



LEA 02	Disclosures	Monetary	Principles
<p>By providing separate disclosures, we will help our investors to understand the impact of our activities on the environment, society and governance (ESG) and to make more informed investment decisions. We will also disclose the impact of our investments on the environment, society and governance (ESG) and to make more informed investment decisions.</p>	<p>LEA 02</p>	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	<p>Principles: PRI 1, 2, 3</p>
<p>Type of engagement</p> <p>Individual/internal staff engagements</p>	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	
<p>Collaborative engagements</p>	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	
<p>Service provider engagements</p>	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	<p>Reason for Interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company related ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital <input checked="" type="checkbox"/> To engage internal ESG advisors <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	

RI TRANSPARENCY REPORT

2017

Pension Protection Fund

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2017 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO End	Module confirmation page	✓	-							

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04		✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13	Long term investment risks and opportunity	✓	Private	✓						
SG 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 16	ESG issues for externally managed assets not reported in framework	⚠	n/a							✓
SG 17	Innovative features of approach to RI	✓	Private							✓
SG End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	🔒	n/a		✓					
LEA 02	Reasoning for interaction on ESG issues	🔒	n/a	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 04	Objectives for engagement activities	🔒	n/a		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	🔒	n/a	✓	✓					
LEA 10	Tracking number of engagements	🔒	n/a		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	🔒	n/a		✓					
LEA 12	Engagement methods	🔒	n/a		✓					
LEA 13	Engagements on E, S and/or G issues	🔒	n/a		✓					
LEA 14	Companies changing practices / behaviour following engagement	🔒	n/a		✓					
LEA 15	Examples of ESG engagements	🔒	n/a		✓					
LEA 16	Disclosure of approach to ESG engagements	🔒	n/a		✓				✓	
LEA 17	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 18	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 19	Percentage of voting recommendations reviewed	✓	Public		✓					
LEA 20	Confirmation of votes	✓	Private		✓					
LEA 21	Securities lending programme	✓	Private		✓					
LEA 22	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 23	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 24	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 25	Shareholder resolutions	✓	Private		✓					
LEA 26	Examples of (proxy) voting activities	✓	Private		✓					
LEA 27	Disclosing voting activities	✓	Public		✓				✓	
LEA End	Module confirmation page	✓	-							

Pension Protection Fund

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Basic Information

OO 01

Mandatory

Public

Gateway/Peering

General

OO 01.1

Select the type that best describes your organisation or the services you provide.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation
- Endowment
- Development finance institution
- Reserve - sovereign or government controlled fund
- Family office
- Other, specify

OO 01.2

Additional information. [Optional]

The UK Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005 and is classified as a public financial corporation.

We protect millions of people who belong to defined benefit, eg final salary, pension schemes in the United Kingdom. If their employer goes bust and their pension scheme cannot afford to pay what they were promised, we will pay compensation for their lost pensions.

Over a hundred thousand people are now receiving compensation and hundreds of thousands more will do so in the future.

Compensation and the cost of running the PPF is paid through levies on eligible pension schemes. We also generate income from our own investments taking on the assets of schemes that transfer to the PPF and recovering money, and other assets, from insolvent employers of the schemes we take on.

We have £23.4 billion in our investment portfolio (31 March 2016) which is continually growing, and is currently managed both internally and externally.

Highlights as at 31 Mar 2016

- As at 31st Mar 2016, the PPF had 225,534 members, made up of 105,491 deferred and 120,043 Pensioner members .
- By the end of our financial year, we were supporting 120 schemes in the assessment period, with assets of £5.4billion and liabilities of £6.7 billion.
- By the end of March 2016, the PPF had a funding level of 116.3 per cent - an increase on the previous year, which was 115.1 per cent.
- By 31 March 2016, we were 93 per cent confident of meeting our target of being financially self-sufficient by 2030, an increase from 88 per cent at 31 March 2015.

Further details regarding the PPF's strategic objectives and investment strategy for the year under review can be found in its annual report which can be found here:

http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/ARA_1516.pdf

OO 02

Mandatory

Public

Peering

General

OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

328

OO 03 Mandatory Public Descriptive General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04 Mandatory Public Gateway/Peering General

OO 04.1 Indicate the year end date for your reporting year.

