



LEA 02	Disclosures	Monetary	Principles
<p>By providing investors the ability to make informed decisions on investments for which they are responsible, investors can contribute to the achievement of the United Nations Global Compact's goal of "improving the lives of workers and their families, and promoting their well-being and their ability to contribute to society".</p> <p>Investors should consider the impact of their investments on the lives of workers and their families, and promote their well-being and their ability to contribute to society.</p>	<p>LEA 02</p>	<p>Monetary</p>	<p>Principles</p> <p>PRI 1, 2, 3</p>
<p>Type of engagement</p> <p>Individual/internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p>Reason for interaction</p> <p>To support investment decision-making in & company's interests</p> <p>To influence corporate transition or identify the need for additional or enhanced ESG data</p> <p>To engage internal ESG advisors</p> <p>Other: specify</p> <p>We do not engage with internal staff</p> <p>To support investment decision-making in & company's interests</p> <p>To influence corporate transition or identify the need for additional or enhanced ESG data</p> <p>Other: specify</p> <p>We do not engage with collaborative engagements</p> <p>To support investment decision-making in & company's interests</p> <p>To influence corporate transition or identify the need for additional or enhanced ESG data</p> <p>Other: specify</p> <p>We do not engage with service providers</p> <p>To support investment decision-making in & company's interests</p> <p>To influence corporate transition or identify the need for additional or enhanced ESG data</p> <p>Other: specify</p> <p>We do not engage with service providers</p>		

RI TRANSPARENCY REPORT

2013/14

Pension Protection Fund

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Private							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Private	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Private							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓						✓
SAM 07	Appointment considerations (listed assets)	✓	Private				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓						✓
SAM 11	Appointment considerations (non-listed assets)	✓	Private				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓						✓
SAM 13	Description of RI considerations in 'other' asset classes	✓	Private	✓						✓
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Private	✓						✓
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Private		✓					
SAM 16	Disclosure of RI considerations	✓	Public							✓

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Private		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 04	Objectives for engagement activities	🔒	n/a		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	✓	Public		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Pension Protection Fund

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the category which best represents your primary activity.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation or endowment
- Development bank
- Reserve - sovereign or government controlled fund
- Other, specify

The UK Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005 and is classified as a public financial corporation.

We protect millions of people who belong to defined benefit, eg final salary, pension schemes in the United Kingdom. If their employer goes bust and their pension scheme cannot afford to pay what they were promised, we will pay compensation for their lost pensions.

Almost a hundred thousand people are now receiving compensation and hundreds of thousands more will do so in the future.

Compensation and the cost of running the PPF is paid through levies on eligible pension schemes. We also generate income from our own investments taking on the assets of schemes that transfer to the PPF and recovering money, and other assets, from insolvent employers of the schemes we take on.

We have £15 billion in our investment portfolio (31 March 2013) which is continually growing, and is currently managed externally. However, our forecasts predict that will have £80 billion by the time we are fully funded in 2030. We also currently have about 150,000 members which we expect to grow to half a million in the next few years.

Highlights as at 31 March 2013

- During 2012/13, 43,904 people transferred to the PPF, making a total of 172,018 people who have transferred since the PPF began in 2005.
- Since 2005, we paid out a total of £793 million in compensation - more than £331 million was paid out in 2012/13.
- At the end of 2013, there were 223 schemes in the PPF assessment period with assets of £5 billion and liabilities of £6.5 billion.
- By the end of March 2013, the PPF was £1.8 billion in surplus, a funding level of 109.6 per cent - and an increase from £1.07 billion on the previous year, a funding level of 106.9 per cent.
- By 31 March 2013, we were 87 per cent confident of meeting our target of being financially self-sufficient by 2030, and increase from 84 per cent at 31 March 2012.
- Our investment assets grew from £11.1 billion at 31 March 2012 to £14.9 billion at 31 March 2013.
- During the year, our investment strategy delivered an overall return of 11.1 per cent.
- We took on assets totaling almost £2.15 billion from schemes which completed assessment and transferred to the PPF during the year.

Our strategic objectives

Our Strategic Plan for 2013/16 sets out our vision for the next three years. It is aimed at reflecting a mature organisation, which is experienced in managing risk and able to meet the challenge of significant growth and change.

It describes how we will be the equivalent in size to one of the largest pension funds in the country, with 500,000 members, assets of £22 billion and on course to meet our long-term funding target.

Our strategic objectives are:

- Meet our funding target through prudent and effective management of our balance sheet.
- Deliver excellent customer service to our members, levy payers and other stakeholders.
- And, pursue our mission within a high caliber framework of risk management.

Our investment strategy

A major contributor to our strength has been our investment strategy that has ensured the value of our investments was able to more than keep pace with the increasing value of our liabilities.

The main objective of our investment programme is to grow the assets faster than the liabilities. We target a growth rate of assets of 1.8 per cent per annum relative to liabilities.

During 2012/13, our invested assets beat our liability benchmark by 4.6 per cent (during 2011/12, the figure was 2.1 per cent) - more than double our targeted growth rate. Our assets delivered a total return of 11.1 per cent, compared with 25.2 per cent in 2011/12, while our liabilities continued to increase as the yields of long dated bonds fell.

The main reason for this outperformance came from global equities which delivered a 16.3 per cent average index return and global bonds which delivered a 4.8 per cent average index return. We added a further 1.4 per cent over these indices by actively managing our portfolio.

