April 2024

Isio's Sustainable Investment ('SI') Policy

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Environmental, Social and Governance ('ESG') considerations are at the heart of everything we do here at Isio; from advising on investment strategies and funding plans, assessing investment managers, to researching new ideas and products.

The Power of our Clients

The investors that we advise have a hugely important role to play in driving improvement and global action on ESG issues. The decision that one client takes to invest more sustainably can have a **significant impact** on its own and adds to the momentum we see behind the push to more sustainable approaches.

There is rapidly increasing **policy and regulation** introduced in this area and our clients are continuously required to abide by the new legislation due to the responsibilities that come with their roles as fiduciaries and the impact they have on financial markets and by extension on our living environment.

Our Purpose

We recognise the importance of our role and responsibility in **driving change** within the industry and to engage and support our clients through their SI journeys.

We are privileged to be in a position where we can have a **positive impact** on our planet and society via the advice we deliver to our clients helping them to achieve their objectives.

> **"Believe in the power of your own voice. The more noise you make, the more accountability you demand from your leaders, the more our world will change for the better."**
>
> **Al Gore, Former US Vice President**

Our Core SI-related Beliefs

We note below our SI-related beliefs that underpin the advice we deliver to our clients.

1

We believe that through the identification of sustainable opportunities and the management of ESG risks, **enhanced risk-adjusted returns** can be achieved over the longer term.

2

SI-related considerations should be **fully integrated** and at the heart of investment decision making.

3

We believe **climate change** poses a significant investment risk that will become incrementally more severe over time, whilst the transition to a lower carbon economy presents substantial opportunities to investors. We believe that sustainability issues are inextricably linked, and we cannot address the climate crisis without consideration of biodiversity issues and rising global inequalities.

4

We believe that **proactive and targeted engagement** with companies and the wider industry is more effective to drive change than an exclusionary approach. However, effective engagement requires **accompanying escalation processes**, which may result in selective disinvestment from companies unresponsive to engagement.

5

Global collective action is needed to drive change across SI-related issues; investors have a key role to play.

6

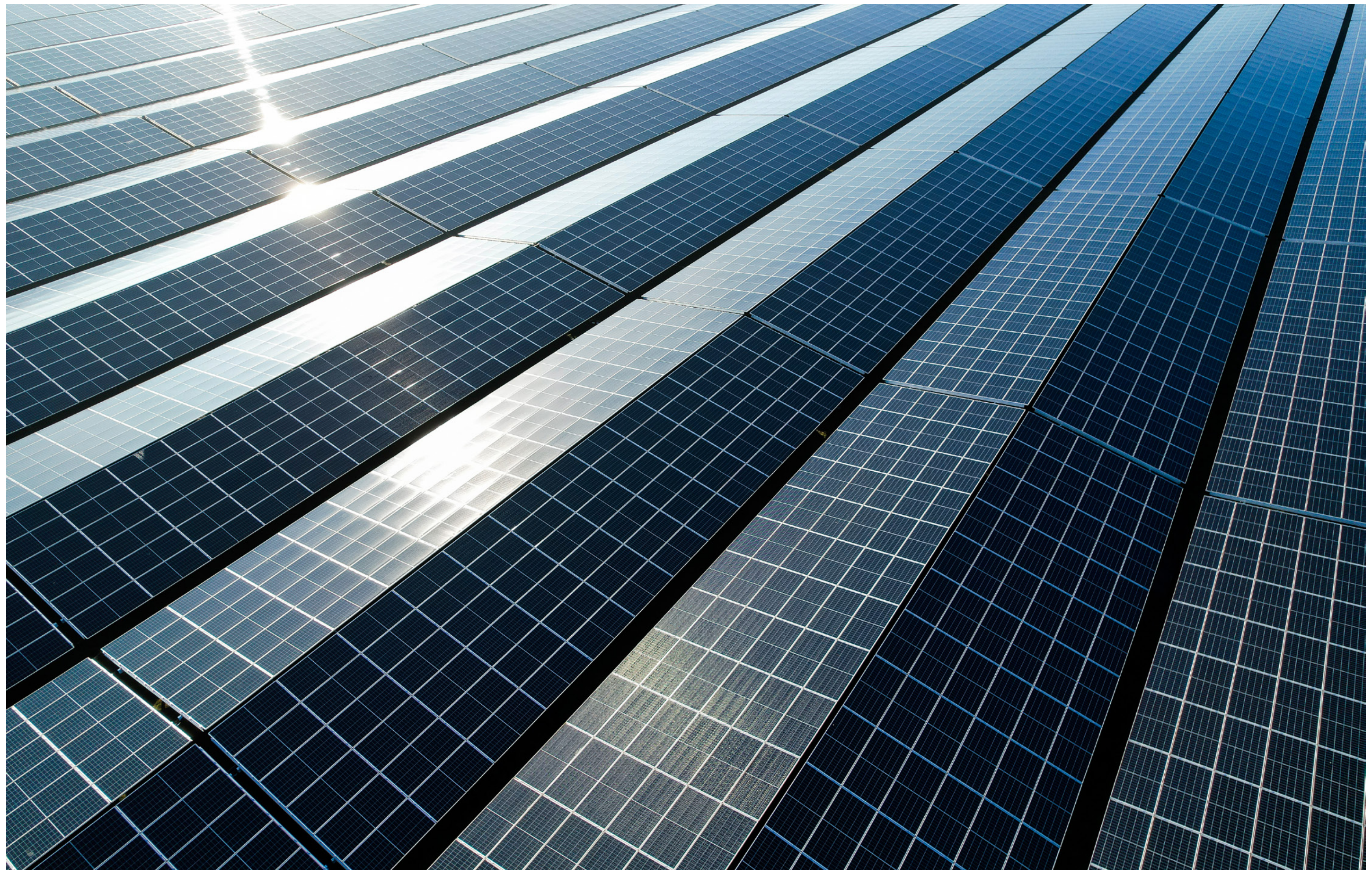
The world of SI-related regulations is rapidly expanding, and this results in **legal and reputational risk** for our clients but is an important driver to embrace Sustainable Investment.

