FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a default investment strategy. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes that members are investing in. However, the Trustee has not made an explicit allowance for risks associated with climate change as it believes that it is difficult to accurately quantify.

Members invest in pooled funds. The Trustee acknowledges that it and members cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment..

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers in the default strategy and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are a signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the default investment strategy;

- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and

- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment within the default strategy.

NON-FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee has not considered non-financially material matters in the in the selection, retention and realisation of investments in respect of the default strategy.

STEWARDSHIP

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should engage with companies to take account of ESG factors in the exercise of such rights. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate. If they are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager within the default investment strategy.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND CLIMATE CHANGE RISKS

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses for members that may not have been factored into any expectations of future investment returns when designing the default investment strategy. The Trustee has considered ESG issues as part of the investment process, but has made no explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.