Our investment strategy has been particularly robust throughout the protracted recovery from the global financial crisis and our assets have outperformed their liability benchmark by an average of 3.8 per cent a year during the past three financial years. In absolute terms, the rate of return on assets has averaged 14.4 per cent a year during this period.

Again, our invested assets continued to grow substantially during the year, incorporating the transfer of assets from schemes entering the PPF (£2.2 billion), levy collection (£0.6 billion) and investment return on assets (£1.6 billion).

We continued to develop our investment strategy during the year by evolving our global bond investment strategies and progressing our 20 per cent strategic allocation to alternatives, including timberland and farmland strategies.

Our governance

We have an independent Board which sets out our business strategy and plan, and develops and maintains the PPF's responsible investment policies. This is usually delegated to the Board's Investment Committee, but the Board does provide direct steer where issues are considered, for example a steer on corporate governance priorities and on the consideration of ethical issues in our investments.

The Chief Investment Officer (CIO) is responsible for implementing the investment strategy which includes our responsible investment strategy. The responsible investment strategy is reviewed annually, with quarterly updates to the Investment Committee as required.

OO 02	Mandatory	Peering	General
OO 02.1	Select the location of your organisation's headquarters.		
	United Kingdom		
OO 02.2	Indicate the number of countries in which you have offices (including your headquarters).		
	<input checked="" type="radio"/> 1		
	<input type="radio"/> 2-5		
	<input type="radio"/> 6-10		
	<input type="radio"/> >10		

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

52

OO 03 **Mandatory** **Descriptive** **General**

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

OO 04 **Mandatory** **Gateway/Peering** **General**

OO 04.1 Indicate the year end date for your reporting year.

31/03/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		14	900	000	000
Currency	GBP				
Assets in USD		23	206	722	369

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

Approximate percentage breakdown to the nearest 5% (e.g. 45%)

Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 **Mandatory** **Descriptive** **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

Publish our asset class mix as percentage breakdown

Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	0	10-50%
Fixed income – corporate	0	10-50%
Fixed income – government	0	10-50%

Fixed income – other	0	0
Private debt	0	<10%
Private equity	0	<10%
Property	0	<10%
Infrastructure	0	<10%
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	10-50%
Other (1), specify	0	<10%
Other (2), specify	0	0

'Other (1)' specified

Global Tactical Asset Allocation (GTAA)

Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1 Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- None of the above

OO 10.3

Additional information. [Optional]

During the year the Board has reinforced our corporate governance framework as a first step towards defining our own voting policies. The Board adopted a Statement of Stewardship Principles which formally sets out how the PPF acts as a responsible owner of the companies in which it owns listed shares.

Another aim is to ensure greater accountability and improve the way in which we monitor our external voting agents. The Board approved a Standard of Diligence, which defines our expectations regarding the quality of voting and engagement decision-making and implementation by our agents.

We have appointed external agents who vote our shares and monitor portfolio companies for ESG risks, engaging with company management where concerns arise. This remains a cost-efficient approach that ensure good stewardship across a growing global listed equity portfolio. For our segregated portfolios, we use an overlay service (currently Hermes' EOS service). Due to operational barriers to extracting voting rights from our pooled equity funds, we outsource stewardship activities in relation to these funds to the relevant managers. We review votes proposed by our agent prior to them being cast and will amend any vote that is not in line with our Corporate Governance Statement.

We held a corporate governance workshop for members of our Board of Directors supported by our investment consultant and our third party voting and engagement advisor. The purpose was to educate directors on the principles of good stewardship in listed equity, and to gauge the board's appetite for different strategies for engagement and escalation, and its views on specific corporate governance issues.

Our monitoring, selection and appointment process for listed equity managers is the same as for managers in all other asset classes, and is described in more detail in section OO-12.

OO 11	Mandatory	Gateway	General
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OO 11.2

Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- Fixed income – corporate
- Fixed income – government
- Private debt
- Private equity
- Property
- Infrastructure
- Cash
- Other (1)
- None of the above

'Other (1)' [as defined in OO 05]

Global Tactical Asset Allocation (GTAA).

Our manager monitoring and engagement programme is a crucial component of our overall RI strategy. This is because responsible investment, while being on the rise, has not yet been adopted widely enough. We estimate that less than 20% of managers in the market have good or excellent responsible investment practices. This precludes the screening on ESG criteria at appointment stage, because that would severely reduce the available pool of managers. However, we find that RI can be a differentiating factor across asset classes. So while we will not preclude appointment of a manager with poor RI practices if it does well on all other assessment criteria, RI criteria have sufficient weight in the process to contribute appropriately to the view that we adopt of a candidate. We often find that when giving feedback to unsuccessful candidates, RI has played a meaningful role in our decision-making.

We follow best practice defined by the International Corporate Governance Network (ICGN) in including clauses on responsible investment in investment management contracts. While we experience pushback in a few cases, we find managers more willing than five years ago to commit to requirements such as having to put in place appropriate processes for the integration of ESG factors. In at least one case we have observed how compliance with our clauses has driven improvements in the manager's ESG policies.

So while we appoint managers that may not have very advanced RI practices, in particular in asset classes where RI best practice is not yet available, we are committed to actively seeking improved RI standards among our managers. We actively engage with them, supported by a process that records and measures their RI performance.

