Responsible Investment Policy

1. Introduction

The purpose of the responsible investment ("RI") policy is to set out:

- The underlying objectives of the RI policy and what the Trustee expects to achieve from having this policy in place;
- The actions that the Trustee will take to achieve these objectives; and
- The means by which the actions will be assessed in order to judge whether the expected outcomes have or have not been achieved.

Defined below are a series of key words or phrases used throughout this policy

- **Climate risk** is the potential impact on future financial returns that may arise from climate change. Climate risk is typically split between transition risk, i.e. the impacts that may arise from policy change and technological advancement, and physical risk, i.e. from changing weather patterns or the greater frequency/severity of extreme events.
- **Engagement** is the purposeful dialogue by investors with their investee companies with a specific objective in mind, typically in relation to the improvement of companies' business practices, often in relation to the management of ESG factors.
- **Environmental, Social and Governance (ESG) factors**. Companies and assets may be exposed to different risk factors arising from Environmental, Social and Governance issues which could materially impact the returns derived from such assets. The effective identification and management of ESG factors is expected to reduce risk and improve financial outcomes.
  - **Environmental factors** include resource scarcity, waste management, pollution, carbon emissions and energy efficiency;
  - **Social factors** include health & safety, workforce diversity, working conditions and data protection;
  - **Governance factors** include board structure, business ethics, shareholder rights and executive compensation.
- **Responsible Investment (or stewardship)** is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the environment and society.
- **Paris Agreement** was signed in 2016 by members of the United Nations Framework Convention on Climate Change (UNFCCC), dealing with greenhouse gas emissions mitigation, adaptation, and finance. Its aim is to limit the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to cap the increase at 1.5 °C.
- **Net Zero** is a state of carbon neutrality where carbon (and other greenhouse gases 'GHG') emissions are balanced with their removal from the atmosphere, or by simply eliminating greenhouse gas emissions altogether.
- **Sustainable Development Goals (SDGs)** are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set in 2015 by the UN General Assembly and are intended to be achieved by the year 2030.

2. Governance

2.1 Stakeholders

The following stakeholders are responsible for the development, implementation and oversight of this policy and the actions it requires.

- **Trustee Board (Trustee)**: Accountable for the investment strategy and implementation of the Schemes' assets, including the integration of responsible investment considerations. Ultimate owner of this responsible investment policy.
- **Financial Strategy Committee (FSC):** Responsible for proposing an investment strategy to the Trustee Board that takes into consideration prevailing risks, including risks associated with responsible investment, such as ESG factors and climate risk.
- **Investment Implementation Committee (IIC):** Responsible for implementing the investment strategy set by the Trustee Board, including consideration of the responsible investment implications arising within the implementation.
- **Responsible Investment Working Group (RIWG)**: Responsible for developing the responsible investment policy, associated implementation process and a monitoring framework for assessing progress against stated responsible investment goals. The intention is for the RIWG to operate for a fixed period of time until agreed procedures and policies are established and embedded within the FSC and IIC.
- **Fiduciary Manager**: Responsible for managing the return-seeking and CDI portfolios for the Schemes. The return seeking portfolio is a portfolio of predominately growth-orientated assets seeking to outperform the Schemes' liabilities. The CDI portfolio is a portfolio of predominately higher-quality assets seeking to generate the cashflow required to meet pensioner benefit payments.
- **Jaguar Land Rover (Sponsor):** Responsible for the ongoing funding of the Schemes. The Sponsor will be consulted by the Trustee in the development of strategy, including with regard to any high-level commitments made by the Trustee that could have a direct or indirect impact on the funding of the Schemes or the reputation of the Sponsor.

2.2 Policy review and progress assessment

The RI policy, and its sub-policies, are reviewed on a periodic basis, and at least annually. The RI objectives set by the Trustees are reviewed on a regular basis, as appropriate, and at least annually.

2.3 Education

The RIWG is tasked with developing knowledge and understanding of responsible investment issues on behalf of the Trustee Board. The Investment Implementation Committee also discusses responsible investment issues on at least an annual basis, which includes updates and developments within a responsible investment context.

The Trustee Board receives responsible investment training on at least an annual basis, and the training agenda is set by the RIWG.

3. Objectives

The Trustee's strategic goal is to have sufficient assets to pay benefits as they fall due, whilst reducing the risk of requiring unexpected contributions that could endanger the covenant and so endanger paying pensions in full. In pursuit of this goal, the Trustee will incorporate financially material ESG issues into investment analysis and decision-making processes, actively seek to manage the long-term environmental risk on the portfolio and capture any investment opportunities that may arise.

Responsible investment issues will be considered at both the strategic level and at the point of implementation. The expectations of the Trustee are made clear to the fiduciary manager which is expected to invest in a manner that is consistent with the Trustees' responsible investment objectives.

