

# **E S East Sussex P F Pension Fund**



## **Environmental, Social & Governance Statement**

**Voting and engagement report**

**Q1 2023**

**1 January – 31 March 2023**

## Executive summary

**Responsible Investment (“RI”) is a subject that the East Sussex Pension Fund’s (ESPF or the Fund) Pension Committee (“the Committee”) take seriously. Environmental, social and governance factors are considered throughout the Committee’s decision-making process.**

**This report sets out voting and engagement activity carried out during the last quarter.**

## Investment strategy

Generating sustainable long term investment returns is the Fund’s primary objective and it does so by investing across a range of asset classes such as equities, bonds, property, and infrastructure using both active and passive management styles. Asset allocation is expected to be the Fund’s main driver of returns and risk over the long term. The Funds [Investment Strategy Statement](#) describes the high-level principles governing the investment decision-making and management of the Fund.

The Fund believe that Responsible Investment (RI) supports the purpose of the Scheme – the provision of retirement income for individuals. RI is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns.

## Investment managers

The Fund uses mostly active managed strategies, with the Committee seeking to achieve a balance between cost and return. Active and passive managers have a duty to act as responsible investors and are expected to act as good stewards for the companies they invest in or lend to.

All the Fund’s managers are required to report their engagement activity on a regular basis and exercise the voting rights in relation to the Fund’s investments as far as practical. This report summarises those activities.

## Policies and approach

The Fund have policies detailing our Investment Strategy and approach to Responsible Investment. These policies are [available on the Funds website](#).

## Collaboration

The Fund believes a philosophy of engagement is the most effective approach in addressing ESG concerns and driving long lasting change. To be effective, it is best done in conjunction with other parties. Participation in collaborative engagements enables the Fund to increase its ability to influence positive action among the companies it invests in. By utilizing combined size of investors assets makes it harder for companies to dismiss our concerns and does accelerate those companies targeted with making meaningful change to their business practices such as their transition to a sustainable pathway.

## East Sussex Pension Fund Engagement

### East Sussex Pension Fund Commitments

As an advocate of responsible investment, the Fund is a member of the following organisations:

- Institutional Investors Group on Climate Change (IIGCC)
- Local authority Pension Fund Forum (LAPFF)
- Principles for Responsible Investment (PRI)

In addition, the Fund has committed to reporting under the following initiatives:

- Financial Reporting Council (FRC) Stewardship Code 2020

Taskforce on Climate Related Financial Disclosure (TCFD) In addition to being members of these groups the Fund demonstrates its commitment to RI by actively participating via representation in:

- LAPFF Officer Member of LAPFF Executive
- Membership of the IIGCC Corporate Programme Advisory Group

The Funds Investment Managers will also have a number of memberships which are shown in the report below.

## LAPFF Engagement Activity

All engagement activities completed in Q1 2023 through LAPFF are [available here](#)  
**Sample engagement updates**

### Rio Tinto

**Objective:** LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

**Achieved:** LAPFF was pleased to hear that Rio Tinto has had yet another fatality free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi. On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

**In Progress:** LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

### McDonald's

**Objective:** LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

**Achieved:** LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks. McDonald's was also questioned about updating its emissions reduction targets, following the release of the Science Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations. To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

**In Progress:** McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 203 VVFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

## Nestle

**Objective:** As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

**Achieved:** Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

**In Progress:** LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

Further information on the Funds activities and policies can be found on our investment page [available here](#).

## Engagement with policy Makers

### IIGCC

As a member of IIGCC, policy engagement undertaken in the quarter includes:

#### **IIGCC Response to FCA Consultation on Sustainability Disclosure Requirements and Investment Labels**

January 2023

On January 25 IIGCC responded to the [FCA consultation on Sustainability Disclosure Requirements \(SDR\) and investment labels](#).

The FCA's recognition of the materiality of climate and wider sustainability factors for investment decision-making and capital allocation is welcomed by the institutional investment community. Decision-useful information on climate and wider sustainability-related issues will provide a basis for investors to act on this information and ultimately shift financial flows in line with the UK's net zero commitment. However, while IIGCC acknowledges that many of the measures have been designed with retail investors in mind, it will be important to ensure that the needs of institutional investors are also accounted for.

One issue IIGCC wanted to highlight is the difficulty in applying the mutually exclusive “sustainable focus”, “sustainable improver” and “sustainable impact” labels to institutional investors, who will often seek to take a blended approach when pursuing sustainability objectives such as net zero alignment. They also wanted clarity on the expansion of the scope of the regime to overseas and pension products, and the definition of terms such as ‘unexpected investments’ and ‘credible standard’ of sustainability. It is also important that the FCA SDR uphold interoperability between the proposals and regimes in other jurisdictions, and avoids sequencing issues which undermine the flow of information across the investment chain in relation to its implementation.

### **IIGCC Responds to ESMA Consultation on Guidelines on Funds’ Names using ESG Related Terms**

February 2023

On 20 February IIGC submitted its response to the [ESMA consultation on Guidelines on funds’ names using ESG or sustainability-related terms](#). The consultation sets out proposals to introduce quantitative thresholds for minimum proportion of investments to support the ESG or sustainability-related terms in funds’ names.

### **IIGCC Responds to TPT Consultation on Disclosure Framework and Implementation Guidance**

March 2023

On 28 February 2023 IIGCC submitted its response to the [Transition Plan Taskforce’s \(TPT\) consultation on a sector-neutral transition plan disclosure framework](#).

The TPT’s consultation sets out proposals for a sector-neutral transition plan disclosure framework and accompanying implementation guidance. The TPT was launched by the UK government in April 2022 to develop a “gold standard” for climate transition plans in the UK. The aim is to help companies and the financial sector produce science-based climate transition plans that are credible and robust.

The Disclosure Framework and Implementation Guidance are due to be finalised later in 2023, and are likely to be integrated into the UK Sustainability Disclosure Requirements regime (SDR). The TPT also plans to publish a range of sector-specific guidance in 2023, including guidance for financial institutions and the real economy.

## **LAPFF**

As a member of LAPFF, policy engagement undertaken in the quarter includes the following:

LAPFF responded to a consultation on the Transition Plan Taskforce's (TPT) disclosure framework. The TPT was established by government to develop a gold standard in climate transition plans. LAPFF's response welcomed the inclusion of just transition factors but considered there further scope to integrate these factors across the framework. LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5 degree scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of scope 3 emissions and what is meant and included within the 'value chains' concept. This report can be found [here](#).

## United Nations Principles of Responsible Investment (UNPRI)

As a member of UNPRI, policy engagement undertaken in the quarter includes:

### United Kingdom

The PRI welcomes the FCA's package of measures aimed at bringing regulatory clarity on greenwashing and increasing trust in sustainable investing. Our recommendations are centred around bringing consistent and usability for investors and enabling regulators to assess sustainability claims.

PRI response to the Environmental Audit Committee's (EAC) enquiry into the financial sector and the UK's net zero transition. PRI response: Creating a net zero financial centre in the UK requires foundational changes in public policy, and the PRI offers recommendations rooted in ensuring that financial flows are consistent with zero carbon, climate resilient development pathways that work for people and the planet.