In monitoring our external fund managers, our investment team uses a responsible investment (RI) rating. This rating is fully integrated into the PPF's wider performance monitoring framework. It is one of a small number of equally weighted qualitative factors (assessing team, product or risk), which, in turn, sit alongside a quantitative performance assessment. No single factor, therefore, determines the view we take of our managers.

The team rates fund managers' RI approach focusing on five performance areas:

- Alignment. Example questions: do the manager's incentive structures promote a long-term perspective? Does the manager have governance structures in place that address conflicts of interests between clients, or between the manager and clients?
- ESG integration. Example questions: is ESG data/research effectively 'plumbed' into investment processes and decision-making? Can the manager provide recent evidence of how it identifies and manages ESG risk?
- Stewardship. Example questions: does the manager monitor ESG issues in the portfolio, and engage with company boards/underlying fund managers on ESG issues of concern?
- Reporting. Example questions: does the manager provide portfolio-specific RI reporting that identifies the primary ESG risks, and how they are managed?
- Resourcing. Example questions: does the manager dedicate appropriate resources to RI, such as staff or research?

In the absence of RI best practice in many asset classes, the team has developed its own definition and expectations of good RI practice across a number of asset classes. This could come in the form of a best practice process; or the adoption of an external certification standard.

Integration into the wider monitoring process makes the in-house rating resource-efficient. Our fund managers are required to report RI issues alongside investment performance. RI is a standing agenda item in manager meetings or calls. The team, supported by an in-house RI specialist, adopts a partnering approach in engaging with fund managers on their rating, which provides opportunity for mutual learning. The approach is effective: since the introduction of the rating the majority of our fund managers have taken steps towards better alignment with our RI policies, and RI reporting has

significantly improved in quantity and quality.

In this regard, our RI rating is also a risk management tool. As managers' RI reporting evolves over time, it will allow us to identify primary environmental, social and governance risks in our portfolios. In fact, increasing numbers of our managers supply us with information on ESG risk in their portfolios, e.g. in the form of pie charts, complemented by qualitative information. While there is currently a lack of standardisation (i.e. we cannot easily aggregate the data at asset class or fund level), we see a blueprint of best practice emerging that makes application to other asset classes, where RI is not established, much easier. For example, we have explained the practices that we observe to one of our credit hedge fund managers who proceeded to implement it in their strategy.

We have observed progress in a number of areas, such as implementing an ESG assessment process, appointing RI specialists or providing reporting on ESG risk. It is helpful that we can benchmark managers against each other - during the year two managers that previously had no explicit RI processes and found themselves at the bottom of their PPF peer group took steps towards better ESG management, in one case by establishing a risk rating system, in the other case by appointing an RI specialist to help them set an RI strategy. Other changes we observe are softer. Over time some of our managers have signed up to the Principles for Responsible Investment, doubling the amount of strategies we invest in managed by PRI signatories. We have on several occasions connected interested fund managers with the PRI.

Previously we have conducted two annual reviews which were reported to our Investment Committee:

At the end of year one, we employed an external consultant to conduct an independent and anonymous survey of our managers to explore their views and attitudes towards our RI monitoring and engagement programme. The key finding was that our RI approach is driving change. One manager stated that its organisational learning on RI had been driven by the PPF, and another said that without RI demands from the PPF and one or two other investors it would not have an RI policy. We were described as the most proactive and interested client in this area. Our fund managers appreciate the 'partnering' approach of PPF and consider that by broadening the scope of the debate to include RI, the perceived quality of the overall conversation is enhanced.

At the end of year two, we asked a consultant to conduct an external audit of our programme. The audit concluded that the PPF's ratings methodology is fit for purpose, ie it provides an adequate tool for assessing ESG risk management by our delegated investment managers.

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.
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Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- Listed Equities
- Fixed Income - Corporate
- Fixed Income - Government
- Private Debt
- Private Equity
- Property
- Infrastructure
- Other (1)

Closing module

- Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Pension Protection Fund

Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

- Yes
- No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
- No

Our Statement of Investment Principles contains a set of responsible investment principles, adopted by the Board and its Investment Committee, closely aligning the PPF with the Principles for Responsible Investment (PRI). Our two core beliefs are that:

- by acting as a responsible and vigilant asset owner, we can protect and enhance the value of our investments,
- environmental, social and governance (ESG) factors can have an impact on the long-term performance of our investments, and the management of ESG risks and exploitation of ESG opportunities can, therefore, add value to our portfolio.

From these flow a number of commitments to:

- align our responsible investment strategy with the Principles for Responsible Investment, and apply it across all asset classes and markets in which we invest
- hold our agents to account with regard to its responsible investment expectations, and to give appropriate weight to these requirements and how they will be weighted in the appointment process
- exercise our ownership rights, including voting rights, and
- report to our stakeholders on our responsible investment activities.

The key elements of our approach to RI, in line with our commitments in our Statement of Investment Principles, are:

RI criteria in manager due diligence at selection stage

RI criteria are formally part of our manager selection process. However, RI factors on their own do not determine our view of managers. Weights given to RI considerations vary from asset class to asset class depending on relevance and availability of best practice. As part of the appointment process we include RI due diligence, sometimes through dedicated meetings.

RI clauses in our manager mandates

During 2012, we began to follow best practice set out by the International Corporate Governance Network (ICGN) in including RI clauses in investment management agreements. While these clauses are still subject to negotiation with individual managers, their inclusion allows us to communicate our RI expectations formally at the outset.

