

2024 Stewardship Report



BCSSS
British Coal
Staff Superannuation Scheme

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1. Introduction

The 2024 Stewardship Report marks a significant evolution in the way that the Scheme communicates its stewardship activities and outcomes. Two key factors have driven this change:

1. The continued evolution of the Financial Reporting Council's (FRC) expectations under the UK Stewardship Code, which increasingly emphasises clarity of outcomes, financial materiality and continuous improvement.
2. A conscious shift in how the Scheme presents the report, moving away from a rigid, principle-by-principle approach towards a more cohesive narrative that brings the Scheme's stewardship journey to life.

In previous submissions, the principle-based structure often led to repetition and fragmented storytelling, requiring the reader to jump between sections to understand the full picture. This year, the Scheme has adopted a more thematic approach, designed to be more digestible, outcome-focused and aligned with how stewardship is implemented in practice. The report is structured to guide the reader through the key components of the Scheme's stewardship process:

1. The Scheme's purpose, fiduciary duty, stewardship philosophy, and key suppliers.
2. The macro environment and systemic risks shaping the Scheme's priorities.
3. The investment themes and stewardship activities that anchor the strategy.
4. Real-world outcomes achieved through engagement, voting and collaboration.
5. The processes and governance that support manager oversight, private market stewardship, and continuous improvement.

Throughout the report, the 12 principles of the Stewardship Code remain embedded within the narrative and are referenced throughout.

The 2024 submission represents a transitional step, bridging the structure of past reports with the future direction of stewardship reporting. The Scheme anticipates further developments next year as the FRC introduces the new Stewardship Code framework. This year's updated approach demonstrates the Scheme's commitment to delivering robust stewardship that not only meets regulatory expectations but supports the Scheme's fiduciary duty to act in the best interests of members, with the primary objective of paying all future member benefits (i.e. the Scheme's liabilities) from the Scheme's assets. This is done by assessing risks and return prospects.

The British Coal Staff Superannuation Scheme (the "Scheme") has a long history of responsible stewardship, grounded in the belief that the effective oversight, management, and allocation of capital is critical to securing the long-term benefits of members. The Scheme's approach to stewardship is rooted firmly in the Trustee's fiduciary duty: to act in the best financial interests of members.

Throughout this report, the Scheme seeks to demonstrate:

- How stewardship is embedded across investment activities.
- How it directly supports the delivery of the Trustee's fiduciary obligations.
- And how the Scheme and CPTI hold themselves, their managers and partners to account to ensure all member benefits are met.

2024 Highlights

This year, the Scheme has made steady progress in its stewardship practices:

- Strengthened reporting, oversight and understanding of ESG risks.
- Worked with managers to improve quality of case studies.
- Gained deeper knowledge of Stewardship as it relates to real assets.
- Assessed voting practices and gained further understanding for newly appointed accounts, resulting in different arrangements depending on manager policy and capabilities.

2. Foundations and Context

Principles covered:

① ② ⑥ ⑦

Scheme Background, Objectives, and Long-Term Vision

Background

The British Coal Staff Superannuation Scheme (“The Scheme”) is a UK based pension scheme providing benefits to just over 39,000 pensioners and deferred members as of 31 March 2024. The Scheme’s members are mostly pensioners (70%) and dependents (27%) but also deferred members (3%). At the most recent Actuarial Valuation (31 March 2024) the Scheme’s average age weighted by total pension was 75 years for pensioners, 83 years for dependents and 58 years for deferred members.

The Scheme was established by an Act of Parliament on 1 January 1947 following the nationalisation of the coal industry. The coal industry was privatised in December 1994 and because of this, contributing members of the Scheme became deferred members. The Coal Industry Act 1994 established the parameters under which the Scheme operates, with the Government in place as the Guarantor.

Trustees, Purpose and Culture

Four members of the eight-person Trustee body are elected from the membership. Elections happen annually per constituency and each Trustee stands for four years. The role of all Trustees is to represent the views and interests of the members. As a particular part of their role, the elected Trustees meet and correspond regularly with members, inputting questions and their understanding of member views to Coal Pension Trustees (“CPT”). The Scheme also has a website.

The Board of Trustees (“The Trustee”) has ultimate responsibility for decision-making on investment matters. Coal Pension Trustees Investment Limited (“CPTI”) is responsible for providing investment advice and investment management services to the Trustee. The Trustee delegates responsibility for the day-to-day management of the assets to appointed investment managers. The Trustee's

fiduciary duty is to act in the best interests of members, with the primary objective of maximising total pensions for all members over the full life of the Scheme.

The culture of the Trustee and CPTI, driven by senior leadership and the nature of the Scheme, is focused on paying member benefits over the time period assets are expected to be held before being sold, considering all relevant risks and opportunities. This includes a rigorous focus on stewardship with the aim of improving outcomes for members through mitigating risks or improving returns.

The Scheme has a fiduciary duty to meet the liabilities of the members’ benefits over both the long term and the short term. While a significant proportion of the Scheme’s cash flows will be paid out in the next 10 years, other cash flows continue for around 50 years. In light of this, understanding and responding to long-term systemic risks such as climate change or human rights are a key part of the Trustee’s fiduciary duty, ensuring that the ability to meet long-term liabilities is not compromised by short term actions.

Trustee Beliefs, Fiduciary Duty and Stewardship Priorities

Fiduciary Duty

The Trustee has a fiduciary responsibility to act in the best financial interests of the Scheme's members. Stewardship is an integral part of fulfilling this duty. Effective stewardship, including active engagement with investee companies and managers, proxy voting, and oversight of systemic risks, supports the Scheme's primary objective of paying all future cash flows from the assets of the Scheme.

The Trustee recognises that material ESG risks such as climate change, poor governance practices and social instability can directly impact the financial performance of investments. Stewardship activities are therefore deployed not as an ethical overlay, but as a core part of managing financially material risks and opportunities. By exercising responsible stewardship, the Trustee seeks to enhance long-term investment outcomes, mitigate downside risks, and ensure the Scheme's ability to meet its liabilities over multiple decades.

Given the Scheme's long-term horizon, systemic risks require particular attention. The stewardship strategy is designed to ensure that short-term pressures do not compromise the Scheme's ability to meet member benefits over time. Stewardship is supported through internal resources and partnerships with specialist providers, ensuring robust engagement, voting and monitoring activities across the portfolio.

Policies

The Scheme has a formal Responsible Investment Policy and a Stewardship Policy, both published on the Scheme website ([here](#)) and originally adopted in 2021. The policies set out the Scheme's approach to responsible investment and stewardship across all asset classes and geographies, aligned with the UK Stewardship Code 2020. These policies articulate the Trustee's belief that stewardship is an essential component of fulfilling its fiduciary duty to act in the best financial interests of members and beneficiaries.

The Stewardship Policy defines stewardship as the responsible allocation, management, and oversight of capital to create long-term value for members and beneficiaries, supporting sustainable benefits for the economy, the environment, and society. Stewardship activities include engagement, voting, monitoring, escalation, and collaborative initiatives across both public and private markets.

Stewardship priorities focus on addressing financially material risks and opportunities in areas such as climate change, biodiversity, human rights, labour rights, diversity and inclusion, and corporate governance. Many stewardship activities are delegated to external investment managers and specialist stewardship providers, notably EOS at Federated Hermes, under clear oversight and accountability frameworks.

The Policy also sets out principles for voting practices, recognising voting as an important tool for protecting and enhancing shareholder value. EOS and the Scheme's investment managers are expected to promote good corporate governance aligned with international standards.

The Stewardship Policy is reviewed periodically to ensure it remains fit for purpose, with the next formal review scheduled for 2025 to reflect evolving best practice, regulatory expectations, and the Scheme's ongoing commitment to continuous improvement.

Beliefs

The Trustee has agreed a new set of investment beliefs in December 2024, which align with its culture and cover the Scheme's investment focus, risk, diversification, cost/efficiency/complexity, active management, responsible investing and governance. The Trustee has a specific belief in relation to responsible investment, which will be included in the Scheme's Responsible Investment Policy once updated in 2025. The specific belief is outlined below:

Decisions involving Responsible Investment-related risks and opportunities are made with a financial focus and clear economic rationale.

Trustee Focus on Themes

Following a survey in 2021 of Trustee views on various stewardship issues, one of the outcomes was a renewed focus on human rights issues. This led to a policy aimed at minimising the risk of investing in companies which were in breach, or at significant risk of breaching, UN Global Compact (“UNGC”) principles. During 2022 this policy was implemented and CPTI has continued working with the investment managers through 2024 to ensure that they are not investing in companies that breach UNGC principles or, where potential breaches have been flagged, that the managers are responding appropriately. Human rights are a key focus within the Scheme’s stewardship approach across public equities and public credit and within CPTI’s own engagement with both public and private markets fund managers.

The Trustee has chosen two investment themes where they and CPTI believe that the long-term environment provides an opportunity for better than market growth. The first is the climate theme and the second is healthcare.

Climate: In 2021, the investment thesis for the **Climate Theme** was established on the premise that the shift toward a low-carbon economy would drive structural growth for many years to come. This transition, encompassing sectors such as sustainable energy, transportation, and food systems, was anticipated to gain momentum as governments, investors, and consumers increasingly recognised both the environmental necessity and economic benefits of moving away from fossil fuels. As a result, this theme was expected to reshape asset pricing across various asset classes.

The Climate Theme was structured around two primary focuses:

1. *Transition/climate opportunities:* Investments in companies benefiting from the shift to a low-carbon economy were viewed as opportunities, with

an expectation for these investments to deliver above-average, compounding returns over time. This included identifying innovative technologies and emerging companies capable of capturing market share in areas like energy, recycling, and sustainable food production.

2. *Assets at risk:* It was recognised that many sectors were not yet fully pricing in the risks of stranded assets or the impact of the broader transition. Companies or assets resistant to change were viewed as vulnerable to declines in value, particularly as regulatory pressures and technological advancements increased the financial costs associated with carbon-intensive projects. Reducing exposure to these high-risk assets was a key strategy to protect the portfolio from potential downsides.

In addition to growth and return generation, the Climate Theme also aimed to balance downside protection, increase diversification, and provide income certainty. Recognising the complex, evolving nature of the transition, the approach required adaptive strategies to avoid overconcentration, address technological disruptions, and stay responsive to regulatory shifts. This strategy reflected the belief that climate-aligned investments would outperform traditional sectors over the medium to long term while requiring agility to navigate rapid changes in the landscape.

Healthcare: In 2022, CPTI presented healthcare to the Trustee as an area in which the team had confidence that high future growth could be delivered for the Scheme’s assets. CPTI’s conviction in healthcare was driven by multiple factors:

1. **Demographics –** Aging populations and longer lifespans mean rising chronic illness and soaring healthcare demand. Additionally, as the workforce shrinks, ensuring the workforce is in a condition to work productively and balance work, childcare and elderly care is critical.
2. **Technology and disruption –** AI systems are revolutionising drug discovery, diagnostics, and surgery. The shift to at-home testing and virtual care is making healthcare more proactive and accessible.

3. Healthcare finance – Current funding models are unsustainable. Aging populations will drive more private-sector involvement and increased spending by individuals and employers.
4. Biotech/biopharma – Nature-inspired drug development, gene mapping, and biopharma are accelerating treatments while cutting costs.
5. Mental health – Demand for mental health treatment is rising, with major economic costs. The link between mental and physical health is clearer, as are their impacts on productivity, driving a push for better care.
6. Healthy living – Lifestyle diseases (obesity, smoking, unhealthy diets and sedentary lifestyles) are a growing economic burden. CPTI expect stronger incentives, regulations, and consumer demand for healthier choices.

These trends highlighted the need for substantial investment in healthcare from both the public and private sectors and, as such, the Trustee made healthcare a formal investment theme.

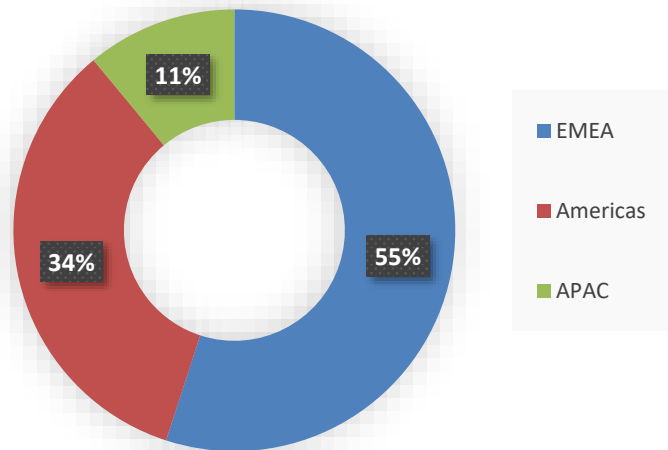
Overall approach

The Scheme takes **an integrated approach** to stewardship. Two members of the CPTI team and three members of the operations team spend dedicated time on responsible investment, including stewardship, however, across CPTI all members of the team take ESG considerations into account when making investment decisions.

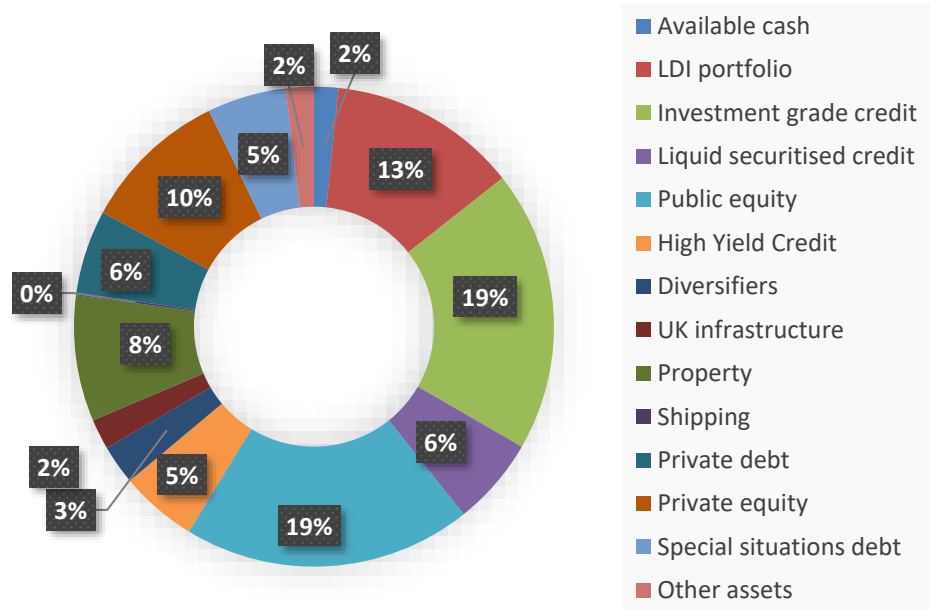
Diversification is a key consideration, particularly when integrating stewardship and responsible investment themes. By spreading investments across asset classes, geographies, and sectors, investors can mitigate risks while enhancing long-term sustainability outcomes.

