

IMPERIAL TOBACCO PENSION FUND
Environmental, Social and Governance Policy Statement

1. Introduction

This Environmental, Social and Governance (“ESG”) Policy Statement (“the Policy”) has been prepared by Imperial Tobacco Trustees Limited (“the Trustee”), as the Trustee of the Imperial Tobacco Pension Fund (“the Fund”). The purpose of the Policy is to sit alongside the Fund’s DB and DC sections’ Statement of Investment Principles (“SIP”) and Climate Delegation Framework, formalising the Trustee’s ESG beliefs and its policy on how ESG factors should be integrated in investment decision-making. The Policy will be made available to members upon request.

The Trustee defines Responsible Investment (“RI”) in line with the UN-backed Principle for Responsible Investing (“PRI”), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

2. Rationale for the Policy

The Fund is a large institutional investor, investing on behalf of its members. As part of the Trustee’s fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. The Trustee recognises that there is a need for the Fund to be a long-term, responsible investor in order to achieve sustainable returns.

The Trustee believes that it should be a responsible steward of its assets and consider the wider impacts, where possible, of its investment decisions on the environment and society. Where possible, and in line with the beliefs set out in this Policy, positive ESG outcomes will be targeted within the investment portfolios.

3. Impact of the Policy on investment decision making

The Trustee decides the Fund’s investment strategy and asset allocation. This includes which asset classes the Fund should be invested in e.g. property and credit. In making any portfolio construction decisions, the Trustee will have regard for the Policy.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers e.g. holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Fund’s investment managers, the Trustee, with the assistance of its investment consultant, considers the managers’ expertise, track record and stated policies and frameworks on ESG related issues. Going forward, as part of the initial and ongoing due diligence of the Fund’s investment managers, the Trustee will assess and monitor their considerations of ESG factors and how these are incorporated into their investment decision making.

In addition, the Trustee will consider opportunities that may arise from regulation on ESG factors or market dislocations and will receive training and updates periodically to update them on these trends and opportunities.

4. The Trustee's ESG beliefs

The Trustee has formulated a set of ESG beliefs to help underpin overall investment decision making. The Trustee's ESG beliefs have been summarised below.

Risk Management

- i. Whilst the Trustee wishes to invest in managers and funds that exhibit best practice in terms of ESG integration, the Trustee will continue to maximise the risk / reward profile of any investment. Any positive tilts to ESG factors will be made where the Trustee feels that these investments will generate superior long-term returns and/or lower risk.
- ii. The Trustee will consider the ESG values and priority areas of the sponsor.
- iii. The Trustee recognises that climate change risk poses significant investment risk that could become incrementally more severe over time.

Approach/Framework

- i. The Trustee will seek to understand how investment managers integrate ESG considerations into their investment decisions and include reference to ESG capabilities in future evaluation criteria when selecting new investment managers.
- ii. Specialist ESG fund/s will be offered in the self-select range in the DC section.

Voting & Engagement

- i. The Trustee will seek to understand each investment manager's approach to engaging with portfolio companies and the effectiveness of these activities.
- ii. Managers investing in companies' debt, as well as equity, have a responsibility to engage with the management of investee companies on ESG issues.
- iii. Engaging with investment managers is an effective way of initiating change and ensuring better alignment with the Trustee's ESG beliefs. There is a desire to engage with investment managers in the first instance rather than sell the Fund's holdings if issues are identified.

Reporting & Monitoring

- i. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain an understanding of these factors.
- ii. Through the Trustee's regular reporting and ongoing due diligence of the Fund's investment managers, supported by its investment consultant, the Trustee will seek to monitor suitable ESG metrics to understand the impact of investments.
- iii. The Trustee will take advice from its investment consultant to set appropriate ESG targets for the Fund.

Collaboration

- i. Investment managers should sign up and comply with common codes and practices such as the UNPRI and the UK Stewardship Code. If they do not sign up, they should provide a valid reason why.
- ii. Investment managers should engage and collaborate with other market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, social issues, risk management and debtholder rights.