On-going monitoring and scoring of managers' RI performance and engagement

Much of our RI efforts focus on where we have the most influence - on the interface with our external managers. The purpose is to move our managers, through proactive engagement, towards better RI practice. The tool that we use for this is our RI rating (red, amber or green) which is fully integrated into our wider performance-monitoring framework. It is based on five performance areas: alignment, ESG integration, stewardship, resources, and reporting. Our investment team uses it to monitor the degree to which managers' RI approach is aligned with our requirements. The RI rating is one of a number of equally weighted qualitative factors assessing manager performance more widely and which sit alongside a quantitative performance assessment. No single factor determines the view we take of our managers.

Our fund managers are required to report RI issues alongside investment performance. RI is a standing agenda item in manager meetings. The team engages with fund managers on their rating. Since the introduction of the rating, the majority of our fund managers have taken steps towards better alignment with our RI policies, and RI reporting has significantly improved in

quantity and quality.

We have internal guidance documents or policies which set out our expectations of managers in various asset classes. These are updated as best practices emerge in the market; their main purpose is to guide our investment team in forming an RI opinion of a manager; and to help establish specific proposals for improvement/development that may lead to a ratings upgrade. These documents are not public, but for the use of the team only.

Collaborative efforts to improve or set RI standards across asset classes

During the year, our RI manager has actively contributed to industry working groups that develop RI best practice standards.

The RI Manager continues to chair the Principles for Responsible Investment's (PRI's) fixed income work stream, which published two discussion papers on ESG risk in sovereign and corporate bonds during 2013; and is leading collaborative efforts of UK pension funds to standardise their expectations for ESG disclosures from listed equity managers.

We seek to continuously complement our manager monitoring and engagement with best practices identified through those collaborations.

Exercising our ownership rights, such as shareholder rights and votes on advisory committees

We believe that voting our shares and engaging with companies are part of our oversight role in relation to the companies in which we invest. Exercising our shareholder rights is not an end in itself but an essential means of ensuring that boards are accountable, and are fulfilling their stewardship obligations to shareholders, including the delivery of long-term value. This is why we have adopted a Statement of Stewardship Principles which sets out our beliefs and principles that underpin our role as a shareholder in listed companies.

Another aim is to ensure greater accountability and improve the way in which we monitor our external voting agents. The Board approved a Standard of Diligence, which defines our expectations regarding the quality of voting and engagement decision-making and implementation by our agents. This document is not public.

To vote the PPF's shares cost-efficiently across a growing global listed equity portfolio, we appoint external agents who also monitor portfolio companies for ESG risks, and where concerns arise, engage with company management. For our segregated portfolios, we use an overlay service. Due to operational barriers to extracting voting rights from our pooled equity funds, we outsource stewardship activities in relation to these funds to the relevant managers. We actively monitor our voting and engagement agents throughout the year and work with them to improve the quality and quantity of their stewardship activities globally.

The PPF has published its Statement of Compliance with the UK Stewardship Code. This Code, adopted by the Financial Reporting Council (FRC) in July 2010, aims to improve the quality of engagement between investors and companies to help maximise long-term returns to shareholders as well as improve and strengthen corporate governance. The PPF is listed as a signatory to the UK Stewardship Code on the FRC's website.

Transparency

The PPF strives to be transparent on its responsible investment activities. Information is available on its website, including quarterly reports on the voting and engagement activities carried out on behalf of the PPF.

Identify and implement sustainable investment opportunities

We continue to investigate sustainable investment opportunities that fulfil three criteria:

- the existence of a solid investment case
- the ability to exploit opportunities arising from long-term macro trends or help mitigate macro risks
- the ability of managers to meet or move towards meeting our responsible investment criteria, and can be implemented at scale.

We continue to implement our farmland and timberland investment programme which was previously prioritised under these criteria, due to the demographic trend underpinning the opportunity (population growth, emerging markets growth and associated urbanisation), the relative resilience in both investment and climate change terms, the direct link to our resource theme and the importance placed by the industry on developing sustainability standards.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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Yes

OA 02.2	Provide a URL to your responsible investment policy.
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URL	
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http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/SIP_November_2012.pdf

No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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Yes

Yes, all

Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Statement of Stewardship Principles	http://www.pensionprotectionfund.org.uk/investment/Documents/Statement_of_Stewardship_Principles_2013.pdf
Statement of Compliance with the	http://www.pensionprotectionfund.org.uk/investment/Documents/UK_Stewardship_Code_compliance_statement_2013.pdf

No

OA 02.5 Additional information. [Optional]

We have a set of internal guidance documents that describe our RI expectations of managers across a number of asset classes. These are updated periodically, e.g. when new best practice guidelines are issued by PRI or other organisations. The purpose of these documents is to guide the ratings decision of investment team members (who assess each strategy against our RI expectations). When communicating our expectations to managers, the feedback is tailored to the areas where we see need for improvement. Given that best practice in many asset classes is scarce, and is still developing, we are not making our guidelines public, but provide our fund managers with a description of our ratings processes, which is available on our website.

OA 03 **Mandatory** **Core Assessed** **PRI 1,2**

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2 Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Certain exposures (e.g. to certain cash instruments) are currently exempt from our RI policy due to their diverse nature and because there is no meaningful best practice available. Coverage of our assets with RI policies exceeds 90% by AUM. Specific references to environmental, social and governance issues are focused in our policy determining our behaviour as a shareholder, and provide, at this stage, high level guidance only. We expect to expand on this going forward. Asset-class specific policies are internal only and have the purpose of guiding the investment team in its RI rating of strategies and engagement with managers.