A well-diversified portfolio includes a mix of asset classes, each contributing different risk-return profiles and sustainability considerations. Allocations to **public equity** create opportunities for active stewardship, which can come through engagement and voting; **fixed income** provides opportunities for engagement as with equities as well as the opportunity to invest in green bonds and sustainability-linked bonds; **private market** investments allow for more influence at the company and often easier sustainability integration; **real estate** offers opportunities to invest in assets which are transitioning; and **infrastructure** investments enable a more direct focus on impactful, longer-term assets.

BCSSS asset allocation by geography



BCSSS asset allocation



Assets under management

The Scheme’s audited net assets as of 31 March 2024 totalled £8.59 billion and the non-audited asset value totalled £8.23 billion as of 31 December 2024. A summary of the Scheme’s assets by asset class and geography as of 31 December 2024 are provided to the left.

Time horizons

The primary responsibility of the Trustee is to administer the Scheme in accordance with the rules and for the benefit of all beneficiaries over the whole life of the Scheme. Given the specific context of the Scheme, the Trustee has considered its own objectives carefully. Over 2022 and 2023 the Trustee actively reviewed the time horizon of the Scheme as set out below. While the Scheme maintains a multi-year investment horizon, the Trustee is cognisant that a significant proportion of the liability cash flows will be paid out within the next 10 years. The Trustee has defined time horizons as follows:

Short term: Everything up to 3 years in the future. This would cover the Scheme’s next actuarial valuation (undertaken every 3 years) and is in line with the Scheme’s economic scenario modelling, which is used to assess risk and asset allocation.

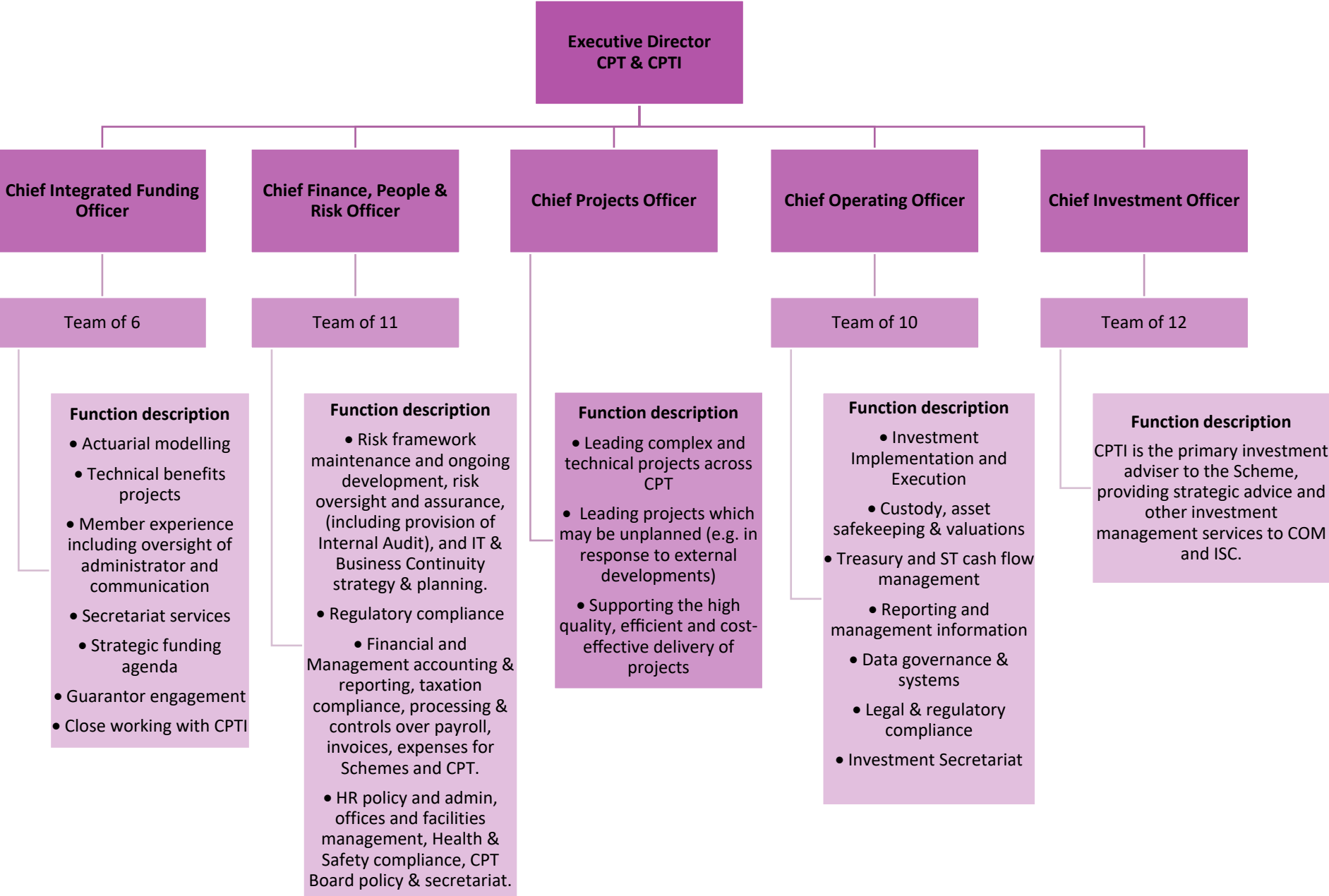
Medium term: Defined as the period between 3 and 10 years. The end of this period is aligned with long-term expected return forecasting which is done over 10 years. Over 65% of the Scheme’s future payments (in real terms) are expected to be made over the next 10 years.

Long term: Defined as anything beyond 10 years up until 35 years (2060) when less than 1% of the Scheme’s future payments (in real terms) are expected to remain. All risks and opportunities are relevant over this period, however the Scheme’s risk taking capacity is likely to be greater in the medium term than the long term.

Governance

The British Coal Staff Superannuation Scheme shares links with the Mineworkers' Pension Scheme through their joint and equal ownership of CPT, which provides support services to both Schemes. CPTI is a subsidiary of CPT and is the primary investment advisor to the Scheme, providing strategic advice and investment management services to the Trustee. The organisation chart and table below show the structure and accountability across the Trustee and CPT/CPTI:

Committee Of Management (COM)	<ul style="list-style-type: none"> Highest governing body composed of member-elected Trustee Directors and appointed Trustee Directors usually from the financial sector. COM has ultimate accountability for risk and policies (including the RI and stewardship policies) plus ownership of oversight of key metrics.
Investment Sub-Committee (ISC)	<ul style="list-style-type: none"> ISC is a subset of COM and also includes external investment advisors who are professional investors with decades of relevant experience. COM delegates to ISC the ongoing oversight of investment risks and opportunities including those related to responsible investment. ISC is responsible for detailed oversight and challenge of the CPTI investment team.
Risk and Assurance Sub-Committee (RASC)	<ul style="list-style-type: none"> RASC is a subset of COM. RASC oversees the design and operation of the overall risk management framework. The framework ensures that it is fit for purpose to provide an appropriate level of assurance, that the Scheme adopts a sound approach to financial management and reporting and that all operational activities are effectively managed.
Coal Pension Trustees (CPT)	<ul style="list-style-type: none"> CPT has an established governance framework for delivering services to COM and ISC.
Coal Pension Trustee Investments (CPTI)	<ul style="list-style-type: none"> Led by the CIO, the investment team has responsibility for ensuring the investments adhere to COM's RI and stewardship policies. CPTI ensures the asset portfolio best captures opportunities and manages risks.
Responsible Investment team	<ul style="list-style-type: none"> The RI team provides support, expertise and research, proposes key themes and oversees implementation of the RI and stewardship framework, working with and challenging the investment managers. The RI team is led by the Head of Responsible Investing and includes 5 members across investment and operations who spend a high proportion of their time in this area.



Introduction to providers/suppliers

Delivering effective stewardship across a diversified, global portfolio requires a combination of internal oversight and external specialist support. The Scheme works in partnership with a range of providers and suppliers to ensure high-quality engagement, robust voting practices, independent assurance, and access to timely ESG data and insights.

Each supplier is selected based on its ability to enhance the Scheme's stewardship activities and support the Trustee in meeting its fiduciary duties. Stewardship partners are subject to regular review and oversight, and their performance is assessed based on outcomes achieved for the Scheme's investments.

This section introduces the key providers and suppliers that support the Scheme's stewardship work, briefly outlining their role and how they contribute to the overall stewardship framework.

EOS

EOS at Federated Hermes is a leading stewardship service provider that collaborates with institutional investors to promote responsible investment practices. With assets under advice totalling \$2.2 trillion as of December 31, 2024, EOS leverages its significant influence to engage with companies on ESG issues, aiming to enhance long-term shareholder value and drive sustainable outcomes.

EOS was appointed by CPTI to provide additional engagement and voting services on a large proportion of the Scheme's public market assets (both equity and credit). This partnership enables CPTI to access EOS's extensive resources and collaborate with other asset owners to enhance engagement efforts. This also provides an independent challenge on engagement, voting and risk assessment. EOS's experienced team, with diverse backgrounds in industry, academia, law, consultancy, and sciences, conducts these engagements, ensuring effective communication across various markets and sectors.

EOS plays a crucial role in supporting the Scheme's stewardship activities through:

1. **Engagement and Voting Services:** EOS provides comprehensive engagement and voting services on a large proportion of the Scheme's public market assets, advocating for responsible business practices and sustainable growth.
2. **Collaborative Influence:** By pooling the Scheme's assets with those of other institutional investors globally, EOS amplifies the collective voice, enhancing the potential for meaningful corporate and public policy influence.
3. **Knowledge and Training:** EOS offers CPTI valuable insights and training, particularly on emerging themes in responsible investment and direct company engagement strategies.

The appointment of EOS does not replace the stewardship responsibilities of asset managers, as they retain ultimate control over buy and sell decisions. Instead, CPTI believes that having both the managers and EOS engaged in stewardship enhances oversight, fosters constructive challenge, and helps pinpoint key areas for CPTI to focus on when reviewing EOS, the managers, and the underlying holdings. CPTI focuses on monitoring the work carried out by EOS on behalf of the Scheme, and this is done as follows:

- Regular meetings, in person and online
- Sitting in on live engagements
- Analysis of research
- Analysis of engagement data and reporting

Redington

Redington is an independent, B Corp-certified investment consultancy that offers a comprehensive range of outcome-oriented advice, research, and technology to pension funds, wealth managers, and institutional investors globally.

CPTI collaborates with Redington to enhance the stewardship efforts of the Scheme. This partnership grants the Scheme access to Redington's voting analysis services, which are integral to its stewardship activities. Redington provides detailed bi-annual voting activity reports, offering CPTI a comprehensive understanding of the Scheme's voting patterns and effectiveness. Redington plays a pivotal role in supporting the Scheme's stewardship initiatives through:

1. **Voting Analysis Services:** Redington conducts in-depth analyses of the Scheme's voting activities, identifying trends, policy implementation, and instances where votes were not cast.
2. **Manager Accountability:** Redington's assessments provide CPTI with insights into the strengths and areas for improvement of the Scheme's voting agents, enabling informed engagement and ensuring that managers' activities align with the Scheme's objectives.

MSCI

MSCI is a leading provider of ESG ratings, climate data, and analytics, serving institutional investors globally. Their comprehensive ESG solutions assist clients in assessing and managing ESG risks and opportunities across various asset classes.

CPTI's partnership with MSCI offers the Scheme access to MSCI's extensive ESG data, including ESG risk ratings, carbon emissions metrics, controversies, and screening data, facilitating informed decision-making and effective engagement with investment managers. CPTI utilises BlackRock Solutions' holdings-based risk and exposure system, which integrates MSCI data to analyse and monitor ESG and climate-related analytics for public assets. This integration enables comprehensive assessment of ESG factors within the Scheme's portfolio.

eFront

For the Scheme's private market investments, CPTI works with eFront, a leading alternative investment management software, providing end-to-end solutions for monitoring, analysing, and reporting on private equity, real estate, infrastructure, and other private market assets.

The platform is used to assess risk data, which includes data from RepRisk, a controversy screening service. RepRisk is the world's largest ESG technology company that leverages advanced machine learning and human intelligence to systematically analyse public information and identify material ESG risks on companies, real assets, and countries.

JP Morgan

In private equity, investments in funds and co-investments are regularly evaluated. For example, consideration of ESG factors for both fund and co-investment opportunities are critical inputs to the monitoring process as well as the ongoing stewardship of these assets. CPTI and JPMorgan, the Scheme's Private Equity advisor, will function as a steward of the underlying assets on the Scheme's behalf and raise any queries or challenges with the underlying manager. This includes taking Limited Partner Advisory Committee (LPAC) seats where possible and pushing for agendas to include ESG priorities.

3.The Macro Environment and Themes

Macro Environment

The macro-environment is crucial when presenting the Scheme's stewardship approach because it provides the broader context in which investment decisions are made and risks are assessed. The macro environment shapes the way that CPTI and the Trustee prioritise investment and stewardship decisions and can impact how stewardship is aligned with long-term goals.

CPTI considers any market-wide and systemic risks when setting its economic scenarios and investment themes. These are regularly debated at weekly team meetings and strategy meetings and are escalated to the Trustee where appropriate. CPTI also receives regular questions and challenges from the Trustee on these issues. The Scheme has access to data produced by asset liability modelling tools as well as cash flow forecasting technology. These models and tools are key inputs used when looking at different Scheme risks and to stress test different downside scenarios. Examples of significant market-wide risks on which the Trustee is focused are geopolitics, climate change and inflation. Inflation in particular is a key sensitivity for the Scheme in terms of both its assets and liabilities.

CPTI continually engages with the Trustee, advisors, strategic partners, asset managers and other asset owners to discuss market-wide and systemic risks.