Our Role and Responsibility

We have a fiduciary duty to our clients, who trust that our advice is tailored, clear and broad in its considerations of markets and opportunities. Our role is to provide robust, reliable advice every time.

Sustainability lies at the core of our advice and actions, while aiming to **achieve the best possible outcomes for our clients, their members and society in general.**

We have a key role to play in supporting the resolution of ESG issues as well as to drive industry best practice. We see our responsibility as covering three broad areas:



How we do business is just as important as how we advise our clients. Isio's sustainability approach and commitments can be found here.

1. Helping our clients

As consultants, we give forthright and independent advice. We aim to not sit on the fence, and to keep sight of the bigger picture and long-term investment trajectories. To this end, we are committed to helping our clients **tackle the challenges** and **capture the opportunities** that lie ahead through the lens of sustainability.

2. Contributing to wider industry efforts

We believe in **Global Collective Action**. We see collaboration as one of the most successful ways of gaining and sharing knowledge, generating greater momentum, and increasing our impact.

We are signatories to and supporters of various industry initiatives, including those shown to the right. We will actively look for opportunities to collaborate with further initiatives in the future.

3. Prioritising the issues that matter

We are already seeing the impacts of **climate change** globally and we only know that these will increase in frequency and severity. Climate change is an incredibly important topic for investors to consider both from a transition and physical risk perspective. Our climate change policy can be found on page 6.

An issue that goes hand in hand with climate change is our impact on **nature and biodiversity**; understanding the role that investors play in preventing the acceleration of a nature breakdown and focusing on building a nature positive world is key. Our nature policy can be found on page 7.

Tackling and understanding various **social issues** is increasingly important to investors in a world where we see rising inequalities, the impacts of climate change on communities, a cost of living crisis, rising global tensions, and more. Our social policy can be found on page 8.

Our views on Climate Change

Climate change is the biggest issue of our time with the potentially significant impact of physical and transition risks on our clients' portfolios, as well as wider impacts across the world's population. We are ready to support our clients through their climate journey.

The verdict

The planet is warming to unsustainable levels as a direct result of human action. Climate Action Tracker estimate that we have already reached warming of 1.3˚C above pre-industrial average, calling into question the possibility of achieving the Paris Agreement ambition, of a 1.5˚C scenario, this century.

Incorporating into strategies

We have developed **climate aware forward-looking return assumptions** in addition to our standard asset class assumptions. We also conduct **climate scenario analysis** to help clients understand the potential impacts of climate change on their investment strategies and funding plans and to enable resiliency planning.

Why should investors care?