### European Union

The PRI has responded to the European Supervisory Authorities (ESA) consultation on greenwashing in the financial sector. Supporting the ESAs proposed features of greenwashing, we encourage EU policymakers to complete existing standards and policies to further promote clarity, transparency and accountability in the EU framework.

The PRI is supportive of ESMA's efforts to ensure that funds' names reflect their investments' characteristics and objectives. We encourage EU policymakers to clarify how key underlying concepts (particularly sustainable investment) should be applied in practice, before setting quantitative thresholds. The proposals could also be made more relevant to different investment strategies and accurately reflect the tools investors have to create change (particularly stewardship).

### Global

The PRI welcomes the proposed update to the OECD MNE Guidelines, including: the expansion of the scope of due diligence from a focus on supply chains to encompass wider business relationships; the

recognition that “an enterprise’s relationship to adverse impacts is not static”, and the specification that investee companies are part of a company’s business partners; and the expansion of the provisions relating to environmental issues to require risk-based environmental due diligence, including the recognition of the need to adopt a just transition lens in assessing the potential or actual adverse impacts to workers, communities, and consumers. Areas for improvement include expressly mentioning the role of institutional investors in supporting the implementation of responsible business conduct, strengthening the guidelines on ensuring transparency and integrity in lobbying activities by encouraging enterprises to report further details on their practices, and acknowledging the systemic issue of tax avoidance and profit-shifting and the proactive role that multinationals should play in tackling it.

### **Global Investor Statement**

To tackle the climate crisis, seven major groups have collaborated to pull together and elevate the best investor guidance on tackling the climate crisis. Together, these groups have formed the Investor Agenda, a common leadership agenda on the climate crisis that is focused on accelerating investor action for a net-zero emissions economy. Since creation this year, the Fund and half of our fund managers have signed the commitment.

More details around this commitment can be found [here](#)





## Activities and training undertaken directly by the Fund.

The Fund has undertaken the following activities during Quarter 1 of 2023.

### Fund manager meetings

During the quarter, the fund met with the below fund managers to discuss areas of concern. Priority areas that are discussed at these meetings are:

- Fund Performance (including risks to the fund and inflationary pressures)
- ESG (including management overview and follow ups to prior period engagements)
- Voting (what happens where votes contradict LAPFF guidelines, and challenge around votes taken)
- Others if applicable (e.g., fossil fuels, carbon intensity, portfolio emissions)

1. WHEB                      Active Impact Equity Fund
2. Ruffer                     Absolute Return Fund

## Industry meetings, events, and training

### Sian:

**Pensions for purpose** - Paris Alignment Forum online all-stakeholder event January 2023 - the need for pension funds and their members to recognise that the transition to net zero needs to be fair and inclusive to be successful.

**FTSE Russell Roundtable - March 2023** – Where next for Climate-Aligned Portfolios

**SPS Local Authority Pension Fund Investment** - Current Issues Update conference March 2023 – Conference to understand how the economic headwinds are impacting LGPS fund investment, hear different investment strategies effective in the new investment environment, further knowledge of TCFD and climate reporting.

**Sustainable Investment Summit - March 2023** - ESG, SRI, Impact, Sustainability, Governance Sessions included ESG Opportunities in the Securitized Market, The challenge of transitioning to a sustainable future, Gold – what's it good for?, The National Trust's approach to sustainability in the endowment, Defining impact, Here for the how: Finding solutions to tackle the transition, Impact Investing: a mega trend, Green energy credit: financing the European energy transition, Stewardship for responsible investment.

**LGC Investment Seminar - March 2023** – Sessions included Practical showcase on TCFD, ESG the good the bad and the ugly, sustainable Infrastructure looking beyond renewables, investing for income and impact, maintaining good governance in a time of change, the power and responsibility of ownership, investment locally.

### Russell:

**March 15<sup>th</sup> – RSG Group meeting**

**March 29<sup>th</sup> – 31<sup>st</sup> – LGC investment conference**

## Third party supplier commitments

Along with its investment managers, the Fund also encourages its third-party providers to part take in the industry relevant responsible investments activities and groups, to promote and consider these items. An example of the supplier commitments and activities is provided below

### **Barnett Waddingham (Fund Actuary)**

As our fund actuary, Barnett Waddingham is responsible for performing high level calculations on our behalf, covering areas such as our valuation or IAS19 reports, and analysing the financial costs of risk and uncertainty.

Barnett Waddingham - Sustainability page [available here](#)

Barnett Waddingham is a founding signatory of the Net Zero Investment Consultants Initiative and is a member of the Pensions Climate Risk Industry Group (PCRIG). They also have a net zero pledge, with details on all the above being found under the attached link. BW have been net zero on scope 1 and 2 emissions since 2021.

### **ISIO (investment advisory service)**

Isio is responsible with providing us with investment advice, as well as reporting on our current investment and strategy. They also provide us with an annual ESG impact report to be able to see how our investments are performing from an ESG viewpoint.

ESG Beliefs can be found under Scheme Documents: [Pension investment consultants | Isio](#)

Isio have adopted the Impact Investing Institute [Impact Investing Principles for Pensions](#)

### **Northern Trust (Custodian)**

Northern trust is responsible for taking care of the funds cash, alongside the money it has invested.

Northern Trust - Social Responsibility page - [available here](#)

Northern Trust - Latest Corporate Social responsibility report – [available here](#)

Northern trust have made the commitment to be net-zero carbon by 2050  
See “Selected memberships and initiatives” page for external engagement.

### **Eversheds (Lawyers)**

Eversheds provide us with legal advice around all matters of the fund.

Evershed's - sustainability page – [available here](#)

Eversheds has committed to reducing its scope 1,2 and 3 emissions by 50% by 2030. In addition, they recently became a founding member of the Net Zero Lawyers Alliance, alongside being the first global law firm to be accredited by the good business charter. This charter is formed of ten commitments including Environmental Responsibility and Diversity & Inclusion

### **FE Analytics (Investment Analysis software)**

FE analytics allows us to monitor investment performance alongside similar funds to ascertain how well they are doing.

FE Analytics – sustainability page – [available here](#)

FE Analytics has pledged to achieve sustainable and efficient use of natural resources by 2030, alongside integrating climate change measures into its national policies, strategies and planning.

## LGPS Pooling

East Sussex are part of the ACCESS pool and all investment managers the fund invests in through the ACCESS pool need to comply with the ACCESS voting guidelines. Link to Access website [here](#). Link to Access Responsible Investment guidelines and summary report [here](#).

Examples of what should be voted for and against below:

### Vote for:

- Adoption of Report and Accounts unless Auditors Report is qualified.
- The annual report should include a separate section that describes the work of the Audit Committee.
- All directors should be subject to regular re-election, at least every three years.
- Long term incentive schemes should be based on challenging performance targets over a consecutive period of at least three years. Therefore, performance targets for minimum rewards should be based on at least producing median performance for the industry or average market returns.
- All political donations should be fully disclosed and justified. Any political donations should be subject to a separate vote.
- The company should publish a formal statement setting out its approach to dealing with environmental issues.

### Vote against:

- The Report and Accounts are not considered to present a true and fair view of the company's financial position.
- The re-appointment of the auditors where the fees for non-audit work are material and exceed the fee for audit work.
- The election of an executive director, who is not subject to re-election by rotation at least every three years.
- Election of a chairman where the candidate combines the roles of Chairman and Chief Executive, unless there are exceptional circumstances e.g., a temporary arrangement, pending separation of the posts.
- Proposed dividend and special dividends which are not covered by earnings and the company offers no explanation of policy.
- Annual report, where significant environmental risks in relation to the company's activities are not disclosed or reported on or reporting is considered poor or inadequate.