31/03/2016

OO 04.2 Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on.

	trillions	billions	millions	thousands	hundreds
Total AUM		23	400	000	000
Currency	GBP				
Assets in USD		29	793	008	580

OO 06 Mandatory Public Descriptive General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 06.1

How you would like to disclose your asset class mix.

as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	7	0
Fixed income	22.5	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	58	0
Other (1), specify	12.5	0
Other (2), specify	0	0

'Other (1)' specified

Other (1) relates to Hybrid Assets which are defined as illiquid assets with hedging characteristics
Under Cash, we include Gilts and other Global Govt Bonds

as broad ranges

OO 06.2

Publish our asset class mix as per attached image [Optional].

Gateway asset class implementation indicators

OO 10	Mandatory	Public	Gateway	General
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OO 10.1	Select the direct or indirect ESG incorporation activities your organisation implemented for listed equities in the reporting year.
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- We incorporate ESG in our investment decisions on our internally managed assets
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

OO 10.2	Select the direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.
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- We engage with companies on ESG factors via our staff, collaborations or service providers
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

OO 10.3	Select the direct or indirect voting activities your organisation implemented for listed equity in the reporting year
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- We cast our (proxy) votes directly or via dedicated voting providers
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

OO 11	Mandatory	Public	Gateway	General
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OO 11.1	Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).
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- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Cash
- Other (1)
- None of the above

OO 11.3a	If your organisation does not integrate ESG factors into investment decisions on your internally managed assets, explain why not.
-----------------	---

The PPF have insourced part of its LDI programme, which involves using instruments (Gilts and Swaps) to hedge our liability profile. These instruments cannot be ESG defined

'Other (1)' [as defined in OO 05]

Other (1) relates to Hybrid Assets which are defined as illiquid assets with hedging characteristics
Under Cash, we include Gilts and other Global Govt Bonds

OO 12	Mandatory	Public	Gateway	General
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You will need to make a selection in OO 12.1 only if you have any voluntary modules that you can choose to report on.

OO 12.1	Select from below any additional applicable modules or sections you would like to report on voluntarily. You are only required to report on asset classes that represent 10% or more of your AUM.
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Core modules

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Closing module

- Closing module

Pension Protection Fund

Reported Information

Public version

Strategy and Governance

PRI disclaimer

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Processes / approaches to incorporating ESG
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Indicate what norms you have used to develop your investment policy that covers your responsible investment approach.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)

other (1) description

International Corporate Governance Network (ICGN)

- Other, specify (2)

other (2) description

UK Stewardship Code

- Other, specify (3)
- None of the above

SG 01.5

Describe your organisation's investment principles, and overall investment strategy, and how they consider ESG factors and real economy impact.

Our Statement of Investment Principles contains a set of responsible investment principles, adopted by the Board and its Investment Committee, closely aligning the PPF with the Principles for Responsible Investment (PRI). Our two core beliefs are that:

- by acting as a responsible and vigilant asset owner, we can protect and enhance the value of our investments,
- environmental, social and governance (ESG) factors can have an impact on the long-term performance of our investments, and the management of ESG risks and exploitation of ESG opportunities can, therefore, add value to our portfolio.

From these flow a number of commitments to:

- align our responsible investment strategy with the Principles for Responsible Investment, and apply it across all asset classes and markets in which we invest
- hold our agents to account with regard to its responsible investment expectations, and to give appropriate weight to these requirements and how they will be weighted in the appointment process
- exercise our ownership rights, including voting rights, and report to our stakeholders on our responsible investment activities

No

The key elements of our approach to RI, in line with our commitments in our Statement of Investment Principles, are:

RI criteria in manager due diligence at selection stage

RI criteria are formally part of our manager selection process. However, RI factors on their own do not determine our view of managers. Equal weights are given to RI considerations for each asset class, we are however cognisant that the relevance and availability of best practice varies between asset classes. As part of the appointment process we include RI due diligence, sometimes through dedicated meetings.

RI clauses in our manager mandates

Since 2012, we have followed best practice set out by the International Corporate Governance Network (ICGN) in including RI clauses in investment management agreements. While these clauses are still subject to negotiation with individual managers, their inclusion allows us to communicate our RI expectations formally at the outset.

On-going monitoring and scoring of managers' RI performance and engagement

Much of our RI efforts focus on where we have the most influence - on the interface with our external managers. The purpose is to move our managers, through proactive engagement, towards better RI practice. The tool that we use for this is our RI rating (red, amber or green) which is fully integrated into our wider performance-monitoring framework. It is based on five performance areas: alignment, ESG integration, stewardship, resources, and reporting. Our investment team uses it to monitor the degree to which managers' RI approach is aligned with our requirements. The RI rating is one of a number of equally weighted qualitative factors assessing manager performance more widely and which sit alongside a quantitative performance assessment. No single factor determines the view we take of our managers.