Geopolitics

CPTI and the Trustee recognise the importance of understanding, monitoring, and responding to the effects of geopolitical tensions within the investment decision making process. Geopolitical risks can impact asset valuations, supply chains, market stability and reputational risk.

Over 2024, the team monitored three areas of significant risk: the Russia/Ukraine conflict; the Hamas/Israel conflict; and the US election.

Principles covered:

① ④ ⑦

When considering the two conflicts, the team considers the potential impacts on financial markets (e.g. heightened volatility), inflation (particularly in relation to commodities) and sanctions. Regional stability is key when considering the risks. The 2024 U.S. election carried significant geopolitical and market implications, with potential shifts in foreign policy, trade relations and climate commitments that could impact global investments. Key areas of focus for the team included: The future of U.S.-China relations, energy policy, and regulatory approaches to ESG investing. For investors, monitoring these developments is critical to assessing risks and opportunities, particularly in sectors sensitive to policy changes such as technology, energy, and defence.

Conflict and political tensions can significantly change government approaches and/or timelines, for example re climate change, and as such there is a need to be responsive to these changes without losing focus on longer term goals.

ESG Backlash

In the U.S., the anti-ESG movement gained traction in 2024, driven by conservative politicians, state treasurers, and advocacy groups framing ESG as "woke capitalism" that undermines fiduciary duty. This was particularly evident in Republican-led states, where ESG policies faced legislative pushback. Several U.S. states expanded restrictions on ESG investing, barring state pension funds from considering ESG factors and divesting from asset managers perceived as prioritising sustainability over returns.

CPTI monitored these developments closely over the year and continues to monitor them into 2025. The main area of focus for the team is at the asset manager level, where legislation has the potential to threaten the ability of these firms to act as proper stewards of the Scheme's assets. If asset managers cannot engage with companies or vote on subjects such as diversity, equity and inclusion (DE&I) or climate change, without fear of legal challenge, this could undermine long-term

value creation and the Scheme's ability to meet its fiduciary responsibilities. Restrictions on proxy voting and engagement could weaken corporate accountability, limiting investors' influence on issues that materially affect financial performance.

CPTI remains committed to monitoring how asset managers navigate these challenges, ensuring that their stewardship activities align with the Scheme's expectations. The team continues to engage with managers to assess whether political and legal pressures are influencing their approach to ESG integration, proxy voting, and engagement strategies. Where necessary, CPTI will challenge asset managers to uphold their stewardship responsibilities and maintain a focus on long-term financial sustainability, irrespective of political pressures.

Climate change

Addressing the systemic issue of climate change has been a key focus since 2021. CPTI and the Trustee believe climate risk could have a material impact on the long-term performance of the Scheme's assets. This is formally documented in the Scheme's Responsible Investment policy and Stewardship policy as well as the Scheme's third TCFD report, which was published on 30th October 2024 and is available via this [link](#).

In 2024, global temperatures exceeded 1.5°C above pre-industrial levels for the first time, highlighting the intensifying climate crisis. Governments faced competing pressures, balancing energy security, inflation, and economic challenges alongside climate goals, while asset managers encountered growing legal pushback from anti-ESG investors, leading some to withdraw from initiatives like Climate Action 100+ and the Net Zero Asset Managers Initiative. These political and economic tensions are expected to slow the energy transition in some major developed markets, while emerging markets are accelerating their efforts — China surpassed its renewable energy targets six years early, installing record levels of wind and solar capacity, and India continues to expand its renewable energy sector, offering a model for sustainable integration.

Themes

As mentioned above, the Trustee has agreed two *investment* themes expected to drive material risks and opportunities over the medium term: **climate change** and **healthcare**. Both are rooted in ESG considerations and directly inform the implementation of the Scheme's asset allocation. Alongside these themes, the CPTI team considers responsible investment risks across the broader portfolio. Key responsible investment risks include:

1. **Human Rights:** The Trustee believes in the necessity to focus on human rights issues within the context of investment. CPTI focus on monitoring exposure to human rights abuses through a risk mitigation lens, focusing on reputation and financial risks associated with human rights abuses. This is monitored through screening for UNGC violators. CPTI also closely monitor the supply chain processes of the Scheme's real asset managers in property and infrastructure who are more exposed to direct risks.
2. **UN Global Compact (UNGC):** The Trustee and CPTI team believe that the Scheme should never be invested in any company or asset that is doing something illegal. As such, a focus area for the risk overlay looks at UNGC violators — i.e. any company that is in violation of any of the ten principles of the compact that relate to human rights, labour, environment and anti-corruption.
3. **ESG Controversies:** The Trustee and CPTI team believe that companies involved in ESG controversies pose both reputational and financial risks, as do companies who are laggards within either E, S or G.
4. **DE&I:** The CPTI team believe that diverse and inclusive teams are more likely to make good investment decisions and keep up with a rapidly changing environment. Considering DE&I within the investment process means effectively managing risks such as workforce stability, talent attraction, effective decision-making/group think and investment performance.

Responsible Investment Overlays/Tilts: Though less direct than a thematic allocation, overlays and tilts enable the team to create or steer mandates towards benefiting from ESG opportunities and mitigating risks.

4. Stewardship Approach: Engagement

Public Markets

Manager and EOS Engagements

Both EOS and the Scheme's investment managers undertake company level engagements on behalf of the Scheme in both public and private markets on issues that may impact their long-term sustainable value. Engagements may involve:

- Meetings with executive and non-executive directors.
- Meetings with other company representatives.
- Discussions with other shareholders of the company.
- Participation in collaborative investor initiatives.
- Submission of shareholder resolutions at general meetings as appropriate.

A breakdown of the Scheme's split of public equity voting and engagement activity across EOS and other investment managers as of 31 December 2023 and 31 December 2024 is provided below. Whilst EOS may vote on behalf of some of the Scheme's holdings, both the managers and EOS are responsible for engagement. This breakdown illustrates where voting and engagement coverage has shifted over the year as a result of reviews undertaken or allocation changes. As can be seen, by the end of December 2024, EOS was responsible for the vast majority of the Scheme's voting. Mandates with Genesis and Greencourt were both terminated and as such these exposures have dropped to 0% (though there remain some residual holdings within the Genesis mandate which are shown below).

Principles covered:

④ ⑦ ⑧ ⑨ ⑩

Managers undertaking Voting on behalf of the Scheme	Percentage of total public equity voting by provider	
	End December 2023	End December 2024
EOS	84.8%	91.7%
Ninety One	8.1%	8.2%
Genesis	6.1%	0.2%
Schroders	0.1%	--
Greencourt	0.8%	--

Note: Totals may not sum due to rounding

The Trustee expects issues for engagement to involve some breach of generally accepted financial, strategic, operational, legal, social, environmental, ethical or governance best practice. Engagements may relate to longer-term strategic, environmental, social or governance issues, which may not have immediate stock-specific impacts, for example, where the company's shares or debt are already fully valued, and the intent is to preserve that value.

The Trustee expects company specific engagements to be undertaken where it is believed that:

1. Engagement will lead to an increase in value of a company's shares and/or debt over the long term.
2. Engagement will prevent or limit a decrease in the value of a company's shares and/or debt over the long term.

In determining whether and how the engagement is taken forward, due regard should be given to the likelihood of engagement success and potential to bring about positive change. Such considerations should be based around an assessment of the likely impact of the engagement and the ultimate benefit to the value of the Scheme's holding.

EOS

EOS analyses company performance, policies and practices based on corporate disclosures and research on ESG factors. During 2024, EOS engaged on the Scheme's behalf with 341 companies on 1,815 issues and objectives covering the following topics: environmental (36.2%); social and ethical (27.8%); governance (27.4%); and strategy, risk and communication (8.7%). More detailed disclosure on EOS's engagement on behalf of the Scheme through 2024, including objectives by sector/priority themes and outcomes of engagement, are available in the annual report which is accessible on the Scheme's website ([link](#)).

CPTI, on behalf of the Scheme, provides feedback to EOS on engagement priority areas and process as part of the annual refresh of their "Engagement Plan". CPTI can also provide feedback through the bi-annual client advisory council events, the client advisory board and the Scheme's relationship managers. In 2024, CPTI engaged with EOS and many of the public equity managers on voting, covering areas such as board independence, over-boarding, gender and ethnic diversity, climate change and executive pay.

The engagement work with investee companies is aimed at achieving sustainable investment returns through the promotion of long-term responsible business strategies. Engagements undertaken on behalf of the Scheme are guided by the Scheme's Stewardship Policy and Responsible Investment Policy, described earlier in this report, both of which can be found [here](#).

EOS monitor company performance on issues relevant to long-term value on an ongoing basis. Such issues include corporate strategy and governance; capital structure; board structure; directors' pay; social, environmental and ethical matters; and risk management. An example of an engagement conducted by EOS on behalf of the Scheme is set out below:

EOS - Carrefour – Biodiversity

Rationale: Carrefour, a leading French supermarket operator, has significant biodiversity impacts and dependencies as a food retailer. Since 2008, EOS has engaged with Carrefour, intensifying efforts over the last two years to push for stronger biodiversity strategies, impact assessments, and disclosures.

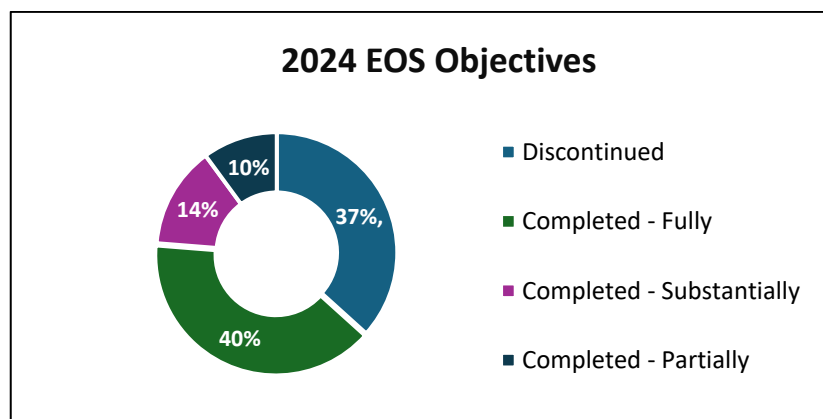
EOS's Actions: In 2022, EOS urged Carrefour to identify and measure its biodiversity impact and develop a strategy with clear milestones. Follow-ups emphasised deforestation, raw material sourcing, and water-related disclosures. In 2023, Carrefour showed progress by collaborating with the Science Based Targets for Nature (SBTN). By 2024, EOS engaged Carrefour through the Nature Action 100 (NA100) initiative, challenging its biodiversity disclosures and advocating for stronger commitments.

Outcomes and Next Steps: In early 2024, Carrefour published its 2023 universal registration document, detailing biodiversity risks, opportunities, and supply chain impacts, especially in Brazil and France. The company identified high-impact materials like palm oil and beef and committed to responsible consumption and sustainable agriculture. Carrefour also improved water-use transparency and supplier support. EOS will continue engaging with Carrefour through NA100 to drive further progress.

CPTI View: CPTI were pleased that EOS has continued to push for stronger biodiversity strategies and disclosures at Carrefour. Through targeted advocacy, including participation in initiatives such as Nature Action 100, EOS have influenced the company to enhance transparency around biodiversity impacts, particularly with regards to supply chain and high-risk materials. As a result, the company has made notable progress.

EOS provide the Scheme with multiple reports across the year, covering themes, geographies, engagement statistics and voting case studies. These are analysed by CPTI on an ongoing basis and provide assurance that EOS's engagement approach, goals and strategy are effective and aligned with Scheme's. Some of the engagement statistics that CPTI uses are highlighted below:

EOS note 642 objectives over the year, the majority of which are still ongoing. The pie chart below shows those objectives that have either been completed (partially, substantially or fully) and those which have been discontinued (i.e. where a company disagreed with EOS, the concern was no longer relevant or material, it was restarted as a new objective, or the company was unresponsive to the concern). The ratio of discontinued to completed (37/63) is promising as it shows that the vast majority of the objectives being set are achievable and the engagement team is working efficiently.



Managers

As mentioned above, the Trustee expects managers to engage on issues that involve some breach of generally accepted financial, strategic, operational, legal, social, environmental, ethical or governance best practice. Managers are expected to engage with companies on "general ESG" topics, such as board governance, but the

Trustee also looks to the managers to engage on topics which are specific and niche to the mandates that they have been entrusted. The manager has been selected to run a mandate because of their detailed knowledge of the subject matter and, as such, they are expected to be able to engage on the same topics.

Below we outline some case studies from the Scheme's managers that demonstrate each manager's deep knowledge and understanding of the mandate in question:

Healthcare Manager - Sage Therapeutics, Inc. – Human Capital Management

Rationale: Across the life sciences industry, equity is often considered by both executives and employees as a key foundational element of their remuneration package. In response to the biotech market downturn in 2024, Sage sought shareholder input on a proposed option-exchange program to address underwater stock options for employees. The aim was to ensure that employees' equity compensation remained valuable, despite depressed stock prices.

Manager Actions: Sage proposed an option exchange program allowing employees (excluding executives) to exchange underwater options for new ones at fair market value, with new vesting terms. The manager engaged with Sage's management to review the program's structure and discussed their evaluation criteria based on their proxy guidelines.

Outcomes and Next Steps: Following shareholder feedback, Sage held a special meeting and received approval for the program, which excluded executives and was deemed sufficiently value-neutral. As a result, the manager supported the company's option-exchange program. The program was approved, receiving 98% support.

CPTI View: CPTI was reassured that the manager had engaged with the company to properly review the structure and evaluation criteria.

Orsted – Environmental Governance: Governance and Risk Management (Ninety One Global Environment Equity)

Rationale: Orsted, a global leader in offshore wind, plays a key role in Europe's Net-Zero transition. In 2024, Ninety One engaged with Orsted to address governance and risk management concerns, particularly relating to sales of existing operational assets to protect the balance sheet, and the execution of the most challenging projects. Ninety One's focus was to unlock the value of Orsted's existing assets following negative share price reaction to the impairment of US assets. Ninety One firmly believe that Orsted's key value and growth proposition is in Europe, where offshore technology is steady and stable, with more mature supply chains and that Orsted are headed in the right direction to unlock European asset value, though believe Orsted should have scaled back US operations earlier.

Ninety One's Actions: Over the past year, Ninety One conducted multiple engagements, including discussions with the Danish Government, Orsted's board, and key executives.