The Trustee has considered several internationally recognised frameworks in forming a basis for developing its RI objectives and policy, including the UN SDGs, UN Principles of Responsible Investment and UK Stewardship Code. The Trustee has focused on the SDGs to prioritise its areas of focus which are twofold:

- Environmental issues represented by SDG7 (Affordable and Clean Energy), SDG12 (Responsible Consumption and Production), SDG13 (Climate Action), SDG14 (Life Below Water) and SDG15 (Life on Land);
- Fairness issues represented by SDG5 (Gender Equality) and SDG10 (Reduced Inequalities).

The Trustee recognises that these issues provide a focus for monitoring the characteristics of the investment portfolio and ongoing engagement with the fiduciary manager with the expectation that the Trustee's investments contribute to or support progress on these issues. The Trustee will develop an appropriate monitoring regime which is consistent with these priorities.

Wider environmental, social and governance factors are also recognised as having the potential to impact on the Schemes and, as the fiduciary manager is expected to oversee and manage all financially material risks, these factors will still feature as part of the Trustee's ongoing monitoring and assessment.

4. Considerations for Investment Strategy

Investment strategy refers to the broader strategic framework within which the portfolios are managed (return seeking, CDI and LDI portfolios).

The Trustee Board formally reviews investment strategy every three years, alongside an actuarial valuation, although aspects of investment strategy are considered at most quarterly Financial Strategy Committee meetings.

Climate scenario modelling is conducted as part of investment strategy review, and the Trustee Board considers funding and investment decisions that arise from this. Climate change is also considered within the Trustee's Integrated Risk Management framework. The Trustee will also consider whether any other ESG risk has the potential to materially impact its framing of strategy.

As part of setting investment strategy, the Trustee considers whether there are any investments that should be explicitly excluded as a consequence of them presenting high levels of environmental or climate risk. There are currently no exclusions being applied although this is kept under regular review.

The fiduciary manager is mandated to deliver the Trustee's agreed investment strategy, across the return seeking and CDI portfolios. The fiduciary manager is therefore responsible for delivering the primary objective of these portfolios and ultimately the Schemes as a whole.

5. Expectations for strategy implementation

Oversight of implementation of investment strategy is delegated to the Investment Implementation Committee, who meet quarterly to discuss a range of implementation issues, including responsible investment integration.

The Trustee recognises that the selection of investment managers and individual mandates to implement the strategy is delegated to the fiduciary manager.

In mandating the fiduciary manager, the Trustee will:

- Define clear metrics by which climate risk and ESG issues can be assessed across the portfolio, informed by the Trustee's priority areas. This will include but is not limited to:
  - Exposure to carbon emissions;
  - Alignment with the longer-term goals of the Paris Agreement and policy ambitions of Net Zero;
  - Exposure to assets which mitigate the potential risks of climate change; and
  - General alignment with UN SDGs prioritised by the Trustee.
- Agree with the fiduciary manager baseline measurements for the metrics against which the portfolios can be assessed through time. These measurements are expected to be robust through future transitioning into CDI.
- Set the fiduciary manager objectives for the portfolio related to these metrics and a timeframe over which the portfolio will be assessed and any targets be met.

The Trustee will ensure it remains comfortable with the fiduciary manager's processes to embed responsible investment considerations into the management of the portfolios by regularly reviewing and testing these processes through the reporting cycle, seeking case studies and other evidence to illustrate how issues are considered.

At least once a year, the Trustee will request a deep dive into at least two managers within the portfolio with the managers being selected by the Trustee. The Trustee will work with the fiduciary manager to agree an appropriate form of reporting for this.

The Trustee expects that the fiduciary manager will become an asset manager signatory of the UK Stewardship Code and work to hold the managers it works with to be accountable to high stewardship standards. The Trustee also expects the fiduciary manager to ensure that underlying managers address climate risks and for the fiduciary manager to be able to demonstrate this.

6. Approach to Stewardship

6.1 Voting

The execution of voting rights is delegated to the fiduciary manager within the delegated portfolio. These rights are in turn delegated to underlying managers. The Trustee expects as a minimum that:

- All votes should be exercised where feasible;
- Votes are cast by underlying asset managers selected by the fiduciary manager. The fiduciary manager is required to oversee voting policies and voting activity of underlying asset managers to ensure good practice.
- The fiduciary manager provides clear monitoring and reporting on voting activity, and that this is discussed in detail on at least an annual basis
- In particular, votes on resolutions related to climate and other environmental actions should be considered carefully based on the specific request being made and the context of the company in question. The Trustee expects a high level of support for votes requiring greater disclosure or setting a business transition strategy consistent with the Paris Agreement. The fiduciary manager is expected to monitor this and explain any cases where such votes are not supported.

The Trustee notes that the fiduciary manager may draw on the services of a third-party specialist stewardship service provider as part of this this process.

6.2 Engagement

The Trustee expects the fiduciary manager to promote active dialogue by investment managers with underlying investee entities, regardless of asset class. In particular, the Trustee expects engagement on climate and other environmental issues to be emphasised.

