

### **1. Introduction**

- 1.1 NILGOSC's overriding obligation is to act in the best financial interests of the pension scheme beneficiaries. Within this fiduciary role, NILGOSC takes its shareholder responsibilities seriously and believes that effective stewardship can have a positive impact on the performance of its investment portfolios.

### **2. Principle 1 - Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

- 2.1 NILGOSC seeks to adhere to the Stewardship Code through its internal policies, its arrangements with appointed fund managers and through collaboration with other like-minded investors and groups. This is set out in Section 7 'Responsible Ownership' of NILGOSC's Statement of Investment Principles (SIP). The SIP can be found on NILGOSC's website at:  
<http://www.nilgosc.org.uk/DataEditorUploads/Pension%20Fund/SIP%20April%202017.pdf>
- 2.2 NILGOSC encourages its fund managers to adhere to the Stewardship Code and monitors this by asking fund managers for confirmation as to whether they are signatories to the Code. If a fund manager is a signatory, NILGOSC asks for a copy of the Statement of Adherence and its independent verification, where appropriate.
- 2.3 NILGOSC monitors and evaluates the performance of its investment managers on a quarterly basis. The evaluation process incorporates qualitative as well as quantitative factors and each individual manager is assessed against a range of pre-determined criteria. One of these criteria is the manager's ability to integrate ESG issues into the investment process.
- 2.4 NILGOSC became a signatory to the United Nations Principles of Responsible Investment (UNPRI) and the "Guide to Responsible Investment Reporting in Public Equity" as a means of further demonstrating its commitment to responsible investment.
- 2.5 NILGOSC has developed a Statement of Responsible Investment (SRI) which outlines how such responsibilities are incorporated into its investment practices. NILGOSC's SRI, together with further information on its responsible investment practices, can be found on its website at <http://www.nilgosc.org.uk/responsible-investment>.

### **3. Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.**

- 3.1 NILGOSC requires its fund managers to have and maintain an effective conflict of interest policy which addresses real or potential conflicts of interest. The processes for identifying, managing and recording conflicts of interest are incorporated into the Investment Management Agreement for each manager.

3.2 In addition, NILGOSC's equities fund managers have policies on managing conflicts of interest which are set out in each manager's Statement of Adherence to the UK Stewardship Code. A list of NILGOSC's current fund Managers can be found on the website at <http://www.nilgosc.org.uk/fund-management>.

3.3 In respect of conflicts of interest within NILGOSC, Committee members adhere to a code of conduct which includes express provisions on the disclosure and handling of actual and potential conflicts of interest. In addition, in order to achieve the maximum degree of openness and impartiality, NILGOSC maintains a Register of Members and Officer's Interests. The Register is available for inspection by appointment at the Committee's offices and is published on the NILGOSC website in compliance with Freedom of Information legislation. Members and senior officers are required to register their interests on appointment and, thereafter, at the beginning of each financial year. The Committee Code of Conduct can be found on NILGOSC's website at <http://www.nilgosc.org.uk/DataEditorUploads/FOI/Code%20of%20Conduct%20April%202015.pdf>

#### **4. Principle 3 - Institutional investors should monitor their investee companies.**

4.1 Day-to-day responsibility for the management of investments is delegated to the fund managers. NILGOSC requires its managers to monitor investee companies and engage with company management where Environmental, Social or Governance (ESG) practices fall short of best practice. All managers are required to report back quarterly on any activity undertaken and their ability to provide evidence that they are taking ESG issues into account during the investment process forms part of NILGOSC's quarterly evaluation of their performance. In addition, NILGOSC will not appoint fund managers who are unable to demonstrate capabilities in this area.

4.2 Each of NILGOSC's equities fund managers has an individual approach to being made an insider. These are set out in each manager's Statement of Adherence to the UK Stewardship Code. As noted above, a list of NILGOSC's current fund Managers can be found on the website at <http://www.nilgosc.org.uk/fund-management>.

4.3 NILGOSC has appointed a specialist corporate governance partner, Manifest, to coordinate its corporate governance and voting activities. NILGOSC avails of Manifest's corporate governance research service, which provides detailed information and financial analysis for each of its actively managed UK and global equity holdings.

4.4 NILGOSC is keen to improve its engagement with companies and, for companies listed in Europe, where NILGOSC has not voted in accordance with management recommendations at the AGM, a letter is sent to the company providing a rationale for the voting decisions.

