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Retirement Solutions



Verity Trustees Limited
Responsible Investment Framework

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Introduction

Verity Trustees Limited (VTL) is committed to being a responsible investor. Responsible investment is commonly defined as an approach which seeks to integrate environmental, social and governance (ESG) considerations into investment management processes and ownership practices.

VTL believes that certain ESG factors can have an impact on financial performance and that it is part of our fiduciary duty to incorporate this information into our investment decisions. We believe that this helps to reduce investment risk and in some cases enhance long-term portfolio returns.

This view is expressed formally as a statement (number 10) in VTL's Investment Beliefs. Responsible investment therefore forms an integral part of the governance and risk management framework used to protect the long-term value of the assets we manage on behalf of our members and beneficiaries. Our approach to responsible investment is applicable to both our Defined Benefit (DB) and our Defined Contribution (DC) investments, and is reflected in the Statement of Investment Principles (SIP) for both strategies.

In order to formalise the activities that VTL undertakes to demonstrate its commitment to being a responsible investor, it has put in place a Responsible Investment Framework. This Framework covers the key activities undertaken by VTL in managing the assets of the scheme and ultimately allows us to communicate our approach to both key suppliers and our members.

The Trustee Board retains responsibility for VTL's responsible investment approach and for approving this Framework. The Investment Oversight Committee supports the Trustee Board by overseeing its implementation. TPT Investment Management (TPTIM) supports the implementation of the Framework in relation to the DB portfolio, including through investment strategy, manager selection and monitoring, and stewardship activities. AllianceBernstein supports implementation in relation to the DC portfolio. The Framework is reviewed annually by the Investment Oversight Committee and approved by the Trustee Board.

Investment Manager Selection and Monitoring

VTL's Responsible Investment Framework applies across DB and DC investments, although its implementation is tailored to reflect the characteristics of different asset classes, investment structures and management styles.

For DB investments, VTL delegates investment decisions to TPTIM. For DC investments, VTL delegates investment decisions to AllianceBernstein. In turn, TPTIM and AllianceBernstein appoint authorised investment managers to undertake day-to-day portfolio management, ensuring they possess the necessary knowledge and experience to manage the Trustee's assets. Manager appointments are not made for a fixed term and are subject to ongoing monitoring and periodic review through established oversight processes. TPTIM and AllianceBernstein report to the Trustee through the Investment Oversight Committee.

Responsible investment considerations, including ESG and climate-related factors, are integrated into the manager selection process to assess the extent to which these considerations are embedded within a manager's investment philosophy and decision-making framework. Requirements relating to responsible investment capabilities, stewardship and reporting are also incorporated into operational due diligence and, where appropriate, investment management agreements.

As part of ongoing monitoring, TPTIM and AllianceBernstein actively engage with appointed investment managers on stewardship, climate change and other ESG risks and opportunities. Managers are required to provide regular updates on their responsible investment activities and are evaluated against defined scoring criteria, with ratings assigned to reflect their responsible investment approach.

Where concerns are identified, they are raised with the relevant manager and monitored through the established oversight process. Depending on the nature and significance of the concern, escalation may include requesting further information, agreeing an improvement plan, revising mandate terms where possible, reducing an allocation or terminating an appointment.

Voting and Engagement

As a substantial investor in UK and international markets, VTL recognises its responsibilities as a shareholder and asset owner and believes that effective stewardship can help protect and enhance long-term value for members and beneficiaries. Stewardship activities include both voting and engagement and are an integral part of VTL's responsible investment approach.

Voting

VTL seeks to exercise voting rights attached to its investments wherever practicable. In the normal course of events, voting responsibilities are delegated to appointed investment managers.

While voting is delegated, VTL retains the right, where feasible, to direct investment managers to vote in a particular way where it believes doing so is in the best interest of members and beneficiaries or would support the implementation of this Framework. VTL expects managers to use reasonable endeavours to facilitate client-directed voting decisions. The Trustee Board delegates judgement on these matters to TPTIM and AllianceBernstein in respect of the DB and DC portfolios, respectively. Where TPTIM and AllianceBernstein exercise their right in this way, they will inform the Investment Oversight Committee of their decision, together with the reasons for it.

VTL expects investment managers to exercise voting rights, on behalf of VTL, in a manner consistent with the principles and expectations set out in this Framework. In assessing managers' voting approaches, VTL may have regard to recognised market standards and guidance, including the Stewardship and Voting Guidelines published by Pensions UK, the G20/OECD Principles of Corporate Governance and the International Corporate Governance Network (ICGN) Global Governance Principles. Where a manager's own voting policy is considered to be appropriately aligned with VTL's responsible investment objectives, VTL may permit the manager to vote in accordance with that policy.

