STATEMENT OF RESPONSIBLE INVESTMENT

1. **Principles**

1.1 NILGOSC’s overriding obligation is to act in the best interests of the scheme beneficiaries. In this fiduciary role NILGOSC believes that environmental, social and corporate governance (ESG) issues can affect the financial performance of investments. Accordingly, NILGOSC believes that these factors should be taken into account when managing the Scheme’s assets, subject to the overriding fiduciary duty to maximise the financial return on investments. NILGOSC has developed this Statement of Responsible Investment to outline how such issues are incorporated into its investment practices.

1.2 As a means of demonstrating its commitment to responsible investment practices, NILGOSC has adopted the United Nations Principles of Responsible Investment (UNPRI).

1.3 NILGOSC believes that engagement is a key part of any responsible investment strategy and engages with companies both directly and via its fund managers. NILGOSC also participates in collaborative initiatives with other like-minded investors and groups, which seek to improve company behaviour, policies or systemic conditions.

1.4 NILGOSC has a Proxy Voting Policy, which sets out its expectations for good corporate governance in the companies in which it invests. This 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 is available at [www.nilgosc.org.uk/voting-policies-and-activity](http://www.nilgosc.org.uk/voting-policies-and-activity).

1.5 NILGOSC has developed a Climate Risk Statement to sit alongside the Statement of Responsible Investment. The Statement acknowledges the importance of climate risk as an investment issue and sets out the steps which will be taken to address it. A copy is available at [http://www.nilgosc.org.uk/climate-risk](http://www.nilgosc.org.uk/climate-risk).

1.6 NILGOSC supports the principles set out in the UK Stewardship Code and has published a Statement of Adherence to the Code, which is available on its website at [http://www.nilgosc.org.uk/stewardship](http://www.nilgosc.org.uk/stewardship). NILGOSC also requires its fund managers to provide copies of their Statements of Adherence to the Stewardship Code and monitors their compliance with its principles.

2. **Responsible Ownership**

2.1 Responsible ownership is about recognising that the impacts of corporations on the environment, on workers and on communities can seriously affect shareholder value. It also places a high value on companies’ own good governance. Responsible ownership differs from ethical investment, which generally focuses on excluding or including companies from an investment portfolio (positive or negative screening). By contrast, responsible ownership involves investors using their shareholder power in the companies they invest in. NILGOSC does this by voting at shareholder meetings and by engaging, both directly and indirectly, with company senior management when ESG issues of concern have been identified. The purpose of voting and engagement is to improve corporate behaviour and to protect shareholder value.
2.2 NILGOSC believes that, as a responsible investor, it has a legitimate interest in the management and corporate governance of the companies in which it invests and supports the use of voting as a means of expressing concern over ESG issues. By exercising its right to vote at company meetings, NILGOSC seeks to improve corporate behaviour by maintaining effective shareholder oversight of the directors and company policies, a process on which the current system of corporate governance depends.

2.3 NILGOSC expects the companies in which it invests to comply with ESG best practice. NILGOSC’s voting policy provides a basis for communicating with investee companies and holding directors accountable for the stewardship of the company. A copy is available on its website at http://www.nilgosc.org.uk/voting-policies-and-activity.

2.4 NILGOSC will exercise its voting rights, if possible, at all company meetings within its actively managed equity portfolios and will vote against management where there are significant ESG failings. When possible, NILGOSC will inform those companies of the rationale for its voting decision. At present, this applies to UK and European listed companies only.

2.5 For passively managed equities, votes are cast by NILGOSC’s passive fund manager, Legal & General Investment Management, according to its own voting policies. The manager reports to NILGOSC on its voting activities on a quarterly basis.

2.6 NILGOSC will collaborate with other like-minded investors and groups in order to engage with companies, industries and countries in which it invests in order to improve levels of corporate governance where needed.

2.7 All active fund managers are encouraged to engage, on NILGOSC’s behalf, with those companies where ESG policies fall short of acceptable standards and where this is likely to have a detrimental effect on the long-term value of the company.

2.8 NILGOSC will 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.

2.9 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.

3. Investment Decisions

3.1 NILGOSC delegates the selection of investments held to its fund managers and does not impose any investment restrictions in regard of social, ethical and environmental issues. NILGOSC does not make any investments specifically for social, ethical and environmental reasons.

3.2 NILGOSC has instructed its active fund managers to take account of ESG considerations provided the primary financial obligation is not compromised.
3.3 NILGOSC will ensure that the fund managers it appoints are capable of appropriately considering ESG issues when making investment choices, it will monitor the managers’ action in this area and will work with fund managers and the investment sector to ensure sufficient data is available to aid effective decision making.