Implementing the Policy

The Trustee will implement the policy through the following steps:

- i. The Trustee will continue to develop its understanding of ESG factors through annual training on ESG and keep themselves up to date on the latest sustainable investment opportunities.
- ii. The Trustee's ESG beliefs will be formally reviewed annually or more frequently if required by the Trustee.
- iii. The Trustee will incorporate ESG criteria as part of new manager selection exercises, with explicit consideration of ESG factors for any segregated mandates.
- iv. The Trustee, with support from its investment consultant, will undertake annual reviews of the investment managers' approach to integrating ESG factors.
- v. Following the initial review, actions will be identified where investment managers are misaligned with the Trustee's ESG beliefs. The investment consultant will engage with each manager on the Trustee's behalf to remedy these issues where possible.
- vi. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis and the Trustee will seek to understand the effectiveness of these activities.
- vii. The Trustee will receive any relevant climate-related updates from the investment consultant and the IC, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.
- viii. The Trustee, with support from its investment consultant, will produce an annual Task Force on Climate-related Financial Disclosures ("TCFD") report.

5. The Trustee's policy on managing climate-related risks and opportunities

The Trustee recognises climate change as a source of financially material risks and opportunities. The Trustee will report in line with the TCFD framework on an annual basis, this report includes the processes in place and actions taken to manage these risks and opportunities, including the Trustee's targets and ambitions.

Although the Trustee recognises that it has ultimate responsibility for ensuring Fund-level climate related risks and opportunities are managed, the Trustee delegates specific responsibilities arising under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations to the Investment Committee ("IC") and other advisers including the production of the annual TCFD report and maintaining and documenting the processes referred to above.

The roles and responsibilities for managing climate-related risks and opportunities, as delegated by the Trustee, are outlined in a separate delegation document. These delegations will be assessed periodically by the Trustee to assess whether they remain appropriate.

6. Monitoring and reviewing the Policy

The Trustee will monitor the Fund's assets against this Policy on an ongoing basis, with the assistance of its investment consultant. The Trustee views the development of the Policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the Policy, the Trustee will take account of any significant developments in the market to assess whether they are taking a best practice approach.

Signed: _____
on behalf of the Trustee of the Imperial Tobacco Pension Fund

Name:

Date:

Version 1.0 – December 2020

Version 2.0 – May 2022

Version 3.0 – June 2023

Version 4.0 – June 2024

Version 5.0 – June 2025

Version 6.0 – March 2026

Appendix

A. What is the UN-backed Principles for Responsible Investment (“PRI”)?

The PRI is a proponent of responsible investment.

The PRI aims to understand the investment implications of ESG factors and helps support its international network of signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations. The PRI provide education, training and research on how ESG factors can be incorporated in investment decisions.

Source: www.unpri.org

B. What are the six UN-backed Principles for Responsible Investment?

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source: www.unpri.org

C. What are Environmental, Social and Governance (“ESG”) factors?

Examples of ESG factors include:

- Environmental
 - Climate change
 - Resource depletion, including water
 - Waste and pollution
 - Deforestation
- Social
 - Working conditions, including slavery and child labour
 - Local communities, including indigenous communities
 - Conflict
 - Health and safety
 - Employee relations and diversity
- Governance
 - Executive pay

- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy.

Source: www.unpri.org

D. What is the Task Force on Climate-related Financial Disclosures (“TCFD”)?

TCFD was established by the Financial Stability Board (“FSB”) to develop recommendations to improve and increase reporting of climate-related financial information.

Adoption of the TCFD recommendations was subsequently made a statutory requirement for occupational pension schemes in the UK, subject to specified scheme assets under management thresholds, within the Pension Schemes Act 2021.

The TCFD recommendations consist of four pillars which make up the framework for effective disclosure:

1. Governance – disclose the organisations governance around climate-related risks and opportunities.
2. Strategy – disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.
3. Risk Management – disclose how the organisation identifies, assesses, and manages climate-related risks.
4. Metrics & Targets – disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Source: <https://www.fsb-tcfid.org/> IFRS - ISSB and TCFD