VTL may invest in funds that participate in securities lending programmes, which can limit the proportion of shares available for voting. Where a material or contentious vote is identified, consideration may be given to recalling or restricting securities lending, taking account of the significance of the vote, the practicalities of recall and the terms of the relevant mandate or fund. Such decisions will be made on a case-by-case basis in consultation with the relevant investment manager(s).

Investment managers are expected to provide regular reporting on voting activity, enabling VTL to monitor the exercise of voting rights and assess alignment with its stewardship expectations.

Where an investment manager persistently fails to meet VTL's voting expectations, and is unable to provide a satisfactory explanation or evidence of improvement, its appointment may be subject to further review through VTL's established oversight processes.

Engagement

VTL's approach to engagement consists of four elements:

Engagement by investment managers. VTL delegates primary responsibility for its corporate engagement activities to appointed investment managers. VTL believes that investment managers are best placed to engage with invested companies on ESG matters, given their knowledge of the company and the level of access they have to company management. This is also a pragmatic approach given the size and diversity of VTL's portfolio. VTL expects managers to engage on ESG matters where they are considered material and relevant to the investment case, and to respond appropriately to any specific engagement priorities identified by VTL.

Joint engagements with investment managers. Where VTL's stewardship priorities align with the engagement activities of investment managers, VTL may, through TPTIM or AllianceBernstein, participate in joint engagement activities alongside the relevant investment manager(s). VTL believes that this collaborative approach can strengthen the effectiveness of stewardship activities and reinforce key messages to investee companies.

Collaborative engagements. VTL recognises the value of working with other investors and industry bodies to address systemic ESG risks and improve market standards. Where appropriate, TPTIM and AllianceBernstein, on behalf of VTL, participate in collaborative engagement initiatives with other investors and industry groups. These activities are undertaken in a manner consistent with VTL's Investment Beliefs and Responsible Investment Framework.

Targeted engagements. On occasion, VTL may identify a specific ESG issue that warrants additional focus. In such cases, TPTIM, in respect of the DB portfolio, and AllianceBernstein, for the DC portfolio, may undertake or support targeted engagement on behalf of VTL to address the issue and drive meaningful progress.

Engagement activities may include written, verbal and electronic communication, as well as meetings with relevant company representatives and other stakeholders. Engagement priorities are informed by an assessment of the most significant ESG risks and opportunities across the portfolio. Investment managers are expected to provide regular reporting on their engagement activities, enabling VTL to monitor stewardship activity and outcomes. Where appropriate, information on engagement activity is made available through VTL's stewardship reporting and other public disclosures.

The Use of Voting and Engagement within VTL's Ethical Framework

VTL recognises that voting and engagement can be effective tools for influencing corporate behaviour and promoting higher standards of business conduct, in addition to protecting the long-term value of investments. On behalf of members and employers with an interest in ethical investment, VTL engages with relevant investment managers to ensure that stewardship activities are implemented in a manner that is consistent with the objectives of the Ethical Investment Framework. This includes encouraging voting and engagement practices that support the ethical principles and expectations reflected within the Framework.

Climate Change and Nature

Climate change and nature loss present financially material risks and opportunities for long-term investors. Physical risks associated with climate change, together with transition risks arising from the move to a lower-carbon economy, have the potential to affect asset values, investment returns and wider economic outcomes. The degradation of natural capital and biodiversity can also create significant risks across sectors, supply chains and markets.

VTL is committed to addressing climate-related risks and opportunities through its ambition to achieve net zero greenhouse gas emissions across its investments by 2050[1]. We support the objectives of the Paris Agreement, the Convention on Biological Diversity and other internationally recognised frameworks that seek to address climate change and nature loss.

As a long-term investor, VTL recognises the important role investors can play in supporting the transition to a more sustainable and resilient economy. This includes integrating climate and nature considerations into investment decision making, stewardship activities and capital allocation, while supporting real-world outcomes through engagement and investment in climate solutions.

Climate-related and nature-related considerations form an important part of VTL's responsible investment and stewardship approach. These considerations are reflected in the investment strategies, manager oversight activities, stewardship practices and reporting undertaken by TPTIM and AllianceBernstein on behalf of VTL.

Our Approach to Fossil Fuel-Related Investments

The transition to a lower-carbon economy will require a significant reduction in global greenhouse gas emissions and a corresponding shift away from the most carbon-intensive fossil fuel activities. VTL recognises that certain activities, including thermal coal mining, oil sands extraction and Arctic drilling, are particularly exposed to long-term transition risks and may be inconsistent with the objectives of a net zero economy.

VTL seeks to allocate capital to investment managers that demonstrate a robust approach to managing climate-related risks and opportunities and support an orderly transition to a lower-carbon economy. While some investment managers apply specific fossil fuel exclusions, VTL does not require a universal exclusion policy across all managers. Instead, managers are expected to maintain clear policies for assessing and managing fossil fuel-related investments, including appropriate stewardship and engagement activities.