Key meetings included: Q3 2024: Met with new COO Patrick Harnett to review operational developments and how Orsted had improved risk management. Specifically, they discussed infrastructure project execution, U.S. supply chain improvements, and high-return opportunities in Asia; Q4 2024: Engaged with the board chair on capital allocation, emphasising the need for clearer shareholder communication with precise financial impact disclosures.

Outcomes and Next Steps: Ninety One's engagement helped improve understanding of Orsted's capital allocation and governance. Positive developments include a centralised decision-making model, a streamlined leadership team, and a renewed focus on value creation over simply pursuing growth.

While management changes and a dividend holiday are promising, cost overruns remain a concern for Ninety One. During 2025, Ninety One continue active discussions with the board, Danish government, and management, closely monitoring Orsted's execution and communication of funding, de-risking, and strategic partnerships. Ninety One note that Equinor, a Norwegian multinational energy company, chose to buy their stake in Orsted at around 400DKK/share, rather than build out their own capacity, given the significant value of these assets. This aligns with Ninety One's estimated value of Orsted's existing assets.

CPTI View: CPTI were pleased to understand the level of oversight and challenge undertaken by Ninety One during 2024. CPTI noted that potentially the acquisition by Equinor may lead the company to be too close to Equinor and would expect the manager to monitor this.



Listed Infrastructure Manager - United Utilities/Severn Trent – Water/Pollution & Waste Management

Rationale: The manager engaged with two UK water utilities due to rising public scrutiny over sewerage pollution incidents. Beyond the controversy, these issues have a potential to increase the cost of equity and have led to fines, impacting company valuations. The engagement sought to emphasise the importance of increasing capex in order to help address environmental concerns in the water sector.

Manager Actions: The manager has been engaging with the companies over a number of years and intensified this engagement during the past year. Given management's receptiveness to these engagements and demonstrable willingness to decrease the number of environmental incidents, it has not yet been necessary to influence voting rights with regards to this issue.

Outcomes and Next Steps: While storm overflow issues (a leading cause of sewerage pollution) take time to resolve, both companies have significantly increased capex, more than doubling total expenditure for the next five-year regulatory period. Though measurable environmental benefits are yet to be seen, positive impacts are expected. The manager continues to monitor progress and will increase engagement should expectations not be met.

CPTI View: CPTI was pleased that engagements on these issues had intensified in the most recent year, as appropriate, and whilst reassured by the responsiveness of the company, noted that continued monitoring would be necessary. CPTI will seek updates from the manager on the company's progress.

Anta Sport – Social: Human rights, conduct and culture (Wellington Global Value)

Rationale: Wellington first engaged with Anta Sports in 2022 to address allegations of forced labour within their Xinjiang supply chain. Given the serious human rights implications, this aligned closely with the Scheme's engagement priorities. Wellington's objectives were to assess Anta's labour policies, improve supply chain transparency, and drive tangible improvements in labour practices.

Wellington's Actions: Since 2021, Wellington has engaged Anta through discussions, manufacturing site visits (Indonesia, Vietnam, Cambodia), and collaboration with industry peers and ethics councils. Key activities included:

- **Supply Chain Management Survey:** Used to assess Anta's modern slavery risk management processes.
- **Management Engagements:** Focused on enhancing disclosure practices, launching a Supplier Code of Conduct, and strengthening monitoring procedures.
- **Ongoing Dialogue:** Encouraged adoption of international sustainability standards and Sustainable Apparel Coalition membership.

Outcomes and Next Steps: Since engagement began, Anta has significantly enhanced its transparency and labour practices. In 2023, they hosted ESG analysts for supplier visits, and in 2024, MSCI upgraded Anta's rating from B to BBB, recognising improved supply chain risk management. By October 2024, Anta achieved 100% Tier 1 supplier traceability, strengthened its audit frameworks, and joined UN sustainability initiatives. Wellington's engagement will now focus on deeper traceability, stricter compliance, and supply chain diversification.

CPTI View: CPTI is encouraged by Wellington's proactive engagement on human rights risks, particularly given modern slavery is a priority for the Scheme. CPTI will continue to monitor Wellington's ongoing engagement with Anta over the coming year.

Public Equity Manager - Gold Fields Ltd – Natural capital

Rationale: Gold Fields, a South African gold producer, operates in several countries, including Chile, where it has been managing the relocation of a colony of endangered short-tailed chinchillas at its Salares Norte mine. The project, which Gold Fields worked with the Chilean government on, and which was necessary for continued operations, faced challenges, including the death of some relocated chinchillas. The program, which was approved by regulators, had to be temporarily halted in 2022 and revised with the advice of specialists and regulators. The manager engaged with Gold Fields to understand its approach to managing material environmental and natural capital-related risks.

Manager Actions/Engagement: Between 2022 and 2024, the manager engaged with Gold Fields multiple times to understand its efforts in managing material environmental risks that affect its ability to do business in Chile, particularly concerning biodiversity. This included discussions on the chinchilla relocation program and the company's compliance with regulatory requirements.

Outcomes and Next Steps: Gold Fields enhanced its environmental resources, including hiring 78 full-time staff for the chinchilla relocation project in Chile. The company also worked with experts to ensure proper care and data reporting. By November 2024, Gold Fields resumed relocation efforts and expects to restore production levels at the mine site in 2025.

CPTI View: CPTI was encouraged that the manager had engaged with the company not only in relation to this issue specifically, but also in order to fully understand how the company manages material environmental risks impacting the business.



Redington: Voting Analysis

Redington plays a crucial role in analysing the Scheme's voting activities, providing a detailed review on a bi-annual basis. This analysis identifies voting trends, assesses the implementation of voting policies, and flags instances where votes were not cast. A key focus is understanding whether managers are casting votes using their own internal considerations rather than just using proxy recommendations and also understanding the manager's willingness to challenge corporate management where necessary. CPTI uses this information to highlight positive and negative practices across the managers, engaging with them to address any areas of concern.

2024 Update: Over the year, CPTI used Redington's analysis to review and reaffirm the decision to retain current voting arrangements with either EOS or the managers. In 2024 the CPTI met with teams for the Scheme's listed infrastructure and healthcare managers to determine where voting rights should sit. Both mandates are run by the same manager and CPTI determined that EOS would be better suited to vote on these mandates due to the fact that engagement and voting sit outside of the investment teams in question, within a centralised engagement team. The CPTI team were unconvinced that engagement and voting were sufficiently used to address risk.

Following a review of the voting activity undertaken during the year by the Scheme's voting managers and third-party voting agent, a number of useful follow-up emails and discussions were held to assist CPTI in understanding and providing challenge to the approaches taken with regards to voting for both management and shareholder resolutions. One example of some of the queries discussed during a follow-up discussion has been included below.

Emerging Markets Equity manager – voting policy discussion

CPTI discussed with an Emerging Markets Equity manager the apparent lack of a customised voting policy with Institutional Shareholder Services (ISS), an American proxy advisory firm. The analysis indicated that they instead used their judgement

on top of the ISS recommendations. Whilst this may not necessarily be an issue if a large number of votes are referred internally, it had been observed that other managers use customised policies to help them better tackle the issues that are important to them. Specifically, the question was posed how many votes it is possible to realistically apply judgement on top of ISS recommendations and if the process could be streamlined through a voting policy to free up resource for other stewardship activities.

In response, the manager explained that their decision not to use a customised voting policy with ISS was an active one and that all voting decisions are made by the relevant Portfolio Managers. They further explained that they had developed proxy voting guidelines which are used as a starting reference by the portfolio managers in their decision making and that they also received the voting recommendations from ISS. The portfolio managers also consider country specific corporate governance and proxy advice from local firms in China, South Korea and India which consider local market practices. Whilst the proxy recommendations from ISS and other sources are very useful, at times their approaches may be formulaic or under time constraints due to the complexities of the proxy process. Given the portfolio manager's deep knowledge of the companies and often the nuanced nature of voting items, they prefer not to rely solely on a bespoke policy. Furthermore, they felt that in their experience, voting items often present useful opportunities to engage with management over important corporate governance issues.

CPTI View: CPTI found it useful to further understand some of the differences in approach and considerations when voting in emerging markets and are reassured that the flexible policy and approach in emerging markets seems sensible.

Remuneration resolution

The Emerging Markets Equity manager voted in favour of a remuneration-related resolution at Shanghai M&G Stationary. The Scheme also had ballots voted against the same resolution elsewhere in the portfolio and therefore CPTI wanted to

understand the reason behind the different stances on the same vote. CPTI asked how the manager became comfortable with the proposed remuneration plan when the other voting agent considered there to be insufficient disclosure.

The manager confirmed that ISS had recommended voting against this item due to a lack of sufficient disclosure. The manager emailed the company directly asking if they could provide any additional information on this item which they then provided and explained that the main reason for the ISS vote against was because the company's AGM materials were issued later than the time when ISS gave the proposal. In addition to using ISS, the manager also considers geography specific proxy advisors. For companies listed in China they use ZD Proxy and for this item ZD recommended a vote FOR and provided more perspective as to how this compares locally. This recommendation strengthened the manager's conviction further.

CPTI View: Whilst not ideal for the Scheme to experience contradictory votes on the same resolution, when this happens, understanding the reason can provide further insight, particularly in emerging markets where this is likely to occur more often than elsewhere in the portfolio. For context, the vote against the same resolution was within a passive equity portfolio where voting is delegated to the Scheme's third-party voting agent. CPTI were comfortable with the manager's response given the further information received and considered in addition to the advice of local proxy advisors.

Changes to managers

Ongoing monitoring can, and has, led to changes at the manager level. Where CPTI are unable to reach a desired engagement outcome at the manager level, further action is taken. A key example of this was the termination of the onshore China mandate in 2024, following its placement on CPTI's Manager Watch List in 2023 and subsequent engagement with the manager. This decision, orchestrated by CPTI on behalf of the Trustee, was grounded in a meticulous evaluation process. While various factors were considered, including the strategic reduction of exposure to

China, cost implications, and structural complexities, a crucial aspect was the manager's limited consideration of human rights and environmental risk factors as well as limited stewardship. This decision underscores CPTI's dedication to aligning the Scheme's investment strategies and mandates with the Trustee's core beliefs and long-term objectives. The termination was completed during 2024.

Fixed income

Whilst EOS engage on the Scheme's behalf on public fixed income, the Scheme's public fixed income investment managers also have an important stewardship role.

Over 2024, CPTI was in discussions with the managers to understand some of the differences between credit and equity engagement in more detail. Whilst both do seek to achieve similar ESG goals, there are significant differences in terms of escalation process. CPTI is working with the managers to identify best practices and assess what more can be done going forward as good stewards of the assets. Fixed income managers are expected to consider using escalation tools such as communicating unwillingness to purchase future debt issues or longer maturity debt issues, they may also be able to influence debt covenants including ESG covenants. Covenant engagement equally applies to private debt. CPTI is continuously engaging with third-party providers to better understand best practice within the fixed income space.

CPTI Engagements

While the investment managers and EOS play a critical role in engaging with investee companies on behalf of the Scheme, CPTI cannot rely solely on their efforts to deliver stewardship outcomes aligned with the Scheme's long-term objectives and beliefs. CPTI must actively oversee and influence how stewardship is carried out across the portfolio. This includes engaging directly with the managers and service providers to ensure their approach reflects the Trustee's expectations. The following examples highlight how CPTI have challenged, supported, and collaborated with partners to ensure stewardship activities remain aligned with the Scheme's priorities.

Healthcare: As part of the commitment to the Trustee's overarching healthcare theme, CPTI engaged with the public equity healthcare manager to discuss best practice on health-related stewardship. Drawing on insights from ShareAction's Long-Term Investors in People's Health (LIPH) programme, CPTI asked the manager to consider how their approach aligns with recommendations from a LIPH best practice paper, provided to members of the programme. This included suggestions such as integrating health into engagement policies, disclosing relevant KPIs, reporting on health-related engagements, recognising health as a material investment factor, and considering health impacts in capital allocation decisions. This engagement forms part of a wider effort to ensure that stewardship activity across mandates supports the Scheme's thematic priorities. The manager responded to each recommendation explaining how and where best practice is integrated and where other approaches are taken. Engagement on this issue remains a work in progress for the CPTI team.

Data: During the preparation of the Scheme's TCFD report, the CPTI team identified discrepancies in MSCI's climate data for issuers held within the investment-grade credit portfolio. Given the Scheme's target of achieving at least 90% data quality for emissions coverage, the team flagged the portfolio's shortfall against this benchmark. Given the typically high levels of emissions data expected in investment-grade credit, CPTI engaged both the manager and data provider, MSCI, to investigate. This engagement revealed several issues, including incorrect mapping of issuers to parent companies and outdated emissions figures that had not been updated in line with the latest reported data. CPTI continue to monitor such data and raise issues as and when discovered.

Research contributions: CPTI are members of Pensions for Purpose, a collaborative platform that connects pension funds, asset managers, and other stakeholders to promote and share best practices in sustainable, impact, and ESG investing. Part of their work focuses on research, and this is often carried out through interviews with pension schemes. Over 2024, the CPTI team contributed to two of these research topics, the reports for which can be found [here](#) and [here](#). The reports, which looked

at DE&I and biodiversity, are an amalgamation of interviews and other research. The team at CPTI joined one-on-one calls with the researchers and answered questions over the course of an hour or so. Work like this enables the team to not only learn from the output reports, which is then fed back into the Trustee, but also enables the team to frame a cohesive opinion on these topics.

Sometimes, through CPTI's own engagement they are made aware of engagements being conducted by the managers. As part of the Scheme's work for TCFD, CPTI engaged Schroders who manage a high-yield credit portfolio for the Scheme on the lack of emissions data relating to the investments. Schroders explained that measuring carbon and climate impact across certain sectors in the portfolio remains challenging due to limited regulatory reporting, inconsistent data availability, and a lack of industry-wide guidance. In areas such as corporate loans and CLOs, where underlying holdings are often private and change frequently, Schroders adopt a proxy-based approach and set sector guardrails where possible. The following case study explains the work that the Schroders team are doing in this space:

Schroders engagement: CLO Market

Objective: Establish a gold standard for ESG reporting in CLOs to enhance transparency, efficiency, and liquidity across the market.

As a board member of the European Leveraged Finance Association (ELFA) and active participant in its CLO ESG Working Group, Schroders has played a leading role in addressing the lack of standardisation in ESG disclosures across the CLO market. This fragmentation has made it difficult for investors to assess and compare ESG performance within the asset class.