## Manager Engagement and Voting Activity

### Longview (Active listed equity) Part of Access Pool

Fund Manager collaborate engagement groups - links on page 42.

- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
2	39*	32	6	0	32	7

\*1 vote made date related

**Note:** All data displayed is fund specific, not at fund manager level

### Engagement

Longview Partners - [Responsible Investment & Engagement Policy](#)

Longview currently send tailored ESG reports to ESPF each Quarter. Anonymised Q1 23 engagement examples provided to us are below:

#### Company A – February 2023

This note is a follow-up on the previous engagement held with Company A in December 2022. At the time, Longview wrote to the Chairman and CEO of Company A, and the Board, in response to the company’s announcement that it plans to spin-off its Patient Monitoring and Respiratory Intervention businesses. Longview wanted to better understand how the transaction would benefit shareholders of Company A as we were concerned that the spin-off was driven by the desire to get rid of a slower growing business at any price. In February 2023, we received feedback from Company A’s Investor Relations team in response to our letter. They re-iterated how the decision was driven by their focus on the opportunities that were most aligned with their long-term growth strategies. Unfortunately, we did not receive, in their response, the requested acknowledgement that the CEO or Board had in fact received our letter or been made aware of our concerns. We had also offered to hold a call with an independent director on the Board. We have

escalated this engagement and will follow-up with the company to ensure that our letter has been reviewed as intended.

### **Company B – March 2023**

In March 2023, Longview held a video conference call with members of Company B's senior management team. We discussed various sustainability matters including changes to the company's executive compensation programme, their climate commitments and Diversity, Equity and Inclusion (DEI) initiatives.

Company B's team described the changes they have made to performance-driven executive compensation. These were driven by feedback from investors. Company B has increased the weighting of financial metrics for short-term incentives from 40% in 2H22 to 60% in 2023. The company has returned to a full year performance period versus the bifurcated performance period they had in 2022. Bonus objectives are now tied to their 2025 ESG goals on gender representation, diverse recruiting and carbon reduction. Finally, we discussed Company B's three-year DEI roadmap and the addition of three independent directors to their Board in 2022.

Longview referenced the annual climate commitment audit of the portfolio. Our audit revealed that Company B had not set a net zero target, albeit Company B's carbon emissions reduction goals are aligned to the Science Based Targets Initiative (SBTi). Longview need to understand Company B's approach to making future climate commitments. Company B's team explained that that the feasibility of a net zero objective depends on the electrification of their fleet. Currently, they have a science-based climate goal to electrify 35% of their U.S. fleet by 2030. Management needs to be comfortable with the technology driving this electrification as the current range of electric trucks is not able to accommodate the routes that they need to achieve. The cost per truck is high however they recognise that the technology is constantly improving and overtime costs should decrease. In the meantime, management are open to feedback from subject matter experts and are working with partners in the field. Company B explained that from a philosophical perspective, they want to ensure that their climate goals can be achieved by the leadership team of this generation.

Longview will keep track of Company B's progress regarding their climate objectives and will follow up with the company as appropriate.

## Newton (Diversified Growth Fund /Absolute Return) Part of Access Pool

Fund Manager collaborate engagement groups - links on page 42.

- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- UN Global Compact
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
7	85*	76	7	0	78	7

\*2 votes made date related

**Note:** All data displayed is fund specific, not at fund manager level

### Engagement

Newton – Responsible investment page - [available here](#)

Newton – Quarterly Reports - [available here](#)

### Example ESG Engagement

**NESTLE SA Social:** Opportunities in socially sustainable products or services.

The objective of this engagement was to encourage the company to set health-based sales targets across its portfolio, and to commit to increasing its proportion of healthy sales, as part of Newton’s support of ShareAction’s Healthy Markets initiative. Newton believe this engagement has now achieved its objective.



The reason for the engagement is that concerns about the impact of unhealthy foods and drinks are increasingly resulting in shifts in consumer behaviour and in new regulation. Newton believe it is important for companies to manage these risks and opportunities and ensure their business models and strategies are both resilient and positioned to benefit from expected changes. One of the recommended ways to achieve this is to measure and report on the proportion of sales that are healthy. Newton's ask was that the company discloses the overall 'healthiness' of its product portfolio using a recognised (government-endorsed) model (Nutrient Profiling Model). Newton think this is important in terms of ESG integration as it enables the company to identify where it is most at risk in terms of incoming regulation, and can therefore prioritise reformulation, new product development and M&A.

The meeting this quarter was a continuation of an engagement with Nestle. Newton followed up on the company's commitment to (a) report on product portfolio level healthiness, which has now made public, and (b) to set a target for healthy sales, which is planned for September. Newton will follow up again with the company after its target is public and when it is able to discuss this. Newton are pleased with Nestle's response and public reporting on this, which involves significant work.

Overall, Nestle now looks well positioned in managing this risk and performs reasonably well in terms of sustainability outcomes. Very few companies have conducted such reporting but this is an important exercise for investor transparency, and in understanding product portfolio risks.

## **SHELL      Environmental**

The objective of this engagement is to encourage the company to set absolute Scope 3 emissions reduction targets. Newton consider the engagement with the company to be on track.

Scope 3 is the largest source of emissions for the company (similar to other Oil & Gas producers). Newton think that Scope 3 emission reduction should be an integral part of an energy transition plan, and they engaged with the company to emphasize the need to establish targets and plan for a gradual reduction in absolute Scope 3 emissions.

After the meeting, Newton's key takeaways were:

- The company is ahead on its Scope 1 and 2 targets. It is further not using offsets in its targets, and will consider further spend on carbon capture
- The company is open to examining a credible way to set and communicate a Scope 3 target in the near term, which we expect to be initially focused on business segments

Newton are disappointed that the company cannot provide stronger visibility on a Scope 3 commitment at this time, but will continue to monitor developments as they unfold. The absence of an absolute scope 3 target of some sort undermines the credibility of transition plan versus peers.

## Ruffer (Diversified Growth Fund /Absolute Return) Part of Access Pool

Fund Manager collaborate engagement groups - links on page 42.

- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Sustainability Accounting Standards Board (SASB)
- Transition Pathway Initiative
- United Nations Principles for Responsible Investment (UNPRI)

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
1	11	11	0	0	11	0

**Note:** All data displayed is fund specific, not at fund manager level

Ruffer – Quarterly Reports [available here](#)

### Engagement

#### BP

Ruffer met with BP in early February to discuss recent performance and results. However, when announcing results, BP gave an update on strategic progress that garnered negative media attention. Reports claimed the announcement represented a row back on renewables and a shift towards oil and gas production, casting doubt over BP’s low-carbon commitments.

Ruffer spoke to BP’s CFO and executive VP of gas and low carbon energy. They confirmed the marginal extension of existing oil and gas asset life to meet demand triggered by Russia’s invasion of Ukraine, but using existing machinery and fields, rather than investing in intensive new projects.