OA 04 **Mandatory** **Core Assessed** **General**

OA 04.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

OA 04.2 Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

An example for a source of conflict (even though none have arisen to date) is where we are shareholders of a company and also protect the members of the pension fund of that same company. We adopt an arms length approach to such conflicts: while we reserve the right to amend any votes proposed by our voting agent, and to this end review voting proposals ahead of AGMs, we are generally satisfied that our voting and engagement agent has suitable expertise, policies, research and resources to carry out stewardship activities on a day to day basis on our behalf. Therefore, where conflicts of interest arise, we will not influence or override the voting decision of our agent.

No

Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
 Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
 Biannually
 Annually
 Every two years or less
 It is not reviewed

 No

OA 05.4

Additional information. [Optional]

We have an independent Board which sets out our business strategy and plan, and develops and maintains the PPF's responsible investment policies. This is usually delegated to the Board's Investment Committee, but the Board does provide direct steer in some areas, e.g. on corporate governance priorities and on the consideration of ethical issues in our investments.

The Chief Investment Officer (CIO) is responsible for the investment strategy which includes our responsible investment strategy. The responsible investment strategy is reviewed annually, with quarterly updates to the Investment Committee as required.

The day-to-day implementation of the strategy is in the hands of our Responsible Investment Manager, and fully integrated into the investment team's activities. Oversight of our investments is delegated to our Asset and Liability Committee (an executive committee). This includes the quarterly review of the Responsible Investment performance of our external investment managers.

Environmental, social and governance risks are included in the investment team's risk register which is reported to the Risk Management Committee.

Governance and human resources

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 - Chief Investment Officer**
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
 - Risk analysts - monitoring of ESG ()**
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

1

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1 Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

Yes

OA 10.2 Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are a signatory.

- CDP Forests
- CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are a signatory.

- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

During the year, our RI manager has chaired the Principles for Responsible Investment's (PRI's) fixed income work stream. We also actively contributed feedback to the developing reporting and assessment framework, and spoke at PRI events.

- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

UK Sustainable Investment and Finance Association (UKSIF)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are affiliated with the UK Sustainable Investment and Finance Association (UKSIF), which is chaired by our Director of Financial Risk, Martin Clarke.

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

UK pension fund informal collaboration

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Our RI managers is leading collaborative efforts of UK pension funds to standardise their expectations for ESG disclosures from listed equity managers

- Other collaborative organisation/initiative, specify

Private Equity ESG disclosure framework

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

The PPF was part of a group of 41 global limited partners (LPs) that developed and launched a Private Equity ESG disclosure framework on 25 March 2013.

- Other collaborative organisation/initiative, specify

International Limited Partners Association (ILPA)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We became members of ILPA during the year. While the aims of ILPA (to advance the interests of private equity Limited Partners) is broader than RI, it does provide a platform for an RI debate, including through its strong focus on good governance in partnerships.

Other collaborative organisation/initiative, specify

No

OA 10.3 Additional information. [Optional]

We are focusing our collaborative efforts where we can help improve or set RI standards across asset classes, which in turn will advance our own internal asset class policies and RI manager rating.

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

OA 11.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

In promoting responsible investment in the market place we focus on areas where we wish to see greater alignment with our organisational goals. For example, our RI manager frequently meets with asset managers that wish to discuss their RI approaches in more depth or require feedback on aspects of it, and contributes to internal education programmes in various organisations. We have also linked up managers that are not yet signatories with relevant PRI representatives where we feel this might add value; on occasion having joint meetings or calls.

We have had some success in encouraging asset managers to sign up to the PRI. We present at conferences and contribute to selected publications, always with a focus on the practical implementation of the Principles, the challenges that we face, and the solutions we have found. While there are many asset managers interested in our selection and monitoring processes, it is also important to reach out to other asset owners to share and improve best practice.

Pension Protection Fund

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 02

Mandatory

Core Assessed

PRI 4

**SAM
02.1**

Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.

Yes

**SAM
02.2**

Indicate how your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers. [Optional]

We use investment consultants in our selection and appointment of external managers

Asset class

- Listed Equity (LE)
- Fixed income - corporate (FIC)
- Fixed income - government (FIG)
- Private equity (PE)
- Infrastructure (INF)
- Property (PR)
- Other asset classes

We use investment consultants in our monitoring of external managers

Asset class

- Listed Equity (LE)
- Fixed income - corporate (FIC)
- Fixed income - government (FIG)
- Private equity (PE)
- Infrastructure (INF)
- Property (PR)
- Other asset classes

We use fiduciary managers

SAM 02.3	Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.
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- Responsible investment is included in the selection process for investment consultants
- Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them
- Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring
- We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

No

SAM 02.4	Additional information. [Optional]
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The level of RI expertise of our investment consultants varies greatly. As with our fund manager selection process, we do not use RI expertise as a screen as this would reduce the universe of available service providers too greatly. However, we have our own in-house RI rating, and any information that our investment consultants may provide in this area is typically additional to the information that we already hold.

