

With Profits Fund - Responsible Investing Approach

The Society's equities, fixed interest and alternative investments are managed by our Outsourced Chief Investment Officers (OCIO), Russell Investments Limited, and our directly held commercial property portfolio is managed in-house with consultancy support from Commercial Property Partners (CPP); a Sheffield based commercial property firm, and a network of property agents and developers. Sheffield Mutual sees the treatment of environmental, social and governance concerns as an important aspect of its mutual ethos and we have aimed to develop responsible approaches when working with our investment partners.

Equities, Fixed Interest and Alternative Assets

Environmental Stewardship

There are no direct holdings within oil and gas within the portfolio. Our OCIO excludes companies that are significantly involved in coal production from all underlying funds, capturing both the risks and opportunities of the transition from traditional to renewable energy sources, excluding companies generating over 25% of their revenue from coal-related activities.

The total portfolio is targeting a net zero carbon emissions goal by 2050 and is working with its OCIO to transition progress towards this goal.

Social Responsibility

The Society follows an ethical investment policy aiming not to invest directly in companies where the primary revenue is related to gambling, pornography, armaments and tobacco.

In addition, the Society prohibits business and investments with/or in any sanctioned country or entity, or with any sanctioned individual (based on UN, EU and OFAC sanctions). This prohibition includes companies and individuals domiciled in jurisdictions on the Financial Action Task Force (FATF) list of non-cooperative countries or territories.

Governance - Reporting and Transparency

As part of the OCIO's investment research process, the underlying managers used within the portfolio (as well as those who provide investment ideas) receive an ESG rating which is both qualitative and quantitative in nature. Each manager's ESG factor is then considered and monitored as part of the wider manager research process.

The OCIO provides annual ESG reports which explain how the portfolio is positioned on a number of ESG metrics relative to its respective benchmarks. This report is produced using information provided by third party data providers.

The OCIO has a proxy voting committee, which oversees the proxy voting policies, procedures, guidelines and voting decisions. The OCIO has provided the Society with a copy of its annual Proxy and Engagement report and provides the Society with an annual report on the votes which have been cast on its behalf.

The OCIO monitors the underlying assets on behalf of the Society to ensure they are performing in-line with expectations. When engaging with a company the OCIO makes a concerted effort to focus on the issues that it believes will have the most impact on shareholder value. The OCIO also applies a collaborative approach to engagement with the underlying investment managers which are appointed. The report provided to the Society on an annual basis includes examples of how the OCIO has engaged with companies on the Society's behalf over the prior 12-month period.

To further demonstrate the OCIO's commitment to ESG issues, it is part of the UK Stewardship Code, and has been a signatory of the UN Principles for Responsible Investment ("UN PRI" or the "Principles") since 2009. The Principles are a voluntary set of global best practices that aim to provide a framework for integrating environmental, social and corporate governance issues into financial analysis, investment decision-making and ownership practices.

The Principles are voluntary and aspirational and are listed below:

1. The OCIO will incorporate environmental, social and corporate governance issues into investment analysis and decision-making processes.
2. The OCIO will be an active asset owner, incorporating environmental, social and corporate governance issues into its ownership policies and practices.
3. The OCIO will seek appropriate disclosure on environmental, social and corporate governance issues from the entities in which it invests.
4. The OCIO promotes acceptance and implementation of the Principles within the investment industry.
5. The OCIO will work with other industry participants to enhance the effectiveness of implementing the Principles.
6. The OCIO will report on its activities and progress toward implementing the Principles.

Commercial Property

Environmental Stewardship

Sheffield Mutual and its property partners are aiming to reduce the carbon footprint across our properties and minimise the environmental impact of our operations. To this end, we are encouraging and working with our tenants to implement the following measures:

- Energy-efficient upgrades: Such as upgrading lighting systems, installing insulation, and improving heating and cooling systems – we are also in the process of installing solar panels on to the roof of our headquarters.
- Waste reduction programs: Implementation of waste reduction programs and recycling initiatives to minimise the amount of waste generated.
- Water conservation measures: Such as low-flow toilets and showerheads, to reduce water usage in our properties.

Social Responsibility

We believe in the importance of having a positive impact on the communities in which we operate. We aim to invest in properties located in areas with strong community support and are implementing the following measures:

- Community engagement: The developers we work with engage with local stakeholders to understand their needs and concerns and seek to address them in a responsible and ethical manner.
- Responsible property management: We will manage our properties in a responsible manner that takes into account the needs and well-being of our tenants and the wider community.
- Acquisition strategy: Increased focus on investment acquisitions positively contributing to the local community.

Governance - Reporting and Transparency

The Society is improving its reporting on ESG performance. We will be regularly reporting to our Board on the improvements being made to increase the EPC ratings on the Society's property portfolio. The improvement of these ratings is also linked to the executive directors' bonus scheme.

Continuous Improvement

We will continually assess and improve our ESG performance and implement best practices to enhance our impact.