Recognising the growing demand for consistent ESG data—particularly around carbon and climate risk—Schroders collaborated with over 60 institutional fixed income managers through ELFA to design a single, standardised ESG Borrower Questionnaire. This tool consolidates the key ESG questions investors typically ask CLO managers, replacing the inefficient and duplicative practice of issuing multiple bespoke questionnaires.

The expected impact of this work includes improved ESG data transparency for underlying CLO loans; greater consistency in disclosures across the CLO market; and streamlined ESG reporting processes for both managers and investors.

Schroders and the ELFA working group continue to refine the questionnaire based on market feedback and evolving disclosure requirements. This work is a key step toward embedding ESG integration more deeply into securitised credit markets.

CPTI View: CPTI are encouraged by the work of the manager to promote ESG transparency and standardisation. By taking a leading role in the development of a unified ESG Borrower questionnaire through ELFA, the manager is addressing fragmentation in ESG reporting and seeks to improve data quality and comparability across the market. CPTI view this as a significant step toward embedding ESG principles into securitised credit.

Private Markets

While a significant part of the Scheme’s stewardship activity — and therefore a large part of this report — focuses on public equities and investment grade credit mandates, where engagement is most concentrated and reporting is most developed, the Scheme’s commitment to responsible investment extends far beyond these areas. The Trustee recognises that meaningful stewardship can, and should, be applied across all asset classes.

In this section, examples highlight how stewardship is being applied across the broader portfolio, including in real assets and other private markets. Although the nature of engagement may differ, the goal remains the same: to be active and responsible stewards of capital across all of the Scheme’s assets.

Real estate

Nuveen Investment Management International Limited was appointed as investment manager for the BCSSS portfolio in December 2022.

Nuveen were appointed based on their strong track record and commitment to sustainable property investing, which aligned to the Scheme’s targets. Below is a list of some of the current industry commitments, standards and benchmarks that are supported by Nuveen:

- Nuveen Real Estate is one of the 37 “Better Buildings Partnership” member companies to have become a signatory to the partnership’s Climate Change Commitment. It is also one of the 34 “ULI Greenprint” member companies to have publicly announced their alignment with the group’s Net Zero goal.
- Nuveen monitors key performance indicators in line with GRI (Global Reporting Initiative) and INREV (European Association for Investors in Non-listed Real Estate Vehicles).

- Nuveen sets annual targets and benchmarks against the wider industry using the GRESB (Global Real Estate Sustainability Benchmark). Several of its funds are 5-star rated.
- Nuveen Real Estate has set a goal to achieve Net Zero carbon by 2040.
- Nuveen is rated 4 stars by the UN Principles for Responsible Investment for its direct real estate capability.
- Nuveen was named a “2023 ENERGY STAR Partner of the Year – Sustained Excellence Award” winner for their ongoing commitment to outstanding energy management practices and reductions in greenhouse gas emissions. The 2023 award marks their 17th consecutive year as “Partner of the Year”.

Property Investment Management Agreement

Key commitments have been agreed within the Property Investment Management Agreement (“PIMA”) focusing on the importance of ESG within the management of the Scheme. The PIMA requires ESG risk factors to be integrated within the investment and business planning processes, with a material focus on promoting Net Zero Carbon and climate related transition risk. Further to this, several ESG objectives were agreed, and these were to be achieved by the end of 2025. These include:

- Achieving at least 90% accuracy of Scope 1 and 2 carbon emissions.
- Achieving 100% Scope 3 carbon emissions (tenant operational energy usage data).
- Prioritise Net Zero Carbon pathways on new acquisitions.
- Develop Net Zero Carbon business plans for all investments, focusing on best use of capital based on carbon savings per GBP invested.
- Reposition the Scheme’s property portfolio towards more energy efficient investments via acquisitions, disposals, and capital expenditure.
- Shift the portfolio to a renewable energy Power Purchase Agreement.

- Develop asset level action plans which focus on the 3 pillars of community engagement: “Wellbeing of communities”; “Education for all”; and “Social equity and support”.

In the period since Nuveen were appointed, the management team have focused on several ESG initiatives to support the Scheme objectives:

- A sustainability consultant has been appointed to provide 100% Scope 3 carbon emission data directly from tenants’ utility providers.
- Tenant engagement has taken place to discuss installing solar photovoltaic panels on available roof space, focusing on assets which provide the largest carbon reduction. As part of this process, selected tenants have been approached with bespoke illustrative documents outlining potential savings available to them once the panels have been installed, along with an estimate of the reduction this will have on their carbon consumption.
- A new agreement with Nuveen is being negotiated which will modernise the property management mandate. The new agreement will focus on sustainable property management practices including securing sustainable power purchase agreements, paying contractors the living wage, supporting in the delivery of Net Zero Carbon asset plans, and improving tenant data collection for GRESB submissions.
- The portfolio has provided its first GRESB submission, based on data gathered throughout 2023. The assessment scores the portfolio on its sustainability performance, looking specifically at the management components such as policies, risk management, stakeholder engagement, along with performance measures such as energy data collection, emissions, water and waste.

A good example of an ESG-led refurbishment for the Scheme took place over 2024 at Units 4b and 4c of Hayes Industrial Park, Hayes. Following an unexpected vacancy due to the tenant entering into administration, an opportunity to refurbish the units, improving both the rental value and the ESG credentials of the units presented itself. The units previously had EPC (Energy Performance Certificate)

ratings of “C.” A pre-refurbishment EPC improvement report was instructed to provide a pathway to EPC “A.” The report showed that while this was achievable, the EPC would only reach a rating of “A” if solar PV were installed. Due to the lack of scale, this was not deemed financially viable. However, the following improvements were implemented to increase the EPC to “B”:

- Replaced the roof, increasing insulation.
- Removed the gas supply.
- Increased insulation within interior panels and loading door.
- Installed daylight operating controls and LED lighting in the offices and warehouse.
- Installation of destratification fans.
- Currently 26% of the portfolios EPCs (Energy Performance Certificates) are rated either B or above. A large number of units with EPCs below B are within industrial estates where the asset management team are having success in increasing the EPCs scores by agreeing with tenants to remove the gas supply to the warehouse space and heating the units via electricity rather than gas. The presence of gas heating within warehouse units has a significant impact on the EPC scores, so this is considered a priority in both refurbishments and lease renewals.

Where refurbishments form part of an asset’s business plan, the manager targets a minimum EPC rating of “B,” and a significant reduction in carbon intensity. If possible, this includes the capping off of gas supply, creating a fully electric building. Alongside improving the ESG credentials of the portfolio, the Manager has sought to improve the energy performance data coverage. Through a freedom of information data request to tenants’ energy providers, the Manager has been able to obtain accurate energy usage across the portfolio without the need for each tenants’ permission. This allows for a better understanding of the carbon intensity in each property, and where to focus improvements.

During 2024, amid global challenges like inflation, high interest rates, and geopolitical tensions, Nuveen remained committed to responsible investing by engaging with over 400 companies on key ESG issues. It’s adaptive stewardship program emphasises transparency, accountability, and long-term value for shareholders. The following case study showcases Nuveen’s approach to active stewardship:

Real Estate Multrees Walk, Edinburgh (Nuveen)

As part of their commitment to integrating environmental considerations into real estate stewardship, Nuveen hosted a biodiversity-focused educational event at Multrees Walk in Edinburgh to coincide with World Bee Day on 20th May 2024.

Local primary school pupils were invited to participate in a hands-on workshop led by the site’s resident beekeeper, designed to raise awareness of pollinators’ essential role in sustaining ecosystems. The session aimed to foster environmental education at a young age, aligning with broader responsible investment goals around community engagement and biodiversity preservation.

Following the workshop, the pupils visited the rooftop hives installed at Multrees Walk—part of a wider initiative to enhance urban biodiversity across the property portfolio. They learned about the ecological benefits of supporting pollinator populations in urban areas and were also able to sample honey produced on-site.

This initiative highlights how active stewardship in real estate can extend beyond energy efficiency to promote biodiversity, strengthen community ties, and contribute to long-term asset resilience by aligning with environmental and social sustainability themes.



UK Infrastructure

The Trustee's investment belief is clear that Responsible Investment and being a good steward of assets is grounded in positive financial outcomes with clear economic rationale. Infrastructure is a very long-term illiquid investment and therefore stewardship including ESG integration has been a key focus of CPTI's oversight of the Scheme's infrastructure managers. The Scheme's investments include renewable energy, projects that support energy efficiency and other assets.

Within infrastructure, the Scheme owns assets critical to the UK and also assets with high levels of impact on the environment and consumer cost of living. The Trustee takes ownership of these assets very seriously and believes that there is more that they and other asset owners can do to engage in this area.

The following section outlines the approach to responsible investment and stewardship and 2024 updates relating to Greencoat, one of the Scheme's

infrastructure managers who focuses on renewable energy infrastructure. The Scheme invests in Greencoat's solar fund.

Sustainable investment objective and integration of sustainability factors:

Greencoat considers material sustainability risks throughout the investment lifecycle — from due diligence to decommissioning — covering climate, environmental impact, health and safety, governance, and community engagement. These factors are assessed pre- and post-investment, with oversight shaped by the investment structure. Principal adverse impacts guide engagement activity.

Governance and organisational structure: ESG integration is led by investment teams and supported by a dedicated Sustainability team and ESG Committee. The ESG Policy sets principles and KPIs across key areas, with exclusions applied consistently.

Stakeholder engagement and international standards: Greencoat engages with global initiatives such as the UN PRI, TCFD, Net Zero Asset Managers Initiative, and the Solar Stewardship Initiative (SSI). Active engagement with stakeholders—including communities, regulators, and investors—ensures long-term value. The Manager collaborates with UK and EU regulators and contributes to sustainability regulation consultations.

2024 Update: Greencoat Solar continues to support the SSI, which focuses on addressing modern slavery in solar supply chains. A member of the Greencoat Solar team serves on SSI's Responsible Sourcing Committee, contributing to the development of industry standards.

The team has also partnered on efforts to improve solar module recycling, achieving 99% recyclability. Materials are recovered and repurposed: glass is reused in glass and solar products, aluminium and copper are recycled at UK smelters, silicon is sent to aluminium smelters (with purification processes under review), and plastics

are converted into low-grade goods. These initiatives support a more circular economy and contribute to a more sustainable and responsible solar supply chain.

Environment: Environmental performance is prioritised across biodiversity, air quality, noise, and waste. The Manager ensures compliance with environmental laws and planning conditions, including habitat management and emissions controls. **Zero environmental incidents** were reported in 2024.

Community: Community relations are key to maintaining a license to operate. In 2024, the Fund contributed **£526,799** to local initiatives, supporting **88+ community projects**.

Responsible sourcing: A risk-based approach governs supply chain sustainability. In response to modern slavery concerns, the Manager enhanced due diligence via:

- Supplier pre-assessments
- Whitelist creation with external advisors
- Human rights audits and pre-qualification checks
- Risk scoring to inform investment decisions

Private Debt

Whilst investing in debt does not give managers direct control or voting outside of distressed situations, debt holders still have significant opportunity and responsibility to engage. Debt investors have significant influence when deciding whether to participate in future debt issuances, both in relation to the cost and lending terms of loan agreements. Particularly in the case of new lending, managers also have the opportunity to introduce covenants in relation to material ESG risks.

As the Scheme's exposure to private debt is currently in run off, CPTI are not currently considering such approaches. Should the Scheme allocate new capital to this space in the future, however, such covenants may be considered.

Private equity – escalations and use of LPAC influence

In private equity, investments in funds and co-investments are regularly evaluated. Consideration of ESG factors for both fund and co-investment opportunities is a critical input to the decision-making process when deciding where to commit assets for the long term and in what magnitude as well as in the ongoing stewardship and challenge of managers. In order to ensure a strong voice with managers, CPTI will take Limited Partner Advisory Committee (LPAC) seats where possible and push for agendas to include ESG priorities. The Scheme has LPAC seats with 5 private equity managers currently across 24 underlying funds. Some examples of the ESG approach in this area are detailed below:

In its capacity as LPAC member for many of the Schemes' private equity and special situations debt funds, CPTI has frequent resolutions to review. These can range from relatively simple matters such as an extension to the life of the fund to more complex matters such as a change in key person or the sale of an asset to another fund under the manager's control. Fund term extensions need to be reviewed with regard to appropriate fee levels and provide an opportunity to negotiate a fee reduction whilst granting the manager sufficient time for an orderly sale of the assets which would be accretive to value. During 2024 CPTI continued to see an increase in the number of single asset continuation vehicles being formed by managers and these needed to be reviewed in terms of fairness to existing Limited Partners, including if there had been a 3rd party valuation (and the reasonableness of this) and the terms of the continuation vehicle. CPTI often needs to decide whether the best course of action is to roll over the investment into the new vehicle for future growth and upside, or if now is the right time to take liquidity.

All due diligence processes now include CPTI's DE&I questionnaire, as referenced earlier in this report, and managers are required to complete an annual survey follow-up. This has led to CPTI engaging on behalf of the Scheme in productive DE&I discussions with managers. This has included impressing on those that are less diverse CPTI's wish to see more gender and ethnic minority representation in

investment teams, not least as diversity is expected to improve the quality of decision-making and challenge.

CPTI now request Scope 1 and 2 emissions data from existing managers and engage with them to understand any gaps in reporting as well as timelines and initiatives in place to improve capture of this data.

PE company co-investment

The Scheme's PE advisor recently spent substantial time in the LPAC meeting understanding the company's approach to ESG, their improvements in reducing carbon footprint, and their target dates to get to Net Zero. In terms of diversity in its employee base, the company has made positive progress with 26% of senior management being female, however there remains room for further improvement. They also focused on ESG factors in purchasing and procurement. In 2021 the firm made a commitment to reduce emissions from their own operations (scope 1 and 2) by 60% by 2030, the firm has now committed to increase the reduction to 75%. The measures helped bring down emissions from own operations by 9% in 2024 despite continued growth in the network of stores and distribution centres, putting them on course to meet the 2030 target.

Collaborative engagement

The Scheme participates in collaborative engagement efforts through a number of different relationships. These are primarily EOS-led collaborative engagements, however group memberships such as those discussed in this section are also useful tools which support CPTI's work and education as it relates to stewardship.

Engagement to address system risk

On behalf of the Scheme, EOS and the Scheme's asset managers regularly engage with a wide range of stakeholders, including government authorities, trade bodies, unions, investors and NGOs, to best identify and respond to market-wide and systemic risks. CPTI, on behalf of the Scheme, has also been involved in dialogue with UK regulators during the year via the Asset Owner's Council (AOC).

Through EOS and groups like the AOC, the Scheme engages to promote effective regulation in the markets in which it invests to encourage governance structures that facilitate the accountability of companies to their owners, to give companies the certainty they need to plan for the future and to promote a level competitive playing field, which enables companies to prioritise long-term profitability.

EOS has a comprehensive programme of engagement with legislators, regulators, industry bodies and other standard setters to help shape capital markets. Their public policy work includes:

- Engagement on issues and written responses to consultations on behalf of the Scheme.
- Providing the Scheme with the opportunity to endorse or co-sign responses to consultations; and
- Providing the Scheme with written responses to consultations for use as a basis for its own communication.

Public policy engagement

EOS participates in public consultations and meetings to contribute to the development of policy and best practice, with the aim of protecting and enhancing value for their clients by improving shareholder rights.

During 2024, EOS submitted a response to the UK Financial Conduct Authority's consultation on changes to the UK's Listing Regime, for the second time, following the initial consultation period and publication of the finalised changes. EOS expressed disappointment that their feedback did not appear to have been taken on board, and that the proposed reforms were largely unchanged from the original proposal. In particular, they highlighted the removal of requirements for historical financial information for companies seeking to list, and the removal of shareholder votes on related party transactions, as having a negative impact on overall shareholder rights and protections. EOS recognise that there is an increased focus on the competitiveness of the UK market and remain committed to ensuring that UK companies can grow and succeed in their home territory. EOS will continue to engage with all stakeholders in discussions on the UK market, and while they are supportive of initiatives to help drive competitiveness, they will work to ensure that this does not come at the cost of shareholder rights and protections.

CPTI Group Memberships

Given the limited resources of the investment team, as well as the Scheme's time horizon, there has been only select participation in industry collaborative engagement groups.

The team review their memberships to any relevant collaborative groups on an annual basis, ensuring that enough value is being derived from each membership.

Asset Owner's Council

CPTI is a member of the Asset Owners Council, previously the Occupational Pensions Stewardship Council (OPSC). The Asset Management Taskforce which brings together government, senior representatives from asset management, regulators and key stakeholders recommended in their 2020 report that a dedicated council of UK pension schemes should be established to promote and facilitate high standards of stewardship of pension assets. In response to that recommendation the Department for Work and Pensions (DWP) created the OPSC as a forum for sharing experience, best practice and research and providing practical support which later merged with the UK Pension Scheme Responsible Investment roundtable to form the Asset Owner's Council (AOC). The council represents a strong overall voice of trustees within the market, especially in relation to service providers. It also enables opportunities for schemes to collaborate on stewardship activities such as shareholder resolutions, climate change, corporate governance and other topics.

2024 Update: CPTI have joined a number of ad-hoc sessions with other members of the AOC group over 2024. These sessions related to topics such as climate scenario analysis and the Stewardship Code. Educational sessions over 2024 included topics such as: Implications for asset owners of the new US political and SEC landscape; updates from PRI, IIGCC & ICGN; climate transition plans; approaches to voting and other emerging RI issues.

Membership to the group has been beneficial to the CPTI team as it has allowed them to better understand peers, learn from others and engage with the regulators.

Asset Owner Diversity Charter

Having identified DE&I as a core stewardship priority, the Scheme became a signatory to the Asset Owner Diversity Charter (AODC). Membership allows the Scheme to demonstrate its commitment to advancing DE&I across the investment industry, while also providing a platform for collective engagement, access to shared best practices, and tools to hold managers accountable. As a signatory to the AODC, CPTI has actively engaged on the topic of DE&I across all the Scheme's large manager relationships and all new appointments since 2022. This membership does not involve setting any targets around what asset management teams should look like, rather it provides tools to monitor, understand and challenge.

2024 update: CPTI continues to be a signatory to the AODC and completed a fresh review of all public managers and relevant private market managers. While limited change was expected due to the annual cadence of reviews, two managers were upgraded based on improved transparency and progress in embedding DE&I into firm-wide processes. One manager was downgraded for failing to maintain previous levels of disclosure and engagement.

Beyond these changes, this year's review also brought into sharper focus the importance of organisational culture as a key lens for assessing DE&I. Notably, several high-profile departures at one manager raised concerns about whether the firm's culture genuinely supports diverse perspectives and encourages internal challenge, both critical to effective decision-making. A homogenous culture that lacks inclusivity can lead to groupthink, missed risks, and weaker investment outcomes over time.

Research increasingly shows that diverse and inclusive investment teams are better positioned to generate long-term, risk-adjusted returns. Diversity of thought contributes to more robust debate, a broader assessment of risks and opportunities, and ultimately better investment decisions. In this context, DE&I is not a “nice to have” but a material governance factor tied directly to manager quality and long-term performance.

As in previous years, data from private markets managers continued to be inconsistent and difficult to assess. CPTI recognises the reporting challenges across asset classes but remains committed to applying a consistent, asset-class-sensitive lens in its evaluations. The persistence of limited disclosures in this space underscores the need for clearer industry expectations and improved data standards.

In response to these insights, CPTI has decided to refine its approach. Rather than conducting a full portfolio review annually, the team will target core managers and intensify engagement with those falling below expectations, using culture-related red flags, like staff turnover or poor accountability, as key triggers for deeper inquiry.

In 2024, CPTI also joined a peer network of pension providers led by Nest Pensions, focused on improving DE&I practices across the investment industry. Participation in this group enables CPTI to share insights, learn from others, and remain aligned with emerging best practices in the UK pension sector.

LIPH (Long-term Investors in People’s Health)

LIPH is a global collaborative engagement initiative that recognises the pivotal role of good health in fostering societal well-being and economic prosperity. The scheme joined the LIPH Programme to support long-term health outcomes through investment, aligning with its healthcare theme and benefiting from shared research, engagement tools, and collective influence.

Recognising that long-term value creation is intrinsically linked to the health and resilience of people and communities, CPTI joined the LIPH initiative to better understand and address material health-related risks and opportunities across its portfolio. This decision aligns with the Scheme’s broader thematic focus on healthcare and reflects a growing consensus that good health is foundational to economic productivity. Through LIPH, the Scheme benefits from access to cutting-edge research, collaborative engagement tools, and a network of like-minded investors working to enhance corporate accountability and transparency on health. By participating in this initiative, the Scheme strengthens its ability to support healthier societies while protecting long-term returns.

Per LIPH’s research, the aftermath of the pandemic has left a significant workforce gap, with approximately half a million Britons aged 15-64 citing long-term illness as the primary reason for unemployment. In the US, poor health costs businesses substantially, averaging \$3,900 per employee per year due to absences and lost productivity. LIPH underscores how poor health poses preventable financial risks for investors and the businesses they support.

The LIPH initiative serves to empower investors in four key areas:

1. **Lead:** Gain a competitive advantage by committing early to prioritise health, aligning with the growing momentum of social engagement around this theme.
2. **Collaborate:** Participate in collaborative engagement initiatives to accelerate progress and disclosure on crucial health issues within companies.
3. **Learn:** Access insights, support, and best practices through shared knowledge, company benchmarks, and briefings to proactively mitigate health-related risks within investment portfolios.
4. **Influence:** With LIPH support, contribute to influencing policymakers and data providers to enhance the health data landscape globally.

LIPH has developed a comprehensive framework focusing on three critical aspects:

- **Worker Health:** Emphasises the significance of work quality, conditions, and benefits in determining health outcomes. This includes promoting a Living Wage, secure contracts, equitable parental leave, supportive sick pay packages, and health insurance. Well-designed jobs that offer autonomy and control are also recognised as vital for employee health.
- **Consumer Health:** Acknowledges that a substantial portion of global deaths results from overconsumption of products such as alcohol, tobacco, and unhealthy food and drinks. LIPH encourages companies to take responsibility for their impact on consumer health, particularly in the context of rising childhood obesity.
- **Community Health:** Recognises the broader impact of companies beyond their employees and customers. This involves considering the health effects of business operations on communities, including issues like pollution and supply chain practices. The global cost of health damage due to poor air quality, for instance, is estimated to represent 6.1% of global GDP.

Microfibres

First Sentier Investors initiated the Microfibre collaborative engagement, partnering with scientists from the Marine Conservation Society (MCS), to address the widespread issue of marine microfibre pollution. This strategic collaboration aims to combat the environmental threat posed by synthetic microfibres entering the ocean through washing machines, impacting ocean ecosystems and biodiversity.

The collaboration involves over thirty institutional investors engaging with thirteen washing machine manufacturers. The initiative is grounded in the latest scientific insights into the detrimental effects of microfibre pollution on the marine environment. Microfibres, particularly from textiles, constitute a significant portion of primary microplastic pollution in the ocean. With an estimated 9 trillion fibres

released from washing textiles per week in the UK alone, the initiative aims to understand and mitigate this growing environmental threat.

Working in partnership with MCS specialists, the investor group has specific objectives. These include:

- **Microfibre Filter Integration:** Ensure that domestic and commercial washing machine manufacturers commit to integrating microfibre filter technology into all new washing machines produced.
- **Policy Influence:** Influence policymakers to enact legislation prohibiting the sale of new washing machines without built-in filter mechanisms.

The objectives are geared towards not only encouraging industry-wide adoption of microfibre filters but also driving legislative changes to enforce environmental responsibility. The collaboration has so far yielded tangible successes, with companies like Grundig and Electrolux introducing filters, and Samsung announcing plans to develop machines with filters in partnership with Patagonia.

2024 Update: The group conducted a survey in early 2024 which showed that members wanted to prioritise **policy advocacy** and **company engagements**. They created three membership roles: (1) engagement lead/co-lead; (2) contributing member; (3) supporter. CPTI are classified as a “supporter”, meaning that they endorse the initiative, with limited active involvement. Dialogue has now begun with the UK government and the group have begun opening dialogue with other governments post-French legislation. The group has started sending out letters to target companies, including: Koc Holding, Whirlpool, Electrolux, Samsung, LG, Haier, Hisense.

5. Stewardship Approach: Voting

Voting

The Trustee believes that voting is an important investor right and responsibility. Similarly, where CPTI is able to have an LPAC seat in private markets investments CPTI will take this up and will attend the relevant meetings, vote and raise additional issues where necessary. Through EOS and certain investment managers, the Scheme seeks wherever practicable to vote responsibly on every resolution at all meetings of companies it is invested in. Voting is regarded as an important constituent of the Scheme's stewardship and as a means of achieving positive change. The use of voting rights attached to shares held by the Scheme are appropriately aligned to its overall responsible investment policies and objectives.

The Trustee expects EOS and the Scheme's investment managers to make voting recommendations based on the unique circumstances of each company, considering local best practice and regulation. Voting should be undertaken pragmatically and in pursuit of positive change. The purpose of the vote is to achieve beneficial change in company behaviour or to register dissatisfaction. Whenever practicable, the Scheme, through EOS and the investment managers, seeks to communicate with portfolio companies in advance of casting a vote against management to explain the Scheme's rationale and to seek to change the company's position. Where a vote against management is cast, communication should be continued with the company to explain the voting action and to discuss possible solutions to avoid a recurrence.

The Trustee's stewardship policy details how the Scheme carries out its voting which is delegated to EOS and the investment managers. CPTI, on the Scheme's behalf, is also able to influence the voting policies of the investment managers and EOS through dialogue and other feedback channels. The stewardship policy is published on the Scheme's website available [here](#).

Principles covered:

⑦ ⑧ ⑨ ⑫

The Scheme will typically follow the voting recommendation made by EOS where this has been delegated to them, although the Scheme retains the right to vote differently. This is facilitated through the ISS Proxy Exchange voting platform, in accordance with the Scheme's own policy. The process differs for each investment manager. Where the Scheme has in the past invested through a pooled fund, the Scheme does not have the right to change the investment manager's vote but CPTI, on the Trustee's behalf, can still engage with the investment manager on their voting policy and decisions. There are currently no pooled investments held by the Scheme. CPTI monitors the voting done by EOS and the Scheme's investment managers by looking at how they have voted on specific resolutions, particularly in relation to board diversity, remuneration and climate.

Voting responsibilities

Although CPTI delegates a significant portion of the Scheme's stewardship activities to EOS, CPTI has asked three of the Scheme's active equity managers to retain voting responsibilities. This is a deliberate decision made on each manager's voting approach. It is important for CPTI, on behalf of the Scheme, to understand how EOS and the other three equity managers are exercising voting rights and ensuring alignment with the Trustee's policy.

Since 2022 Redington have assisted CPTI in gaining a better understanding of the Scheme's voting. This assessment is delivered in the form of annual voting activity reports that analyse all voting activity. CPTI work with Redington to undertake a deep dive of the Scheme's voting agents' activities. The areas CPTI ask Redington to review, and the corresponding expectations and insights are:

- Trends in voting behaviour
- Voting compared to proxy recommendations
- Substance of a manager's voting policy and how this has been implemented

- Outcome of policy referrals on particular resolutions
- Instances where votes were not placed and the corresponding rationale
- Votes at significant issuers
- Other significant votes

Through this assessment, CPTI work with Redington to better understand where the Scheme's voting agent's activities are strong, and where there was room for improvement. CPTI uses these insights to engage with the Scheme's voting agents to hold them to account for their practices and challenge them to improve where any deficiencies have been found. Example engagement topics so far have included where a voting agent has failed to exercise all voting rights, to understand the rationale for where the voting agent has voted differently to a large number of shareholders on high profile votes, and where a voting agent has appeared to overly rely on a proxy adviser's recommendation.

The Scheme's voting agents have so far been receptive to CPTI's comments. The 2024 analysis has highlighted some improvements in voting activities year-on-year following feedback provided to managers. During the 2024 analysis, Redington included voting analysis for two managers where the managers do not currently hold the voting rights. This was to enable CPTI to keep under assessment the existing voting arrangements.

In reaching voting recommendations, EOS takes account of its own regional voting guidelines which have been reviewed by CPTI and can be found [here](#). Summarised historic voting information for the Scheme is publicly available [here](#). Information is disclosed quarterly in arrears to avoid compromising dialogue with companies in the portfolios, whilst being fully transparent and accountable.