Where exposure to fossil fuel companies exists, VTL expects managers to assess whether those companies are developing and implementing credible transition strategies and to engage actively where improvements are required. VTL's preferred approach is to use stewardship to encourage positive change and support real-world emissions reductions. However, effective stewardship may require escalation where progress is insufficient, including reducing exposure or divesting where

[1] VTL is committed to not make use of offsets or avoided emissions.

appropriate. Further information on VTL's stewardship approach and engagement activities is provided in the annual Stewardship Report.

Climate Action Plan

VTL's **Climate Action Plan** details our road map to net zero. The Plan establishes our ambition and associated objectives, including reducing portfolio emissions, increasing investment in climate solutions, strengthening the integration of climate considerations into investment processes, and supporting real-world emissions reductions through stewardship and engagement. We use the Net Zero Investment Framework (NZIF) as a reference point in developing our approach to portfolio decarbonisation, climate-related stewardship and climate solutions investing.

Progress against our climate objectives is monitored on an ongoing basis and reported through VTL's climate-related and stewardship reporting.

Industry Collaboration

Through TPTIM and AllianceBernstein, VTL participates in a range of industry initiatives and collaborative engagement programmes focused on climate change and nature loss. These activities support the sharing of best practice, contribute to the development of industry standards and public policy, and enhance VTL's ability to influence real-world outcomes through collective action.

Human Rights

VTL supports the International Bill of Human Rights, internationally recognised human rights standards and the United Nations Guiding Principles on Business and Human Rights (UNGPs). We seek to ensure that human rights considerations are reflected throughout the investment and stewardship process, including the selection, appointment and oversight of third-party investment managers.

Our Approach

Whilst governments have a responsibility to respect, protect and fulfil human rights, VTL expects companies to operate in a manner consistent with internationally recognised standards, including the UNGPs. We expect investment managers to consider how companies identify, manage and mitigate human rights risks, particularly where these may have a material impact on long-term value creation.

VTL periodically reviews its portfolio and manager reporting to understand where human rights and other ESG risks may affect investment outcomes. Where concerns arise, our preferred approach is to engage with companies and investment managers to encourage improvement. Consistent with our Responsible Investment Principles, we generally favour engagement over exclusion, while recognising that escalation may be appropriate where concerns remain unresolved.

We expect investment managers to report regularly on their approach to managing material human rights risks and on relevant stewardship activities and outcomes. Human rights considerations form part of VTL's ongoing manager oversight and stewardship activities.

Industry Collaboration

Through TPTIM and AllianceBernstein, VTL supports industry initiatives and collaborative activities that seek to improve standards and promote respect for human rights. These activities help inform best practice, support effective stewardship and contribute to positive long-term outcomes for beneficiaries.

Deforestation

VTL recognises that deforestation poses significant environmental, social and economic risks, contributing to climate change, biodiversity loss, and the degradation of essential ecosystem services. As part of our commitment to responsible investment, VTL supports sustainable practices that protect and restore forests. Addressing deforestation aligns with our duty to safeguard beneficiaries' long-term interests while contributing to a sustainable global economy.

Our Commitment

VTL seeks to encourage effective management of deforestation risks across its investments through manager oversight, stewardship and industry collaboration. We expect investment managers to consider deforestation risks where financially material and to integrate appropriate due diligence, monitoring and engagement activities into their investment processes.

In particular, VTL expects investment managers to:

- **Promote Strong Governance:** Encouraging companies to identify, assess and manage deforestation-related risks within their operations and supply chains.
- **Set Clear Expectations:** Advocating for zero-deforestation supply chains in high-risk sectors, including agriculture, forestry, and infrastructure. We expect investment managers to engage with companies to map, monitor and disclose supply chains for key commodities linked to deforestation, such as palm oil, soy, beef and timber.
- **Support Best Practice:** Promoting adherence to credible sustainability certifications and standards across the value chain. We advocate alignment with frameworks such as the Forest Stewardship Council (FSC), the Roundtable on Sustainable Palm Oil (RSPO) and the Accountability Framework initiative.

Stewardship

Stewardship forms an important part of VTL's approach to addressing deforestation risk. Through TPTIM and AllianceBernstein, VTL works with investment managers and participates in industry initiatives to encourage positive change. Our stewardship approach includes:

- **Oversight:** Monitoring how investment managers engage with companies on deforestation and ensuring alignment with our expectations.
- **Priority Sectors:** Focusing on industries with high deforestation impacts, such as palm oil, soy, beef and timber, and infrastructure projects that threaten forested regions.
- **Escalation Mechanisms:** Encouraging managers to escalate engagement where progress on deforestation issues is insufficient.

Collaboration and Advocacy

Through TPTIM and AllianceBernstein, VTL participates in collaborative efforts and industry activities that seek to address deforestation and improve market practices. These activities help promote best practice, support the development of industry standards and encourage positive environmental outcomes through collective action.

Accountability and Transparency

VTL expects investment managers to identify, assess and manage material deforestation-related risks and to provide appropriate reporting on portfolio exposure, stewardship activities and engagement outcomes. Deforestation considerations may also form part of manager selection, review and monitoring processes where relevant to the mandate or asset class.

Reporting and Review

VTL reports on relevant stewardship activities and outcomes through its stewardship and responsible investment reporting, helping members and other stakeholders understand how deforestation-related risks are addressed across the portfolio.

Controversial Weapons

VTL recognises that certain weapons are prohibited or restricted under international conventions because of their indiscriminate effects or the disproportionate harm they may cause. As a responsible investor, VTL seeks to avoid investment in companies involved in the development, production, maintenance, stockpiling or sale of certain controversial weapons and their key components.

Background

International Humanitarian Law seeks to protect individuals who are not participating in hostilities and restricts weapons that have indiscriminate effects or cause disproportionate harm. This policy reflects restrictions established under international conventions that have been adopted by the United Kingdom, including the Biological and Toxin Weapons Convention, Chemical Weapons Convention, Convention on Certain Conventional Weapons, Convention on Cluster Munitions and the Mine Ban Treaty. It also covers nuclear weapons in countries that are not party to the Treaty on the Non-Proliferation of Nuclear Weapons.

Whilst these international agreements do not generally prohibit financing directly, a number of jurisdictions have introduced financing restrictions and market participants increasingly apply investment restrictions relating to controversial weapons. VTL considers these factors as part of its responsible investment approach.

Exclusions

To the best of its ability, VTL does not invest in companies involved in the following:

1. Anti-personnel mines
2. Biological weapons
3. Chemical weapons
4. Cluster munitions
5. Nuclear weapons in countries not party to the Non-Proliferation Treaty

For the purposes of this policy, corporate involvement includes the development, production, stockpiling, maintenance and sale of controversial weapons and their key components.

Implementation

The objective of this policy is to avoid investment in activities that are considered unacceptable under relevant international conventions. However, full implementation may not always be possible across all asset classes, investment structures and strategies. This is particularly relevant where investments are

held through pooled vehicles, where the Trustee does not have the ability to direct individual security selection, or where derivatives are used.

Accordingly, the exclusion policy applies to physical equity and corporate bond investments where VTL has sufficient control over the assets held within the investment structure.

Monitoring and Oversight

VTL maintains and periodically reviews its list of excluded companies and monitors implementation through its manager oversight processes. Investment managers are expected to support the effective implementation of this policy and to report on compliance where relevant.

Where the exclusion policy cannot be fully implemented, including in mandates where VTL does not control the underlying holdings, a comply-or-explain approach may be adopted. In such circumstances, VTL will seek to understand the nature of any exposure and the steps being taken to manage it.

Framework Governance

Industry Standards and Participation

VTL supports industry initiatives that promote responsible investment and effective stewardship. Through TPTIM and AllianceBernstein, VTL participates in industry forums, collaborative initiatives and policy discussions that seek to improve market practices, promote high standards of stewardship and contribute to the development of industry guidance and public policy.

When appointing and monitoring investment managers, VTL considers how responsible investment and stewardship considerations are integrated into investment processes and ownership practices. Whilst participation in industry initiatives and stewardship codes may be considered, VTL places greater emphasis on the quality and effectiveness of managers' responsible investment and stewardship activities and outcomes.

VTL has regard to the principles and expectations of the UK Stewardship Code 2026 in developing and reporting on its stewardship approach. In assessing investment managers, VTL considers the quality and effectiveness of their stewardship policies, activities and outcomes, together with signatory status where relevant. Signatory status is considered as one source of evidence and is not a substitute for VTL's own due diligence and ongoing monitoring.

Communication and Reporting

VTL is committed to transparency and accountability in the implementation of this Framework. Progress against the Framework is reported through VTL's stewardship and responsible investment reporting and may include information on manager oversight, voting, engagement activities, collaborative initiatives and progress against relevant objectives.

Responsible Investment and Ethical Investment

VTL's approach to responsible investment is intended to support the long-term interests of members and beneficiaries by identifying, assessing and managing financially material ESG risks and opportunities. Responsible investment should not be confused with ethical investment, which reflects specific ethical or moral preferences and may involve the exclusion of certain companies, sectors or activities.

For members and employers who wish to reflect ethical considerations within their investments, VTL has established a separate Ethical Investment Framework.

Annual Review

This Framework is reviewed at least annually and may also be reviewed following a material change to VTL's investment arrangements, regulatory requirements, investment beliefs or responsible investment priorities.

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