



AWE Pension Trustees Limited  
c/o Aon  
Briarcliff House • Kingsmead  
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# AWE Pension Scheme (the “Scheme”) Responsible Investment Policy

Issue date – October 2020

## 1. Introduction and Purpose

This policy is written by the trustee (“the Trustees”, “we”) of the AWE Pension Scheme (“the Scheme”) to represent our views and approach around Responsible Investment.

Our fiduciary duty is to act in the long-term best interests of the members of the Scheme. We recognise that environmental, social and governance (ESG) factors, including climate change, can positively and negatively affect the Scheme's financial performance and should be considered in our funding and investment decision-making processes.

## 2. Responsible Investment Beliefs

The Trustees' responsible investment policy is underpinned by four core beliefs, namely:

- A decision-making process that considers ESG factors will lead to more sustainable returns and better risk management.
- The Scheme's long-term investment horizon provides an opportunity to generate better returns.
- Well governed companies and assets are more likely to generate sustainable outperformance.
- Our fiduciary duty to our members is compatible with our concern about the impact that the Scheme's investments have on the environment or society.

## 3. Responsible Investment Principles

Our key Responsible Investment principles are:

- We will act as responsible owners and engage with the companies and assets we invest in.
- Climate change is a real and present risk to the Scheme's financial position with the potential to impact our members, employers and all holdings in our portfolio. We will consider the implications of climate change as part of our duty to act in the best long-term interests of our members.
- Within that duty, we will identify opportunities for the Scheme to invest for positive change with regards to environmental or social issues.



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- Decisions we make relating to Responsible Investment will be evidence-based and will seek to address any financial implications.
- We expect our investment managers to be signatories to the UN Principles of Responsible Investment and to contribute to a more sustainable global financial system by incorporating ESG considerations into their decision-making process. We acknowledge that some managers have more ability to incorporate ESG considerations than others, due to the assets they invest in or the constraints of their investment approach.
- We will maintain our knowledge and understanding of requirements, opportunities and best practice around Responsible Investment.

#### **4. Responsible Investment Approach**

The Trustees are taking the following steps to deliver on their Responsible Investment responsibilities and commitments:

- Responsible Investment will be a key topic of our regular training schedule, including any developments in best practice or new opportunities.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use ESG ratings information provided by our investment adviser, where relevant and available, to monitor the level of and improvement in the investment managers' integration of ESG on a regular basis.
- The Trustees will require investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their decision-making process on an annual basis.
- We also expect our investment managers to improve their ESG-related capabilities and processes over time, and we will hold our investment managers to account where we believe they are not making adequate progress. From time to time, the Trustees may set explicit targets or expectations for each of our investment managers and third-party providers, including any implications if they are not met. We will communicate these targets to and also our assessment of achievement or progress over time.
- Where the Trustees are going through a process of appointing a new investment manager, the ESG-related capability of the manager will be a key consideration in the selection process.
- When reviewing asset allocation and strategic risks, the Trustees consider the implications of longer-term risks, including ESG considerations including climate change. We do this by educating ourselves of the issues and risks, by taking advice, by asking questions of our investment managers and advisors, and by using available modelling tools, including projection scenarios.
- The Trustee will include ESG-related risks, including climate change, on the Scheme's risk register as part of ongoing risk assessment and monitoring, and include it in our Integrated Risk Management framework.

The Trustees have delegated the following responsibilities to the Asset and Liability Committee ("the ALCo"). The ALCo may from time-to-time nominate a working group to advise the ALCo on these or other matters:

- Maintain the Trustees' Responsible Investment policy and make recommendations to the Trustees on actions required to fulfil the policy.

- Identify and monitor ESG-related risks in the investment strategy, and report to the Trustees.
- Set targets and monitor managers on ESG and stewardship, and report to the Trustees.
- Develop reporting to members and stakeholders.
- Identify best practice and developments in the industry.
- Identify investment opportunities that meet the Trustees' criteria.

## **Stewardship – Voting and Engagement**

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustees expect the investment managers to use their influence as major institutional investors to carry out the Trustees' rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies.

The Trustees request details on an annual basis and more frequently if required of how the Scheme's investment managers are undertaking these activities in comparison to their policies and relevant codes of practice. This is reviewed with input from the Scheme's investment adviser. The Trustees will then engage with the investment manager as necessary.

We consider the UK Stewardship Code and consider other relevant global codes in the course of our stewardship duties. We also require all our managers to comply and apply best practice standards of global stewardship.

## **5. Initiatives and Industry Collaboration**

The Trustees recognise that collaboration and support of initiatives is a powerful tool to influence behaviour. As such, the Trustees are members of Aon's Responsible Investment Network membership which provides access to regular updates on the Responsible Investment market innovations and developments, Responsible Investment focused events, and research/ focus group for discussion of key issues surrounding sustainable finance and Responsible Investment.

The Trustees expect the investment managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.

## **6. Disclosure and Reporting**

The Trustees require transparency and disclosure from the investment managers, including reporting on voting and engagement progress and success.

In line with its commitment to transparency, the Trustees report to the Scheme's stakeholders on Responsible Investment activities on an annual basis, within the Report and Accounts, and will consider other forms of communication to stakeholders from time-to-time.

## **7. Commitment**

The Trustees acknowledge that their approach to Responsible Investment will need to evolve, both with respect to the changing landscape on ESG issues as well as broader industry developments. The

Trustees are committed to making ongoing improvements to the processes that underpin the delivery of this policy to ensure it remains relevant.

This policy will be reviewed as part of any strategic review of the Scheme's investment objectives and management of risk, or as required in response to changing regulations or broader governance issues.

This policy is available to all members on request.

Approved: 28 October 2019  
Amended: 28 November 2019  
Reviewed: 6 October 2020