

Introduction

As a leader in professional trusteeship, Dalriada Trustees believes it needs to take a progressive position concerning the environment and wider social considerations. We routinely make decisions on behalf of pension scheme members, where we act as trustee, on both the assets in which schemes invest, and the providers that supply services to the schemes (such as Employee Benefit Consultancies, Administrators, and Investment Platforms). We believe that all such decisions will be enhanced by integrating Environmental Social and Governance (ESG) considerations. To reflect our commitment to this area, we are a signatory to the UN Principles for Responsible Investment (PRI).

It is our strong view that companies addressing and managing ESG factors impacting their business will provide better outcomes for their shareholders, and other stakeholders, over the long term. This matters to us from multiple perspectives: investments, service providers, sponsor covenant considerations and in our day-to-day running of Dalriada.

The following promises are from the perspective of Dalriada acting as sole trustee. We will also carry the following policy intent into discussions where we are a co-trustee and, whilst we do not in such cases have the right to insist, we will be arguing strongly for the following positions.



Dalriada. A better way

Our Promise on the Environment

We commit to reviewing all our schemes' investment portfolios with an aim of:

- By 2025, cutting the carbon emissions¹ of our investments by 25%.
- By 2030, cutting the carbon emissions of our investments by 60%.
- By 2040, at the latest, net-zero investments.

We do not believe a consistent scheme level target is appropriate, because pension schemes will already have varying degrees of ESG integration. Instead, we commit to the above on a portfolio level. Our commitment is extended to any new appointments we take on. This will undoubtedly be challenging, due to incomplete carbon intensity data currently available, but we do not think measurement limitations should hold us back from action.

¹ We will initially consider scope 1 and scope 2 emissions. We will monitor for improvements in data and look to incorporate material scope 3 emissions when appropriate.

Environmental, Social and Governance Policy

Incorporating a broad spectrum of environmental factors in investment decision making is important, for both the financial security of our pension scheme members, but also the world in which they will retire.

We will expect all asset managers and other providers, who we appoint, to confirm commitment to one of the universal norms, such as the Environmental Principles of the UN Global Compact.

We will review the above commitment on an annual basis.

Our Promise on Social Issues

We expect all asset managers and other providers, who we appoint, to confirm commitment to one of the universal norms, such as the Social Principles of the UN Global Compact. Once a commitment is confirmed, we will expect reporting on an annual basis and ideally some form of independent verification.

Our Promise on Governance

We expect all asset managers and other providers, who we appoint, to confirm commitment to one of the universal norms, such as the International Corporate Governance Network (ICGN) principles. Once a commitment is confirmed, we will expect reporting on an annual basis and ideally some form of independent verification.

Sponsor Covenant

ESG issues will inevitably impact the businesses of the sponsoring employers of the schemes to whom we provide professional trustee services. We will take into consideration ESG factors when evaluating employer covenant and the long-term security of paying member benefits.



Environmental, Social and Governance Policy

Implementation of ESG Policies

Implementation of the above promises will be through consultation with sponsoring employers. We expect these scheme focused discussions to be a logical extension of a company's ESG considerations, with respect to the management of their business.

Our preferred approach is engagement with existing providers, encouraging industry improvements, and we will only look to replace providers when we are unable to engage and see ESG improvements. Our preference is for investment providers to be a signatory to the UN PRI.

Evolution of ESG Promises

We wish to be ambitious in our aims, but simultaneously recognise the implementation of this policy will be challenging. This is partly because, as we stand today, the marketplace is not well-positioned to deliver the data that trustees need to make the informed decisions that are required.

We expect over the coming months and years to work with investment advisers, investment managers and platform providers to create the right data feeds to allow us to understand the scheme, and by-product of the relevant ESG metrics. Once we have this data, we expect through engagement, and where necessary replacement of providers and products, to create a trajectory that can deliver on our objectives.

We will continue to refine our position on these matters as the Department for Work and Pensions and The Pensions Regulator publish further guidance.

Dalriada - A Firm Commitment

We will ensure our own business and related businesses adhere to at least these standards. Furthermore, we will expect the same requirement of the providers with whom we work.



Dalriada.
A better way

Belfast
T: +44 (0)28 9041 2018

Birmingham
T: +44 (0)121 389 2320

Bristol
T: +44 (0)117 959 5000

Glasgow
T: +44 (0)141 331 1053

Leeds
T: +44 (0)113 426 4489

London
T: +44 (0)20 7495 5515

Manchester
T: +44 (0)161 641 6313

dalriadatrustees.co.uk

