

PPF Stewardship Escalation Policy (approved December 2023)

Purpose and beliefs

As an engaged investor, it is important that we use the rights we have as providers of capital to full effect, when considered appropriate.

In cases where the desired progress in engagement does not materialise, it may be appropriate to escalate our engagement effort. Escalation is the process by which investors use progressively more targeted, public or more stringent approaches and tools to influence a company on an issue of concern.

Approaches

The 2020 UK Stewardship Code¹ Principle 11 emphasises the need for any escalation to have well-defined objectives and a clear rationale for the shift in engagement approach and escalation tactics chosen. The PPF will consider the following methods when looking to apply this principle:

- **Level One - Private escalation:** The PPF organising a private collective engagement or group letter to send to the company management or Board; voting against management due to lack of progress in the engagement.
- **Level Two - Public low visibility escalation** (e.g. speaking at an AGM): The PPF organising or participating in a collective engagement or group letter that is undertaken as a public engagement, i.e. press coverage may be encouraged.
- **Level Three - Public high visibility escalation:** The PPF taking deliberate action to attract attention to our concerns such as filing a shareholder resolution, organising and publicising a 'vote no' campaign against one or more directors, etc; pursuing (leading or supporting) litigation outside of the established class action strategy already in place would also form part of this category.

Implementation

The above methods could be implemented across asset classes, and across both internally and externally managed portfolios. In addition, voting rights can be used to elevate our concerns. The use of voting rights is most commonly seen in Equity holdings and used under the implemented Proxy Voting policy. Where we hold both the corporate debt and equity of a company, we will consider using the Equity voting rights to escalate.

However, when the opportunity arises, voting rights can be used in other asset classes also, at the individual manager's discretion.

Governance

The internal control processes for each of the above categories of escalation are detailed below:

¹ [UK Stewardship Code | Financial Reporting Council \(frc.org.uk\)](https://www.frc.org.uk)

- **Level One - Private escalation** – relevant internal manager(s) to be informed of an issue by the ESG team, to agree and approve an escalation approach.
- **Level Two - Public low visibility** - relevant internal manager(s) and CIO to be informed of an issue by the ESG team, to agree and approve an escalation approach.
- **Level Three - Public high visibility** - relevant internal manager(s) and CIO to be informed of an issue by the ESG team, to agree an escalation approach. The Investment Committee of the Board of the PPF will be notified in the event of a recommendation to implement a Level Three escalation and given the opportunity to provide input prior to any final approval. The Chair of the Investment Committee will also be responsible for raising awareness to the Board if an issue is assessed as sufficiently contentious to warrant the Board’s consideration.

Recourse

Ultimately, there could be situations where our recommendation, following failed engagement, is that the PPF should not be investing in the company either in relation to a particular asset class or all asset classes (depending on the mandate situation and resulting risk). It could also be the case that the restriction only applies to future investments (depending on the situation).

This decision to add the company to our exclusion list would need to be signed off by the CIO for a company to be specifically listed as uninvestable.

The relevant internal manager(s) would be responsible for ensuring any necessary amendments to external manager legal contracts (IMAS, side letters, etc) are carried out.