Our fund managers are required to report RI issues alongside investment performance. RI is a standing agenda item in manager meetings. The team engages with fund managers on their rating. Since the introduction of the rating, the majority of our fund managers have taken steps towards better alignment with our RI policies, and RI reporting has significantly improved in quantity and quality.

We have internal guidance documents or policies which set out our expectations of managers in various asset classes. These are updated as best practices emerge in the market; their main purpose is to guide our investment team in forming an RI opinion of a manager; and to help establish specific proposals for improvement/development that may lead to a ratings upgrade. These documents are not public, but for the use of the team only.

Collaborative efforts to improve or set RI standards across asset classes

Internally within the PPF, we continue to develop our internal RI ratings framework focussed on improving ESG risk mitigation reporting by our asset managers. Similarly we continue to engage with industry peers on their experiences, and approaches taken to measure risks concerning fossil fuels and controversial weapons.

Exercising our ownership rights, such as shareholder rights and votes on advisory committees

We believe that voting our shares and engaging with companies are part of our oversight role in relation to the companies in which we invest. Exercising our shareholder rights is not an end in itself but an essential means of ensuring that boards are accountable, and are fulfilling their stewardship obligations to shareholders, including the delivery of long-term value. This is why we have adopted a Statement of Stewardship Principles which sets out our beliefs and principles that underpin our role as a shareholder in listed companies.

Another aim is to ensure greater accountability and improve the way in which we monitor our external voting agents. The Board approved a Standard of Diligence, which defines our expectations regarding the quality of voting and engagement decision-making and implementation by our agents. This document is not public.

To vote the PPF's shares cost-efficiently across a growing global listed equity portfolio, we appoint external agents who also monitor portfolio companies for ESG risks, and where concerns arise, engage with company management. For our segregated portfolios, we use an overlay service. Due to operational barriers to extracting voting rights from our pooled equity funds, we outsource stewardship activities in relation to these funds to the relevant managers. We actively monitor our voting and engagement agents throughout the year and work with them to improve the quality and quantity of their stewardship activities globally.

The PPF has published its Statement of Compliance with the UK Stewardship Code. This Code, adopted by the Financial Reporting Council (FRC) in July 2010, aims to improve the quality of engagement between investors and companies to help maximise long-term returns to shareholders as well as improve and strengthen corporate governance. The PPF is listed as a signatory to the UK Stewardship Code on the FRC's website.

Transparency

The PPF strives to be transparent on its responsible investment activities. Information is available on its website, including quarterly reports on the voting and engagement activities carried out on behalf of the PPF.

Identify and implement sustainable investment opportunities

We continue to investigate sustainable investment opportunities that fulfil three criteria:

- the existence of a solid investment case
- the ability to exploit opportunities arising from long-term macro trends or help mitigate macro risks
- the ability of managers to meet or move towards meeting our responsible investment criteria, and can be implemented at scale.

We continue to implement our farmland and timberland investment programme which was previously prioritised under these criteria, due to the demographic trend underpinning the opportunity (population growth, emerging markets growth and associated urbanisation), the relative resilience in both investment and climate change terms, the direct link to our resource theme and the importance placed by the industry on developing sustainability standards.

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- Policy setting out your overall approach

	URL/Attachment
--	----------------

- URL

	URL
--	-----

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

- Attachment (will be made public)
- Formalised guidelines on environmental factors
- Formalised guidelines on social factors
- Formalised guidelines on corporate governance factors
- Asset class-specific RI guidelines
- Engagement policy
- (Proxy) voting policy
- We do not publicly disclose our investment policy documents

SG 02.2	Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.
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- Your organisation's definition of ESG and/or responsible investment and it's relation to investments

	URL/Attachment
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- URL

URL

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

Attachment

Processes / approaches to incorporating ESG

URL/Attachment

URL

URL

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

Attachment

Time horizon of your investment

Reporting

We do not publicly disclose any investment policy components

SG 02.3 Indicate if your organisation's investment principles, and overall investment strategy is publicly available

Yes

URL

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

No

SG 02.4 Additional information [Optional].

We have a set of internal guidance documents that describe our RI expectations of managers across a number of asset classes. These are updated periodically, e.g. when new best practice guidelines are issued by PRI or other organisations. The purpose of these documents is to guide the ratings decision of investment team members (who assess each strategy against our RI expectations). When communicating our expectations to managers, the feedback is tailored to the areas where we see need for improvement. Given that best practice in many asset classes is scarce, and is still developing, we are not making our guidelines public, but provide our fund managers with a description of our ratings processes, which is available on our website.