SAM 03	Mandatory	Gateway	General
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SAM 03.1	Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring
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Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - corporate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - government	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private debt	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other (1) [as defined in Organisational Overview module]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SAM 03.2	Additional information. [Optional]
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We follow the manager monitoring and engagement process described earlier for all asset classes, with variations described in internal guidance or policy documents (e.g. reference to asset class specific best practice, such as the preference for reporting to Global Real Estate Sustainability Benchmark (GRESB) for real estate investments).

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
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Active investment strategies

Active investment strategies	LE	FIC	FIG
Screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Passive investment strategies

Passive investment strategies	LE	FIC	FIG
Screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 05.2

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	FIC
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We require our external managers to engage on our behalf	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

SAM 05.3

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

SAM 05.4	Additional information. [Optional]
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The debate on scope and value of engagement in the Fixed Income space is not yet resolved. While we are generally in favour of it as a risk management tool, we also acknowledge that there are limitations. For example, engagement with a sovereign bond issuer can be a challenge because bond managers don't usually have access to the relevant people in governments. Some argue that if responsible shareholders are concerned about political lobbying activities of listed companies, similar caution should apply to bond investor and the influence they might try to gain over political processes in certain countries. On the corporate bond side, some say that bond investors really only have an opportunity to engage at first issuance, i.e. when agreeing the covenants of a bond. This area is still rather uncertain, and we are reluctant to impose impossible requirements on our bond managers. On the other hand, we welcome best endeavours to engage where this makes sense and adds value, and have added wording to this end in investment management agreements.

Selection

SAM 06	Mandatory	Core Assessed	PRI 1-6
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SAM 06.1	Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:
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	General
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	LE	FIC	FIG
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>	n/a	n/a
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Evaluate index providers' ESG incorporation when designing the index	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ESG incorporation issues in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	FIC
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>
Other engagement issues in your selection process, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

If you select any 'Other' option(s), specify

From the start we begin feeding back to the manager any areas where we expect development. Our ratings framework allows us to specify activities that the manager could engage in that could lead to an improved rating; and to benchmark managers against each other. It also allows us to give fairly specific feedback to managers that have not been selected if RI has been a contributing factor to that decision (which frequently is the case).

The manager selection process (which applies to all asset classes we invest in) comes in two parts: firstly, we are looking for differentiating factors where a manager shows RI strength relative to competitors. This does not require an absolute stance on what constitutes good RI practices; and it does not require a very detailed due diligence of the manager's approach. We typically include a small number of key questions in our procurement questionnaires, in line with the level of detail required in all other areas that we assess.

These questions are in line with the categories we review for our manager RI rating (described in OO11.3): alignment of interest, ESG integration, stewardship, resourcing and reporting. For example, we might ask how the manager would determine the ESG risk in our portfolio; and what kind of ESG risks they typically observe. Such questions would yield different responses for example from emerging market debt managers or global credit managers; however, in assessing the response, we look less for 'the right answer', and more for evidence that the manager is actually able to formulate its approach and demonstrate outcomes. This means we can compare the quality of RI approaches across diverse strategies.

The level of detail increases when we move to appointing and funding a manager. At this stage we are looking at a wide range of issues, but all within in the framework of our RI ratings approach. For example, when we assess the research that the manager is using, we are not only concerned with the quality of the research (as our ability is limited to ascertain this); instead we are concerned with the selection process for any external research provider; or whether the manager can explain its specific RI research requirements and how the research is plumbed into its processes (it is not rare for research to be merely provided as an optional extra which is largely ignored by analysts and portfolio managers).

Feedback, as explained above, is a core component of our procurement process, and we will take the opportunity, where RI has been a contributing factor to not selecting a manager, to give an explanation.

The procurement process is complex and resource-intensive. We need to be mindful of resources employed both at our fund, but also at the managers that tender for our contracts. The RI assessment is no different from any other assessment area in this process in that we need to ask focused questions. We may therefore not ask all of the questions we could ask all of the time. The main purpose of the selection is to find the best candidate(s), and through due diligence arrive at a position of comfort that we understand the degree to which the manager understands and manages RI issues, and which development areas we need to focus on with them.

Monitoring

SAM 08

Mandatory

Core Assessed

PRI 1

**SAM
08.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	LE	FIC	FIG
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	FIC
Review the ESG information relevant to the engagements	<input checked="" type="checkbox"/>
Discuss the number of engagements and their comprehensiveness	<input checked="" type="checkbox"/>
Discuss the type of role played (i.e. leading or supporting)	<input checked="" type="checkbox"/>
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input checked="" type="checkbox"/>
Other ways you monitor engagement activities, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

SAM 08.2	Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]
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Our manager dialogue and monitoring is based on our manager RI rating which is described in section OO11.3. The rating is maintained and updated by the team member with main responsibility for a manager relationship or a specific strategy. New information is recorded in our opinion database as soon as it is received, which is mostly the case during our regular monitoring meetings.

RI is a standard item on our meeting agenda. The content of the conversation on RI depends on how advanced the manager is on RI. Managers not only present to members of the investment team; once a year they report to a wider group of senior PPF staff. We find increasingly that this group can be quite challenging in their questioning.

Our rating helps us to pinpoint and communicate specific development areas; and allows us to benchmark the manager against its peers (to the extent that we have several comparative managers on our bench). The latter is often an effective means to spur managers into action, e.g. when they hear that they are lagging behind their peers. We also explain to managers what processes we see evolving elsewhere, and give feedback on their processes.

