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Retirement Solutions



Verity Trustees Limited
Ethical Investment Framework

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Introduction

Verity Trustees Limited (VTL) is committed to being a responsible investor and seeks to integrate financially material environmental, social and governance (ESG) considerations into its investment management processes and ownership practices. Respect for human rights, labour standards, environmental management and anti-corruption forms an integral part of VTL's approach to responsible investment, which is set out in its Responsible Investment Framework.

Some members of VTL's schemes may wish to complement this approach by reflecting moral or ethical preferences in their investments. The Ethical Investment Framework sets out the standard ethical criteria which are applied to VTL's Ethical Funds.

Ethical Investments

Background

The Ethical Investment Framework was adopted following consultation with key member organisations and reflects the ethical preferences underpinning VTL's Ethical Funds.

It is intended to provide members with assurance that VTL's Ethical Funds are managed in accordance with defined ethical criteria and seek to avoid material exposure to activities that may be inconsistent with those preferences.

The Framework also provides a high-level set of principles and expectations for investment managers responsible for implementing and overseeing the Ethical Funds.

Coverage

The Ethical Investment Framework applies to both Defined Benefit (DB) and Defined Contribution (DC) assets. The criteria set out below apply to ethical investments across all asset classes (e.g. equities, corporate bonds, sovereign bonds, private equity, and real estate) and markets, where viable. Ethical solutions for actively managed funds and passively managed public equity funds are generally well established. Similar solutions for other asset classes remain less developed; however, VTL monitors market developments and evolving investment opportunities with a view to maintaining appropriate diversification while meeting the objectives of the Ethical Funds.

Positive selection

Where practicable, VTL's ethical funds seek to incorporate investments that support positive ESG outcomes. This may include companies with strong practices in areas such as human rights, fair working conditions, environmental management and anti-corruption, as well as businesses that promote sustainable development and fair trade policies.

Exclusion criteria

The Ethical Funds also look to exclude investment in companies with significant business involvement in activities that may conflict with members' moral and ethical preferences.

To achieve this, the Funds apply exclusion criteria to companies involved in the following sectors:

- Adult Entertainment / Pornography
- Alcohol
- Coal mining
- Gambling
- Military equipment
- Oil sands
- Tobacco

Risks

As with all investments, VTL considers the risk and return characteristics of its Ethical Funds. Ethical investments (in any particular asset class) are likely to perform differently, either better or worse, than the universe of similar investments. Risk is therefore often considered to be slightly higher as the exclusion of certain companies or types of investment on ethical grounds can limit the ability to diversify within and across asset classes and markets.

Implementation

The Ethical Investment Framework applies to all Ethical Funds, although expectations may be adapted to reflect the characteristics of different asset classes and investment styles. VTL recognises that the application of ethical criteria may vary between active and passive strategies and that, in certain circumstances, implementation constraints may arise, particularly within index-tracking funds.

To support the effective implementation of this Framework, VTL seeks to appoint and retain investment managers whose capabilities and processes align with the objectives of the Ethical Funds. For this purpose, we:

- request investment managers to demonstrate how they seek to meet the principles set out in this Framework;
- discuss ethical investment matters in manager review meetings;
- assess managers' overall approach to responsible investment as part of the ongoing monitoring process.

Compliance with this Framework is reviewed on an ongoing basis through VTL's investment governance and manager oversight arrangements. The Ethical Investment Framework is reviewed annually by the Trustee Board to ensure it remains appropriate and reflects evolving member expectations, market developments and investment practices.

Implementation Guidelines

The revenue thresholds represent the maximum permitted level of corporate involvement in the relevant activity. Unless otherwise stated, a company will be excluded where the proportion of its total revenue attributable to the specified activity meets or exceeds the applicable threshold. Screening is based on the latest reasonably available information from investment managers, index providers and/or third-party data providers.

