TRUSTEES OF THE MINEWORKERS' PENSION SCHEME LTD

Stewardship Policy

1. Introduction

This policy sets out the Mineworkers' Pension Scheme's (the Scheme) approach to stewardship, and describes how the Trustees of the Mineworkers' Pension Scheme Limited (the Trustee) undertakes stewardship across its asset pool. The policy is owned by the Committee of Management and will be reviewed and updated periodically.

This policy should be read in conjunction with the Scheme's:

- Responsible Investment Policy
- Stewardship Report
- Statement of Investment Principles

2. Investment Philosophy, Purpose, and Beliefs

The Trustee's fiduciary duty is to act in the best interests of the Scheme's members and the Trustee's long-term bonus objectives are to deliver new bonus pensions throughout the future and to provide steady annual pension increases to all members in the future. Consistent with this, the Trustee's primary investment objective is to maximise expected returns subject to risks remaining within tolerances that the Trustee establishes from time to time. Sustainability is an important and evolving long-term trend which the Trustee believes can have a material impact on long-term investment returns and thus achievement of the Trustee's objective.
The Trustee is focussed on delivering the returns required to meet its objectives through long-term investing, considering all relevant risks and opportunities. This includes a rigorous focus on stewardship and the integration of ESG factors and other longer-term themes into investment management. The Trustee has agreed a set of investment beliefs, which cover return, risk, future expectations, illiquidity, complexity, sustainability and governance. Specifically the Trustee believes that being a good steward of assets can lead to better risk adjusted returns.

The Trustee supports and applies the UK Stewardship Code 2020 definition of stewardship: "Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

3. Stewardship Goals and Priorities

As with all areas of investment, stewardship is aligned with the Trustee's fiduciary duty and improving investment outcomes. Stewardship can be an effective tool for both reducing investment risks and improving returns.

Consistent with the Trustee's Responsible Investment Policy, the focus of stewardship is to create long-term value by effectively addressing material factors in the following areas:

- Environment – in particular risks and opportunities related to climate change but also other areas such as pollution, natural resources, biodiversity and land use.
- Social - human rights, labour rights, inequality and diversity, health and wellbeing
- Governance – how well the companies and assets invested in are run and overseen with sufficient rights and accountabilities.

4. Stewardship Approach

The Scheme is an active owner and the Trustee has been accepted as a signatory to the UK Stewardship Code.

The Scheme's role as a steward applies across all assets and geographies in which the Scheme invests. As the Scheme delegates the management of individual assets to its investment managers the Scheme's key levers of control and influence in stewardship are (i) the appointment of aligned managers and stewardship providers; and (ii) ongoing engagement, oversight and challenge of those managers and providers.

The nature of stewardship varies across asset classes, from private markets where the investment managers have direct control over an asset or company, to public markets where the reliance is on engagement and voting.

i) Private Markets

In private markets, investment managers may directly control the companies, assets and properties invested in. As such their ability to influence these is often significant. We expect such investment managers to actively manage the assets, maximising opportunities and minimising risks around material environmental, social and governance factors.

The Trustee's strategic adviser, CPTI, is responsible for overseeing and engaging with appointed investment managers both directly and through any appointed consultants, encouraging best practice in relation to stewardship, and communicating expectations for reporting on progress and the outcomes of engagement and voting activities. CPTI seeks to exert influence through its ongoing dialogue with its investment managers, by taking active roles on advisory boards and through broader asset owner collaborations. Advisory boards provide a method of collaboration with other investors within the same private asset pool.

Private Debt

Whilst investing in debt does not give managers direct control or voting outside of distressed situations, debt holders still have significant opportunity and responsibility to engage. Debt investors have significant influence when deciding whether to participate in future debt issuances, both in relation to the cost and lending terms of loan agreements. Particularly in the case of new lending, managers also have the opportunity to introduce covenants in relation to material ESG risks.

Escalation

Within private markets the degree of influence is affected by whether the investment is in a closed ended fund, an open ended fund or segregated account, with the most influence being provided through the latter. Where the stewardship provided by a manager is deemed unacceptable and engagement with the manager is proving unsuccessful in changing this position, escalation options in private markets may include:

- voting against the manager on an Advisory Board;
- not committing to future funds with the manager;
- replacing the manager in a segregated account; or
- working with other investors to influence the manager outside of the Advisory Board if no seat is held.

ii) Public Markets

Within public markets, the Scheme will generally be a minority owner of the debt or equity of public companies. External managers and the stewardship provider are expected to engage with the management and boards of these companies, and undertake voting on the Trustee's behalf.

Stewardship Provider

Within corporate debt and equity, the investment managers or dedicated stewardship provider, EOS at Federated Hermes (EOS), undertake engagement and voting activities on the Scheme's behalf. For each account CPTI determines whether stewardship is best delivered by EOS or the investment manager of the account by assessing the quality of the manager's stewardship approach and EOS's coverage of the particular asset class. In each case the investment manager or EOS leverages the combined asset base of their aggregate clients to exert influence on the companies and seek positive change.

Limits of Stewardship Approach

As above, within public markets the Scheme's stewardship is undertaken by the appointed investment managers and EOS. Under this approach the Scheme retains responsibility for stewardship but delegates implementation. CPTI actively engages with the investment managers and EOS to influence their priorities and ensure these are fully aligned with the Scheme's interests. Because the Scheme is not conducting its own engagements directly, it has a limited ability to tailor the engagement approach and focus, however it does benefit from the aggregate influence of a much larger asset pool of combined clients. Therefore the Scheme does not currently select individual companies on which to focus engagements, nor does it usually take a position on individual company votes.

