

# Engagement Policy

## Our investment strategy

This policy sets out how we engage with companies that we invest in and focuses on responsible investing that considers Environmental, Social and Governance (ESG) issues. Climate change is considered a key environmental issue and is integrated into our internal risk management framework. More information on our approach to climate risk can be found on page 18 of our 2022 [Annual Report](#).

On behalf of our members we invest in a mix of assets. Some of these assets are equities (also referred to as stocks and shares) which means that, on behalf of our members, we own a share in these companies. As shareholders we're able to engage with these companies and often this means we have voting rights that can be used to have our say in how these companies operate and are governed – such as voting for or against the appointment of directors, executive remuneration and some strategic proposals.

Our members generally invest with us over the medium to long-term.

Over this time horizon, equities typically outperform other asset classes like cash and fixed income investments (such as bonds). Equities can also protect investments from inflation and can generally be bought and sold quickly and easily. This potential for growth in real terms over medium to long-term is a key driver for using equities as an essential part of our various investment strategies. We have different investment strategies for separate products and funds depending on the underlying risk appetite and expectations of our members.

We do not engage directly with investee companies but rely on our asset managers to engage on our behalf and exercise our voting rights to deliver strong investment returns and influence positive change. Our main asset manager is currently Columbia Threadneedle Investments who are responsible for the day-to-day management of our assets operating in accordance with our various investment strategies that we review at least once a year.

## Our beliefs and requirements

We believe that engaging with companies we have invested in is an effective tool to drive positive environmental, social and governance change and contribute to the long-term success of the global economy.

We require our asset managers to use voting rights and regular engagement with key stakeholders to influence positive change. In particular, we expect our asset managers to consider corporate strategy, both financial and non-financial performance and risks, capital structure, social and environmental impacts as well as corporate governance.

Where appropriate, our asset managers should cooperate with other shareholders and communicate with relevant stakeholders in order to increase influence on investee companies. We require our asset managers to report on voting decisions and engagement on a regular basis.

We also require our asset managers to identify and manage any conflicts of interest that arise during the engagement process.

## Our asset managers

All our equity investments, excluding our range of external mirror funds for Self-Invested Personal Pensions<sup>1</sup>, are currently undertaken by our primary asset manager, Columbia Threadneedle Investments.

We have a five year arrangement with Columbia Threadneedle Investments that concludes at the end of 2023. There are a number of scenarios under which we may terminate our relationship before this time. Columbia Threadneedle Investments are therefore incentivised to ensure performance targets are met and investment and operational risks are well managed and mitigated. These performance targets are calibrated to a three year annualised rolling metric. We believe this incentivises the asset manager to focus on medium to long-term performance consistent with the profile and duration of our liabilities.

Portfolio turnover costs are not separately monitored. Our primary asset manager's performance is considered net of trading costs and therefore we believe the asset manager is incentivised to minimise trading costs in order to improve performance. Additionally, high turnover costs would dampen assets under management which is a key metric used to determine the fee paid to the asset manager.

We oversee and monitor our asset managers regularly. This includes rigorous analysis of investment performance, portfolio positioning and market outlook. We review voting decisions as well as investment and risk policies and philosophies.

The selection of our asset managers is reviewed from time to time.

Information on significant votes and Columbia Threadneedle Investments' engagement policy is available on their website:

[Columbia Threadneedle Investments – proxy voting records](#)  
[Columbia Threadneedle Investments – engagement policy](#)

<sup>1</sup> As we do not make investment decisions for these external funds or recommend external funds, we suggest that our members and advisers refer to the engagement policies of the relevant fund manager for these mirror funds.

This Engagement Policy is compliant with the Shareholder Rights Directive II.

### Please note

Investments can go up and down and you could get back less than invested, the information provided should not be seen as advice to take out a product, please speak to your financial adviser.



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