Criteria	Definition	Coverage	Revenue threshold (% of total company revenue)
Adult Entertainment /Pornography	Explicit images of sexual behaviour that are intended to cause sexual excitement. This includes products labelled 'erotica', 'porn' and 'adult entertainment'.	Covers production, which refers to the publication through print or film of material labelled 'erotica', 'porn' or 'adult entertainment'. Covers distribution, which refers to the sale and retail through media (broadcasting, magazines, internet retail). Active (or direct) distribution designates the distribution of pornographic material through media (e.g. broadcasting, magazines, internet retail). Passive (or indirect) distribution designates the facilitation of distribution (e.g. hotels, telecommunication).	10%
Alcohol	Alcoholic beverages	Covers production, which refers to the fermenting or distilling of alcoholic beverages. Covers distribution, which refers to retail, wholesale or provision of alcoholic beverages, including liquor stores, supermarkets, bars and restaurants. Covers services, which refers to the marketing and promotion of alcoholic beverages.	10%
Coal mining	Coal is a heterogeneous mixture of organically derived plant remains which have undergone chemical and physical changes in response to biologic and geologic processes resulting in combustible rocks. Coals are classified on the basis of rank, type and grade (important variables are heat value, sulphur, ash, moisture content, and volatility) and range from anthracite to bituminous/black/ hard coal to brown coal/lignite.	Coal mining encompasses Coal Production and Coal Services. Coal Production refers to coal exploration, coal mining (surface and underground mines), as well as the production of coke. Coal Services designate relevant services to Coal Production such as contract drilling.	25%
Gambling	The wagering of money on a game or event such as sports, cards or dice games, gaming machines and lotteries.	Covers production, which refers to the operation or management of any activity involving the wagering of money on a game or event. Covers distribution, which refers to the retail of low-risk gambling items such as lottery tickets.	10%

		Covers services, which refers to the provision of services to and development of platforms for activities involving wagering money (software, gaming machines). Additional services include the marketing or promotion of wagering money on a game or event.	
Military equipment	Combat equipment and other equipment designed or modified on the basis of military specifications	Covers the development and production of military equipment, such as tanks, military aircraft, radar and simulation systems, as well as certain components and subsystems thereof. Covers services, which refers to, among others, maintenance, repair, and logistics services, for military equipment, as well as certain components and subsystems for this equipment.	10%
Oil sands	Oil sands refers to a type of petroleum deposit consisting of a mixture of sand, clay or other minerals, water and bitumen. Bitumen refers to a thick, black and highly viscous liquid or semi- solid type of petroleum.	Covers production, which refers to the various stages and processes employed to extract, upgrade and refine bitumen. Oil sands extraction refers to methods of extracting oil sand, including surface mining and in-situ recovery. Surface mining or oil sand mining refers to the practice of removing overlying soil and oil sands from an open pit or burrow to obtain bitumen. In-situ recovery refers to all non- mining methods employed to collect bitumen deposits in oil sands recovery, such as, but not limited to, cyclic steam stimulation (CSS) and steam assisted gravity drainage (SAGD). Upgrading refers to the process of improving the quality of crude oil, reducing the viscosity of bitumen to purify it and convert it into a lighter product with more commercial value. Refining refers to the process of converting crude oil into a commercially viable, ready for use, product. Covers exploration, meaning any investigation, work, or act to determine the presence of oil sands by test drilling, excavation, or other means that result in surface disturbance or that may cause an adverse effect. As a type of involvement. Exploration also covers further stages in the oil sands extraction process, which are prior to the production stage.	10%
Tobacco	Tobacco products such as cigarettes, cigars, snuff, e-cigarettes and pipe tobacco.	Covers production, which refers to the production of cigarettes, cigars, snuff, pipe tobacco, e-cigarettes and vaping products. Covers distribution, which refers to the retail or wholesale of tobacco products, including supermarkets. Covers services, which refers to the marketing and promotion of tobacco products.	10%

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