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

An example for a source of conflict (even though none have arisen to date) is where we are shareholders of a company and also protect the members of the pension fund of that same company. We adopt an arms length approach to such conflicts: while we reserve the right to amend any votes proposed by our voting agent, and to this end review voting proposals ahead of AGMs, we are generally satisfied that our voting and engagement agent has suitable expertise, policies, research and resources to carry out stewardship activities on a day to day basis on our behalf. Therefore, where conflicts of interest arise, we will not influence or override the voting decision of our agent.

No

Objectives and strategies**SG 05****Mandatory****Public****Gateway/Core Assessed****General****SG 05.1**

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

SG 05.2

Additional information. [Optional]

We have an independent Board which sets out our business strategy and plan, and develops and maintains the PPF's responsible investment policies. This is usually delegated to the Board's Investment Committee, but the Board does provide direct steer in some areas, e.g. on corporate governance priorities and on the consideration of ethical issues in our investments.

The Chief Investment Officer (CIO) is responsible for the investment strategy which includes our responsible investment strategy. The responsible investment strategy is reviewed annually, with quarterly updates to the Investment Committee as required.

The day-to-day implementation of the strategy is in the hands of our Responsible Investment Manager, and fully integrated into the investment team's activities. Oversight of our investments is delegated to our Asset and Liability Committee (an executive committee). This includes the quarterly review of the Responsible Investment performance of our external investment managers.

Environmental, social and governance risks are included in the investment team's risk register which is reported to the Risk Management Committee.

Governance and human resources**SG 07****Mandatory****Public****Core Assessed****General****SG 07.1**

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 - Chief Investment Officer**
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)
 - Investment analysts - monitoring of ESG**

Other description (1)

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify (2)

SG 07.2	For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
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We have an independent Board which sets out our business strategy and plan, and develops and maintains the PPF's responsible investment policies. This is usually delegated to the Board's Investment Committee, but the Board does provide direct steer where issues are considered, for example on corporate governance priorities and on the consideration of ethical issues in our investments.

The Chief Investment Officer (CIO) is responsible for implementing the investment strategy which includes our responsible investment strategy. The responsible investment strategy is reviewed annually, with quarterly updates to the Investment Committee as required.

The PPF employs a dedicated team of experienced investment professionals. Team members have diverse backgrounds thereby mitigating the risk of "group think". Team members are encouraged to develop their skills within a particular area of investment field working on a range of investment projects.

The investment strategy is designed to be robust to changes in the capital market environment, and as part of this, our responsible investment strategy contributes to risk mitigation. The PPF seeks to utilise a diverse range of investment levers to ensure that the return per unit risk is maximised while respecting the long term targets set out in the Statement of Investment Principles.

Value is added through active manager selection, tactical asset allocation, portfolio construction and efficient implementation. A rigorous process is used to gather the data on which these decisions are based and proprietary systems are used to track the information.

The Team meets with investment managers at regular intervals and formally evaluates the managers' ability to deliver on their agreed performance targets. Managers are evaluated on various criteria: Organisational Stability, Calibre of Personnel, Investment Process, Alignment with PPF Responsible Investment Principles, Risk and Performance.

The day-to-day implementation of the strategy is in the hands of our Responsible Investment Manager, and RI activities are integrated into the investment process. Oversight is delegated to our Asset and Liability Committee (an executive committee). This includes the quarterly review of the Responsible Investment performance of our external investment managers.

Environmental, social and governance risks are included in the investment team's risk register which is reported to the Risk Management Committee.

SG 07.3	Indicate the number of dedicated responsible investment staff your organisation has.
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Number

1

Promoting responsible investment				
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SG 09	Mandatory	Public	Core Assessed	PRI 4,5
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Attendance and engagement with PRI personnel at PRI Critical Themes for 2015 event.

- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are a signatory.

- CDP Forests
- CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

We are a signatory.

- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Code for Responsible Finance in the 21st Century
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

UKSIF

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

We are affiliated with UKSIF

- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

UK pension fund informal collaboration

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Our RI manager is continues to collaborate with industry peers on efforts to raise RI best practice initiatives and engagement across UK pension funds

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
International Limited Partners Association (ILPA)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We became members of ILPA during the year. While the aims of ILPA (to advance the interests of private equity Limited Partners) is broader than RI, it does provide a platform for an RI debate, including through its strong focus on good governance in partnerships.

- Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes

SG 10.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

SG 10.3

Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

In promoting responsible investment in the market place we focus on areas where we wish to see greater alignment with our organisational goals. For example, we meet with asset managers that wish to discuss their RI approaches in more depth or require feedback on aspects of same.

We have had some success in encouraging asset managers to sign up to the PRI. We contributed to selected publications, always with a focus on the practical implementation of the Principles, the challenges that we face, and the solutions we have found. While there are many asset managers interested in our selection and monitoring processes, it is also important to reach out to other asset owners to share and improve best practice.

Our engagement service provider, Hermes EOS, is involved in the following key networks on our behalf. • Asian Corporate Governance Association (ACGA) • Assogestioni (Italy) • Canadian Coalition of Good Governance (CCGG) • Carbon Disclosure Project & Water Disclosure Project • Council of Institutional Investors (USA) • Dansif (Denmark) • DSW (German Shareholder Association) • Eumedion (Netherlands) • European Investors' Working Group • Eurosif (Europe) • FIR (French Social Investment Forum) • International Corporate Governance Network (ICGN) • International Investors Group on Climate Change (IIGCC) • National Association of Pension Funds (UK) • UKSIF • UN Environment Finance Initiative (UNEP FI)

Implementation not in other modules

SG 12	Mandatory	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1

Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

SG 12.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

- We do the following
 - Allocation between asset classes
 - Determining fixed income duration
 - Allocation of assets between geographic markets
 - Sector weightings
 - Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 15**Mandatory****Public****Descriptive****General****SG 15.1**

Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	<p>Hermes EOS undertakes intelligent voting on our behalf according to our own proxy voting policy. This means that all proxies are voted in line with the individual circumstances of the company and the vote, rather than using a box-ticking approach or as a compliance driven activity. The vote is viewed as an annual governance health check and voting work is strongly linked with corporate engagement. The vote is not perceived as an end in itself but rather as a mechanism which precipitates further change where required. Hermes EOS files shareholder proposals in markets where it is relevant to do so, typically in Germany and the US, either as lead filer or as co-filer alongside other investors. Consistent with its intelligent voting approach, this typically forms part of a wider engagement with the company and is used as a tool for leverage in its dialogue with management.</p>
Listed equities - engagement	<p>Engagement is undertaken on our behalf by Hermes Equity Ownership Services (Hermes EOS). Engagement with companies is undertaken both for monitoring and influencing purposes and where relevant to address strategic issues relevant to long-term value. Hermes EOS' engagements address the major themes of environment and governance as well as social and ethical issues. Engagement is undertaken holistically, and it is typical for a number of issues across the themes of E, S and G to be discussed concurrently. For the major part of its engagement work, Hermes EOS sets objectives to be achieved at the outset of the engagement. Engagements are then monitored by reference to a system of milestones to ensure that satisfactory progress is made over a reasonable period of time.</p> <p>Engagements for monitoring are undertaken to gather information on companies' processes to ensure that they adhere to best practice. Any perceived risks to shareholder value or reputational risks may then be taken forward as an engagement for influence with a view to influencing the desired change.</p>

Pension Protection Fund

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

(Proxy) voting and shareholder resolutions

Overview

LEA 17	Mandatory	Public	Gateway	PRI 1,2,3
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 17.1	Indicate whether your organisation has a formal voting policy.
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- Yes
- No

Process

LEA 18	Mandatory	Public	Descriptive	PRI 2
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LEA 18.1	Indicate how you typically make your (proxy) voting decisions.
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	Approach
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- We use our own research or voting team and make voting decisions without the use of service providers.
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

	Based on
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- the service provider voting policy signed off by us
- our own voting policy
- our clients' requests or policy
- other, explain
We review votes ahead of time against our Statement of Stewardship Principles (available on our website), and our (non-public) Standard of Diligence.
- We hire service provider(s) that make voting decisions on our behalf.

LEA 19	Mandatory	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 19.1	Of the voting recommendations that your service provider made in the reporting year, indicate the percentage reviewed by your organisation, giving reasons.
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	Percentage of voting recommendations your organisation reviewed
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- >20%,
- 5-20%,
- 1-5%,
- <1%

	Reasons for review
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- Specific ESG issues
- Votes for significant holdings
- Votes against management and/or abstentions
- Conflicts of interest
- Corporate actions such as M&A, disposal, etc.
- Votes for companies with which we have an active engagement
- Client requests
- Ad-hoc oversight of Service Provider
- Shareholder resolutions
- Share blocked securities
- Other, explain

LEA 19.2	Additional information [Optional]
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Hermes EOS is voting thousands of resolutions on our behalf every year. In order to provide effective oversight, we focus the pre-AGM review of votes (i.e. where we could amend a voting decision if it is not in line with our policies) on our watchlist of stocks where we have significant ownership and where ESG risk is heightened relative to other stocks in our portfolio. After the AGM, as part of our quarterly review process, we review votes against management and on shareholder resolutions based on the comments provided by Hermes. Where questions arise, we will discuss them in our quarterly meeting or call with Hermes.

LEA 22	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 22.1	Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting
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- Yes, in most cases
- Sometimes, in the following cases:
 - Votes for selected markets
 - Votes relating to certain ESG issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other
- Neither we nor our service provider raise concerns with companies ahead of voting

LEA 22.2	Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations.
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- Yes, in most cases
- Sometimes, in the following cases.
 - Votes in selected markets
 - Votes on certain issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers do not abstain or vote against management recommendations

LEA 22.3	Additional information. [Optional]
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Where, in accordance with its policies, Hermes EOS has executed a vote against management on large holdings or otherwise high-profile companies, it seeks to follow up with the company either in writing to explain the reasons giving rise to a vote against and the steps that it would like to see the company take to rectify the issue. As necessary, Hermes EOS will look to engage with the company before the meeting to ensure that the issue giving rise to the vote against is addressed so that it can vote in line with management's recommendation, a vote 'for' management 'by exception,' in subsequent years

Outputs and outcomes				
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LEA 23	Mandatory	Public	Core Assessed	PRI 2
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LEA 23.1	For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- We do track or collect this information
- We do not track or collect this information

LEA 23.3 Additional information. [Optional]




Our service provider Hermes EOS submits vote recommendations on all ballots available to vote in the portfolios for which we have subscribed to their proxy voting service

LEA 24 **Mandatory** **Public** **Additional Assessed** **PRI 2**

LEA 24.1 Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

Yes, we track this information

LEA 24.2 Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 88
Against (opposing) management recommendations	 12
Abstentions	 0

100%

LEA 24.3 Describe the actions you take after voting against management recommendations.

Hermes EOS undertakes intelligent voting on our behalf according to our own proxy voting policy. This means that all proxies are voted in line with the individual circumstances of the company and the vote, rather than using a box-ticking approach or as a compliance driven activity. The vote is viewed as an annual governance health check and voting work is strongly linked with corporate engagement. The vote is not perceived as an end in itself but rather as a mechanism which precipitates further change where required. Hermes EOS files shareholder proposals in markets where it is relevant to do so, typically in Germany and the US, either as lead filer or as co-filer alongside other investors. Consistent with its intelligent voting approach, this typically forms part of a wider engagement with the company and is used as a tool for leverage in its dialogue with management. Where, in accordance with its policies, Hermes EOS has executed a vote against management on large holdings or otherwise high-profile companies, it seeks to follow up with the company either in writing to explain the reasons giving rise to a vote against and the steps that it would like to see the company take to rectify the issue. As necessary, Hermes EOS will look to engage with the company before the meeting to ensure that the issue giving rise to the vote against is addressed so that it can vote in line with management’s recommendation, a vote ‘for’ management ‘by exception,’ in subsequent years. It may look to vote against management in a number of different scenarios. While it is difficult to provide a general description, typically this will be where a vote with management would not serve the best long-term interests of shareholders. This may be either in terms of remuneration or where there are insufficient skills on the board to take the company forward. There may also be specific instances where a vote in favour of management would be actively detrimental

to the company, for example in the case of a merger or acquisition. Hermes EOS rarely abstains on votes. In the very rare instances that it does consider abstaining, this may be because it is unable to vote with management – typically due to inadequate information being provided – but where a vote against management may appear unduly harsh. Hermes EOS always seeks to obtain the required information to make an informed voting decision but this may not always be possible.

No, we do not track this information

Communication

LEA 27	Mandatory	Public	Core Assessed	PRI 2,6
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LEA 27.1 | Indicate if your organisation proactively discloses information on your voting activities.

We disclose it publicly

provide URL

<http://www.pensionprotectionfund.org.uk/investment/Pages/ResponsibleInvestment.aspx>

LEA 27.2 | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

LEA 27.3 | Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

LEA 27.4

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/as requested
- No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries