

# The Emerson UK Pension Plan (the “Plan”)

## Statement of Sustainable Investment Beliefs

### Introduction

The Trustee believes that, as an asset owner, it is important to have clarity over the Plan’s ultimate mission and investment objectives, and so, has established a set of sustainable investment beliefs to guide them in achieving these. At the FISC meeting, conducted in June 2022, the Trustee discussed the Plan’s sustainable investment beliefs, as a result of a questionnaire completed by all members of the Trustee board.

Investment beliefs can assist with decision-making, enhance discipline and consistency, while also increasing transparency. Investment decisions should also be supported by appropriate and adequate analysis. We have taken into account the discussions and outcomes of the June 2022 FISC meeting and have provided a formal set of the Trustee’s sustainable investment beliefs for the Plan below.

As set out in the Plan’s Statement of Investment Principles (SIP), the Trustee takes account of all financially material risks and opportunities in consultation with the Plan’s advisers. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) risks, which the Trustee takes to include climate change, in the context of broader risk management. . The Trustee relies on their investment adviser and managers to take into account the Trustee’s beliefs in the advice that they provide, regardless of whether these beliefs align with their own. These beliefs reflect the Trustee’s collective responsibility to deliver member benefit security and will be reviewed regularly as part of ongoing focus on sustainable investment.

### The Emerson UK Pension Plan – DB Segregated Section - Sustainable Investment Beliefs

#### 1. General

The Trustee’s fundamental mission is to meet its financial obligations and therefore believes that financial obligations take precedence over extra financial considerations. When making investment decisions, the Trustee is always mindful on their reputation and license to operate. In order to leverage their impact on society, the Trustee recognises the collaborative initiatives undertaken on their behalf by managers and advisers.

In terms of the DB assets, the Trustee does not generally take into account the views of members and beneficiaries of the Plan in the selection, retention, and realisation of investments.

#### 2. Materiality and Mispricing

ESG factors affecting risk and return of the medium to long term should be taken into account in all investment analysis. Assets with well-managed ESG factors should provide higher risk adjusted returns.

#### 3. Portfolio Construction

The Trustee believes that, in order to best understand the impact of climate change on the Plan’s assets, regular analysis of the portfolio quality using specific climate scenarios should be undertaken. When the risk and return characteristics of potential investments are suitable for the Plan, the Trustee will then consider which of the possible investments would provide the most positive long-term environmental and or societal impact.



#### **4. Climate Change**

The Trustee believes that climate change is the single biggest ESG risk, and as it presents a material financial risk to the Plan, it should deserve specific attention. The Trustee believes that climate change can present opportunities, and that climate integrated investment strategies could protect or mitigate losses.

#### **5. Disinvestment**

The Trustee believes that engagement with investment managers is more effective than exclusion to mitigate the impact of ESG risks. Whilst investment exclusions will not explicitly form part of the Trustee's investment strategy, the Trustee is aware that this may feature to some extent in some managers' portfolios. The Trustee will work in partnership with their investment advisers to monitor their investment managers to ensure this approach is assessed and taken account of on an ongoing basis.

#### **6. Stewardship**

The Trustee believes that both engagement and voting are influential and can be effective in both the improvement of performance of the Plan's assets, as well as ensuring that the correct fiduciary duty is carried out by the Trustee towards the Plan's members.

#### **7. Thematic and Impact Investing**

There is a Trustee belief that alignment with the United Nations Sustainable Development Goals (UN SDGs) will lead to better financial and non-financial outcomes. However, this is not the focus for DB segregated section at the time of writing

#### **8. Sponsor Views**

The Trustee considers alignment with climate-related goals of the Sponsor of importance when developing their beliefs and setting targets related to investment strategy and ultimate net-zero goals, however, decisions should be made independently.