#### **5. Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

5.1 As stated above, responsibility for day-to-day engagement with companies is delegated to NILGOSC's fund managers, including the escalation of activities when necessary. Each of NILGOSC's equities fund managers has individual guidelines for the escalation of stewardship activities. These are set out in each manager's Statement of Adherence to the UK Stewardship Code. As noted above, a list of NILGOSC's current

fund Managers can be found on the website at: <http://www.nilgosc.org.uk/fund-management>.

- 5.2 On occasion, NILGOSC may choose to escalate activity, principally through engagement activity through UNPRI facilitated and other collaborative engagements. NILGOSC will also seek to recover all monies due to it from settled class actions and will consider, on a case-by-case basis, being party to class actions against investee companies arising from failings in corporate governance.

### **6. Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.**

- 6.1 NILGOSC believes that collaborative engagement is a key part of any responsible investment strategy and will seek to work collectively with other institutional shareholders in order to maximise the influence on individual companies. NILGOSC participates in collaborative initiatives with other like-minded signatories, which seek to improve company behaviour, policies or systemic conditions.
- 6.2 NILGOSC participates in UNPRI facilitated and other collaborative engagements, where appropriate. A full list of current engagements can be found on our website at: <http://www.nilgosc.org.uk/engagement-and-initiatives>.
- 6.3 NILGOSC may also on occasion co-file shareholder resolutions with other like-minded investors at a company meeting in order to influence change at the company provided that it is considered to be in the best interest of shareholders.

### **7. Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.**

- 7.1 As a responsible investor, NILGOSC has a legitimate interest in the management of the companies in which it invests. Through the targeted exercise of its voting rights, NILGOSC seeks to improve corporate behaviour in respect of business, social and environmental ethics, in addition to the fiduciary responsibility to add value to its investments. NILGOSC will exercise its voting rights if possible at all relevant company meetings and, while it will support those proposals which are compatible with NILGOSC policies and are in the best interests of shareholders, it may vote against management if there are corporate governance failings.
- 7.2 NILGOSC has set out its expectations in a Proxy Voting Policy. This policy provides a basis for communicating with investee companies and holding directors accountable for the stewardship of the company. The policy represents NILGOSC's view on what it believes are important elements of good corporate governance and the principles which will be used to determine voting decisions on specific issues. A copy of the policy can be obtained from the NILGOSC website at: <http://www.nilgosc.org.uk/voting-policies-and-activity>.
- 7.3 As stated above, NILGOSC avails of the research and advisory services of Manifest, which, in addition to providing customised vote recommendations, is an important source of information on the non-financial aspects of a company's performance. This information is used by the Investment Officer at NILGOSC to make informed voting decisions at each investee company based on NILGOSC's own voting policies.

- 7.4 NILGOSC exercises its voting rights at all company meetings within its actively managed equity portfolios, where possible, and will vote against management where there are significant ESG or corporate governance failings. An annual summary of NILGOSC's voting activity is publicly available on its website, as well as detailed quarterly disclosure of votes cast.
- 7.5 For passively managed equities, votes are cast by NILGOSC's passive fund manager, Legal & General, according to its own voting policies. The manager reports to NILGOSC on its voting activities on a quarterly basis.
- 7.6 NILGOSC participates in a Securities Lending Programme managed by its Global Custodian. It is not NILGOSC policy to recall lent stock for voting purposes. However, NILGOSC retains the right to do so in the event of a contentious vote or in relation to engagement activities.

**8. Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.**

- 8.1 NILGOSC currently reports on its stewardship activity through its Annual Report on Voting Activity, which is made publicly available at <http://www.nilgosc.org.uk/review-of-proxy-voting-annual-reports>.
- 8.2 NILGOSC also publishes full details of votes cast on its website, as well as details of participation in collaborative engagements. This information is updated on a quarterly basis. This information can be found at <http://www.nilgosc.org.uk/quarterly-voting-reports>.
- 8.3 An overview of responsible investment activities during the year, including voting figures and details of direct and collaborative engagement, is set out in the Annual Report & Accounts, which is also available on the website at <http://www.nilgosc.org.uk/annual-reports-and-corporate-plan>.

**9. Further Information**

- 9.1 This Statement of Adherence and further information on NILGOSC's responsible investment policies is available on the NILGOSC website at <http://www.nilgosc.org.uk/stewardship> or from the Investment Officer at the contact details below:

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