The Trustee expects its fiduciary manager to encourage underlying investment managers and its third-party specialist stewardship service, to promote underlying investee entities' climate disclosures to be aligned with best practice, e.g. Task Force on Climate-Related Financial Disclosures ("TCFD"), as the Trustee believes this will drive improved standards and transparency.

Examples of engagement activity are considered on an annual basis and this includes a summary of what has been asked for and what outcomes have been achieved. Climate-related examples are prioritised.

6.3 Advocacy

The Trustee aims to have a broader influence beyond engagement with investee companies and hopes to achieve this through the fiduciary manager and their stewardship delegates.

On a regular basis, the Trustee discusses with the fiduciary manager the issues it would like to influence and monitors feedback on the actions taken in this regard. Where relevant, the Trustee may actively lend its support to the fiduciary manager or other external body in support of an issue or position being taken.

7. Monitoring

The Trustee has agreed with the fiduciary manager a series of metrics that are monitored to ensure the level of ESG-related risks and exposures are within the Trustee's expectations. These metrics are set out in the Appendix.

As with broader investment exposures, where any exposure, and its associated risk, is deemed to be too high, corrective action will be taken. ESG metrics are expected to be included as part of regular quarterly monitoring by the fiduciary manager.

Whilst the metrics above form the focus of the Trustee's monitoring, the Trustee expects the fiduciary manager to oversee and manage all financially material ESG risks, not just those covered specifically by the metrics set out above.

8. Communication

The Trustee maintains a Statement of Investment Principles, which is available to view here https://members.pensionpal.co.uk/jaguarlandroverpensions.

Since 2020, the Trustee has produced an implementation statement annually that summarises voting and engagement activity over the previous Scheme-year. This is included as part of the Trustee Report & Accounts, which are available on request.

On an annual basis from 2023, the Trustee will publish a report on its approach to the management of climate risk, in line with TCFD-requirements. The Trustee will also publish the annual report required to maintain signatory status for the UK Stewardship Code 2020, that sets out the activities undertaken to ensure stewardship over the previous 12 months. The Trustee will also seek to highlight its actions and achievements to members through its regular communication channels.

This RI policy will be reviewed on at least an annual basis and is made available here https://members.pensionpal.co.uk/jaguarlandroverpensions.

The Trustee will periodically seek feedback from members on the RI policy and seek to incorporate views, as deemed appropriate by the Trustee, as part of ongoing maintenance of the policy.

Appendix – Monitoring Metrics

The Trustee has agreed a series of metrics to monitor to ensure the level of ESG-related risks and exposures are within the Trustee's expectations. These are provided in the table below. During 2022, the Trustee intends to agree target levels for the metrics below, with corresponding target dates where appropriate. The appropriateness of the below metrics will be reviewed regularly.

Issue	Metric	Date Metric Added and Rationale
Climate change	Total carbon (tCO2e)	Provides an estimate of the total carbon emissions attributed to (owned or financed by) the Schemes' assets. Added Q3 2021
Climate change	Carbon footprint (tCO2/$m)	Provides an estimate of the volume of carbon emissions (in tonnes) for each unit of capital invested. This metrics adjusts for the size of investment made. Added Q3 2021
Climate change	Weighted Average Carbon Intensity "WACI" (tCO2/$m sales)	Provides an estimate of the volume of carbon emissions per unit of sales, weighted by the size of allocation to each holding in the schemes. This informs how carbon efficient the underlying investment holdings are. Added Q3 2021
Climate change	Data quality (eg % of portfolio for which carbon footprint estimated/proxied)	Provides a sense of accuracy of the underlying data and therefore helpful context around the suitability of drawing conclusions about certain metrics. Added Q3 2021
Climate change	Net Climate Opportunities (climate opportunities % - climate risks %)	Proportion of investments seeking to benefit from climate transition less those most exposed to the risk to provide an indication of the overall "tilt" of the portfolio. Added Q3 2021
Climate change	Transition Management Score	Provides an indication of the extent to which the underlying investments within the Schemes' assets have taken steps to address climate risk. Added Q3 2021
Environment	Environmental laggard exposure	Provides an estimate of the Schemes' exposure to companies/assets who score poorly on environmental credentials. Added Q3 2021
Environment	Environmental controversies	Provides an estimate of the Schemes' exposure to companies/assets involved in controversies that negatively impact the environment. Added Q3 2021

Environment	Water waste & hazardous Materials Management exposure	Provides an estimate of the exposure to companies for which water use/consumption, waste water generation and impact on water resources are likely to be material issues or for which environmental issues associated with hazardous and non-hazardous waste are likely to be material issues. Added Q3 2021
Diversity & Inclusion	Exposure to social opportunities	Provides an estimate of the Schemes' exposure to companies who score in the top 10% for access to communication, finance and healthcare. Added Q3 2021
Diversity & Inclusion	Gender diversity (board members)	Provides an estimate of the Schemes' exposure to companies that have a female board member (only two binary options available for gender). Added Q3 2021