We know **transitions costs** will be incurred as we transition to a lower carbon economy in the short to medium term, while longer term, **physical risks** will gradually increase in severity and frequency. Should the world fail to transition, we may experience potential climate impacts of **>50% loss in GDP this century**, based on latest NGFS scenarios.

Investor opportunities

The climate trajectory that plays out in reality will impact the opportunities that investors find attractive. Investors can consider opportunities that have an **important part to play in driving global decarbonisation efforts** (including climate-aware strategies across all asset classes) as well as **adaptation opportunities to build climate portfolio resiliency.**

Our views on Nature

There is increasing attention on nature as an issue for investors, both in its own right and as a response to the global emergency of climate change. Our relationship with nature is deteriorating, with the widespread destruction and degradation of nature on which we depend.

The verdict

We are seeing the acceleration of a **nature breakdown**. According to the Footprint Network, humans are using natural resources at an **unsustainable rate** and our demands of the planet are **three times** what it can sustainably support.

Incorporating into strategies

Nature-based solutions can create win-wins for delivering nature and climate objectives in the portfolio. There may also be **trade-offs** when investors adopt a singular focus on emissions offsetting (through reforestation) rather than a **holistic view** on ecosystems and biodiversity. Investors should seek to understand the impact of nature degradation on their portfolios and take steps to mitigate the risks and capture opportunities.

Why should investors care?

There will be **significant economic costs to inaction on nature.** According to the World Bank, by 2030, global GDP could decline by >2% a year, under current rates of nature degradation. Global governments have negotiated the **Global Biodiversity Framework**, which looks to improve the state of nature, including to protect 30% of the world's land, oceans and freshwater systems by 2030.

Investor opportunities

We seek to focus on **innovative approaches for nature integration.** There are **liquid and illiquid products available which aim to preserve and restore nature,** investing across themes such as sustainable forestry and agriculture as well as sustainable oceans and freshwater systems. We assess these opportunities should clients wish to allocate to nature solutions.

Our views on Social Factors

Social factors are rapidly becoming a key focus area for investors, due to the rising awareness of the cost of inequality on people, communities, businesses, and investments. Regulation and public policy are increasingly recognising the need for investors to account for social considerations within investment decision making.

The verdict

The UN halfway-point stocktake indicated that the **world is not on track to meet the 2030 Sustainable Development Goals (SDGs),** which were agreed by global governments in 2015. Many of the SDGs are underpinned (directly or indirectly) by **inequality** – for example, improving access to food, water and sanitation, healthcare, education, and decent jobs.

Incorporating into strategies

Sustainable investment **regulation** is increasing rapidly, and now also with the launch of guidance from the **Taskforce on Social Factors**, which is expected to further influence the integration of social issues in investments. Whilst there remain **data and modelling challenges** in quantifying inequality risk, investors should increasingly seek to understand their social impact, their social risk exposure and explore opportunities to drive social progress.

Why should investors care?

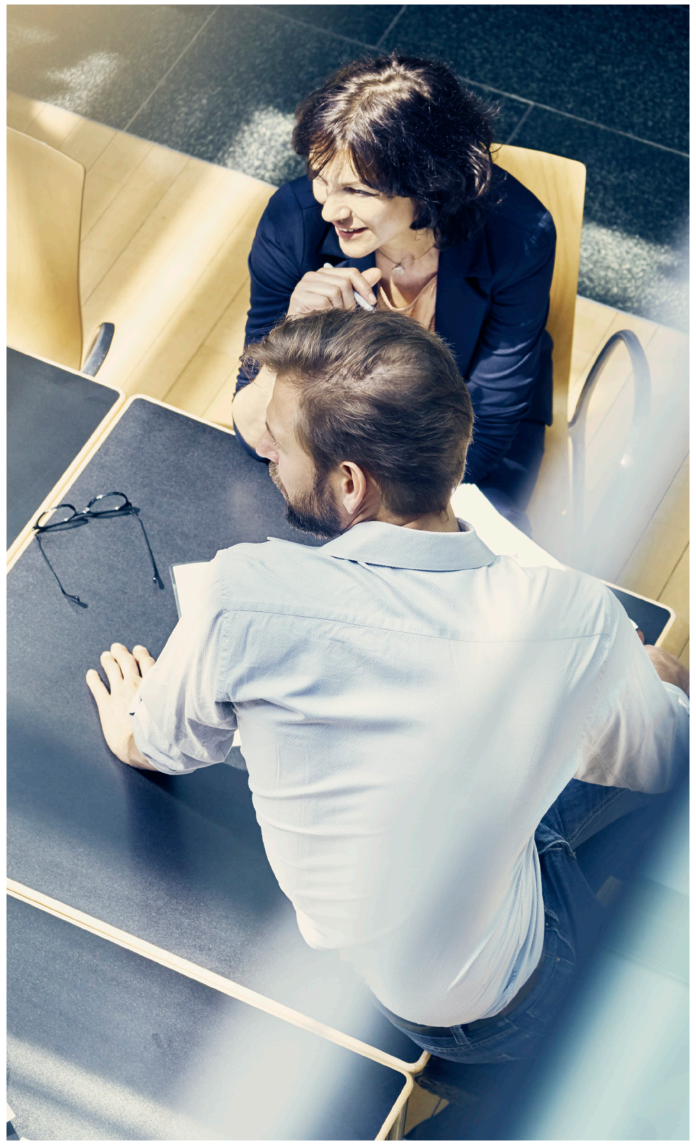
The Organisation for Economic Cooperation and Development (OECD) describe **a like-for-like reduction in GDP from rising inequalities** – with a one percentage point increase in income inequalities (or the Gini coefficient) reducing GDP per capita by up to 1 percent. There are also **microeconomic costs** to social inaction including reputational impact from labour strikes, shifts in consumer preferences, and health and safety risks.