Ruffer believe BP is taking a pragmatic approach to achieving its Net Zero transition goal. This will require a significant amount of energy, much of which will unavoidably be fossil fuel based, and the ability to adjust to external events will be crucial to delivering a value accretive and sustainable transition.

## **Sony**

In 2020, the Australian Strategic Policy Institute published a report that identified 82 brands allegedly linked to so-called labour transfer programmes of Uyghur and other ethnic minority citizens.

Ruffer asked Sony, listed in the original report, to clarify its response to the allegations and to confirm its supply chain policy. Sony performed an initial assessment to confirm the report's findings but did not identify that any supplier was involved in the use of forced labour from the Xinjiang Uyghur Autonomous Region. Sony also reiterated its explicit prohibition of trafficked and forced labour in its supply chain. Should a supplier be confirmed to have committed a major violation of the code such as the use of forced labour, Sony will take appropriate countermeasures including requesting the implementation of corrective actions and terminating its business with the supplier. Ruffer were satisfied with this response and intend to monitor the situation.

## Baillie Gifford Global Alpha Paris Aligned (Active listed equity) Part of the Access Pool

Fund Manager collaborate engagement groups - links on page 42.

- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
5	69*	65	2	1	66	3

\*1 vote made was date related

**Note:** All data displayed is fund specific, not at fund manager level

### Resolutions voted on in quarter.

Baillie Gifford – Governance and sustainability (LGPS) – [available here](#)

### Baillie Gifford voting policies and guidelines

Baillie Gifford - Governance and sustainability – 2022 Principles and guidelines – [available here](#)

### Engagement

Baillie Gifford - ESG information [available here](#)

Baillie Gifford - Quarterly reports [available here](#)

Examples of engagement in quarter (as per Quarterly report)

## **MercadoLibre, Inc.**

**Objective:** The CFO of MercadoLibre, Pedro Arnt, facilitated a call between his sustainability team and Baillie Gifford's internal climate experts to discuss the company's initiatives on making its business model climate resilient, an important factor for their long-term success and BG's clients' investment outcomes.

**Discussion:** It was very clear from the outset that Mr Arnt takes the sustainability of MercadoLibre's business model as completely integrated with his CFO role. The sustainability team was able to provide details on its various initiatives, but Mr Arnt's literacy with the subject was evident. This mirrors BG's own view that MercadoLibre's continued strong social licence to operate is an important component of the investment case.

Baillie Gifford discussed how the company views the boundaries of its scope three emissions, particularly the difference between white-label and third-party suppliers, and its recent initiatives making it easier for customers to discover sustainable products. Mr Arnt also described the significant progress it has made in transitioning its logistics to an EV fleet, and outlined some of the challenges in scaling it in the countries it operates in. Baillie Gifford had a more speculative discussion on MercadoLibre's thinking on sustainability labelling and were encouraged to hear that while it wouldn't go so far as to create criteria itself, it was putting the back-end processes in place so that, should such labelling develop, it would be ready. Baillie Gifford offered their perspectives and learnings from other platform businesses that they have worked with. Increasingly, Baillie Gifford are finding that sustainability topics are an area in which they can assist companies by sharing learnings from across the portfolio and connecting them with their internal experts. We believe this is one way in which they can support portfolio holdings' ability to generate long-term returns for their clients.

**Outcome:** BG's discussion reinforced their belief that MercadoLibre's sustainability initiatives are market-leading and provide a positive contribution to the company's long-term strategy. They demonstrate an appropriate attentiveness to the importance of sustainability for its long-term growth and, therefore, BG's clients' investment outcomes. Baillie Gifford will maintain an ongoing dialogue with the business, to monitor progress and offer support when required.

## Storebrand Global ESG Plus (Passive listed equity)

Fund Manager collaborate engagement groups - links on page 42.

- Carbon Disclosure Project
- Climate action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
70	821	754	48	7	770	51

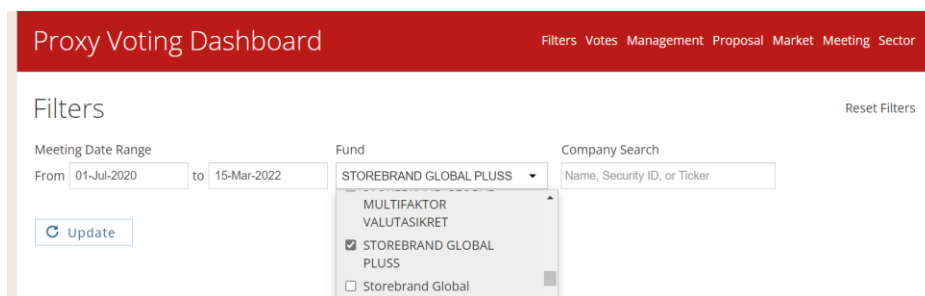
\*12 votes made were date related

**Note:** All data displayed is fund specific, not at fund manager level

### Resolutions voted on in the quarter:

Storebrand – Proxy voting dashboard – [available here](#)

Note: Please select ‘Storebrand Global Pluss’ in the ‘Fund’ dropdown box



The screenshot shows the 'Proxy Voting Dashboard' interface. At the top, there are navigation tabs: 'Filters', 'Votes', 'Management', 'Proposal', 'Market', 'Meeting', and 'Sector'. The 'Filters' section is active and contains the following elements:

- Meeting Date Range:** A date range selector with 'From' set to '01-Jul-2020' and 'to' set to '15-Mar-2022'. An 'Update' button is located below this field.
- Fund:** A dropdown menu currently showing 'STOREBRAND GLOBAL PLUS'. A list of other funds is visible below the dropdown, including 'MULTIFAKTOR VALUTASIKRET', 'STOREBRAND GLOBAL PLUS' (which is selected with a checkmark), and 'Storebrand Global'.
- Company Search:** A text input field with the placeholder text 'Name, Security ID, or Ticker'.
- A 'Reset Filters' link is located in the top right corner of the filters section.

### Storebrand voting guidelines and policies:

Storebrand – Proxy voting policy – [available here](#)

## Engagement

Storebrand – Sustainability page [available here](#)

Storebrand – Quarterly Reports [available here](#)

### Example engagement – Toyota

Storebrand have filed a climate lobbying related resolution for Toyota Motor Corporations AGM alongside other shareholders. We believe that as a leading car manufacturer, Toyota should not be using their political influence to block climate policies and slow the pace of climate action. This action of lobbying comes after two years of intense engagement with Toyota, which hasn't resulted in reaching common ground with the company. We hope Toyota's first climate shareholder resolution will encourage the company in taking positive steps towards climate mitigation.

Find out more in this recent [article](#)

### Banking Sector

Together with a group of leading global investors, we are also engaging with the banking sector through the Institutional Investors Group on Climate Change (IIGCC), calling on banking firms to set enhanced net zero targets for 2050 or sooner with interim targets to be included, scale up green finance and withdraw from projects that fail to meet the Paris Agreement goals. The investor expectations lay out clear areas for action for banks, focused on a public commitment to become net zero by 2050 with explicit interim targets, withdrawal of finance from recipients that show no evidence of transitioning, and the scaling up of green finance.

This includes:

- Commitment to becoming net zero by 2050, with a primary focus on ensuring indirect emissions are brought down to net zero by 2050 (Scope 3) because the bulk of banks' emissions are associated with financial services, including commercial, project and retail lending; investment banking; securities trading; etc.
- Board accountability for, and variable remuneration aligned with, the delivery of net zero, with financial statements that reflect the low carbon transition.

- Disclosure in accordance with TCFD recommendations, reporting on greenhouse gas emissions associated with financing activities, and the incorporation of material climate risks in published accounts.
- Explicit criteria to be set for withdrawal of financing to misaligned activities that are benchmarked against sector/industry net zero pathways.



## Wellington (Active listed equity – impact fund)

Fund Manager collaborate engagement groups - links on page 42.

- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
10	74	66	5	0	69	5

\*Three votes made were date related.

**Note:** All data displayed is fund specific, not at fund manager level

#### Resolutions voted on in the quarter:

Wellington – Global proxy voting disclosure – [available here](#)

#### Wellington voting guidelines and policies:

Wellington – Global proxy voting policy 2022 – [available here](#)

Wellington Sustainability related investment Disclosures November 2021 – [available here](#)

### Fund Overview

Actively managed equity fund which seeks to understand the world’s social and environmental problems. The fund looks to identify and invest primarily in the equities of companies that Wellington believe are addressing these needs in a differentiated way through their core products and services. Through the investments, the fund seeks to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change. The Wellington fund focuses on investing in the world you want to live in: focusing on investments that aim to achieve a positive social or environmental impact.

## Engagement

During the quarter, Wellington spoke to National Vision (Health, US) to discuss ongoing labor challenge and the companies plan to address optometrist staffing shortages. Changing worker preferences coming out of the COVID-19 pandemic has compelled the company to re-structure optometrist schedules to attract and retain these employees. During the quarter, national vision announced significant investment to be better positioned to meet customer demand, including increasing optometrist wages and increasing remote optometrist exam capabilities from 300 to 500 stores. While the market reacted negatively to the increased spend and resulting weak guidance, we see an experienced management team acting with keen long term view. We maintain conviction in the strength of management and the companies ability to execute through economic uncertainty.

We also engaged with Laureate Education (Education and Job training, US Listed), a provider of higher education programs and services operating in Latin America, to better understand their pricing and execution strategy in a more challenging macro environment characterized by higher inflation and increased recessionary fears. The company has executed well since exiting their operations in non-core countries, bringing acute focus on the Mexico and Peru markets. The company has maintained a portfolio of brands with a range of price points, demonstrating that they are thoughtful about maintaining affordable options for more price sensitive students. In 2022, the company underpriced relative to inflation, giving them modest room to increase prices in 2023 without squeezing students. Because enrollment trends have been positive, management believes they can incrementally grow margins without pricing aggressively yet preserve access for students over the life of the degree program. Finally, we believe there are additional levers for the company to cut costs as they right-size the business in this period following their divestments. We remain positive on the stock, and we modestly increased our position during the quarter.

## WHEB (Active listed Equity – Impact fund)

Fund Manager collaborate engagement groups - links on page 42.

- Access to Medicines Foundation
- B Corps
- British Standards Institute
- Carbon Disclosure Project
- Chemical Footprint Project
- Climate action 100+
- EUROSIF
- FRC Stewardship Code 2020
- Future Fit Business
- Global Impact Investing Network
- Impact Management Project
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Net Zero Carbon 10
- The Big Exchange
- UKSIF
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Additional Information

WHEB were awarded Best ESG Global Equity Fund 2023 by MainStreet Partners, an ESG advisory and portfolio analytics firm

WHEB utilizes analysis tools to inform investors of the beneficial aspects of their investments. As of 31<sup>st</sup> March 2023, east Sussex has £221.8m invested in WHEB, which has resulted in:

69645 MWh of renewable energy generated (equivalent to 4,658 European households)  
 44,582 tons of CO2 emissions avoided (equivalent to the average yearly energy use of 15,526 houses)  
 244m litres of water use avoided (equivalent to the water used by 4m showers)

### Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
11	184*	145	33	3	149	35

\*Three votes made were date related

**Note:** All data displayed is fund specific, not at fund manager level

### Resolutions voted on in the quarter:

WHEB – detailed voting record – [available here](#)

### WHEB voting guidelines and policies:

WHEB – voting records – [available here](#)

WHEB – Stewardship and Engagement policy – [available here](#)

WHEB – RI policy – [available here](#)

### Engagement

WHEB – Quarterly Reports [available here](#)

WHEB – Impact report [available here](#)

### Engagement example: Vestas Wind Systems

[Vestas Wind Systems](#) is one of the world's largest manufacturer of wind turbines. The company manufactures both onshore and offshore wind turbines. The company also provides operation and maintenance services for wind power parks.

### Objective

For Vestas to mitigate negative impacts and maximise positive impacts of their activities on biodiversity.

### Background

Despite the strong interdependence between climate change and biodiversity, global energy systems are being decarbonised, often to the detriment of habitats that support wildlife. A renewable energy transition that both avoids harm and contributes to the regeneration of biodiversity is therefore essential and requires help from those involved in all stages of planning and implementation.

[In early 2022](#), having previously identified Vestas as having an elevated level of exposure to potential biodiversity impacts (both positive and negative), WHEB tried to initiate a discussion with the company around its approach to managing biodiversity. However, the company procrastinated in revealing any information and later indicated that managing biodiversity impacts was not currently a priority. WHEB grew concerned that Vestas had no real plan to address biodiversity and identified this as a candidate for escalation.

### Actions

WHEB initiated a collaborative engagement initiative with a like-minded client in early 2022 which then expanded to include other investors that agreed with us that Vestas needed to demonstrate a greater sense of urgency on managing biodiversity impacts.

Together, WHEB wrote a letter, addressed to the CEO, calling on the company to support nature conservation and biodiversity in the transition to renewable energy. The letter also outlined their belief that it is critical that Vestas develops and articulates a clear position on biodiversity and that it publishes its approach to mitigating negative impacts and maximising positive biodiversity impacts.

### **Outcome**

Milestone 3 – Company develops or commits to developing an appropriate policy or strategy to manage the issue.

Vestas' IR responded in quite some detail, for example, disclosing their use of bird and bat protection systems, environmental impact assessments and instruction of specialist consultants to aid with the development of the biodiversity strategy. Overall, WHEB are pleased to see so full a response on the issue and, having seen the letter, are now deciding next steps with their collaborators. This will likely constitute agreeing on further questions that have arisen and points for further encouragement. WHEB will report any further progress in due course.

## Atlas (Infrastructure listed equity)

Fund Manager collaborate engagement groups - links on page 42.

- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

## Voting (No voting took place in quarter)

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
0	0	0	0	0	0	0

**Note:** All data displayed is fund specific, not at fund manager level

### Resolutions voted on in the quarter:

Atlas do not provide underlying quarterly voting information or their voting policy on their website. If required, this information should be requested directly from the fund manager.

Atlas – Environmental, social and governance – [available here](#)

### Atlas voting guidelines and policies:

Atlas – Responsible investment policy – [available here](#)

## Engagement

Atlas - ESG Page [available here](#)

### Engagement Example taken from annual report:

## **Snam S.p.A (Pipeline transportation of natural gas company)**

### **Engagement status:**

Engagement opened 23 December 2022

- Snam was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement upon portfolio entry in March 2022
- Snam has incorporated scenario planning for lower gas demand and hydrogen substitution, but long-term methane demand remains above B2DS emissions trajectories.
- Snam has continued to invest in methane-infrastructure assets outside core-market, indicating inconsistency of policy and demand assumptions.

### **Engagement objectives:**

- Snam to include scenario modelling consistent with a 1.5C science-based pathway and/or the RePowerEU framework in corporate policy/scenario documents
- New investments to be presented with evaluation of impact on scenario(s) modelled above
- Snam to provide scenarios or modelling for the Italian domestic transmission assets showing how the asset base will evolve between now and 2050 under 1.5C science-based pathway and/or RePowerEU framework
- Snam to include all downstream emissions (incl. end-use) from its activities within its Scope 3 definition and as part of Scope 3 reduction targets and management KPIs

### **Engagement outcomes:**

- Snam is working with the Italian government and Terna S.p.A (electric transmission operator) to model a scenario consistent with the RePowerEU framework
- ATLAS met with management 23<sup>rd</sup> January 2023 and noted the following:
  - a) RePowerEU has country variations (Sweden -80%; Italy -51%) but is not finalised;
  - b) Snam-Terna Joint 2022 scenarios are compliant with existing obligations (incl. Fit-for-55) but will be updated every 2yrs (2024 next) for more ambitious RePowerEU;
  - c) a regulatory model for Hydrogen infrastructure implied in RePowerEU is expected by CY2023 end

### **Investment impact / next steps:**

- Confirmation of scenario planning to meet Net Zero and RePowerEU targets from Snam internal scenarios published in late 2023
- Management intends to adopt a framework for reporting emissions currently excluded – from transported volumes and value chain (incl. non-consolidated associates) – to be confirmed

## UBS Osmosis Resource Efficient Core Equity (ex- Fossil Fuels) (Passive listed Equity) Part of the Access Pool

Fund Manager collaborate engagement groups - links on page 42.

- Carbon Disclosure Project
- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
50	774	680	69	12	737	37

\*12 votes made were date related

**Note:** All data displayed is fund specific, not at fund manager level

### Resolutions voted on in the quarter:

UBS – voting record (Q1 2023) – [available here](#)

UBS Osmosis Achieved Environmental fund of the year 2021 for their listed equity portfolio.



### Engagement

UBS Sustainability page available [here](#)

UBS Annual Report available [here](#)



## **Engagement Example: Starbucks**

Topic: Labour rights and on-going staff challenges

Starbucks has experienced on-going allegations and strikes from its US workforce in connection with infringements of their rights to unionize and participate in collectively bargain practices. The National Labour Relations Board (NLRB) have outlined that complaints have included that the company has adopted an anti-union approach and used retaliation against individuals or stores. UBS encourage companies to fully respect the ILO Declaration on Fundamental Principles and Rights at Work, including freedom of association and the effective recognition of the right to collective bargaining.

To get a clearer understanding of the current status, UBS engaged with the company, and also attended a meeting held by a group of shareholders that had filed a resolution at the AGM that was seeking the company to commission a third-party assessment on its commitment to worker rights. The company has outlined in their dialogue that even though they fully honour the NLRB process, they disagree with the allegations.

After careful review of both the company and shareholder viewpoints on the subject, UBS decided to support the proposal. UBS expect board members to protect and enhance the brand and reputation of the company, and feel that the allegations around anti-union practices toward employees are a clear reputational risk to the company. A third-party assessment would benefit shareholders in understanding where the implementation of company policies is falling short and how they can be remedied moving forward.

The proposal passed at the AGM held on 23rd March, with majority support of 53%. Following this outcome, UBS will continue to engage with the company on this topic and monitor what steps management is taking to eradicate practices that do not align with policies.

## UBS Infrastructure Fund

Fund Manager collaborate engagement groups - links on page 42.

- Carbon Disclosure Project
- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Engagement

UBS Sustainability page available [here](#)

UBS Annual Report available [here](#)

Below are a number of positive outcomes seen in UBS's infrastructure holdings following recent engagements:

- Developing links to local communities, including sponsorship of sports teams, volunteer fire brigades and local mental health charities
- Switched backup generator fuel from diesel to hydrogenated vegetable oil (HVO)
- New builds will include solar panels in their design
- Avoided emissions equivalent to removing over 3,000 cars from the road annually (Fund B)
- Local honey production onsite using unused land from the biogas plant. Production during 2022 averaged around 15 kg of honey per hive
- Avoided emissions equivalent to removing over 200,000 cars from the road annually (Fund D)

## Schroders (Property)

Fund Manager collaborate engagement groups - links on page 42.

- Carbon Disclosure Project
- Climate action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

## Engagement

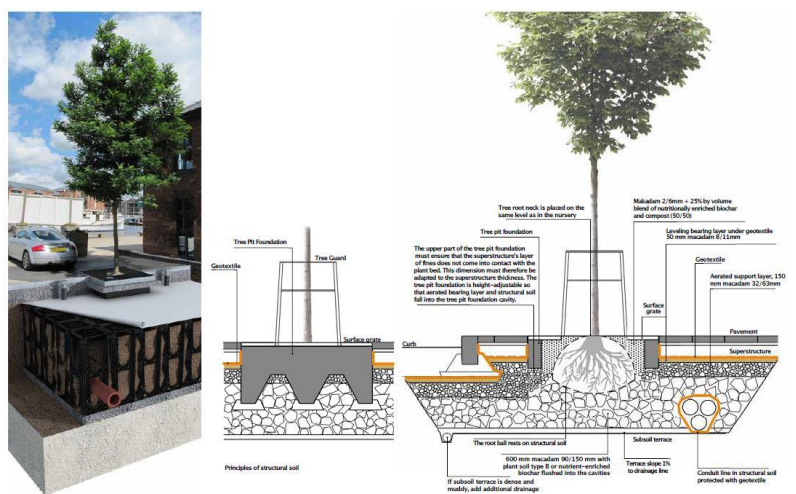
Schroders - Sustainability page [available here](#)

Schroders - Quarterly sustainable reports [available here](#)

## Biodiversity Case Study:

Asset: Craigleith Retail Park, Edinburgh

Initiative: Nuveen are exploring ideas for blue green infrastructure on Craigleith Retail Park in Edinburgh as part of a public/private sector partnership with Scottish Water contributing 50% to the feasibility study. There are other parties interested/engaged including the Royal Botanic Garden and some academics looking at this as a pilot project. The BGI projects include sustainable urban drainage systems, swales, tree-pits and raingardens



## Solar Installation Case Study

Asset Building T3 - Trinity Park, Solihull

**Initiative** A 55,000 sq. ft. office building which was acquired in 2017 for income and with good prospects for income growth. The asset is subject to a rolling refurbishment to future proof the building, improve its sustainability attributes and attract new occupiers.

Mayfair Capital have recently completed a solar installation at T3, Trinity Park in Solihull. The system is 63 kWp in size and the work was undertaken as part of a wider project, where the electric vehicle charging provision was increased to 20 chargers and the refurbishment of the ground floor has improved the EPC rating from an EPC D to B.

This is an example of Mayfair Capital's ESG strategy in action, where they are proactively working to reduce the environmental impact of their portfolio.

**Outcome** The system is predicted to generate approximately 53,180 kWh per year, which is estimated to save 12.39 tonnes of CO<sub>2</sub>e p.a., the equivalent of planting 569 trees.