The table below summarises the Scheme's voting record in 2024 from EOS and the investment managers who vote on the Scheme's behalf:

Investment Manager	Resolutions eligible to vote	Resolutions voted (%)	Resolutions voted against management (%)	Resolutions abstained (%)
EOS	14,884	99%	15%	3%
Genesis	1,161	98%	11%	5%
Ninety One	512	99%	12%	0%

Summarised below are the votes where the Scheme has voted against management or abstained split by resolution category, across the investment managers that continue to vote on behalf of the Scheme and also at the Scheme level.

Resolution Category	EOS	Genesis	Ninety One	BCSSS Total
Routine Business	12%	20%	34%	13%
Director Related	54%	40%	32%	53%
Capitalization	6%	9%	11%	7%
Company Articles	2%	4%	3%	3%
Compensation	12%	14%	10%	12%
Audit Related	6%	5%	5%	6%
Other	7%	7%	4%	7%

Stock lending

The Scheme has an active stock lending programme. Towards the end of 2021 a stock lending recall service was implemented aiming to recall all on loan stocks where possible for voting. The solution has now been active for three years and has been effective so far in allowing the Scheme to exercise the majority of its votes. During 2024, the stocks on loan which were eligible for voting were all successfully recalled, and votes exercised.

CPTI regularly reviews the investment managers that are conducting engagement and voting on the Scheme's behalf in public markets to decide whether the voting best rests with the investment manager or EOS, recognising the conflicts that exist between investing and engaging as well as the differing escalation tools available to

the manager versus EOS. An example of a vote against management/voting escalation is included below:

Healthcare Manager - Masimo Corporation - Business strategy

Rationale: The manager engaged with Masimo in 2024 regarding a proxy contest led by Politan Capital, an investment firm that held 9% of Masimo's common stock. The contest aimed to add two independent directors to the board at the 2024 AGM.

Masimo is a global technology company that operates in two business segments: healthcare and non-healthcare (referred to as the "consumer business"). One of the key issues in the proxy contest was the proposed separation of the company's consumer business, which could involve intellectual property and control arrangements benefitting Masimo's CEO.

The manager's focus was on ensuring independent oversight and protecting shareholder value.

Manager Actions: The manager engaged with Masimo's board and management multiple times. At the September 2024 AGM, the manager supported Politan's director nominees to enhance independent oversight of the proposed transaction. The manager voted against Masimo's nominees, including the Chair/CEO, due to governance concerns and insufficient independent board oversight.

Outcomes and Next Steps: Politan's nominees were elected, and Masimo's CEO exited following his board loss. An interim CEO was appointed, and a new CEO was appointed in January 2025.

CPTI View: CPTI was pleased to observe this use of challenge from the manager in improving corporate governance.

6. Manager selection, Monitoring and Escalation

Principles covered:

⑧ ⑨ ⑪

Manager Selection Process

Once the Scheme's overarching investment strategy has been designed, the team then look to which external managers are best placed to execute this strategy. This process covers a number of different things including philosophy, idea generation, team and resources, portfolio construction, risk management, implementation capabilities, operational and legal considerations, model portfolio analysis, performance analysis and fees. Below we outline how the process considers investment managers' ability to integrate stewardship and consider ESG risks. This is a key input to the research and tendering process for new managers and the oversight of existing managers.

When CPTI send out a request for proposals (RFP) to managers relating to a new mandate, the responses as relates to responsible investment are compared and qualitatively graded based on the following responsible investment metrics:

1. **Unique aspects:** Distinctive elements of the manager's approach to stewardship and ESG integration that set them apart from peers, including proprietary methodologies, innovative engagement strategies, or differentiated sustainability data usage or market insights.
2. **Standard practices:** Baseline ESG and stewardship practices expected across the industry, such as adherence to global frameworks (e.g., PRI, TCFD, SFDR), and integration of relevant risks into investment decision-making.
3. **Leadership culture:** The extent to which responsible investment is embedded into the firm's leadership and governance structures. This includes the visible commitment of senior leaders to ESG and stewardship priorities, the alignment of internal incentives with long-term sustainability goals, and the presence of clear accountability mechanisms. CPTI also considers how the firm fosters a culture of challenge, inclusion, and

integrity, recognising that leadership tone and culture are critical drivers of consistent, high-quality ESG integration and long-term value creation.

4. **Investment team consideration of relevant ESG risks:** How the portfolio management and research teams integrate ESG risks into their investment process.
5. **Voting:** The manager's proxy voting policy, voting record, and willingness to take a proactive stance on key issues, including escalation policies when engagement fails.
6. **Engagement:** The quality and effectiveness of the manager's engagement with investee companies and other relevant bodies, including examples of past engagements, escalation strategies, collaborative initiatives, and transparency in reporting engagement outcomes.
7. **Additional information:** Any further insights that enhance the evaluation, such as real-world case studies, thematic research, or forward-looking sustainability initiatives not covered elsewhere.

Not all managers are required to be best in class in all areas of responsible investment however CPTI must ensure that critical risks are understood, monitored and acted upon when required. Where stewardship and voting falls below required quality standards, CPTI often choose to use a dedicated provider to supplement the manager as discussed below.

Manager Monitoring

RI Team: ESG Risk Monitoring

In 2023, CPTI formalised its ESG Risk monitoring process for public equities and investment-grade credit. This includes quarterly identification of controversies, ESG laggards and companies on the UN Global Compact (UNGC) watchlist or in violation of its principles for public equities, using data from MSCI and other sources and annual identification of the same for investment-grade credit. Following this identification, CPTI writes to each manager to inquire about how they are addressing these risks, fostering ongoing dialogue for improvement. CPTI do not require managers to exit these companies, rather the data is used to interrogate the manager's approach to these risks.

The Scheme has access to a large amount of ESG data that is used during this process through various reports and platforms including:

- **BlackRock Solution:** A holdings-based risk and exposure systems, where the team assess and monitor ESG and climate related analytics using MSCI data for public assets.
- **MSCI One:** An online platform that houses MSCI's "ESG Manager" which provides company level quant and qualitative information relating to ESG. Once a flag has been identified through the BlackRock Solution, the RI team will dig deeper into the specifics of this issue within MSCI's ESG Manager ahead of discussion with the manager.
- **EOSi Client Portal:** EOS's online platform providing access to company level engagements, voting and other public policy activity and high-level engagement topics including EOS's Controversial Company Reports (CCR) which the Scheme subscribes to. This reporting provides enhanced engagements on behalf of the Scheme with controversial companies that violate or are at risk of violating commonly accepted international norms and standards. The CCR reporting has an additional benefit to CPTI in that it subscribes to Sustainalytics, which provides CPTI with an additional layer of verification, particularly helpful given

the subjective nature of some of the controversies, ratings and UNGC status. The team at CPTI will often use research from EOS for enhanced decision making and understanding of a company's ESG risks. This comes in many forms, from analysing the engager's notes on the platform, to considering EOS's voting record in relation to a certain issue at a company. CPTI also use their research relating to public policy work.

2024 update: CPTI engaged with the Scheme's emerging market debt manager to create a similar ESG monitoring framework for government bonds. Unlike corporates, governments operate differently, meaning the same screening approach isn't directly applicable. To align ESG considerations, CPTI map government data to relevant ESG metrics, including child labour indicators, resource governance, and MSCI ESG scores. For sovereign screening, CPTI use treaty participation to assess involvement and evaluate human rights practices based on ratification of key international conventions. CPTI screens all countries with sovereign bond exposure, flags ESG concerns in a matrix, and highlights high-risk countries for review. The manager then provides detailed ESG commentary, with further engagement initiated by CPTI where necessary.

As part of the ongoing oversight over the management of ESG risks in the portfolio by the Scheme's investment managers, CPTI engaged with the investment managers during 2024 regarding specific company flags, some examples of which are summarised below.

The following two examples are financially material to the Scheme because they address significant governance and supply chain risks that have the potential to impact long-term investment value. In the case of Rio Tinto, controversies relating to cultural heritage destruction and governance failures pose legal, reputational, and regulatory risks, all of which can affect the company's licence to operate and future project pipeline. For Midea, exposure to conflict minerals presents compliance, reputational, and operational risks, particularly as regulatory expectations and supply chain transparency requirements increase globally.

Rio Tinto – UNGC Watch list - Public Equity Manager

In 2024, CPTI contacted a public equity manager regarding Rio Tinto's inclusion on the UNGC Watchlist for potential breaches related to human rights and workplace discrimination.

Summary of the issue: Rio Tinto flagged over the potential negative impacts of its "Resolution Copper" mining project in Arizona on communities and the environment. The Scheme's public equity manager discussed the project with Rio Tinto's CFO, who highlighted its potential to meet 25% of U.S. copper demand. Federal approval of the Environmental Impact Study was pending at the time of the query, and the project faces ongoing challenges due to complex stakeholder dynamics and legal and political uncertainty. Rio Tinto aims to align with the UN Declaration on the Rights of Indigenous Peoples and seeks free, prior, and informed consent. Its indigenous engagement approach follows the ICMM Sustainability Framework, UN Guiding Principles on Business and Human Rights, and IFC Performance Standards. In 2022, it updated its global Communities and Social Performance standard to reinforce this commitment.

Rio Tinto is also flagged for workplace culture issues. In 2022, it released the "Everyday Respect" report following an independent audit, commissioned after the Juukan Gorge incident which had brought scrutiny to how corporations engage with indigenous communities and manage cultural heritage, prompting industry-wide reforms and internal reviews within Rio Tinto. The company is implementing all 26 recommendations from the report, with board and management oversight, and collaborating with industry peers for broader reform. It has committed to transparency through regular updates, with an independent progress review scheduled. Despite the report's troubling findings, the manager was reassured that the cultural issues had been identified and recognised the company's proactive disclosure and commitment to cultural change. The manager expects to closely monitor progress in addressing the findings.

CPTI view: CPTI considered this a well thought out response but will continue to monitor.

Midea – Controversies – Controversial Sourcing – Emerging Markets Equity (EME) Manager

During 2024, CPTI contacted one of the Scheme's emerging market public equity managers to discuss Midea which flagged as a controversy due to Controversial Sourcing. CPTI contacted the manager to understand the issue, the manager's level of concern and whether or not the manager was engaging on this topic specifically with the company. The detail of the issue and considerations provided by the Scheme's manager is shown below:

Summary of the issue:

The manager noted that Midea was a newer position in the portfolio. It has been flagged here given the potential use of 'conflict minerals' in its production process. The company publicly declares that it will not purchase or support the use of any conflict minerals that directly or indirectly finance, or support areas affected by armed conflict and asks suppliers to sign a "Conflict-free Minerals Pledge". It also conducts due diligence on the use of conflict minerals in the supply chain using the RMI-CMRT questionnaire (which is considered best practice).

In 2023, investigation results were 100% compliant. While this is positive, during a call with the company the manager encouraged Midea to become a member of the Responsible Minerals Initiative (RMI) as further and more concrete evidence showing that the company is making legitimate efforts for responsible risk management in its supply chain. The manager continues to monitor this and engage accordingly and will provide updates to CPTI as and when relevant.

CPTI view: CPTI were comfortable with the manager response and level of oversight. Whilst this particular EME account has recently been terminated, the position continues to be held by the Scheme via a new EME mandate. As part of the next monitoring cycle, CPTI will discuss engagement with the new EME manager and monitor Midea's progress accordingly.

Managers are also provided with an annual template to report on engagements related to the Scheme's key ESG themes. This structured approach was designed as a result of having previously received poor quality examples, many of which indicated that managers had met with corporate leadership, yet were lacking in detail regarding manager agendas, objectives and progress toward outcomes. These templates are expected to enhance the quality and depth of engagement reporting, and feedback is provided to managers to encourage continuous improvement.

For some private market investments, CPTI is currently creating a framework for use via RepRisk's rating analysis (available through eFront's platform) to identify ESG laggards in private markets. RepRisk analysis is also leveraged to identify UNGC violators. eFront collect company level carbon data from private market managers and also provide proxied carbon data for use in carbon reporting. Though this remains a work in progress, CPTI hopes to have more useable data from the platform over 2025.

2024 update: Following a wide range of responses to CPTI's engagement templates for 2023, ahead of 2024 template completion CPTI reached out to the managers and offered a call to talk through the purpose and desired outcomes of the exercise. While some managers did not take up this offer, others did, and this led to meaningful discussions. The managers who spoke with CPTI ahead of submitting their 2024 engagements provided clear, meaningful examples of the work that they have done over the year, and many of these examples are shared in this report. For some mandates where the template is not as clearly applicable, such as commodities, the CPTI team were able to talk with the manager about the engagements that they were doing relating to this mandate such as with the exchanges on which they trade, providing valuable insights into the process and work that the team are doing.

CPTI Team: Ongoing Monitoring

Responsible investment and stewardship considerations are fully embedded in CPTI's broader manager oversight and monitoring process. These conversations are not limited to the RI team; they take place across the investment team during regular performance reviews and monitoring meetings with external managers. All managers are expected to maintain formal stewardship and engagement policies and align with the Scheme's own RI principles. Where gaps exist, CPTI engages directly and works with managers to strengthen their approach.

The investment team regularly assesses managers on:

- Their capacity, expertise, and overall commitment to responsible investment.
- The quality of stewardship practices, including engagement and voting.
- How ESG risks and opportunities are integrated into investment decisions.
- Their alignment with core responsible investment themes.
- The transparency and usefulness of ESG reporting related to Scheme assets.

Examples from 2024 Monitoring

The following examples demonstrate how ESG issues surface organically in CPTI's manager meetings, often without the RI team present, and how these discussions inform CPTI's understanding of managers' capabilities and risk awareness. While these aren't necessarily structural engagements or changes to mandates, they illustrate CPTI's ongoing scrutiny of ESG integration and stewardship quality in real time.

Emerging Market Debt: Sovereign ESG Risk Oversight

In a 2024 monitoring meeting, CPTI discussed with the Scheme's emerging market debt manager how the firm engages sovereign issuers on ESG issues. The manager described their access to senior government figures, including Paraguay's and Brazil's finance ministries, which enables meaningful dialogue on risks like

deforestation and fuel subsidies. CPTI found this level of access reassuring, as it suggests the manager is well-positioned to assess ESG externalities that may impact sovereign credit quality, fiscal stability, and investment returns.

Commodities: Understanding the Investment-ESG Overlap in Sustainable Aviation Fuel (SAF)

SAF was a recurring topic in CPTI's biannual meetings with its commodities manager in 2024. While these discussions weren't framed as "ESG updates," they demonstrated how investment and sustainability considerations naturally intersect in CPTI's oversight. SAF is experiencing increased demand as regulatory requirements grow, and CPTI used these conversations to deepen its understanding of how the manager evaluates ESG drivers in real-time commodity exposure.

Case Study – Healthcare: Challenging on GLP-1 Drug Risks

In meetings with the Scheme's public market healthcare manager, CPTI explored the manager's exposure to GLP-1 drugs, used in treating diabetes and obesity.

While the manager sees this as a growth opportunity, CPTI raised concerns about oral formulations increasing access for non-clinical users, potentially contributing to misuse and eating disorders. This prompted a broader discussion about unintended health and societal impacts. While the manager acknowledged these risks, they maintained a constructive stance and committed to ongoing monitoring.

CPTI will continue engaging on this issue as part of its long-term oversight.

Escalations and manager challenge

Escalation is a key component of stewardship. This can be in the escalation of concerns around individual asset managers, or the asset manager's own escalation on an engagement with an underlying asset. CPTI will encourage the escalation of a particular issue which managers can reinforce with assets or companies and CPTI has done this multiple times around climate, DE&I, ESG integration, and more recently around microplastics and public health. At times, learnings from a particular position or engagement can inform thinking more broadly leading to an escalation beyond a single asset/manager into strategy and sector level decisions or policy changes.

CPTI expects the Scheme's investment managers and EOS to escalate engagements and investment themes according to the nature and severity of the concerns. Escalating engagements may be necessary where the company is not receptive to engagement, no progress is being made, or progress is too slow. Escalations may include attempting engagement at a more senior level, letters to the board of directors, collaborating with investors or other stakeholders, questions or statements at annual meetings, recommending votes against annual meeting items, shareholder resolutions or open letters. Escalation may include divesting from a position or may impact investments or strategy more broadly. CPTI reviews EOS's and managers' escalation policies as part of reviews of stewardship approaches. The following case study highlights an instance of divestment from a company held within the Scheme's public equity portfolio:

Corpay – Social: Governance: Executive remuneration – Escalation (Wellington Global Value Equity)

Rationale: Wellington engaged with Corpay in 2024 due to governance concerns, particularly around executive compensation, specifically the retroactive modification of the CEO's incentive scheme. Wellington's goal was to assess whether these changes aligned with shareholder interests and sound governance practices.

Wellington's Actions: Since investing in Corpay in 2020, Wellington monitored its performance, which generally met expectations. However, in October 2024, Corpay lowered its CEO's incentive hurdles retroactively, raising governance concerns.

Wellington engaged with the board and compensation committee to understand the reasoning behind this decision. Despite multiple discussions, they remained unconvinced that the changes benefited shareholders or that governance improvements were forthcoming.

Outcomes and Next Steps: Due to unresolved concerns and a favourable valuation, Wellington exited their position in Corpay in October 2024. While Wellington will monitor the company from a distance, this case highlights the importance of strong governance, transparency, and accountability in executive compensation.

CPTI View: CPTI were comfortable with Wellington's decision to exit the position in Corpay, given the depth of their engagement and monitoring and recognition of the importance in governance, transparency and accountability.

concerns are adequately addressed or resolved, the mandate could be at risk of being removed from the investment manager or greater restrictions may be added to the mandate.

During 2024 there was one public credit manager on the watch list for responsible investment reasons and therefore subject to enhanced monitoring and engagement by CPTI. This manager is in the process of being terminated, though the decision to terminate was not solely a function of the manager's stewardship practices. As mentioned previously, another watch list example was the termination of an Onshore China Active Equity manager which was implemented over the course of Q3 2023 and early 2024. In relation to this manager, while considerations such as strategic realignment and operational efficiencies were pivotal, the manager's approach to climate-related risks and opportunities, alongside their stewardship practices, emerged as decisive factors.

In private markets, escalations are more direct given the direct ownership of assets – examples can include personnel changes, strategy changes, manager changes or litigation. There are currently no private market managers on the watchlist.

CPTI has been clear with the investment managers that considering all relevant risks is a critical part of the investment process across all asset classes and investment managers are appraised on that basis. If there are concerns, CPTI will add the manager to its formal watchlist which is reported to the Trustee on a quarterly basis. Once on the watchlist, a manager is subject to enhanced scrutiny and unless

7. Governance, continuous improvement and communication

Principles covered:

② ③ ⑤ ⑥

Trustee skills, experience and ongoing training

The profiles and experience of the Trustee Directors of the British Coal Staff Superannuation Scheme can be accessed via [this link](#) to the Scheme website. Five of the ten members of the Trustee body are elected from and by the membership. The five elected members represent geographical constituencies across the UK and any member is entitled to stand for election for five-year terms.

Specific relevant skill sets:

- The member elected Trustee Directors have direct experience working in an industry with human rights, safety and environmental risks and have a clear understanding of these issues and in dealing with labour rights.
- The appointed Trustee Directors have significant financial, asset management and pensions experience as well as team leadership and business leadership.
- The investment advisors are industry experts with direct and relevant experience covering macroeconomics, investment strategy and risk across multiple asset classes.

Trustee training is undertaken at Trustee meetings, sub-committee meetings and through other external training as appropriate and is monitored in the Trustee Training log. In addition to CPT keeping a record of any formal training provided by CPTI or third-party providers, Trustees are also required to record any training sessions or seminars they attend independently. This combined log enables the Chair of COM with CPT to keep a watching brief of those subjects the Trustees are voluntarily pursuing, with a view to providing supplementary training on matters of particular interest and identifying any gaps in the Trustees' knowledge and arrange for this to be addressed. Examples of recent training provided to the Trustee include

sessions on climate change risks and opportunities, stewardship in this area, metrics and targets and specific investments affected. Trustees also received training on Task Force on Climate-Related Financial Disclosures (TCFD) regulation and respective Trustee duties. Further training was undertaken in relation to Paris Alignment, Net Zero and Scope 3 carbon emissions reporting. Training was provided by subject matter experts within CPTI as well as external parties.

The Trustee retains overall oversight on its responsible investment policy implementation and is accountable for ensuring stewardship is embedded within the organisation and investment processes. CPTI ensures ESG and stewardship considerations are factored into the day-to-day investment decision making processes. This includes from an investment strategy and asset allocation perspective as well as from a manager selection, monitoring and reporting perspective. When specific investments and disinvestment are being evaluated, ESG considerations are always considered.

CPTI team skills, experience, incentives and training

Skills and experience

The CIO has significant experience in responsible investment and stewardship from his past roles including at a global investment consultant and through his role as CIO at the Unilever pension schemes. He was previously a member of the EOS Client Advisory Board and the PRI's Asset Owner Advisory Committee.

The Head of Responsible Investment previously spent 13 years at Willis Towers Watson (WTW) where she was the lead for responsible investment on the global portfolio management group as well as the portfolio manager for the company's flagship multi-asset fund, which has a large focus on impact investment. She has also been a member of numerous diversity steering groups and a vocal advocate on this topic across her career.

Incentives

All investment decisions taken on behalf of the Scheme by CPTI consider ESG factors and the team's incentives are based to a large degree on the outcomes and implementation of decision making.

Training and ongoing learning

CPTI continues to prioritise ongoing learning to stay ahead of developments in Responsible Investment. In addition to regular insights from strategic partners and EOS, CPTI engages in dialogue with around 50 external managers each year. While these meetings span a range of investment topics, they frequently include updates on ESG risks, opportunities, and stewardship trends, helping inform the approach taken across asset classes.

The team also attends numerous educational conferences and peer-led sessions throughout the year, hosted by a wide range of providers. Examples from 2024 include biodiversity roundtables with Pictet and First Sentier, climate scenario workshops with EDHEC, and systemic risk summits hosted by the University of Cambridge.

Topics such as biodiversity and modern slavery have been particularly prominent, while the team are still in the early stages of implementing dedicated processes in these areas, the volume of learning has been significant.

This ongoing education is essential as Responsible Investment themes continue to evolve rapidly. The changing nature of climate-related risks and policies, in particular, means CPTI's approach must remain dynamic, adapting to new data, regulation, and best practice.

Policy review, process assurance, effectiveness, conflicts of interest

A key part of the Trustee's risk management framework is a programme of assurance to ensure that the risks of the Scheme are being managed and the controls in place are robust.

An annual risk-assessed assurance plan is established and agreed by Trustee, and results are reported to the Trustee via RASC and the relevant sub-committees. The assurance plan is made up of internal audit (outsourced to PWC), deep dive reviews by CPT management and the use of specialist third party providers where required. In addition, external audit provides an opinion on the financial statements based on the risk of material misstatement. The audit of the Scheme's and CPT's financial statements includes control testing to gain comfort over the accuracy of financial statement balances and disclosures. Where any control weaknesses are identified, they are highlighted to CPT management and the Trustee.

The Scheme continuously seeks to improve all policies and processes in relation to stewardship wherever possible and these are regularly reviewed. As discussed in section 2, in 2021, the Trustee agreed a new Responsible Investment Policy, which included a dedicated section on climate change, as well as a new Stewardship Policy, which replaced the previous corporate governance policy. Since 2022 the policies agreed during 2021 have been embedded, with a focus on improving processes, integrating stewardship and assessing the effectiveness of the managers and EOS. These policies are reviewed regularly as appropriate.

The Trustee has agreed to review and update the Responsible Investment policy in 2025 to reflect changes to the portfolio since the policy was agreed, with the introduction of new mandates, new collaborative engagement groups, reviews of the Scheme's memberships to RI groups and an ongoing review of Trustee beliefs. Since the last review, CPTI has drafted a new private markets stewardship policy

and a policy for the engagement with managers around voting, holdings in laggards or controversies, both of which are detailed earlier in this report.

In line with TCFD requirements, the Trustee has set metrics and a target for climate data which are part of the Responsible Investment Policy. These are formally reviewed on an annual basis and referenced in the Scheme's TCFD report.

In addition to stewardship process assurance, during 2024, CPT hired an operational due diligence (ODD) specialist to carry out the due diligence process that was created alongside Mercer in 2023. The process aims to add value in terms of operational risk assessment of new and incumbent investment managers.

CPT maintain Operational risk assessment (ORA) ratings for each Investment Manager that also feed into CPTI's Investment 'Manager watch list'.

For process assurance, EOS performs a sample-based audit of approximately 50 meetings every 6 months where an EOS engagement professional has manually entered vote recommendations for clients. The audit is performed by the Voting and Engagement Support team and any anomalies are reviewed by the Engagement Regional Team Leads. The purpose of the audit is to identify where an engager has instructed a vote recommendation against the EOS policies and has not provided an appropriate rationale for their instruction. The process has been reviewed and agreed as appropriate by CPT's risk function. Separately, EOS ask ISS to provide evidence of a selection of auto-instructed meetings to ensure accuracy of EOS policy interpretation and operational workflow.

One of the key tools CPTI has used for assurance around engagement and voting is the additional look-through and analysis of this activity that Redington has conducted on the Scheme's behalf. This has prompted a number of discussions around policy and process with EOS and the managers during 2024.

All key manager relationships are reviewed, including their action on stewardship and responsible investment more generally, on a regular basis and at least annually. Key themes, such as DE&I are reviewed with each key relationship annually. CPTI request, review and challenge case studies around key stewardship themes such as climate change and social factors at least annually around the drafting of the TCFD report and stewardship code. Each of these reports is reviewed and approved by the head of responsible investment, the CIO, and the full Trustee Board.

Conflicts of Interest

The Trustee has developed policies to identify, manage and disclose any potential conflicts of interest that may arise, which includes in relation to stewardship activities. The Trustee's conflict of interest policy covers the Trustee themselves, key advisers to the Scheme and CPTI staff. The policy is posted on the Scheme website at the following [link](#).

One potential conflict relates to the principal/agent problem where a member of CPTI staff or a Trustee has an ethical or moral view that might not be aligned with members' financial outcomes. This is addressed by ensuring the Trustees and CPTI staff have a strong focus on the fiduciary duty to members and delivery of the financial outcomes required.

In terms of conflicts related to stewardship, it is believed that appointing a separate stewardship provider (EOS) who does not make active investment decisions reduces inherent conflicts.

Additionally, CPTI ensures that all investment managers have robust conflicts of interest policies and actively investigates any conflicts it perceives in the management of the Scheme's assets. This conflict of interest and the pros and cons of a close relationship to corporate leadership of assets invested in is a key focus of CPTI's discussions on stewardship.

EOS has a group conflicts of interest policy and conflicts of interest register which requires that it identifies and manages actual or potential conflicts of interest between itself and its clients, or between different clients of EOS. In the event that a conflict occurs between EOS and its client then it is the clients' interests that are put first. Some examples of actual conflicts previously identified, recorded and escalated by EOS are provided on the final page of their stewardship conflicts of interest policy, which can be found at the following link.

CPTI observes evidence of greater independence from management when analysing EOS's voting implementation versus the asset managers. The asset managers vote in line with management more often than EOS does. When deciding whether voting should reside with managers or EOS this has actively influenced the decision to lean towards EOS in several cases.

Another clear conflict which comes up regularly is that between short term financial gains and those over the medium and longer term which the Trustee must carefully balance to fulfil its fiduciary duty to all members. This is an issue that CPTI continues to challenge managers on if they appear overly focused on the short term.

Member communication

The Scheme discloses, on a quarterly basis, summary details of its voting and engagement on public equities as undertaken by EOS and the Scheme's investment managers. Summary statistics show the key issues on which EOS and the investment managers have engaged with the companies the Scheme is invested in. The Scheme also discloses Public Policy highlights reported by EOS, including key activities and achievements in discussions and consultations with regulators during the quarter.

The Scheme publishes annually a TCFD report in line with existing regulations. Additionally, the Scheme has opted to produce a TCFD member summary which is intended to help members to understand and monitor the Scheme's progress in integrating climate change into investment decision-making.

The UK Stewardship Code report is also published annually on the Scheme website as another form of member communication.

Members have contact details for the Trustee's office and any queries or views that may be communicated are passed from the Secretariat onto CPTI to consider and respond. Queries of this nature are welcomed by CPTI. In addition to posting information on the Scheme's website and sending emails where members have provided their addresses, the Scheme publishes a newsletter at least once each year and sends out letters to members on important topics of relevance.