

Environmental, Social and Corporate Governance (ESG) Policy

Introduction

This policy sets out how the Scheme manages ESG risks and opportunities. It outlines the key principles that have been established, and the Trustee’s approach to considering sustainability risk and other ESG factors.

The Scheme does not directly manage its investments and the investment managers have discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. These guidelines may include ESG considerations.

Beliefs

The Trustee believes that a sustainable investment approach is more likely to create and preserve long-term investment capital and, more specifically, that:

- Taking a broader and longer term perspective on risk is consistent with fiduciary duty.
- ESG factors can have a material impact on long-term risk and return outcomes and should be integrated into the investment process.
- Good stewardship and engagement can create and preserve value for companies and markets as a whole, hence having the potential to benefit Scheme members in the long-term. The Trustee’s key stewardship themes are climate change, energy efficiency, health & safety, human rights, diversity, equity & inclusion and corporate governance. The Trustee has determined these priorities based on the Trustee Directors’ ESG beliefs, taking into account the Employer’s strategic priorities on ESG and sustainability matters.
- Climate change poses a systemic risk, and accordingly the Trustee will consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes.
- The Scheme’s investments should support the current Paris Agreement’s objective to limit global warming to “well below 2°C” relative to pre-industrial levels, and pursue efforts to limit warming to 1.5°C if possible. The Trustee expects to maintain this commitment to the possible refresh of the Paris Agreement objectives if and when these are ratified. The Trustee believes this commitment demonstrates strong alignment with better economic outcomes for investors.
- ESG factors will affect more than just the asset portfolio. As such, the Trustee views ESG factors through an integrated risk management lens, including investment, funding, and covenant considerations.

The Trustee is supportive of the UN’s Sustainable Development Goals.

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Climate Change

In order to support the objective of limiting global warming to “well below 2°C”, relative to pre-industrial levels, and pursuing efforts to limit warming to 1.5°C if possible, the Trustee has established the following targets in respect of the Scheme’s buy and maintain credit and short dated credit holdings:




- A 50% reduction in greenhouse gas emissions by 2030 and a 100% reduction by 2050, measured as the reduction in the carbon emissions intensity (tonnes CO2/\$m revenues), relative to the position as at 31 December 2019.
- Alignment with an implied temperature rise of 2.0°C above pre-industrial levels from 31 December 2025 and 1.5°C above pre-industrial levels from 2030 onwards.

The Trustee has not set any such targets for the Scheme’s illiquid credit, secured finance and multi-asset credit holdings, due to the characteristics of the underlying asset classes and the lack of available data. However, the Trustee continues to engage with the respective managers on how climate change risks and opportunities are integrated into these arrangements.


The Trustee is considering the application of the Taskforce on Climate-Related Financial Disclosures (TCFD) framework to guide their overall approach towards climate-related financial risks and opportunities.

Approach

The Trustee embeds ESG considerations within the Scheme’s management framework as detailed below. The “process” stage is where the Trustee seeks to move from principles to practice.

<p>Beliefs</p> 	<p>The investment beliefs set out above guide the Trustee’s policy. To arrive at these beliefs, the Trustee has undertaken training on ESG and climate change, and has participated in an ESG beliefs survey.</p>
<p>Policy</p> 	<p>Alongside the statutory disclosures required in the Statement of Investment Principles, the Trustee has established this policy as part of its governance framework on ESG considerations. The Trustee will also embed ESG considerations within investment manager and other third party policy documentation, where appropriate.</p>
<p>Process</p> 	<p>The Trustee considers ESG matters in its processes in the following ways:</p> <ul style="list-style-type: none">• Investment strategy (this may include scenario analysis, where relevant).• Investment manager selection and review.• Engagement with the investment managers on their overall ESG policy and strategy, including identification of any areas for improvement and / or new ideas.• Mandate guidelines for the buy & maintain credit portfolio, including exclusions, where scheme-specific exclusions will be established aligned to our beliefs and policies.• Consideration of thematic and impact investing should this be appropriate in the context of the Scheme’s broader objectives.

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	<ul style="list-style-type: none">• ESG stewardship and engagement with the investment managers.• Covenant assessment and monitoring.• Liability risks and the impact of climate change in particular on the funding position.• Member communication and engagement strategy.• Consideration of targets, including the aspiration to meaningfully reduce emissions within the asset portfolios over an appropriate time period.
<p>Governance</p> 	<p>The Trustee has put in place monitoring arrangements to assist with the governance of ESG risks. These monitoring arrangements include:</p> <p><i>Quarterly</i></p> <ul style="list-style-type: none">• ESG ratings and related investment manager news updates published by the investment consultant. <p><i>Prior to each investment manager’s presentation to the Trustee or IRSC</i></p> <ul style="list-style-type: none">• Climate change analytics including carbon footprint and carbon intensity measures.• Data quality, assessed by % portfolio coverage.• Engagement examples.• Controversial sector allocations. <p><i>Annually</i></p> <ul style="list-style-type: none">• Engagement reporting including:<ul style="list-style-type: none">○ Overview of engagement examples including outcomes achieved, focusing particularly on the Trustee’s key stewardship themes.○ Investment manager engagement policies.• ESG monitoring reporting including:<ul style="list-style-type: none">○ Research views on the Scheme’s investment managers provided by the investment consultant.○ Analysis of the investment managers’ ESG ratings including benchmarking against suitable peer group data.○ Assessment of the Trustee’s broader ESG integration including comparison against the year prior and broader benchmarks covering schemes of a similar size or sector.○ Monitoring of the Scheme’s exposures to controversies and UN Global Compact violators.○ Confirmation of the investment managers’ firm-wide commitments to ESG policies, projects and initiatives.

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	<ul style="list-style-type: none">Climate impact reporting, to assess the progress made with reference to the climate targets that the Trustee has set in respect of the Scheme’s buy and maintain credit and short dated credit holdings. <p>Maintaining Trustee knowledge and understanding on ESG matters forms a core component of the Scheme’s ongoing training plan.</p>
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Sponsor Alignment

The Trustee recognises that ESG and climate change matters carry reputational considerations and the Trustee is therefore keen to ensure it has a strong understanding of the Sponsoring Company’s position on ESG and climate change. The Trustee also intends to align with the Sponsoring Company in this respect where appropriate.

Policy Governance

Key responsibilities for the maintenance of this policy are set out in the table below:

Party	Role
Trustee	Owner of policy, including setting and maintenance
Investment and Risk Sub-Committee	Monitor against policy
Employer	The Employer will share with Trustee its own approach to ESG to be taken into consideration
Advisers	Provide input to policy including advice on best practice
Investment Managers	Provide input to strategy and portfolio design Implement policy (where relevant)

The policy will be shared with the Employer, the advisers, and the investment managers.

This policy will be reviewed at least annually, or more frequently if:

- Meaningful change is made to the integration of sustainability risks into the Trustee’s investment and funding strategies.
- Relevant legislation or regulation requirements change.

For and on behalf of RS Group Pension Trustees Limited, as Trustee of the RS Group Pension Scheme.

May 2024