## Infracapital (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 42.

- Carbon Disclosure Project
- Climate action 100+
- Climate-wise Disclosures
- Financial Reporting Council
- ILPA Diversity in Action Initiative
- Institutional Investors Group on Climate Change (IIGCC)
- Investors Forum
- UK Sustainable Finance and Investment Association

### Engagement

Infracapital - Responsible Investment approach including ESG engagement [available here](#)

In the quarter, the following ESG related updates took place:

- Committed to reporting into GRESB again for GB Railfreight, Last Mile Infrastructure Group and Neos Networks (Fund III)
- Infracapital Greenfield Partners II investment, Fibrus, a broadband network provider rolling out Fibre-to-the-Premises across sub-urban and semi-rural towns in Northern Ireland and Northern England, was shortlisted for the Fibre-to-the-Home (FTTH) Council Europe's FTTH Champion of Diversity Award. This acknowledges Fibrus' dedication to diversity in the workplace and the various initiatives the business has implemented to ensure diversity, equity and inclusion is integral to the business as it scales for growth.
- Post quarter end, Infracapital Partners III investment, Inland Terminals Group, leading inland terminal operator in the Benelux, launched its first hydrogen barge into regular linear service. The business supports the modal shift of moving container transport from trucking to barge, delivering cost and carbon savings. The business continues to develop innovative solutions to the decarbonisation of the transport sector, assisting its blue-chip clients in reducing their own Scope 3 emissions. ITG's first hydrogen barge will result in an estimated additional 2,000 tonnes of CO<sub>2</sub>e annually and a significant milestone in the journey toward net-zero.
- Post- quarter end released our fifth annual ESG report which documents both Infracapital's continued progress on its environmental, social and governance journey. Following the data driven reporting approach implemented in the 2021 ESG Report, Infracapital have made a number of further enhancements which can be summarised as follows:
  - TCFD Aligned Report: During 2022 and into 2023, Infracapital engaged a third-party consultant to conduct physical climate risk scenario analysis across the Infracapital portfolio. Marsh conducted an analysis of c.500 critical locations across the Infracapital portfolio, analysing 8 climate perils in a RCP 2.6 (1.5 degree scenario) and RCP 8.5 (3 degree scenario). Infracapital analysed asset locations that were identified as high / medium criticality

- across locations that are owned, leased and/or third-party sites. The results show that only a relatively small proportion of sites are at high risk from future climatic conditions.
- Impact: Infracapital seek to make investments that have ample scope for environmental and/or social impact. Infracapital are proud that their investments map to Goal 9: Industry, Innovation and Industry in addition to playing their own role in supporting many others. Infracapital have further developed asset-specific impact KPIs to evidence and track the positive impact of our investments.
  - Sustainable Finance Disclosure Regulation (SFDR): Infracapital have enhanced both their due diligence and monitoring processes in line with the SFDR and EU Taxonomy regulation. For Article 8 Funds (IGP II), SFDR periodic disclosures are made available in the Fund's Annual Financial Reports. Further to this, Infracapital have provided Principal Adverse Impact Indicators (PAI) for all strategies, where data is available. PAI data is available in an excel excerpt to the Annual ESG Report which can be accessed via the dataroom.
  - Post quarter end, Infracapital hosted an in-person ESG Summit for its portfolio companies bringing together key personnel across the portfolio in addition to external expertise to upskill teams, share learnings and leverage best practice.

## **Pantheon (Infrastructure unlisted equity)**

**Fund Manager collaborate engagement groups - links on page 42.**

- Initiative Climate International (iCI)
- RepRisk
- Sustainability Accounting Standards Board (SASB)
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### **Engagement**

**Pantheon - ESG Page [available here](#)**

**Pantheon - ESG Reports [available here](#)**

Pantheon do not produce quarterly engagement reports; however they do have a strict ESG Monitoring process both in securing investments and afterwards, including maintaining a log of ESG issues that are not dependent on themselves finding the issue, Customized monitoring on portfolio companies to track adverse ESG publicity, and utilization and provision of ESG metrics.

In Addition, Pantheon confirmed that they have not had any ESG engagements in the portfolio this quarter.

## IFM Infrastructure Fund

Fund Manager collaborate engagement groups - links on page 42.

- United Nations Principles for Responsible Investment (UNPRI)
- Institutional Investors Group on Climate Change (IIGCC)
- Climate action 100+
- Global Real Estate Sustainability Benchmark (GRESB)

### Engagement

Engagement Example: Anglian Water (AWG)

- In June 2021, AWG launched its new financial framework to issue net-zero based green bonds aligned to new carbon targets.
- Successful bid in June 2021 (with other parties) in OFWAT's Innovation in Water Challenge for innovative project 'Enabling Whole Life Carbon Design'. The project is set to deliver the tools and processes required to support the cultural and behavioural changes necessary to deliver low whole life carbon and cost solutions and ultimately 'zero carbon emissions' as a water industry. The companies involved have pledged to build on Anglian Water's existing pioneering carbon database to enable whole life carbon reporting and to integrate data with cost models and engineering platforms.
- Efficiency savings have been shared with customers through lower bills: AWG bills have increased just 20p for every £1 other companies have added to their charges.
- AWG has supported the delivery of 12,000 sustainable homes in the socioeconomically challenged town of Wisbech, Cambridgeshire.
- AWG launched the Positive Difference Fund in April 2021. This Fund will consist of £1 million which will be administered by a recognised and well-respected independent organisation (The Community Foundation). In the first instance, £500,000 will support the needs of those charities and community groups in the regions that are most impacted by COVID-19 crisis. Currently full job retention at AWG has been relatively unaffected by the pandemic.
- In January 2022, AWG launched the Climate Resilience Demonstrator (CreDo), showcasing how connected digital twins across energy, water, and telecoms can create infrastructure resilience. CredDo is a pioneering collaboration between AWG, BT and UK Power Networks through the Centre for Digital Built Britain.
- In Q1 2022, AWG was the only water company with a formal role at COP26 as co-lead of the COP26 Resilience Hub's Water theme. The company presented Future Fens: Integrated Adaptation as an exemplar of how sectors can come together to tackle the risks of climate change.



- During 2022, Anglian Water was the first UK company to issue a £225 million corporate green bond in the Canadian 'maple' bond market to deliver a new network of large-scale interconnecting pipelines to move water to drier areas.
- By the end of 2022, a £100 million programme of additional stormwater storage across the East of England neared completion – the additional storage will be able to capture and redirect more than 72.5 million litres of rainwater to help protect the environment during heavy rainfall.
- In early 2023, Anglian has begun work to upgrade Horncastle's Water Recycling Centre by installing new equipment to remove phosphorous from wastewater. The investment in the upgrade is expected to be more than £4.5 million and aims to strengthen the water recycling process and improve the river quality nearby.
- In early 2023, Anglian launched 67 new operational apprenticeship positions, ranging from Level 3 to degree level, encouraging people to consider working within the utilities industry. The first phase of the recruitment drive will be for 55 Level 3 opportunities ranging from leakage technicians to mechanical and electrical apprentices.

## M&G (Fixed Income) Part of the Access Pool

Fund Manager collaborate engagement groups - links on page 42.

- Carbon Disclosure Project
- Climate action 100+
- Climate-wise Disclosures
- Diversity in Action Initiative
- Financial Reporting Council
- Institutional Investors Group on Climate Change
- Investors Forum
- UK Sustainable Finance and Investment Association

### Engagement

**M&G - Sustainability page** [available here](#)

**M&G - Responsible Investment & Reports** [available here](#)

### Engagement Example – Duke Energy Corp

**Underlying Issue** - Environment - Climate change

**Engagement Objective** - As part of the ongoing M&G Coal Engagements, to ask the North American electric power and natural gas holding company disclose a phase out plan to exit coal by 2030 (currently 2035)

**Action Taken** - M&G held a call with investor relations at Duke Energy

**Engagement Result** - "The company confirmed the information announced in their Q4 2022 earning review and business update (released 9 February 2023) in that the company plans for an orderly transition out of coal by 2035, ensuring that replacement generation is in-service prior to retirement to ensure reliability of the network and affordability of energy for clients.

The company has transitioned out of coal rapidly over the last couple of decades. Coal accounted for more than 60% of the energy mix in 2005 and is on track to account for less than 5% of the energy mix by 2030 (less than 25% today)

The company confirmed that as they go through the IRP process (which follow a 3-yearly cycle) they always consider ways in which they can move the retirement dates for the remaining coal plants forward. For example, the upcoming Ohio-Kentucky IRP contains a proposal to shorten the depreciable life of the plants from 2041 to 2035 and as part of the Carolina carbon plan the company filed adjusted (i.e. shortened) timelines for 4 of the portfolios for consideration by the North Carolina commission. The company confirmed that post-2030 the plants will be primarily for the capacity back up to ensure reliability of the system.

The company confirmed that the ESG report will be published on April 25th, 2023.

The company continues to demonstrate positive progress and the intent is clearly there, however, the 2030 date is understandably not achievable. As such, the Coal Appeals Committee will need to decide whether they are comfortable with an overshoot of 2030. The decision around next steps will be determined by the Coal Appeals Committee when the committee next meets."

## Adams Street (Private Equity)

Fund Manager collaborate engagement groups - links on page 42.

- Initiative Climate International (iCI)
- RepRisk
- Science based targets Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Engagement

Adams Street - Responsibility page [available here](#)

2022 ESG Report available [here](#)

Every investment decision Adams Street makes is based on a careful analysis of both risk and opportunity. By integrating ESG considerations at every stage of the investment life cycle — from deal sourcing, through investment due diligence, to portfolio construction, and reporting and monitoring — they can better identify opportunities for risk mitigation and long-term value creation in their investments.

Specific quarterly engagement includes:

As part of their annual ESG survey process, Adam's Street sent online ESG questionnaires to 205 active General Partners (GPs) via their ESG data partner Apex ESG Ratings Ltd, at the end of 2022. On completion of the annual survey process in Q1 of 2023, each participating GP received a follow-up email from Apex detailing their overall ESG survey results. At least 14 GPs opted to have follow-up calls with the Apex team to delve deeper into the results and the overall process. These feedback calls covered the following discussion areas:

- Explanation of scoring and benchmark methodology, with GP interest in sector and geography benchmarking
- Apex highlighting key areas to improve for the next assessment, in particular collecting portfolio-wide ESG data
- GPs explaining current and future plans for ESG improvement

The Adams Street team also participated in one of these GP feedback calls directly, alongside members of the Apex team.

At firmwide level, Adam's Streets focus so far has been on encouraging greater ongoing participation in the annual ESG survey process among active GPs, which has seen significant improvement this year relative to prior years (at 87% in the latest survey, up from 64% previously).

Going forward, they will be looking at ways to identify significant trends at the underlying GP level, as well as opportunities to engage with GPs on specific topics of concern/opportunities for improvement.

## Harbourvest (Private Equity)

Fund Manager collaborate engagement groups - links on page 42.

- Diverse Alternative Investment Industry Statement
- Diversity in Action Initiative
- Initiative Climate International (iCI)
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Engagement

Harbourvest – Annual ESG report [available here](#)

Harbourvest – TCFD progress report [available here](#)

### Engagement Examples:

With regards underlying company engagement, the manager utilises a third-party ESG controversy monitoring tool to proactively scan for negative ESG incidents across their portfolio. ESG and investment team members participate in bi-weekly meetings to discuss reported incidents and determine next steps. When reported incidents are considered to be potentially material, the manager has protocols in place to reach out to the GP for more information and to record the outcome of that engagement.

## Fossil Fuel Exposure by Fund Manager

The fund actively monitors the fossil fuel exposure of its fund managers to allow for engagement when we feel that these values are of concern. The below table lists fossil fuel exposure as of 31<sup>st</sup> March 2023

Fund	Mandate	Exclusion	% Fund Assets	% Fossil fuel exposure of total fund value
UBS Osmosis	Equity - Passive - Resource Efficient	Fossil Fuels free	5%	0.0%
Longview	Equity - Global	Fossil Fuels free	12%	0.0%
WHEB	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Baillie Gifford	Equity - Global	Fossil Fuels free	4%	0.0%
Wellington	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Storebrand	Equity - Passive - ESG Plus	Fossil Fuels free	11%	0.0%
Harbourvest	Private Equity		4%	0.1%
Adams Street	Private Equity		4%	0.1%
Ruffer	Absolute Return		10%	0.9%
Newton	Absolute Return		7%	0.2%
Schroders	Property		8%	0.0%
ATLAS	Infrastructure Equity		2%	0.0%
Pantheon	Infrastructure		2%	0.0%
UBS	Infrastructure		1%	0.1%
M&G	Infrastructure		1%	0.0%
M&G	Fixed Income - Private Debt		1%	0.0%
M&G	Fixed Income - Multi Asset Credit		6%	0.1%
M&G	Fixed Income - Corporate Bonds		3%	0.0%
UBS - Over 5 Year IL Gilt	Fixed Income - Passive Index Linked Gilts		2%	0.0%
IFM	Infrastructure		5%	0.4%
Cash	Cash		1%	0.0%
<b>Total Assets</b>			<b>100%</b>	<b>1.9%</b>

## Engagement Group Links

[Access to Medicines Foundation](#)

[B Corps](#)

[British Standards Institute \(BSI\)](#)

[Chemical Footprint Project](#)

[Climate Action 100+ \(CA100+\)](#)

[European Sustainable Investment & Finance Association \(EUROSIF\)](#)

[Financial Reporting Council Stewardship Code \(FRC\)](#)

[Future Fit Business](#)

[Global Impact Investing Network](#)

[Global Real Estate Sustainability Benchmark \(GRESB\)](#)

[ILPA Diversity in Action Initiative](#)

[Impact Management Project](#)

[Initiative Climate International \(ICI\)](#)

[Investors Forum](#)

[Local Authority Pension Fund Forum \(LAPFF\)](#)

[Net Zero Carbon 10](#)

[Net Zero Asset Managers Initiative](#)

[RepRisk](#)

[The Big Exchange](#)

[Transition Pathway Initiative \(TPI\)](#)

[Sustainable Accounting Standards Board](#)

[UK Sustainable Investment & Finance Association \(SIFA\)](#)



[UN Global Compact](#)

[United Nation Principals for Responsible Investment \(UNPRI\)](#)