Investor opportunities

We are seeing a growing number of investment products that seek to incorporate social factors into their investment approach. This could be done via **impact strategies** that aim to influence society directly and positively (for example via social housing, education, or healthcare investments), or alongside other sustainable factors (for example via **SDG alignment** tilting).

Our approach to Stewardship

Our clients and the wider investment industry, have significant influence in driving change on issues that we all care about across portfolio companies. We believe that proactive and targeted engagement with companies and the wider industry is more effective to drive change than an exclusionary approach.



The PRI defines stewardship as "the use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend."

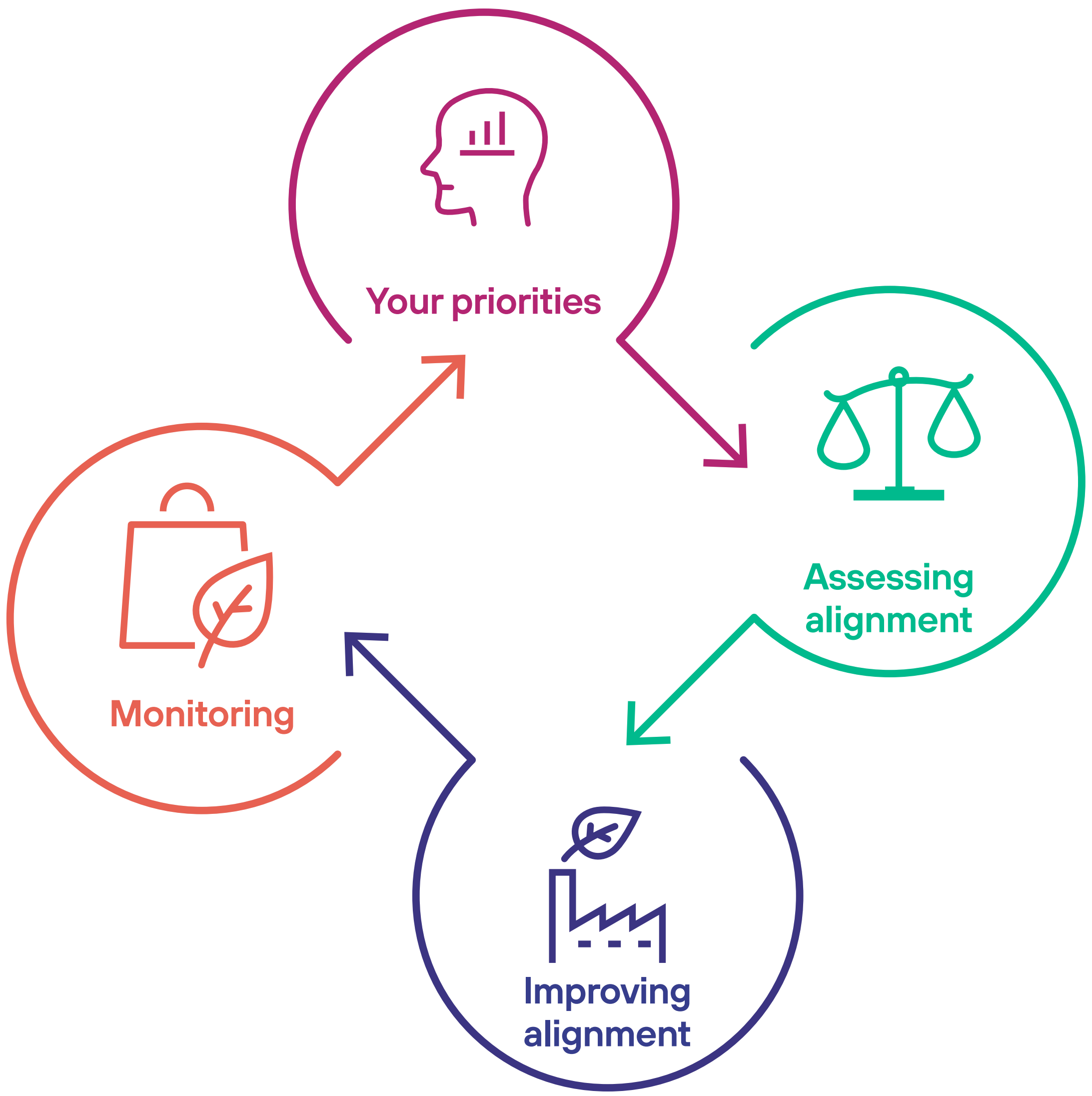
Voting and engagement activity are two of the most widely used tools that investors use to exert influence.

