters’</td>
<td>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.

Selecting and appointing asset managers – the Trustees will consider potential managers’ stewardship policies and activities
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
Collaborative investor initiatives – the Trustees will consider joining/ supporting collaborative investor initiatives.
</td>
</tr>
</table>

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

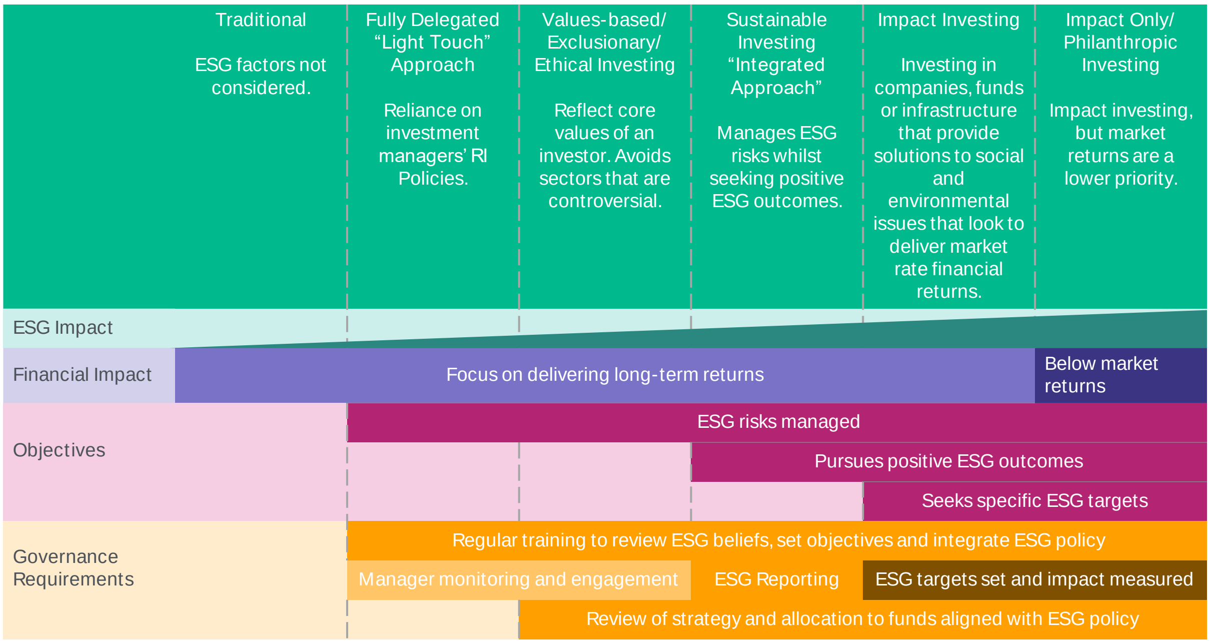
Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	• Through the manager selection process, ESG considerations will form part of the evaluation criteria. • The Scheme's investment advisor, Isio, will monitor managers' ESG policies on an ongoing basis. • 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. • 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.	• The investment manager has not acted in accordance with their policies and frameworks. • The investment managers' ability to abide by the Trustees' ESG policies ceases due to a change in the manager's ESG policies.

Areas of Assessment and ESG Beliefs

Risk management	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. 2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.
Approach / Framework	3. The Trustees want to understand how investment managers integrate ESG within their investment process and in their stewardship activities. 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.
Voting & engagement	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. 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. 7. The Trustees want to understand the impact of voting & engagement activity within their investment mandates.
Reporting & monitoring	8. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge. 9. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
Collaboration	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.

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 on the following page.



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[1]	Commentary
M&G Total Return Credit Investment Fund[2]	Total Engagements: 8 Environmental: 5 Governance: 2 Social: 1	M&G have a systematic approach to engagements whereby specific objectives are outlined in advance and results measured based on the outcomes from the engagements. M&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&G's Corporate Finance & Stewardship ("CF&S") Team, allowing them to leverage their expertise and sustainability themes. Examples of significant engagement: Brambles Finance PLC – M&G met with the Company to discuss the link between executive renumeration Key Performance Indicators (KPIs) and sustainability targets. The Company were receptive and confirmed that objectives are tailored to individual roles but, they will work to improve these on a role-by-role basis. M&G were satisfied with this response and will follow up with a report on their expectations to the renumeration committee. M&G additionally raised concerns over the Company's decarbonisation strategy and encouraged them to make a commitment to net zero, they will follow up on a call with the Head of Sustainability at the Company.
Apollo Total Return Fund	Total Engagements: 54 Environmental: 45 Social: 25 Governance: 27 One engagement can comprise of more than one topic across each company.	Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and KPIs. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. Adani Ports and Special Economic Zone Limited - Apollo engaged with the Company on their thermal coal exposure and emissions reduction strategy in

		December 2023. The Company stated that thermal coal comprises less than 25% of their cargo mix and an additional 8-10% of the mix is from coking coal. This has reduced from 100% originally. The Company expect that green hydrogen and green ammonia will emerge as viable fuel alternatives in the next 5-6 years. As a result, they expect a gradual reduction in thermal coal as a % of their cargo mix over this time-period, after which they expect a sharp fall. Adani Ports is targeting carbon neutrality (regarding their Scope 1 & 2 emissions) by 2025 and net zero by 2040. The Company is also working on electrifying the cargo handling process and electrifying the entire network within the ports.
Partners Group Private Market Credit Strategies (2018) Fund	Partners Group were unable to disclose the number of engagements for the reporting period.	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. Given the nature of the Fund and its underlying investments, Partners Group were unable to provide strategy level engagement examples
LGIM Absolute Return Bond Fund	Total engagements: 156 Environmental: 76 Social: 16 Governance: 46 Other: 18	LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. 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. 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).
BlackRock UK Long Lease Property Fund	BlackRock currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with BlackRock on behalf of the Scheme to develop BlackRock's engagement reporting going forward.	BlackRock's ESG related engagement is led by BlackRock's Investment Stewardship Team (BIS). The BIS Team views engagement as a key mechanism for providing feedback or signalling concerns to companies about factors that affect. BlackRock does recognise the importance of engaging with tenants and other stakeholders to gain insight into their ESG practices and key

		performance indicators. 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.
Insight High Grade ABS	Total engagements: 55 Insight currently do not provide details on the underlying engagement themes at the fund level for ABS mandates	Insight engages with their underlying portfolio projects on a range of ESG issues, mainly related to corporate governance within portfolio companies and share issuance. An example of an engagement includes: Lloyds – Insight engaged with the Company to improve their understanding of investors' ESG concerns and how they can improve their disclosures in this area. As part of the engagement, a Secured Finance portfolio manager from Insight met with a member of Lloyd's Treasure team to discuss their funding paths over the next 5 years and how ESG requirements might influence this. Following this engagement, the Company agreed to provide Energy Performance Certificates (EPC) across new loan deals. Insight will continue to monitor the provision of EPC information and engage with Lloyds on a firm-wide level.
Insight LDI	Total engagements: 161 Environmental:21 Governance:5 Social:12 Other:123	The team regularly engages 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.

Notes: [1]For some managers, total engagements do not sum up, as a number of single engagements are related to a combination of E, S, and G issues. [2] Data provided over the 12-month period to 31 December 2023.