Identifying Engagement Opportunities

The Scheme recognises that the investment managers and the stewardship provider will not be able to engage with all holdings within the portfolio, particularly in more diversified portfolios. However, within equities, the Scheme expects voting on all holdings. It also expects EOS and the investment managers to prioritise engagements based on the extent to which:

1. engagement will lead to an increase in the value of a company's shares over the long term;
2. engagement will prevent or limit a decrease in the value of a company's shares over the long term;
3. The company is facing or is part of systemic risks.

In determining whether to initiate an engagement, the external managers and EOS are expected to assess the materiality of the identified issue or opportunity, the likelihood of engagement success, and the potential to bring about positive change.

Voting Policy

The Trustee understands that voting is an important investor right and responsibility. The Scheme has decided to outsource the decision making on individual votes to EOS and the investment managers. The Scheme sets out the following key principles on how it expects its voting to be carried out:

- The Scheme seeks wherever practicable to vote on every resolution at all meetings of companies in its portfolios. Voting is regarded as an important part of the Scheme's stewardship activities and as a means of achieving positive change.
- External investment managers and EOS are expected to support international principles of corporate governance best practice and take account of local market standards, thereby promoting accepted good governance and business practices on the Trustee's behalf, whilst recognising relevant regional differences. G20/OECD Principles of Corporate Governance (2015)[1] and ICGN Global Corporate

[1] http://www.oecd.org/corporate/oecdprinciplesofcorporategovernance.htm

Governance Principles (2021)[2] are recognised as the two main global governance standards, and external managers are expected to consider these when voting on the Trustee's behalf.

- Where a stock is on loan in the stock lending program, the custodian or investment manager is expected to recall it for voting.
- The use of voting rights attached to shares held by the Scheme should be appropriately aligned with the Trustee's Responsible Investment Policy and investment objectives, and should motivate companies to reduce risks and improve potential returns, including in relation to sustainability and ESG considerations.
- Voting is also a key tool for escalation when engagement proves insufficient – at its most extreme voting can be used to directly change the Board of a company.
- The Scheme believes that voting should be undertaken pragmatically and, where necessary in pursuit of positive change.

The Scheme will generally follow the voting recommendations made by EOS or external managers where it has been agreed the manager retains ownership of the voting process, although the Scheme retains the right to vote differently. Voting is undertaken through the ISS Governance Services voting platform.

As the Scheme is not determining its own votes, it has not defined a detailed approach to voting specific issues. However it engages with the Stewardship provider and managers to ensure their own policies and voting actions are in line with the Scheme's objectives and the Trustee's approach to responsible investment.

Debt

The Scheme expects its external investment managers to undertake engagement in relation to corporate debt. While debt holders have no voting rights outside of circumstances of distress, the Scheme believes that they can influence companies through engagement, including on the terms of future debt issuances and debt covenants.

The approach to engagement in sovereign debt across the industry remains nascent. The Scheme does not currently engage on its sovereign debt holdings but continues to closely monitor developments here.

Escalation

The Scheme's investment managers and EOS are expected to escalate engagements according to the nature and severity of the concerns. Escalating engagements may be necessary where the company is not receptive to engagement, no progress is being made or progress is too slow. Escalations may include attempting engagement at a more senior level,

[2] https://www.icgn.org/sites/default/files/ICGN%20Global%20Governance%20Principles2021_0.pdf

sending letters to the board of directors, collaborating with investors or other stakeholders, raising questions or making statements at annual meetings, recommending votes against management, and supporting shareholder resolutions or open letters.

CPTI will also escalate concerns around ineffective stewardship through engaging with the manager, removal of engagement responsibilities or, in the extreme, termination of the manager relationship.

5. Monitoring and Reporting

CPTI applies its formal monitoring framework across all of the Scheme's external investment managers to make sure they align with the Scheme's expectations for responsible investing including stewardship. All external managers are encouraged to have formal policies covering stewardship, including voting and engagement.

Alongside EOS, all external investment managers are expected to report on their stewardship activities, providing transparency on progress and outcomes in relation to engagement and voting. However, it is noted that reviewing stewardship outcomes is currently a difficult process reliant on case studies. The Trustee and CPTI support a continued push for greater information and data in this area, particularly on voting.

The Scheme reports to the FRC on its stewardship on an annual basis and receives feedback on its submission from the FRC. The Scheme also publishes its annual stewardship report on its website.

6. Collaborative Engagements and Industry Initiatives

The Scheme collaborates with other investors through the stewardship provider and external managers representing the interests of their aggregate client bases. The Trustee believes this allows the Scheme to pool resources and to increase leverage for influencing positive change in order to protect and enhance shareholder value. EOS and the Scheme's investment managers are involved in a number of industry initiatives including the UN Principles for Responsible Investment (PRI), Climate Action 100+, Institutional Investors Group on Climate Change, and Asia Investor Group on Climate Change. Additionally, on behalf of the Scheme, EOS and the managers regularly engage with a wide range of stakeholders, including government authorities, trade bodies, unions, investors and NGOs.

Through stewardship, the Scheme also promotes effective regulation in the markets in which it invests to encourage governance structures that facilitate the accountability of companies to their owners, to give companies the certainty they need to plan for the future and to promote a level competitive playing field, which enables companies to prioritise long-term profitability.

The Scheme is not currently directly part of any external investor collaborations, however such initiatives may be valuable in future if they are considered to be beneficial in terms of influencing investment outcomes or providing valuable knowledge or investment opportunities.