1. **Voting:** Exercising voting rights, where applicable, to formally express views on ESG topics, and to be effective should also be combined with an effective and consistent engagement program.
2. **Engagement:** We believe that consistent engagement with portfolio companies on ESG issues is more effective in initiating change than an exclusionary approach (with some exceptions via red-line exclusions). A clear **escalation process** is key in driving effective engagement activity, which may ultimately lead to the selective disinvestment of select companies. We are also supportive of **collective engagement** activity in order to further increase influence.

Given the importance of effective stewardship in driving action, investors should consider setting **bespoke stewardship beliefs and priorities** (in line with DWP guidance where appropriate). The focus should then be on sharing these beliefs and priorities with **investment managers** (e.g. via an expression of wish letter) to ensure **alignment of beliefs and priorities** evidenced via monitoring of their stewardship activities over time.

Our Clients’ SI Journeys

We provide detail below on how we support our clients through their SI journey. Our approach to ESG integration is continually evolving, as is industry best practice.



Your priorities: Understanding your priorities via training, SI-related beliefs setting and priority discussions

The world of sustainability continues to evolve and so may your priorities. We provide **regular training** to our clients on a range of SI-related topics in order to capture the latest industry and scientific thinking. Increased knowledge on these topics can help in identifying your **beliefs and priorities** (Sponsor views can also be captured here). These priorities can be translated into specific investment **objectives and targets**, such as the adoption of a net zero commitment.

Assessing alignment: How aligned is your investment strategy with your priorities?

Once your priorities are agreed, we can consider how aligned your current investment strategy is with these priorities. This includes **assessing the objectives** of the solutions you’re invested in as well as considering the SI-related **capabilities of your investment managers**, via a quantitative scorecard approach. These discussions and assessments are forward looking in nature.

Improving alignment: Are there any strategy changes worth considering to improve alignment with your priorities?

We work with investors to improve alignment via engaging with investment managers, updating investment guidelines or introducing new investment opportunities. We aim to **conduct a balanced implementation process**. We ensure we are aware of what is available in the **evolving market** across all asset classes, combining our qualitative research with quantitative analysis. We also work closely with investment managers to **design innovative products** when needed.

Monitoring: Continuing to ensure sufficient alignment with your priorities

We encourage transparent and regular **reporting on ESG metrics**, against **ambitious yet achievable targets**. Given the evolving landscape we support clients in ensuring **regulatory requirements** are met and ensure insight on key SI topics are shared to develop knowledge. We support clients in exceeding regulatory requirements to ensure our clients’ portfolios are future proofed.

Our approach, knowledge and understanding of SI-related issues is continually evolving, as is industry best practice. We are committed to continuing to evolve our ideas and processes. Where gaps exist, we will coordinate our efforts with clients, investment managers and the wider industry to find solutions, thus using our position within the industry to create and communicate demand for such products and be a driver for change.

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