As a rule of thumb we explain to our managers that we want to know what ESG risks are associated with our portfolio; and what they are doing to manage them. Increasingly we see reporting that dissects portfolios into ESG risk levels, which then focuses the conversation on assets or stocks that are associated with a higher risk level. The conversation which flows from this requirement can cover anything from efforts to get the manager signed up to the PRI, to discussing specific examples of investment decision-making and how ESG factors may have influenced it, to examples of engagement or process improvements. It is our preference to see RI fully integrated rather than talking to RI specialists. The degree to which analysts, portfolio managers, or deal teams can talk knowledgeably about RI issues is then an indicator of how well implemented ESG integration is. In listed equity, even though we outsource voting and engagement to a third party, stewardship activities activities can still form part of our conversation.

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
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SAM 10.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:
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	General
--	---------

	PE	PR	INF
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other pre-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other post-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 10.2	Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]
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Our selection process for managers of non-listed assets follows the same principle as that for listed assets which is described in section SAM06.2: we look for differentiating factors, and then, prior to selecting and funding a manager, conduct more detailed due diligence in order to fully understand the degree to which the manager understands and manages RI issues, and to specify areas of development.

Our selection framework is set up so it can apply to the diverse set of strategies that we invest in in this space. For example, our private equity exposure comes in the form of fund of funds that buy existing limited partnership stakes. In infrastructure and property investments, we might be closer to the underlying asset, but this will not be a company, bringing a different management challenge. In choosing the right questions to ask, our investment relies on current best practice and on our insights into what various managers are doing in this space.

For example, we expect our managers to focus their stewardship activities in areas where they have the most influence (just as we focus on the interface with our managers). In a fund of fund setting this means to engage with the underlying managers (or General Partners, as they are referred to in Private Equity); but in a property fund this may mean tenant engagement or negotiating green leases.

Monitoring

SAM 12	Mandatory	Core Assessed	PRI 1-6
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SAM 12.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:
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General

	PE	PR	INF
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Request details of how ESG factors were considered when preparing to exit from investments	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are monitored in the post-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
12.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

Our manager dialogue and monitoring process follows the framework as set out in SAM08.2. Best practice in these asset classes has been developed fairly recently, and we always endeavour to incorporate it into our dialogue with managers.

For example, in the Private Equity secondaries industry (which is the focus of our Private Equity programme) we have seen substantial movement to try and meet client expectations. Education has therefore been an important element of our engagement: some managers initially argued that RI was not applicable to this strategy (which buys into existing stakes with no opportunity to negotiate contractual terms, and is one step removed from the underlying companies). However, we explained that an assessment of ESG risks at underlying companies, and of the ability of the private equity manager (or General Partner, GP) to manage these risk, would add value. Where heightened levels of ESG risk coincide with poor ability of the GP to manage them, engagement could take place even in the absence of formal ownership rights (such as exist in listed equity).

In property investments, the Global Real Estate Sustainability Benchmark (GRESB) provides a useful tool for assessing our managers' performance relative to others; but our real estate team has also clear expectations on what reporting it requires on an ongoing basis and has compiled them in a basic disclosure framework on sustainability performance that it can share with our managers.

In infrastructure, reporting has traditionally focused on health and safety and environmental incidents (due to the level of regulation). We have conversations with managers on broadening reporting to include social (e.g. community) issues.

We have found that benchmarking managers against others in the same asset class is an effective element of our engagement.

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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Yes, we disclose information publicly

	provide URL
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<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

	provide URL
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http://www.pensionprotectionfund.org.uk/investment/Documents/PPF_RI_rating_system.pdf

SAM 16.2	Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.
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Yes

SAM 16.3	Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.
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How responsible investment considerations are included in manager selection, appointment and monitoring processes

Details of the responsible investment activities carried out by managers on your behalf

E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership

Other, specify

No

Yes, we disclose information to clients/beneficiaries only

We do not proactively disclose information to the public and/or clients/beneficiaries

Pension Protection Fund

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 02

Mandatory

Gateway

PRI
1,2,3

LEA
02.1

Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

In order to fulfill our commitment to exercising ownership rights cost-effectively across a growing global listed equity portfolio, we have appointed an external agent to vote the our shares, monitor portfolio companies for environmental, social and governance risks and, where concerns arise, engage with company management on these concerns.

In line with our investment strategy, we seek to act in the best financial interests of the Fund, its members and its stakeholders, seeking the best return that is consistent with a prudent and appropriate level of risk.

We believe that voting our shares and engaging with companies are part of our oversight role in relation to the companies in which we invest. Exercising our shareholder rights is not an end in itself but an essential means of ensuring that boards are accountable, and are fulfilling their stewardship obligations to shareholders, including the delivery of long-term value.

We consider that corporate governance issues are one of many factors that long-term investors in listed equity need to monitor closely. This is because consistent mishandling of corporate governance issues can be an early indicator of wider management or financial problems that are yet to emerge.

We believe that good corporate governance goes hand in hand with good risk management. It therefore plays a part in the stability of equity markets, alongside more dominant factors such as liquidity. Sound shareholder stewardship is therefore in line with our commitment to acting as a responsible and vigilant market participant. We expect boards of investee companies to show responsibility, integrity, and independence. In cases where such a company board deviates from principles of good practice, it should explain its reasons for so doing.

We will consider material environmental and social issues where they are likely to affect the long-term value of our investments. We consider this a prudent approach to investment and risk management. We believe that strategic engagement with companies' management and Boards is an appropriate method of raising environmental and social concerns. Where appropriate, and where we consider the issue material and engagement not fruitful, we may vote against management on certain resolutions, such as reports and accounts, or election of individual board members with particular responsibility for poor environmental or social performance.

Process

Process for engagements conducted with/on your behalf by service providers

LEA 07

Mandatory

Core Assessed

PRI 2,4

LEA
07.1

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

Yes

**LEA
07.2**

Indicate what role you play in engagements that your service provider conducts on your behalf.

- Specify the issues for the engagement
- Specify the objectives for the engagement
- Select the companies to be engaged with
- Participate directly in the engagements with your service provider
- Actively monitor and review the activities of the service provider
- Other, specify

No

**LEA
07.3**

Additional information. [Optional]

We have outsourced the monitoring of ESG issues, and the engagement on issues of concern, to our voting and engagement advisor, thereby benefitting from their expertise, access to companies' management, information advantage, and the scale provided through their pool of clients. We are not currently overriding or influencing their analysis on a case-by-case basis.

However, we define a watchlist of companies to be prioritised both in terms of engagement and our oversight. We agree this list with our voting and engagement provider once a year. The watchlist contains companies in which we have significant holdings; and which are associated with higher ESG risk relative to other companies in our portfolio.

LEA 08

Mandatory

Core Assessed

PRI 2,6

**LEA
08.1**

Indicate whether you monitor and/or discuss the following information provided to you by your service provider

Please select all that apply

- The subject (or ESG issue(s)) of engagement
- The objectives of the engagement
- The rationale for engagement
- The frequency/intensity of interactions with companies
- Progress towards achieving engagement goals
- Outcomes that have been achieved from the engagement
- Next steps for engagement activity
- Other, specify

Coverage of our portfolio with engagement activities

- None of the above

LEA 08.2	Additional information. [Optional]
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We receive quarterly reporting from our voting and engagement advisor with quantitative and qualitative information on the engagement that it has undertaken during the quarter. We follow those reports up with meetings or calls in which aspects of the report are discussed in greater detail.

This can be in relation to specific companies or engagement themes; public policy work; or longer term engagement strategy. We review the work undertaken annually against a set of key performance indicators set out in our service level agreement. We also have a process by which we review certain proposed votes prior to their exercise.

General processes for all three groups of engagers

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of companies you engage with.
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Type of engagement	Tracking engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.
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We disclose it publicly

please provide URL

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

LEA 15.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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Yes

LEA 15.3	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
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Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 15.4	Indicate how frequently you typically report engagements information.
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- Disclosed continuously (prior and post engagements)
- Disclosed quarterly
- Disclosed annually
- Disclosed every two years or less
- Other, specify

No

We disclose it to clients and/or beneficiaries only

We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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Approach

- We use our own research or voting team and make our own voting decisions without the use of service providers.
- We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

Based primarily on

- the service provider voting policy signed off by us
- our own voting policy
- our clients requests or policy
- other, explain

We review votes ahead of time against our Statement of Stewardship Principles (available on our website), and our (non-public) Standard of Diligence.

- We hire service provider(s) which make voting decisions on our behalf.

LEA 18

Mandatory

Descriptive

PRI 2

LEA 18.1

Of the voting recommendations that your service provider made in the reporting year, indicate what percentage your organisation reviewed, and the reasons for the review.

Percentage of voting recommendations your organisation reviewed

- >20%
- 5-20%
- 1-5%
- <1%

Reasons for review

- Specific ESG issues
- Votes where a significant level of ownership is held
- Votes against management or abstentions
- Conflicts of interest
- Corporate actions such as M&A, disposal, etc.
- Other, explain

LEA 18.2	Additional information [Optional]
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Hermes EOS is voting thousands of resolutions on our behalf every year. In order to provide effective oversight, we focus the pre-AGM review of votes (i.e. where we could amend a voting decision if it is not in line with our policies) on our watchlist of stocks where we have significant ownership and where ESG risk is heightened relative to other stocks in our portfolio. After the AGM, as part of our quarterly review process, we review votes against management and on shareholder resolutions based on the comments provided by Hermes. Where questions arise, we will discuss them in our quarterly meeting or call with Hermes.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- Yes, in most cases
- Sometimes, in the following cases:
 - votes in selected markets
 - votes on certain issues (all markets)
 - votes for significant shareholdings (all markets)
 - other, explain
see below (additional information)
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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Where, in accordance with its policies, Hermes EOS has executed a vote against management on large holdings or otherwise high-profile companies, it seeks to follow up with the company either in writing to explain the reasons giving rise to a vote against and the steps that it would like to see the company take to rectify the issue. As necessary, Hermes EOS will look to engage with the company before the meeting to ensure that the issue giving rise to the vote against is addressed so that it can vote in line with management's recommendation, a vote 'for' management 'by exception,' in subsequent years

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

We do track or collect this information

Votes cast (to the nearest 1%)

%

100

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

We do not track or collect this information

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

We disclose it publicly

provide URL

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

LEA 26.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

LEA 26.3 Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

**LEA
26.4**

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
 - Continuously (soon after votes are cast)
 - Quarterly or more frequently
 - Between quarterly and annually
 - Less frequently than annually
 - Other, specify
- No
- We disclose it to clients/beneficiaries only
 - We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries