East Sussex Pension Fund

UK Stewardship Code

East Sussex Pension Fund

Stewardship Report

Reporting date 31 December 2024

Building a Brighter Future

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How The East Sussex Pension Fund addresses the Stewardship Code

The Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund defines the concept of stewardship in the same way as the Financial Reporting Council (FRC).

"Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings"- Financial Reporting Council 2020.

Introduction

The East Sussex Pension Fund (the Fund or ESPF) is part of the Local Government Pension Scheme (LGPS), a statutory scheme, established by an Act of Parliament, the Superannuation Act 1972 and since April 2014 the Public Service Pensions Act 2013. The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014. Membership of the LGPS is open to all employees of local authorities except teachers, fire fighters and police, who have their own separate schemes. It is also open to employees of other employers specified within the legislation.

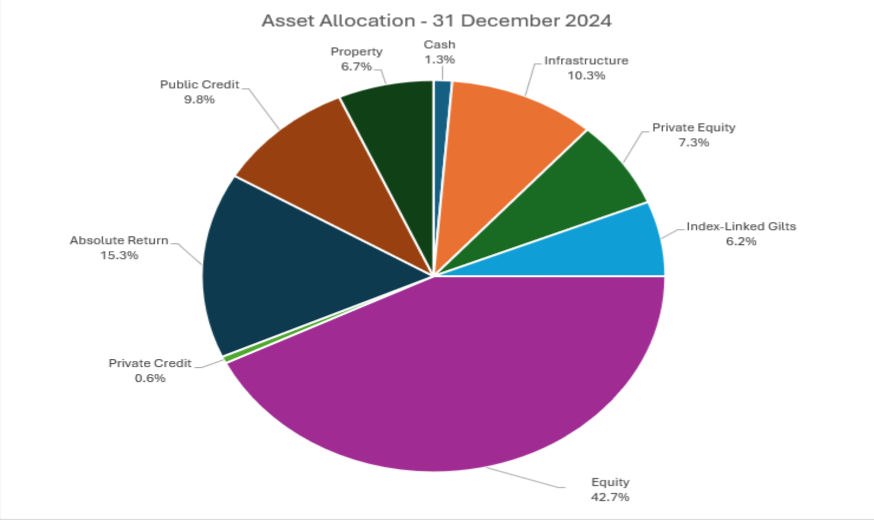
The Fund is administered by East Sussex County Council and provides retirement benefits for East Sussex County Council employees, employees of Brighton & Hove City Council, the five borough and district councils, academies, universities, colleges, public authorities, and staff transferred to admitted bodies. The Fund has 146 employers and over 86,000 scheme members.

The scheme is designed to provide financial security for the Fund's members and dependants, both while they are working and during their retirement.

The Fund's asset value at the reporting date was £5,070m.

The Fund recognises that Environmental, Social and Corporate Governance (ESG) issues can have a material impact on the long-term performance of its investments. ESG issues can impact the Fund's returns and reputation. Given this, the Fund is committed to an ongoing development of its Statement of Responsible Investment Principles (SRIP) to ensure it reflects the latest industry developments and regulations.

The Fund's Investment Strategy Statement (ISS) states that the investment objective of the Fund is to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding strategy objectives on an ongoing basis. One of the Fund's investment beliefs is that Responsible Investment (RI) can enhance long-term investment performance.



The Fund recognises that through active shareholder engagement it can influence those companies it is invested in to improve their corporate behaviour. Improvements made by these engagements can lead to an increase in the long-term value of the Fund's investments. The Fund believes that these can be maximised by collaborating with other like-minded investors to increase the pressure for change and encourage improvements to be made.

The Fund's approach to stewardship is explained in detail in this document. The sections that follow show how our stewardship approach relates to the twelve principles of the UK stewardship code set out by the FRC.

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy the environment, and society.

Overview

The East Sussex Pension Fund is part of the Local Government Pension Scheme The purpose of the Fund is to provide pension and lump sum benefits for members or their beneficiaries on a defined benefits basis - in accordance with the requirements of the LGPS legislation.

The Fund has considered its legal and fiduciary requirements in its investment strategy and considers the pursuit of a financial return to be the predominant concern. This return should be the best realistic return taking into account the need to control for risks over a long-term time horizon as an open scheme. As a steward of our beneficiaries' capital and in line with the LGPS regulations the Fund takes proper advice in its investment decision making and in administration where appropriate. We invest in a wide range of assets, properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings and to avoid accumulations of risk in the portfolio as a whole. Primary fiduciary duty is owed to the beneficiaries and not scheme employers, residents or other interested parties; however, the Fund does also have responsibilities for these groups in other ways. The Fund will only use its power of investment for investment purposes, in the best interests of beneficiaries and not for any wider collateral purpose or for any political view.

The Fund has a long-standing commitment to responsible asset ownership and believes that Responsible Investment supports the purpose of the Fund. Stewardship is an integral part of asset ownership and therefore of the investment strategy and requires the same commitment from investment managers. The Fund's stewardship objectives and commitments are set out in the Fund's Investment Strategy Statement.

ESPF Stewardship Principles

The Fund's RI Principles are to generate sustainable long-term investment with its asset allocation decisions made in consultation with its advisers. This is achieved by:

1. Applying long-term thinking to deliver long-term sustainable returns.

2. Seeking sustainable returns from well-governed assets.

3. Using an evidence-based long term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.

4. Evaluating and manage carbon exposure to mitigate risks to the Fund from climate change.

5. Being active stewards of out asst to ensure value of our beneficiaries.

6. Achieving ESG improvement through collaborative engagement

7. Being transparent in our RI reporting.

ESPF Stewardship Beliefs

The following beliefs underpin the Funds RI principles and policies

- ESG factors, including climate risk, can present material financial risks to asset values and returns;

- Implementation of effective RI policies can reduce risk and has potential to enhance returns;

- Engagement with investment managers ("IMs") and investee companies can be effective in protecting and enhancing the long-term value of investments;

- Collaboration with other asset owners and IMs will help improve the effectiveness of engagement;

- Effective oversight of RI requires monitoring of ESG and CR metrics and the actions of IMs and investee companies;

- RI is aligned with ESPF's fiduciary responsibilities in the management and oversight of ESPF's investments;

- ESG opportunities may be found in Impact Funds investing in companies whose profits are derived from providing solutions to some of the World's more serious environmental, sustainability and social challenges e.g. cleaner products and processes, renewable energy, health, nutrition, sustainable agriculture, shelter, clean water and sanitation etc;

- Resource efficient companies can drive increased returns for the benefit of the scheme members and stability of contribution rates for Scheme Employers, as resource efficiency reduces dependency on natural resources resulting in reduced input costs and less dependence on volatile commodity prices.

Activity

East Sussex Pension Fund beliefs underpinning the Stewardship Approach

The Fund believes that investors with long-term time horizons are more exposed to certain risks and requires that its investment managers be aware of and consider these when making investments. However, long-term investors are also less susceptible to short-term volatility which means it can take on investments that require longer duration positions or where engagement activities can help influence a company to support a just transition.

The Fund also believes that its approach to stewardship can provide opportunities to its investment strategy and provide positive outcomes to scheme members through increased investment returns and developments in new industries and technologies.

The Fund laid out its beliefs underpinning stewardship and RI in its Statement of Responsible Investment Principles (SRIP) which is set out within the Investment Strategy Statement. The document is reviewed annually, with a significant overhaul of the statement completed in 2023. As part of the work refreshing and enhancing the statement the Fund re-defined its beliefs that underpin the Fund's principles and policies adding in new beliefs for climate opportunities and returns generated from resource efficiency.

Approach to implementing and monitoring stewardship at External Management level

The practical application of the Fund's policy is achieved through a combination of activities including, but not limited to, 1) dialogue and liaison with investment managers on key issues directly and through collaborative engagement groups, 2) engagement activity direct with underlying companies as carried out through the Fund's membership of the Local Authority Pension Fund Forum (LAPFF). LAPFF meet with the Board of Directors of many companies where LGPS Funds are invested to discuss and challenge activity.

The Fund is a signatory to the Principles of Responsible Investment (PRI) and Institutional Investors Group on Climate Change (IIGCC) and expects its investment managers to also be members of these organisations. In 2023 the Fund also signed up as a member of The UK Sustainable Investment and Finance Association, and officers have regularly attended events where best practice in the Stewardship of assets has been a key theme of discussion.

The Pension Committee meets with investment managers for engagement and training activities while Officers of the Fund meet managers regularly to challenge investment approach, methodology and performance as well as whether the managers' activities compliment the Fund's investment beliefs. Officers and advisers can discuss relevant developments in detail with Investment managers to cover all stewardship and RI activity. All investment managers are required to report on a quarterly basis to the Fund, including details of votes cast on corporate resolutions and company engagement for holdings in their relevant portfolios. These activities are then published quarterly on the Fund's website for transparency for our beneficiaries and stakeholders. The Fund challenges managers to ensure voting activity is aligned with the Fund's priorities and that all relevant risks have been considered.

The Fund has appointed Investment Consultants to provide specialist expert advice to the decision makers. In addition, the Fund has an Independent Adviser who supports the Pension Committee to deliver the investment strategy in the interest of pension beneficiaries. This combination delivers effective returns with a social and environmental consciousness.

The Fund believes that professionally managed companies with awareness and focus on governance, resource efficiency and robust people systems, provide long-term value creation and that the Fund's stakeholders will benefit from these investments as strong investment returns improve the Fund's overall funding position. This keeps the pension scheme affordable and stable in terms of employer contribution rates.

PRI Signatory

Within the SRIP the Fund details its stewardship approach through the lens of the Principles of Responsible Investment (PRI) six guiding principles.

As a PRI signatory the Fund has agreed to the PRI signatories' commitment.

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time)."

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

- Principle 6: We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social, and corporate governance issues to investment practices. The United Nations Secretary-General convened the process.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt the Principles."

Monitoring and Reporting

Performance of all investments are monitored and reported quarterly. Investment Managers are expected to report on performance, engagement and voting activity quarterly to the Fund and its advisers.

The Fund then considers:

- How managers have integrated ESG in their investment activities
- How managers have exercised the Fund's voting rights and to explain where there is deviation from voting guidelines or voting alerts
- What engagement activities have been completed in the quarter
- What RI policies are in place

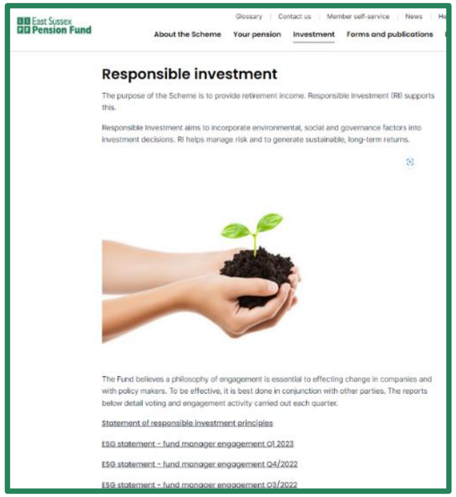
The Fund meets with investment managers in addition to the ongoing review and engagement that the investment consultant conducts on behalf of the Fund. This is to ensure the managers are complying with the requirements set by the Fund and the ability of the manager to invest in the best interests of beneficiaries. During direct manager meetings with Officers, the agenda always includes ESG for discussions on holdings, activities, polices, and developments.

In addition to the Fund's quarterly ESG report, we also publish an implementation statement within the annual report to show how RI beliefs have been embedded within the Fund's investment activities during the year.

The Fund's investment consultant carries out an annual impact assessment on all the investment managers.

This annual assessment scores each of the managers across a range of ESG criteria including a climate score since 2022 and sets out an action plan for each manager (updated annually as part of the review).

The Fund invests through investment managers who conduct detailed research on the prospects for individual companies and industries. Due to the scale of investment under management, the investment managers have access to underlying company management teams including their executive boards. Dependant on asset class, the investment manager has a seat on the advisory board of the underlying company. On selection of an investment manager the Fund ensures the manager is aligned with our stewardship beliefs through a detailed set of evaluation criteria for ESG and Stewardship.



Culture and Values

The Fund's investment beliefs underpin the Fund's culture and values driving our approach to stewardship.

Our primary values and how we have incorporated our values into sustainable ownership are:

Long term – the Fund's focus is to ensure all investment and stewardship activities are aligned to being a long-term investor to pay our beneficiaries when required. From a stewardship approach this means that we ensure our managers are holding investments that reduce the financial risk to the Funding position.

Responsible – We are responsible investors and believe we can reduce risk and generate enhanced returns by investing in companies and assets that are sustainable and well governed. We strive to be active stewards of our investments and hold our investment managers and underlying companies to account through voting and engagement and an active governance process for our external investment managers.

Evidence based – We ensure investment and stewardship decisions are based on evidence, whether that is research, data and metrics or expert advice. This ensures there is robust understanding of decisions and their impacts to the real world, our investee holdings and our beneficiaries' pensions.

Collaborative – We collaborate with our peers across the LGPS and through a number of specialist investment and engagement groups to allow us to engage with policy makers to drive sustainability forward globally and in the investment sector. We utilise a shared understanding and research on stewardship, ESG integration, and shareholder actions.

Governed - Each year we review and agree on the investment strategy including ESG principles for the next year and set the longer-term direction of travel. The Fund ensures all decisions are in line with its fiduciary responsibilities to generate a robust pension provision for our beneficiaries.

Embedding beliefs

Training opportunities are provided to Committee Members and Officers to ensure decision makers and those that implement and monitor investment activity understand their stewardship responsibilities and risk. Training is laid out in the Fund's training strategy which is reviewed every two years supported by a training coordinator. The Fund has a training and strategy day embedded into the annual meeting plan in addition to standard Committee meetings.

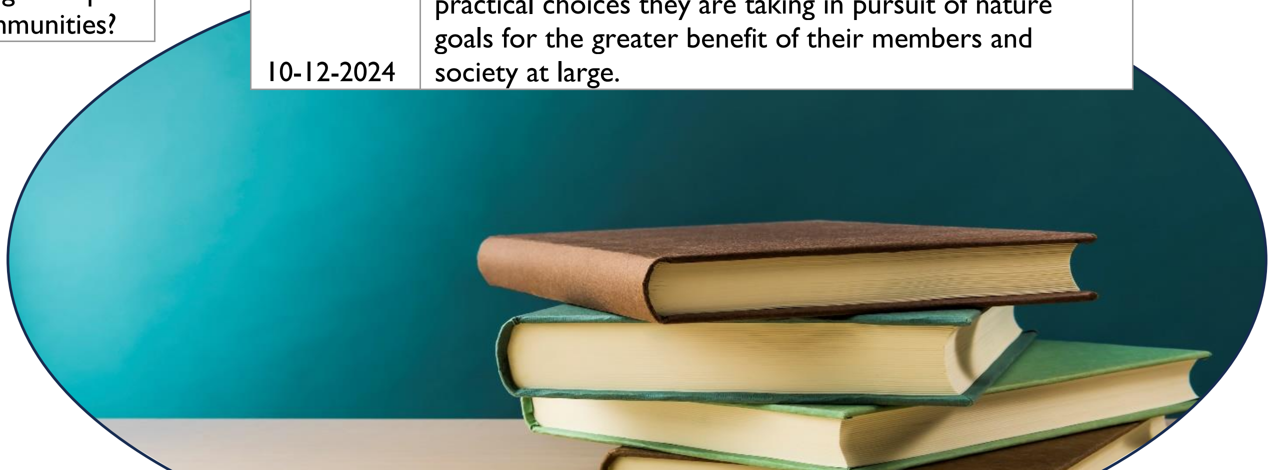
New Committee members are given an induction programme to help develop knowledge and understanding of all their responsibilities. Training links and details are provided at least monthly by the Fund's designated training coordinator. Training is picked up at all Pension Committee and Pension Board meetings through the work plan and a report on training is covered twice a year.

In 2024 the Pension Committee members attended the following training sessions and conferences where training impacted on stewardship activity or stewardship was a theme.

Date	Topic
29-01-2024	**Private equity** - how portfolios are created - how companies are selected for inclusion - what is invested and the role of GP's - influence and control structures within Private Equity - influence the underlying companies to reduce risk - how are Private Equity (PE) managers developing to respond to EGS and Climate change - are there impact or exclusionary versions of PE investment opportunities?

Date	Topic
21-05-2024	**Addressing the challenges and risk exposures resulting from fossil fuel divestment** -In this short session, Osmosis seeks to address some of the challenges investors face in the energy divestment. Head of Quantitative Research, Dr Tom Steffen, will examine the financial and concentration risks of exclusion, the inadvertent exclusion of transitional companies, and the need to address the demand side of fossil fuel use across the broader economy as well as target the supply.
12-06-2024	**Climate models and investing: what's the issue?** • the issues surrounding current climate modelling; • the concerns of asset owners and asset managers, including pension schemes; and • how such models can be made more decision-useful for investors, allowing for strategic investment decisions to be made.
12-09-2024	**Climate Change: Science and Evidence** - Understand the fundamental science of the earth's climate system - Observe the changing patterns in earth's climate (e.g. temperature, rainfall) - Explain why the earth's climate is changing and the evidence - Discuss future climate projections using global models and predicted changes - Discuss impacts globally and for the UK using examples - What can we do as individuals and local communities?

Date	Topic
13-09-2024	**Natural Capital** Our newly appointed investment managers to the ACCESS pool (JPM and Stafford) to introduce the topic of Natural Capital. The managers will provide an overview of their specific offering for the pool also.
22-10-2024	**Local Authority Pension Funds' ESG & Current Issues** With responsible and ESG Investment reports now a requirement for LGPS investors, this conference will enable local authority pension funds and pools, as well as other public authority pension investors, to explore a range of investment approaches, opportunities and new ideas in the ESG space. We will consider the latest trends and the outlook for various ESG investments in the prevailing regulatory and macroeconomic environment as well as some of the key current issues and practicalities.
10-12-2024	**The Nature & Biodiversity Challenge - Engaging with Nature for Better Pensions** Pensions practitioners from across the industry – representing both LGPS and corporate schemes – will discuss how they are confronting challenges such as are there key differences in the stewardship and governance challenges impacting natural assets and in the investment opportunities they offer? Assisted by some compelling Case Studies, there will be particular emphasis on the practical choices they are taking in pursuit of nature goals for the greater benefit of their members and society at large.



Outcome

As a result of a strong stewardship policy, the Fund has been able to implement a number of additional activities in the year including an introduction of an engagement and stewardship strategy day for the officer team; continual improvements to the quarterly ESG reporting; more robust challenge to Investment managers on a wider range of topics such as biodiversity and risk of investments; and progressing the strategic decision to invest in a sustainable multi asset credit mandate., the BlueBay Total Return Credit Fund.

The Fund has been able to progress on work it has carried out building its knowledge, monitoring, and reporting in this area, with Officers, Pension Committee members and Pension Board members all taking time to increase knowledge and skills on this complex and ever-changing topic.

The Fund reported against the framework set out by the Taskforce for Climate related Financial Disclosures (TCFD) for a third year making improvements in the breadth of mandates covered in the reporting and reflecting the underlying beliefs of the Fund. The Fund conducted its fourth year of carbon foot printing. To integrate stewardship and RI into investment decisions, data is essential in helping to inform which investment managers to challenge more regularly and which holdings require robust reasoning within the portfolio to protect the beneficiaries' pension pots while ensuring managers are considering the investment case and embedding ESG factors to ensure the full risk of the investment is considered.

The Fund reported against the implementation of its RI beliefs in the annual report and accounts which included the identification of further action to build on in future years. Progress will continue to be made and tracked. All the Fund's investment managers have aligned with the Fund's stewardship expectations as to their membership of collaborative and industry leading stewardship groups with all managers being PRI signatories and most managers being signatories of IIGCC and the Stewardship Code.

The Fund's development of its Statement of Responsible Investment Principles (SIRP) set the scene for the actions taken in 2023 for improvement following an assessment in 2022 against the Fund's LGPS pool colleague. While the ESPF statement scored the highest in its peer group the Fund identified a number of areas in which improvement can be made to its Statement to make the vision clearer as to strategy and beliefs along with more transparency on how the Fund will approach its stewardship activities.

In addition to the changes implemented following the 2022 assessment the Fund took a number of learning from the first PRI submission where it felt it was lower scoring to try and enhance the Funds RI approach for future years. The changes resulting from this learning was the inclusion of the pillars of ESG to support the approach of sustainability through the pillars of Environment, Social and Governance factors. addition a section was added to cover the Funds key ESG themes of Climate Change, Human Rights, Biodiversity, Corporate Governance and Sustainable Production and Consumption.

The Fund has been recognised as a leader within the ACCESS pool on ESG issues, with the chair of the Pension Committee appointed as the ESG spokesperson for the pool and retaining this position through 2024. The Fund's Head of Pensions joined the RI working group in 2022 where the group have provided support to the pool's Joint Committee resulting in the pool making the decision to join LAPFF as its first collaborative group for engagement activities; the decision to carry out a gap analysis of its stewardship activity culminating in submitting its own Stewardship Report in 2024; and the procurement for a Stewardship adviser to support the pool on a range of RI activities including reporting and voting guidelines refresh.

2024 has been another turbulent year in terms of global markets with inflationary pressures and 'higher for longer' interest rates, but the Fund has been robust and provided a strong service to our scheme members and employers. Equity markets have been driven ahead by seven technology companies that have resulted in an underperformance of the Fund to the index as our investment managers are underweight in big US technology, instead focusing investment on sustainable and impact growth Funds. The Fund has become cash negative from the scheme member activities; this is in part due to the slight contribution reductions for many of the scheme employers following the strong funding position of the valuation, and also the high inflation uplift given to all pensions in payment at the start of the year.

The Fund continues to generate sufficient cashflow from its investments and member activities, but the Committee will focus on income over future years when considering strategy, to ensure we continue to have sufficient income in the long term to pay pensions.

Despite all of this, the Fund is diverse, very well-funded and has defensive elements to its investment strategy. The Fund's strategy and risk management processes help us to make sure we can keep paying our members pensions now and into the future. The Fund's last triennial valuation was completed in 2022 which assessed the solvency level at 123%. The scheme actuary has continued to track the movement of this funding position. A slight fall in funding level was expected, as it was mostly due to the high inflation increase applied in April 2023 compared to the actuary's long term 20-year average that is modelled for the valuation assumptions. The Fund continues to be in a very strong position comparing assets to liabilities.

Throughout the first half of 2024, we continued to employ a trigger mechanism for UK Index linked Gilts to take benefit from higher interest rates. The Fund has achieved positive returns in the medium to long term with 3 and 5 year performance. Returns generated to protect the interest of the Fund's beneficiaries and pay pensions has been a real return net of fees of 2.4% for 3 year performance. The 1 year performance was 7.3% real return, however this fell short of the benchmark of 12.1% due to, amongst other things, the underweight exposure to US technology stocks. Throughout the Fund's activities there has been an underlying and essential objective to ensure return on investments for the best interest of beneficiaries.

Example ESG theme incorporated to the SIRP

Human Rights

As a responsible institutional investor, the Fund uses its influence to encourage the promotion and protection of human rights around the world. This is achieved through regular direct engagement with a variety of stakeholders including policy makers, investment managers, and investee companies to ensure that corporate practices are in line with the Fund's human rights commitments.

The Fund remains diligent in its responsibility to ensure effective oversight and governance surrounding human rights in all companies in which it invests. With a view towards ending practices such as forced labour and human trafficking, ESPF pushes for supply chain transparency across its investment portfolio. By directly engaging with companies and investment managers, the Fund aims to drive the improvement of corporate human rights practices around the world.

As detailed in the Fund's Stewardship Report, human rights stewardship is directly integrated into our investment strategies. To this end, ESPF continually assesses and reports on its underlying exposure to companies with human rights concerns. An example of this can be found in the Fund's Statement on Israel and the Occupied Territories, which annually reviews the human rights situation in the Occupied Palestinian Territories in relation to our investment strategies.

Snapshot from the RI implementation statement published in the Annual Report and Accounts 2023/24

Commitment	Progress	Further Action
To continue to research and support the deployment of new impact capital into projects set to benefit from the transition to a low carbon economy	75% of the Fund's equity mandates have been invested into specific climate conscious investments. With 10% of the Fund's total portfolio with active managers into impact managers, 5% actively managed in Paris Aligned portfolio, 7.5% into climate risk passive product and 7.5% into a resource efficiency weighted index. The Fund has moved a further 3.5% of Fund assets into a sustainable multi asset credit fund in Q1 of 2024/25 financial year.	The Fund will continue to assess the alignment of the remaining equity position to ensure it is invested in a compatible way to our RI policies. The Fund will review the characteristics of the equity investments to ensure these mandates are investing in line with the investment rationale of the Fund. The Fund will continue evaluating the fixed income options to ensure that where we are able to identify sustainable investment practices. Working with ACCESS to develop a suitable passive like equity offering and promote suitable solutions within the Pool.
Signatory to the United Nations Principles for Responsible Investment (PRI)	The Fund has signed up to the PRI and has provided its first set of information to the PRI for assessment. The Fund has received the results of the assessment and received at least 4 stars in each category.	During Q3 2024/25 the Fund prepared and submitted the necessary information to maintain our signatory status to the PRI. We look forward to improving our responsible investment activities through the PRI reporting annually.

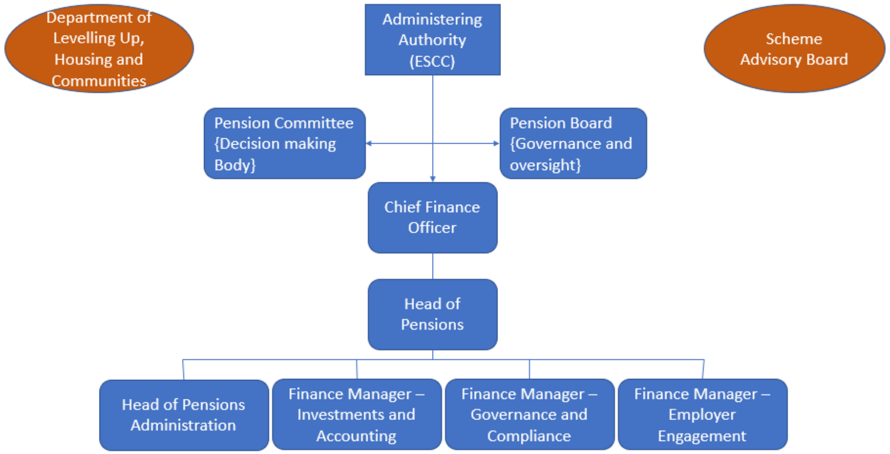
Principle 2

Signatories Governance, Resources, and Incentive's support Stewardship.

Overview

East Sussex County Council is the Administering Authority for the East Sussex Pension Fund and has delegated the responsibilities of administering the Pension Fund to the Pension Committee. This is set out within the Councils constitution. The Pension Committee is supported by the Pension Board and Fund Officers in fulfilling its duties. The Pension Board role is to assist the Committee in complying with the LGPS rules, overriding pensions legislation and guidance from the Pensions Regulator. The Pension Board is made up of equal numbers of employer and member representatives with an independent chairman.

The governance structure of the ESPF is shown below:



Activity

Decision making

The Pension Fund is managed by the Administrating Authority on behalf of all the 146 employer bodies in the Fund. The Pension Committee is the main decision-making body for the Fund. The Pension Committee has the delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager. The Pension Committee is responsible for agreeing and overseeing an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of investment and administration performance. The Pension Committee agree the Investment Strategy Statement and the responsible investment of the Fund, reporting on these activities. In February 2023 the Pension Committee were provided a report on the codification of a decision making matrix mapping out who is involved in what decisions. The decision matrix sets out where decision making sits, who is accountable, who is responsible for the delivery, who should be informed and who should be consulted. The document is in place as an operational document to support officers in understanding processes and to retain institutional memory as to where information should be shared and who is responsible for enacting tasks.

The Pension Committee receive assistance in performing their functions via:

- Pension Board – help with effective governance and ensuring compliance with the regulatory requirements.
- Chief Finance Officer – Scheme administration, including governance and investment implementation.
- Head of Pensions – ensuring committee decisions and regulatory requirements are implemented; and management of the team.
- Investment Consultants – provide expert investment advice in line with regulatory requirement for proper advice. This is an FCA regulated firm.
- Independent Advisor – provides challenge to the investment recommendations and supports the Committee in understanding of Investment activities.
- Fund Actuary – provides advice and support on all funding matters including setting of employer contribution rates.

Responsibilities of the Pension Committee

- The Pension Committee is established as the Fund's scheme manager and is responsible for arrangements for the investment, administration, funding, communication, risk management and the overall governance process surrounding the Fund.
- The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target for the East Sussex Pension Fund.
- The Pensions Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.
- Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality, and impartiality.
- Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict-of-Interest Policy.
- The Committee is subject to the statutory obligation of political balance in the membership of the Committee.
- Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.

Governance Structure

The Fund is structured in line with the Local Government Pensions Scheme 2013 Regulations and the Public Services Pensions Act 2013 which introduced a new framework for the governance and administration of public service pension schemes. As a result of the Public Services Pensions Act, the Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes which the Fund are required to comply with. The Pensions Regulator is in the process of creating a new general code which is expected to be published early 2024, bringing together and updating the 10 existing codes of practice into one set of clear, consistent expectations on scheme governance and administration. The general code will be relevant for the LGPS, but there will also be parts where the Fund does not need to comply.

The Fund conducted an independent Governance review in 2019 and 2020 where changes were implemented to enhance the governance of the Fund.

The terms of reference for both Pension Committee and Pension Board were amended to ensure the Fund structure and responsibilities aligned with best practice as advised by the Scheme Advisory Board (SAB) who had initiated the Good Governance project. In addition, delegations and the team structure were also changed to provide more comprehensive governance arrangements for all aspects of the Fund.

The review also included the implementation of various policies including the development of a Conflicts of Interest Policy to ensure beneficiaries pensions are managed appropriately. The Fund's Conflicts of Interest Policy can her found here.

As a result of the work the Fund has done on improving governance over the years the Fund has had substantial assurance for regulatory compliance with no recommendations from the internal audit team.

Qualifications and Resources

Officers

Fund Officers managing the investment strategy and oversight of the Fund from a stewardship perspective hold either Chartered Accounting qualifications or CFA qualifications. Fund Officers maintain a training log to ensure we can evidence the relevant knowledge and skills for a professional investor. Other Fund Officers have been recruited to roles evidencing knowledge and skills suitable to their role and grade within the team.

The Officer team has a designated Investment Officer, a Pensions Manager for Accounting and Investments and the Head of Pensions, who oversees all strategic implementation. The Chief Finance Officer attends training to stay up to date with Pension issues. Following best practice from the Scheme Advisory Board Good Governance Review the Head of Pensions role was created as a 100% Pensions position and the responsible LGPS Pensions Officer.

Designated Investment posts are graded at managerial level with the Head of Pensions having responsibility for the management of the Fund as a Service Head. The Chief Finance Officer is the statutory officer for Finance and has delegations in respect of the Fund and has emergency powers.

Training and qualifications are available to all staff across the Fund, to support development and career progression, with short courses, webinars and conferences also provided regularly to staff. The Fund rolled out its own Learning and Development Policy in December 2023 to enable staff members to apply for professional qualifications, setting out the parameters in which this would be implemented and providing the relevant forms to access. In addition, a qualification pathway was introduced to set a clear route for staff depending on their experience to know what qualification is most suited to them based on their career development expectations.

Committee Members

The Pension Committee is structured in line with the Local Government Act 1972; in that the Committee must be solely appointed from elected members of the Administering Authority (as defined in the Local Government Pension Scheme Regulations 2013 as East Sussex County Council). In addition, the Pension Committee is politically balanced to represent the Administering Authority in line with rules under s15 of Local Government and Housing Act 1989, the Local Government (Committees and Political Groups) Regulations 1990.

There is no current requirement for specific qualifications or knowledge and skills within the legislation and the legal requirements placed on the Fund, and there is no assumed knowledge of LGPS pensions or Investments of the Pension Committee members on appointment to the Committee. Instead, the ESCC constitution sets out a requirement for Committee members to comply with the Fund's training strategy which sets out mandatory requirements of Committee members, Board members and Officers. Committee members are provided training on the job through various external training courses, conferences, and internal training. Committee members are required to annually assess their training level on a wide range of pension specific areas including investments which then forms the basis of the annual training plan provided. The training needs analysis includes sections on Investments, asset classes, and funding levels, as well as three questions to assess knowledge on Responsible Investment.

RI questions on the knowledge and skills assessment are:

Responsible Investment

An awareness of the latest developments and requirements in the area of responsible investment.

An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is a signatory of these.

A general understanding of the Fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the Fund's investment strategy.

Investment Managers

As part of the manager selection process and due diligence, Officers and the consultants look at the qualification and track records of the key personnel managing portfolios. Where possible a side letter is included in the subscription documentation to ensure the Fund can exit a position if key personnel were to leave (which could place the Fund in a position of risk due to insufficient expertise of an investment manager). Investment managers are FCA regulated firms and have numerous training and qualification requirements.

Investment Consultants

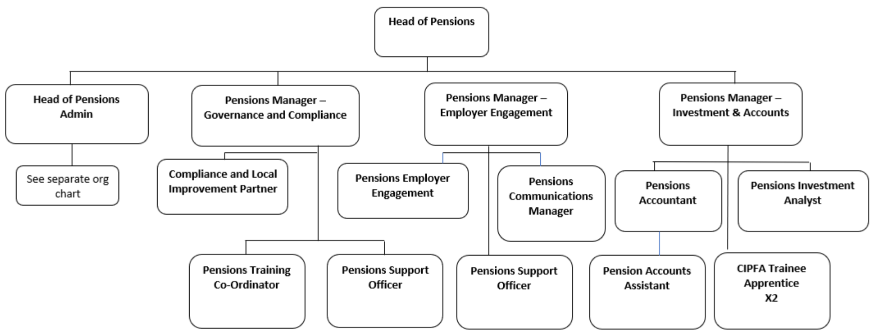
The investment consultants, ISIO, have breadth and depth of available resources to support and advise the Fund. They are an FCA regulated firm. Their technical knowledge allows research and analysis for investment management and provides guidance to decision makers who may not have the necessary knowledge and skills to act without this advice. All investment decisions within the Fund are based on advice by these experts.

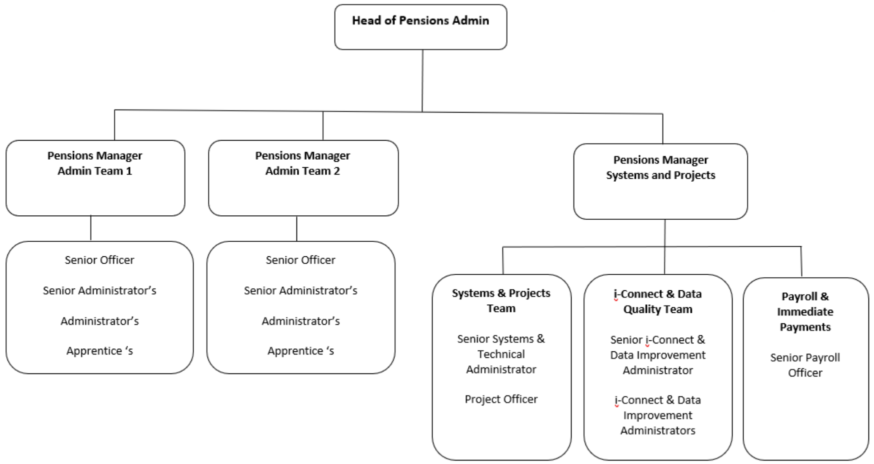
Independent Adviser

The Fund conduct a procurement process for appointment of the Independent Adviser who must evidence knowledge and skills across the LGPS and investments. This position is in place to support the Pension Committee in understanding and challenging the advice of the Investment Consultants to ensure a balanced and considered view is taken with all investment decisions.

Team Structure

Pensions Organisation Chart





Diversity and Inclusion

The Fund has a policy of inclusion and is working towards increasing the diversity of its workforce, to represent the communities we serve more closely. Staff provide equality data, and we are working to reduce 'unknowns'. We will make comparisons with the Census 2021 data, when it is available. Due to the small number of staff working for the Fund and the risk of identifying individuals, details cannot be provided here. However, but ongoing analysis will inform interventions based on ESCC's positive equality and inclusion practice.

Stewardship Activities

Officers involved with investments are all involved in stewardship activities from the Head of Pensions ranging down to the Trainee apprentices. These Officers attend Investment management meetings, challenge voting activity and look at manager engagements.

In addition, all Officers involved in the investment team participate in Fund reporting to ensure it is complete and comprehensive on stewardship activities. This includes production of the ESG quarterly reports, TCFD report, Stewardship code preparation and other collaborative project work.

Investment in Systems

As investments are managed by investment managers rather than internally, spending in systems is limited. However, the Fund does investigate, and challenge data received and has invested in carbon foot printing services as well as look though systems and analysis. This enables the Fund to see the underlying investment holdings of external investment managers.

When investing in real assets the Fund also challenge prospective managers over their quality assurance processes and systems to ensure investments are being governed to a high standard with full oversight of the investment boards. The Fund invest in performance management and specialist investment accounting systems from the Fund's custodian.

In addition, the Investment consultant provides numerous investment analytical services such as ESG and Climate impact reporting which the Fund uses.

Team Cohesion

In 2020 the Fund carried out an independent governance review where it identified a need for a review of the staffing structure for the Fund's management team with a suggested structure put forward. The Scheme Advisory Boards Good Governance project highlighted the importance of recruitment and retention practices for pension functions to enable the delivery of an effective pension service. The Pension Committee agreed to the appointment of a Head of Pensions who would be a person accountable for the day-to-day delivery of the Fund in accordance with agreed strategies, polices and the business plan. In addition to the internal structure for the Fund, it was agreed to dissolve the outsourcing arrangement for Pensions Administration, bringing this pensions function into a single East Sussex Pension Fund staffing structure. Following the decisions to create a new single staffing structure the Fund carried out an organisational restructure into four teams: Investments and Accounting; Employer Engagement; Pensions Administration; and Governance and Compliance. These teams allowed the Fund to better align business units and set appropriate reporting lines to deliver on our purpose. As part of the project the Fund created new job descriptions for all posts, restructured the existing team, carried out recruitment processes to fill new roles and transferred staff to ESCC from the outsourced administration team moving all staff onto ESCC contracts in 2022. We recognised that this had led to a significant amount of change for staff members and the Fund focused on team cohesion to ensure staff were focused on providing services as a single Pensions team. As part of the cohesion approach, the Fund set up regular all staff team meetings to get all employees of the Pension Fund together; arranged social events during the year; and collaboratively set a team agreement as to how we would work within Hybrid arrangements, to create connectedness among employees to help achieve the right strategic outcomes to support the Fund in delivering pension services. As part of the team meetings the Fund is able to promote elements of its stewardship activities to allow all staff to have sight of activities in different areas outside of their own job roles. This has included an interactive training item on climate change and actions individuals can do, and a session on Sustainable Development Goals (SDG's) and prioritisation of those SDG's to help drive Fund stewardship values. Team members are invited to suggest areas of training or information sharing at all future team meetings.

Performance Management and Incentivisation

As a local authority Pension Fund, the ability to use performance management and incentives are limited. However, the Fund is aware that resources are important and works hard to recruit and retain staff and offer opportunities for development through qualifications, training, and attendance at conferences. The Fund has offered a flexible approach to locality and working hours to ensure the correct people are in place and the interests of beneficiaries are considered with stewardship activities prioritised.

The Fund assesses the performance of staff though the ESCC Finance Maximising Performance framework. The Finance Management Team, which is the overarching service department for the Fund, sets Finance Service objectives annually and outlines areas of focus for each year for service improvement. These areas of focus and service objectives follow the Golden Thread from the Council's priorities and cascade down to team and personal development objectives for all staff. Team and Personal objectives should develop on the agreed Finance Competencies and the Finance Business Partnering behaviours as laid out in the Business partnering review specific for the Fund.

All staff are expected to contribute to the setting of their objectives in line with the strategic objectives set by the Finance Management team and meet monthly with their line manager to discuss progress against objectives and personal development. Staff are invited to request to work on projects outside of their normal work scope where they have a personal or development interest to recognise team cohesion and support staff retention.

The Fund is restricted to alignment with the ESCC local government pay grading to ensure equality of roles across the Council. Passion for the work of the Fund and the ability to put team members own mark on stewardship tasks such as production of new reporting requirements, mean staff feel empowered to carry out their work. Investment team members are regularly invited to attend ESG and RI events to network with their peers and industry experts and improve their knowledge and skills. While other team members are offered regular training courses.

Resources and External Contracts / Collaboration

In addition to the internal resources of the Fund, the Fund use external experts such as the Investment Consultant; Carbon foot printing provider; independent adviser; and Investment managers to ensure the breadth of resources and range of tools to administer the Fund are available and ensure effective stewardship without having to have a large team of specialists directly employed.

This helps the Fund to benefit from major research teams in all asset classes and industries across different sectors. This would not be possible to do directly.

In addition, with collaborative partners such as LAPFF, IIGCC and PRI the Fund has the power of those engagement partners and weight of resources to help direct policy makers or influence companies in which the Fund may be invested.

Outcome

The Governance structure in place is dictated by the legal frameworks in which the Fund must comply; however, the Fund has made many steps to ensure it is effective in managing beneficiaries' money and being an active steward of its investments.

The team structure has been designed to deal with the increased requirements of a pension fund, in particular the increasing regulatory reporting requirements for climate risk and stewardship. The Fund is well resourced and had a supportive decision-making framework through the Pension Committee and Pension Board who are conscious of the resources required to administer the Fund and consider adaptations of the team structure as required where there is a business need.

This use of collaboration and use of expert advisers means that the Fund has better resources available to assist its beneficiaries. External support from Isio, ACCESS and Investment managers mean greater capabilities to manage risk in the Fund's investment portfolio and allows for large research teams to feed into decisions and analysis that could not be achieved within the inhouse team structure. This has resulted in higher levels of scrutiny of the Fund's investment managers stewardship activities on the Fund's behalf.

Routine reporting from managers on engagement activity are expected by the Fund on a quarterly basis. Isio expect reports on investment managers activities before Investment Implementation Working Group Meetings and for each quarter's performance reporting; these resources all help the Fund with effective stewardship.

Training is key to the governance structure of the Fund, and the Fund has established a decision-making matrix to ensure all parties within the Governance structure are clear on their responsibilities and where accountability for activities sit.

As the team structure is relatively new, the Fund will continue to evaluate its effectiveness and make improvements where relevant, having a designated ESG or RI officer is a possible adaptation for the future.

Principle 3

Signatories manage conflicts of interest to put the best interest of clients and beneficiaries first.

Overview

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest.

Therefore, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed. The Fund implemented a Fund specific 'Conflicts of Interest' policy as part of its good governance review in 2020.

Activity

The Fund have a team who monitor for governance and compliance. Senior management also oversee the compliance team who are in turn overseen by the Pension Committee. The Investment Consultants make investment recommendations, while decision making sits with the Pension Committee; this structure is responsible for ensuring effective stewardship. As part of the CMA requirements the investment consultants are set annual objectives which are reviewed and reported on to the CMA annually.

The FCA Handbook SYSC 10.1.3R states that a firm must take all reasonable steps to identify conflicts of interest between:

> a) the firm, including its managers, employees, and appointed representatives (or where) applicable, tied agents), or any person directly or indirectly linked to them by control, and a client of the firm; **or**
> b) one client of the firm and another client; that arise or may arise during the firm providing any regulated activity or ancillary service.

This guidance is considered by our external investment managers.

Conflicts of Interest

The Fund has a Conflicts of Interest Policy that sets out how we manage conflicts of interest in our day-to-day business. The Policy is applicable to Committee Members, Board Members, Fund Officers and suppliers and advisers to the Fund, setting out the necessary principles to manage and mitigate key risks and safeguard the Fund. A copy of the Conflicts of Interest policy is available on the Fund website here.

At the Fund's committee meeting in September 2023 the addition of a conflicts of interest section was added to the Statement of Responsible Investment Principles.

All Fund officers undertake regular training on information governance and conflicts of interest which form part of the annual corporate training requirements. The Fund recognises the importance of managing potential conflicts of interest, with declaration of interests as a standing agenda item at the start of all Pension Committee meetings. A public register of Pension Committee members' declaration of interests is also maintained and audited annually. We also record any outside business interests that officers may have, and where these may cause of conflict with business decision making these are monitored closely. With respect to Stewardship, it is possible that actual or perceived conflicts of interest may arise through the normal course of business in relation to the execution of our Stewardship activity.

The more we engage with managers and investee companies, vote at AGMs, vote on shareholder resolutions and engage or communicate with policy makers and governments in jurisdictions within which we invest, the greater the potential for conflicts of interest or the perception of them to arise. These conflicts relate to potential tensions between our fiduciary duties as asset owners on behalf of our members, our role as a public sector pensions service provider, the responsibility of East Sussex County Council as Administering authority and individual political or personal views of the Pension Committee members or officer team.

The Pension Committee is subject to fiduciary duties with respect to investment matters. As a result, the Fund must only use its power to invest the assets for investment purposes, to generate the best realistic return over the long-term, given the need to control for risks, and to enable benefits to be paid to members when due. Investment decisions must be taken prudently, with a reasonable level of skill and care, and on the basis of proper advice, acting in the members' best (financial) interests.

To ensure the Pension Committee can do this, the Fund recognises that ESG issues can positively and negatively impact on financial performance. In addition, the Fund recognises that climate risk is a financial risk and support the view that limiting global warming to 1.5 degree could help curb the catastrophic impacts to the financial standing of the Fund and our members' wellbeing from climate change. The Fund want its members to be proud that it has a focus on climate change and the actions it has, and will continue to take, to work towards a better future.

The Fund will aim to understand the evidence in light of research and policy developments to inform the investment approach applying long-term thinking to integrate ESG, including climate risk and opportunities, into investment decision making.

The day-to-day delivery of the voting and engagement activity is delegated to the Investment Managers. Where the investment is made through the ACCESS pool the Investment Managers will follow the ACCESS voting guidelines.

From time to time the Fund responds to consultations from the UK government and UK regulators in relation to corporate governance and stewardship activity. This is part of the Fund's active stewardship priorities in supporting the efficient functioning of markets and promoting higher standards of corporate governance, reporting and transparency. Engagements and representations will be in line with Fund policies and major consultation responses with be approved at the Committee level.

The Fund will only partake in open letters to governments where these are researched and led by the Fund's collaborative partners where there is no political bias or conflict from the wider political pressure on the County Council as Administering Authority.

There will be instances where the interests of the Fund's scheme employers, scheme members and wider County Council beliefs will diverge, in these instances when exercising our stewardship responsibilities only the interests of the Fund's beneficiaries will be taken into account in line with the Fund's fiduciary duties and under advice from its consultants or advisers.

There were no identified conflicts of interest in the 2024 year.

Training

As part of the induction programme for new Committee or Board members a session is provided on the legislation surrounding pensions and the legal position of the Committee and Board. The training includes fiduciary duties, the role to serve beneficiaries and employers of the Fund and public law duties.

The Fund makes it clear and regularly reinforces the importance of disregarding political and other beliefs when making decisions. Committee is required under the LGPS 2016 Investment regulations to follow proper advice, and expert advisers are in place to support all aspects of decision making when specialism is required.

In addition, new elected Councillors are provided training and support on conflicts of interest, while new staff members are required to complete a learning and development module and declare any conflicts.

This is documented within the officer's induction programme. Councillors are also asked at the beginning of every quarterly committee meeting whether there are any conflicts of interest to report. In 2024 there were none.

Outcome

The Fund requires investment managers to have effective policies addressing potential conflicts of interest.

External managers are assessed on potential conflicts of interests and their written policies at the evaluation and appointment stage. Subsequent monitoring takes place by the Fund's Investment Consultant and Independent Advisor to protect the Fund's interests.

Within the Fund, Pension Committee members are required to make declarations of interest prior to each quarterly meeting and in a formal statement which is published once a year.

Pension Board, Pension Committee and Officers were all invited to attend induction training in May 2021, providing legal update and notice of their management of conflicts of interest.

Conflicts of interest are defined in detail in the Fund's Conflicts of Interest policy. The policy will be formally reviewed and updated at least every three years or sooner if arrangements merit reconsideration.

The conflicts policy addresses the fiduciary and public law duties to act in the best interest of the scheme beneficiaries and participating employers as well as the seven principles of public life as servants of the public and stewards of resources.

Local investment decisions are recognised as a specific LGPS potential conflict. The Fund has no strategic commitment to investment within the County and local investment must first evidence strong and competitive financial return within acceptable risk parameters.

There were no identified conflicts of interest in the 2024 year that effected investment or stewardship activity within the Fund.

Principle 4

Signatories identify and respond to market wide and systematic risks to promote a well-functioning financial system

Overview

The Fund has a Risk Management Policy in place which was approved in June 2021 and will be reviewed in June 2024.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, taking into account price risk, currency risk, interest rate risk, while keeping credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient funds available to meet the forecast cash flows and that capital calls can be met without any forced selling of assets. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect changes in activity and in the market conditions.

The Fund Risk Management policy recognises our key objectives and is intended to allow for identification and effective mitigation of all risks that may undermine the Fund's ability to meet its objectives. The Fund's ability to manage risk effectively and proportionately, and maximise opportunity, plays a crucial role in its ability to achieve the key objective.

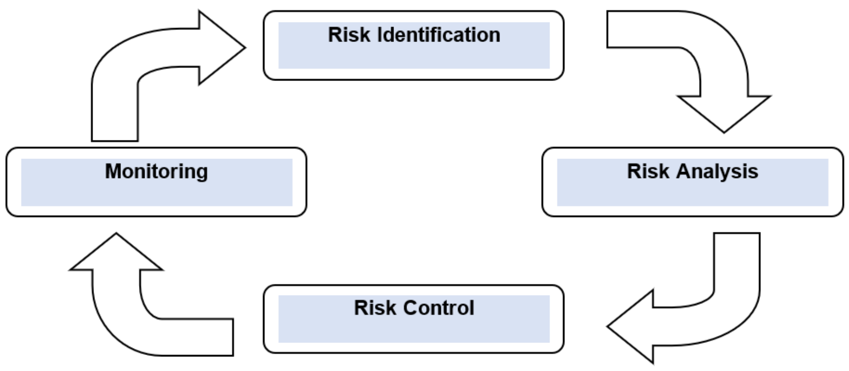
Risk management is not simply a compliance issue but is a decision-making tool, used at both strategic and operational levels, and is an essential element of effective governance.

Activity

Risks are identified under four risk categories of Administration, Employer, Governance, and Investment and Funding. The Fund tracks and reports its risks through a risk register that is updated and considered at each quarterly Pension Board and Pension Committee meeting.

Risks are controlled to ensure a proportionate and cost-effective approach is taken having regard to level of actual risk exposure and benefits to be obtained. Strategies to respond to risks are Terminate, Treat, Tolerate and Transfer.

The Risk Management Process



In addition to quarterly reporting of the risk register, an annual risk assessment is reported and published in the Annual report and Accounts, where sensitivity analysis is conducted on all market risk annually.

Key Market and Systemic Risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest rates, foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. Excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis looking for diversification and assessing correlation of different strategies.

The Fund's investment managers mitigate other price risk which is the value of a financial instrument fluctuating because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), through diversification. And the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Sensitivity analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in pound sterling. Following analysis of historical data in consultation with the Fund's Investment Consultants, the Fund considers the likely volatility associated with foreign exchange rate movements to be less than 10%.

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a monetary loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and cash to meet investment commitments.

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Climate change risk is identified as a risk to assets and liabilities through both physical and transition risk. As risk mitigation the Fund have a clear set of principles on beliefs and objectives that are considered for all decision making and monitoring of managers. Equity portfolios have been restructured to remove fossil fuel companies in a decision to avoid risk from high emitting companies but to also exploit opportunities in modern technologies and industries that are looking to find solutions to climate risk. As part of the triennial valuation the Fund actuary provided a climate analysis report as at 31 March 2022 to consider climate risk in the context of the actuarial valuation. The paper set out climate scenario analysis on the assets and liabilities based on the 2022 valuation data. The report focused on climate risk both physical and transition, other risks manifested from climate change such as investment, risk and covenant risk. The report was based on the agreed principles from the four actuarial firms, Government Actuary's Department (GAD) and the Department of Levelling Up Housing and Communities (DLUHC).

The analysis looked at four scenarios: early action, late action, no action and too little too late. Based on the scenario testing, the Fund Actuaries were comfortable that the level of prudence built into the valuation were sufficient.

Managing Systematic Risk

Day-to-day responsibility for managing our investments is delegated to our appointed investment managers. The Fund expects managers to monitor companies, intervene where necessary, and report back regularly on activity undertaken. This includes monitoring of global macro-economic trends, and key themes in equity, private debt, and infrastructure markets. Major market risks are discussed during quarterly Committee meetings, as well as with the Investment Consultants.

The Fund has regular meetings with Investment Managers and assesses their effectiveness in their monitoring of investee companies as part of formal portfolio reviews either amongst Officers or the Pension Committee and, as part of the manager analysis that is carried out by the Investment Consultants research team.

The Fund receives quarterly reports from Investment Managers detailing their voting and engagement with companies, which will affect the sustainability of investments. This information is published quarterly and provides a basis for the officer team to challenge Investment Managers on what risks they are focusing on through engagement activity and where their priorities lie.

Key market and systemic risks form the basis for the training plan for Pension Committee Members and officers with focus on items such as climate change and inflation being crucial areas for decision makers to understand.

Engagement examples with policy makers to promote continued improvement in financial markets and the pensions sector

Primary Markets Consultation

In June 2023 we responded to a governmental consultation paper named the 'Primary Markets Effectiveness Review'. One of the main proposals was for the Dual Class Share System, which if implemented, would represent a significant change to the listing regime of the UK. The Fund had concerns that these proposals would have a negative impact on various investor's rights, in particular smaller/minority shareholders. These shareholders are currently able to play an important role in holding companies to account on matters such as ESG commitments and effective stewardship. By amending the weighting of various shares, the Fund worried that the important corporate governance principle in the UK of one share, one vote, would be materially damaged. We therefore wrote to the Financial Conduct Authority expressing our reservations.

Pooling Consultation

In July 2023 the Department of Levelling Up, Housing and Communities issued a consultation on investment pooling. This covers the Government intention for Pension Funds to accelerate and expand the use of pooling and to transition liquid assets by 31 March 2025. The Government is seeking 5% of assets to be allocated to UK levelling up; 10% investment in high growth venture companies; the implementation of a training policy for Committee members, requirements to set objectives for Investment Consultants and a technical change to the definition of investments. The consultation suggested the Government want to see a transition towards fewer pools to maximise the benefits of scale. The Fund responded to this consultation on 2 October 2023. As part of the consultation response the Fund welcomed the Government's plans to enhance the pooling framework and continued value for money and fee saving that can be delivered through the pools. However, the Fund asked for a focus on outcomes rather than specifying a specific single approach for the delivery mechanism to avoid the impact on Funds to deliver to the needs of their unique circumstances to enable them to pay pensions including is approach to investment including liquidity and cashflow requirements, risk appetite, maturity and covenant of employers, affordability and funding positions.

Collaboration

The Fund participates in collective action, including use of resources and knowledge share through a number of collaborative routes which lead to ESG and policy improvements to promote better functioning markets. The Fund's collaborative groups include, but are not limited to:

- **Institutional Investors Group on Climate Change (IIGCC)**
  The IIGCC collaborates with policymakers and stakeholders to strengthen policy that supports a low carbon, climate stable world. Their mission promotes progress to 2030 net zero goals and a resilient future responding to systematic risk by defining public policy, investment practise and corporate behaviour.

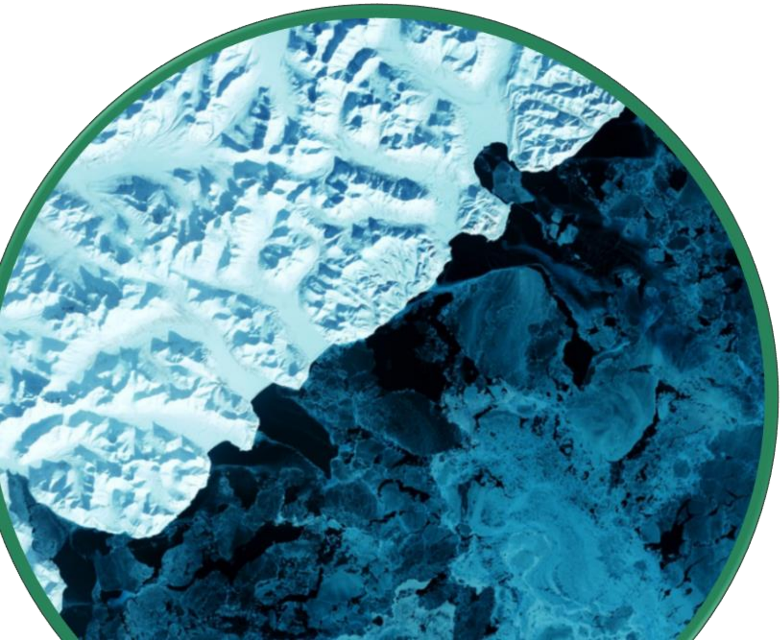
- **Pensions and Lifetime Saving Association (PLSA)**
  The PLSA discusses long term investment horizons with the acknowledgement that long term risk adjusted returns comes from responsible investment approaches. As a member, the ESPF uses their resources and practical advice to support stewardship.

- **Local Authority Pension Fund Forum (LAPFF)**
  LAPFF promotes high standards of corporate governance, enhancing the Fund's ability to transition to net zero targets. LAPFF has identified the FRC as vital to a well-functioning market. LAPFF work to ensure members can align investment and stewardship goals. LAPFF promotes well-functioning financial systems through collaborative experiences and knowledge sharing engagement.

- **Principles for Responsible Investment (PRI)**
  PRI is a UN led initiative that supports a duty to act in the best interest of beneficiaries and supports well-functioning financial systems through using their fiduciary role to promote how ESG issues can affect performance of investment portfolios. By aligning with the PRI principles, the ESPF identifies systematic risk by incorporating ESG into investment analysis and decision making, as well as disclosure on issues, and implementation of the principles in investment activities.

- **Pensions For Purpose**
  Pensions For Purpose is a bridge between asset managers, pension Fund's and advisers, to encourage the flow of capital towards impact investment. Pensions For Purpose provide high quality expertise and training to Fund's on ESG issues. The Fund joined as an affiliate member in September 2021.

The Fund utilises various research materials from these collaborate groups to help manage its activity and systems and draws upon the expertise within these groups to help address its processes and controls to reduce risk and improve systems.



Principle risk outcomes include:

Risk	Process	Outcome
Systemic risk: A diversified portfolio means exposure to a range of asset classes, of both passive and active management.	Detailed quarterly reporting mitigates this risk, and areas of concern are discussed and reported to Committee. The ACCESS Contracts Manager supports the officers through pooled resources, knowledge, and support. The Operator of the ACCESS ACS undertakes due diligence reviews of the managers each year. There are breaches of the ACS prospectus are reported to the ACCESS Contracts Manager.	The ACCESS pool offers a range of investments that provide exposure to a diversified set of asset classes and active and passive options. Limiting systemic risk through pooled resources and a strong governance framework, providing the delivery of a more efficient approach to investing in asset classes and providing value for stakeholders and beneficiaries.
Funding risk: Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate.	Independent investment consultants and advisors are utilised to provide advice on the performance of the Fund and highlight areas of concern. A triennial valuation exercise is undertaken to ensure the funding level and investment	This allows for better transparency and a balanced advisory to The Fund, ensuring performance is reviewed on a regular basis. This has led to successful audits and better reporting of funding risks, such as missed contribution payments and support

Risk	Process	Outcome
	requirements are updated. Annual strategy reviews take place to ensure the Fund is targeting an appropriate risk and return level. Quarterly performance monitoring is undertaken, and the Operator for ACCESS sub-funds monitors performance of the managers, The Fund ensures it is complying with Investment Strategy Statement and strategic asset allocation.	offered to employers. We provide revision of the asset liability model to support a viable strategic asset allocation for the new valuation.
Regulatory risk: Failure to comply with regulations, legislation and guidance from an accounting and investment perspective.	This is managed through ongoing training and internal communication, management conducted in accordance with CIPFA code of practises, IFRS and ESCC financial regulations, internal and external audit and mapped and reported breaches policy.	Outcomes here include better communications with employers on changing legislation, as well as increased internal resources to help manage employers through regulatory changes. Clear records of breaches and action taken.
Investment pooling risk: Failure to comply with the government guidelines on pooling.	This is managed through the ACCESS support unit, KPI's introduced with revised operator agreements, consultants analysing sub funds and transitioning using scenario analysis, opportunities to transfer securities in specie, due diligence completed by legal advisors and regular meetings between officers and ACCESS.	This is demonstrated in risk adjusted returns being competitive, for example portfolio standard deviation is currently 9.59% which is a competitive risk tolerance level.
ESG Risks: within Investment strategy and implementations on investment decisions.	This is managed through our statement of responsible investment principles, the investment working group covering ESG items, trimming of unconscious exposure to companies with poor ESG ratings through removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure. Challenging managers	Consistent engagement with managers has improve our awareness of investments they are making and rationale for investing. A steady improvement by most managers with more stringent targets for the ESG assessment, consistently raising the bar including improvement actions for each manager on ESG methodology, reporting or collaboration. Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the

Risk	Process	Outcome
	on their holdings with regard ESG issues Introduction of an ESG assessment for all managers. Collaborative working with other investors such as LAPFF.	greater voice by combined investment power.
Climate change: risk on assets and liabilities associated with Climate Change	Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of ESG factors and has a strong focus on climate change, restructuring of the equity portfolio to avoid high risk companies and exploit opportunities, including decision to invest in impact funds, carrying out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio.	The Fund continue to have some occasional exposure to high carbon emitting or fossil fuel sector companies from a tactical perspective to use its vote to help drive the sector forward through engagement and voting using the power of a collective voice. The Fund ensures that its managers are engaged on this topic and urge them all to join collaborative engagements with a number being UK Stewardship signatories, Climate 100+ engagement partners leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action.

Outcome

The Fund's strong Risk management policy and approach is demonstrated through the performance with risk adjusted returns being competitive, for example at the end of 2024 the portfolio's standard deviation was 9.59% which is a competitive risk tolerance level.

The Fund has a designated annual strategy day for Pension Committee on top of the regular quarterly meetings. This allows a focus onto market and system risk without all the other Fund management and decision-making activity. As part of the strategy day, Committee members are also able to receive training on the key topics, they are making decisions on to ensure they understand the full repercussions of their decision making. In 2024 the day consisted of a presentation by ISIO (The Fund's investment consultants) on the Fund's current investment strategy, a presentation by BlueBay (the Fund's newly appointed Multi Asset Credit manager), as well as a review of the Fund's income position.

The Fund has made fundamental changes to its investment strategy because of its concern on climate change risk with 10% of the portfolio invested in climate solutions and 20% in resource efficient or Paris aligned funds.

The Fund has also increased its exposure to infrastructure and have taken ESG credentials as a key differentiator in the manager selection process. All manager selections include a detailed set of ESG criteria to ensure the longevity of the investment portfolio.

LAPFF Engagement example 2024

Mitsubishi UFJ Financial Group

Mitsubishi has introduced a 'transition evaluation framework' launched in April 2024, which evaluates projects and corporate financing against its 1.5°C pathway criteria. Each project undergoes a rigorous E&S checklist review by the relationship manager and HQ approval. This approach reflects MUFG's effort to institutionalise climate considerations within its decision-making processes. Although still in its early stages, the framework lays the foundation for scaling up sustainable financing while ensuring that funded activities align with climate transition goals.

In Progress: While notable progress has been achieved there remain significant gaps in transparency, sectoral exclusions, and clear escalation pathways. As regulations like the Corporate Sustainability Due Diligence Directive (CSDDD) and Net Zero Banking Alliance guidelines evolve, LAPFF expects financial institutions to enhance their disclosures and actions, ensuring alignment with a 1.5°C pathway.

Principle 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities

Overview

The Fund has policies that are regularly reviewed and tracked through a tracking document to ensure all documents are assessed within the agreed timeframes. All documentation can be found on the website.

https://www.eastsussexpensionfund.org/.

Activity

Policies and Review

As a minimum, all policies are reviewed every 3 years. Where there is a change in law or major event, policies are reviewed earlier. In 2024 the Fund reviewed. the Governance and Compliance Statement, Exit Credit Policy, Training Strategy, Risk Management Policy, and the Conflicts of Interest Policy in line with the review policy for these documents. All documentation is reviewed in line with the governance review processes, in line with accessibility criteria and the Fund log all policy reviews by the review date.

By ensuring the Fund has a robust suite of policy and strategy documents that are regularly reviewed and refreshed, enables the Fund to promote greater transparency and accountability of its actions with clear expectations of ourselves and others in all activity the Fund does. This also ensures consistency in application of decision making and service provision for the scheme members and scheme employers.

Fund Policies

Investment Strategy Statement – reviewed and updated at least every three years or immediately after significant changes

Statement of Responsible Investment Principles – reviewed every 3 years

Conflicts of Interest - reviewed every 3 years

Breaches Policy - reviewed every 3 years

Funding Strategy Statement – reviewed every 3 years. Review process includes consultation with scheme employers

Administration Strategy – reviewed every 3 years. Review process includes consultation with scheme employers

Risk Management Policy - reviewed every 3 years

Training Strategy – reviewed every 2 years

Governance and Compliance Statement – updated annually

Communications Strategy – reviewed annually and updated at least every three years

Audit and Assurance

Management of LGPS investments is conducted in accordance with relevant governing legislation and regulations.

Internal Audit assess the governance of the Fund and provides assurance that best practise is followed. The Fund commission 75 days of internal audit work per year and the audit strategy is agreed annually by the Pension Committee. Internal audits commenced during 2024 included Pension Fund Financial Controls, Investments and Accounting, Regulatory Compliance and Administration of Benefit Payments.

Each internal audit report including actions agreed by the Fund's management is presented and discussed at both the Local Pension Board and Pension Committee.

The allocation of a substantial number of Internal Audit days helps support the Fund's management and decision makers with assurance of the controls in place to represent the stewardship of capital and high-quality service to Fund strive to achieve for its beneficiaries.

External audit, provided by Grant Thornton, provides the Fund with scrutiny on governance, decision making and transparency of reporting. External Audit issue an annual audit plan that is reported to Pension Board and Pension Committee and an Audit Findings report including the audit opinion.

In addition to the audits, the Fund completes an annual scheme return to the Pensions Regulator.

Governance

The Fund has a strong focus on governance which was instilled following the approval of a governance review by the Pension Committee in 2019. The review focused on recommendations made by the Scheme Advisory Board on best practice to see where improvements can be made within the Fund. The results of this review were presented to Pension Committee in June 2020 leading to some substantial changes to purpose and governance.

Many of the changes were implemented throughout 2020, 2021, 2023 with ongoing developments through 2024.

The Fund consistently reviews how it operates to achieve best practice with regards to governance. Officers closely monitored the progression of The Pension Regulator's General Code ahead of it being laid in January 2024 and coming into force in March 2024. A review of the Fund's compliance levels with the draft Code was conducted, allowing for prompt action when the wording was finalised. Officers were also able to use the outcome of the review to identify areas of best practice where the Fund could make improvements in order provide the best possible service to its members.

Through the year the Fund embedded and added to its designated Governance and Compliance team. The Fund established a decision-making matrix detailing roles and responsibilities, as well as decision making for the Committee, Board, S151 Officer, Head of Pensions, Head of Pensions Administration, Governance and Compliance Manager and the Investment and Accounting Manager. This matrix was set up to ensure all decisions were made at the correct business level, decisions were aligned with the constitution, and to allow all relevant parties to be recognised as needing to be consulted, advised or responsible for all key activities of Fund management and decision making.

This ensures all relevant parties are sighted on decisions and activities providing a clear and transparent control structure.

In recognition of the work and resources involved in stewardship activities to preserve capital and implement the RI strategy, while ensuring robust governance, the Fund put in place a new team structure to ensure a larger team to enable greater capacity to carry out the increasing requirements on asset owners. The Fund continually review the team structure and work allocation, to ensure there are sufficient and competent resources in place allowing for further developments in activities of the future in future years.

ESG Quarterly Reporting

The Fund publishes a quarterly report on its voting and engagement activities with companies and policy makers. This allows the Fund to be transparent with Fund beneficiaries and improve understanding of members, while considering how effective the Fund and its managers have been during the quarter in protecting the value of assets through a robust stewardship process of underlying holdings and wider engagement. The reporting is continually reviewed to establish whether there are improvements that can be made to enable Scheme members a better insight into the responsible investment activities the Fund and its Investment Managers and collaborative partners enter into.

Voting is shown for all mandates, and clarity is provided whether votes are at manager or Fund level as this can differ in certain circumstances. In addition, as the Fund invests in pooled vehicles each manager is noted to say which voting guidelines they follow.

Where a manager publishes a full report on their activities in the quarter the Fund links to the published report to ensure that all engagement is clear, while recording some examples within the report to provide easy access to examples of engagement to stakeholders.

Officers from different teams within the Fund feed into reporting for the Stewardship code, ensuring a diversity of opinion and examples. Ensuring a balanced report that fairly represents the Fund's activity for the reporting year.

Outcome

Policies are reviewed regularly with comments of the Pension Board being communicated to the Pension Committee prior to approval, to feed in views of employers and scheme members into the use and content of those policies. All policies are approved by the Pension Committee. Significant policies such as the Funding Strategy Statement and Administration Strategy Statement among others, go through a consultation process with scheme employers to ensure the views of all the Fund's 146 employers are taken into account in primary policy decisions that have direct impact on those bodies. The review structure and input from Pensions Board and other interested parties, enables the Fund to ensure policies continue to reflect best practice and meet the expectations of the Pension Committee and other regulatory bodies.

The Statement of Responsible Investment Principles (SRIP) was established to replace the Investment Beliefs, out of an intensive consideration of how the Fund should be implementing ESG and stewardship within decision making. This was originally approved and published in September 2020, with minor tweaks in 2022 to ensure the principles were still appropriate and any aspirational aspects were in progress.

In the Annual report and accounts in 2024 the Fund reported how it had implemented the RI strategy and where further work was expected in the future.

In June 2021, the ACCESS pools ESG consultant conducted a review of each ACCESS authorities RI policy including a gap analysis to identify the commonality and expectations of each Fund to build a set of RI guidelines for the ACCESS pool. As part of this analysis the Fund scored highest overall in the robustness of the statement based on a best practice model with highest scores of the 11 Funds in Governance and Implementation areas of the analysis.

Stewardship policies stem from the Pension Committee and are regularly discussed and debated. As a result of the pool ESG advisers' comments on the SRIP, the Fund changed the quarterly engagement reporting it produced from

Q4 of 2021, making sure voting and engagement activities are more clearly defined including which voting policy is used by each manager.

In addition, within this report the Fund increased the reporting to include its own activities, those of its advisers and policy engagement through collaborative partners.

Internal audit provided substantial assurance for Governance, Compliance with Regulatory Requirements, Investments. Administration of benefits obtained Reasonable assurance and there were no control findings in relation to the benefits software implementation audit.

The Fund has significantly increased the reporting and communications of its engagement and other activity because of changes in policy, increasing transparency and understanding between clients and beneficiaries as well as pressure groups. Following the activity for improvements in ESG quarterly reporting the Fund were able to report new information on investment manager successes for example in winning awards. In 2024 Storebrand won the SHE index award (Social Human Equity) in voluntary measurement of how companies perform on gender balance, gender equality policies and diversity and inclusion.

In July 2022 following the Pension Committee strategy meeting the Committee agreed to commission a report to be presented in September 2023 that would investigate the implications risks and costs associated with a divestment action of the Fund. This report was delayed and instead brought to committee in 2024, where members were able to debate their views on the subject.

The report noted that the pension committee is subject to fiduciary duties regarding the discharge of its functions in relation to the Fund. Namely that the power to invest the assets of the Fund must be made for investment purposes only (and not for any collateral purpose such as a political view).

The report included a section on the efficacy of engagement versus divestment, with the indication being that neither engagement nor divestment have been entirely effective to date in delivering a low carbon transition.

A major concern highlighted regarding divestment was that it could leave capital in the hands of less climate conscious investors. It also noted that focussed engagement by asset owners will be important to hold companies to account, and that collective engagement action is helpful in exerting influence. This is an area the Fund is active in with regards to membership of organisations such as LAPFF and UKSIF.

The report notes that as of 31 March 2023, 3.3% of the Fund's investments had fossil fuel exposure and 0.6% of the Fund's investments had fossil fuel extraction exposure. In general, the Fund's managers prefer engagement over divestment when addressing the fossil fuel exposures present in the investments.

The report also noted that the impact on risk and return from divestment could be potentially significant, both in terms of public markets, and the total portfolio as a whole.

The research also showed that divestment from fossil fuels may not be the optimal way of lowering overall emissions as reported emissions are inherently backward-looking.

Based on this report, a motion will be brought to committee in 2024 asking members to consider whether to commit to three proposals:

Proposal 1: That the Fund commits:

(a) to make no new investments in fossil fuel extractors;
(b) to fully divest from all fossil fuel extractor public equities and corporate bonds within five years; and
(c) to make no new private equity investments that include fossil fuel extractors.

Proposal 2: That the Fund commits:

(a) to exclude (over a reasonable timeframe) the public equity or corporate bond of any fossil fuel extractor that has failed to commit to 'no new fossil fuels' by the September 2024 Pension Committee meeting;
(b) not to make any new private equity investments in such fossil extractors; and
(c) to immediately inform our investment managers of this commitment so that they can take whatever actions they deem necessary in response.

Proposal 3: That the Fund commits:

(a) to make no new investments in thermal coal;
(b) to fully divest from all thermal coal public equities and corporate bonds within one year; and
(c) to make no new private equity investments that include thermal coal.

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Overview

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Fund is effectively responsible for managing the Pensions for all eligible employers and beneficiaries of the LGPS within the East Sussex area including Brighton and Hove, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration cost.

The Fund is responsible for the pensions of over 86,000 scheme members across 146 scheme employer bodies. The scheme is defined benefit based on the Local Government Pension Fund 2013 Regulations which has multiple sets of scheme rules. Of the members, over 23,000 are currently in receipt of their pensions. Of the members not yet in receipt of their pension, over 25,000 are active members with a further 34,000 deferred members.

At the 2022 triennial valuation the scheme was 123% funded and had a 20-year maximum time horizon for scheme employers in modelling for contribution rate setting and valuation assumptions. Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa. Details of the Fund's assumptions and funding basis are included in the Funding Strategy Statement.

Most of the employer bodies whose staff are members of the Fund have strong covenants due to their status as public sector bodies. This means that the Fund can take a long-term view when making investment decisions, helping the Fund to achieve its investment aims.

These aims include managing employers' liabilities to achieve long-term solvency by ensuring that 100% of liabilities can be met over the long term, without creating volatility in contribution rates for employers (and therefore taxpayers) or taking excessive investment risk outside of reasonable risk parameters.

Activity

Communications

Communication from the Fund is an area where specific resource is allocated to ensure we engage with our stakeholders in a timely, professional and easy to understand manner.

The Fund's Communication Strategy sets out how the Fund will engage, educate, and fulfil the needs of its stakeholders including members and employers. The Fund are committed to developing communication which is relevant and engaging and is also clear and easy to navigate.

In consultation with Fund employers and scheme members through their representatives on the Pension Board or other feedback mechanisms for fund employers and scheme members this strategy is reviewed every three years.

Communication Strategy 2022 (eastsussexpensionfund.org)

The Fund undertakes a number of regular communication activities each year which include:

- **Employer newsletters –** regular newsletters are issued to employers detailing information key to their role as employers in the Fund.
- **Member newsletters –** regular newsletters are issued to active, deferred and pensioner members of the Fund which provide key information they need in order to keep track of their Local Government Pension Scheme.
- **Guides –** a number of guides are produced for both members and employers to support them in understanding the LGPS. For example: HR Guide, Payroll Guide, Brief guide to the LGPS, Preparing for retirement guide, ill health retirement guide and more.
- **Forms –** member and employer forms are provided in both standard and editable formats.
- **Surveys –** each year the Fund surveys both members and employers to gauge how well the Fund is performing and publishes the results on our website with actions shown. 2024 Active and deferred member survey results and 2024 Pensioner survey results
- **Annual benefit statements –** An annual statement which shows benefits accrued for active and deferred members is issued each year (prior to the 31 August regulatory deadline)
- **'My Pension' –** The Fund provide information to all members on 'My Pension' – our online self-service website where members can access their personal pension details 24 hours a day.

Consultation with Scheme Employers

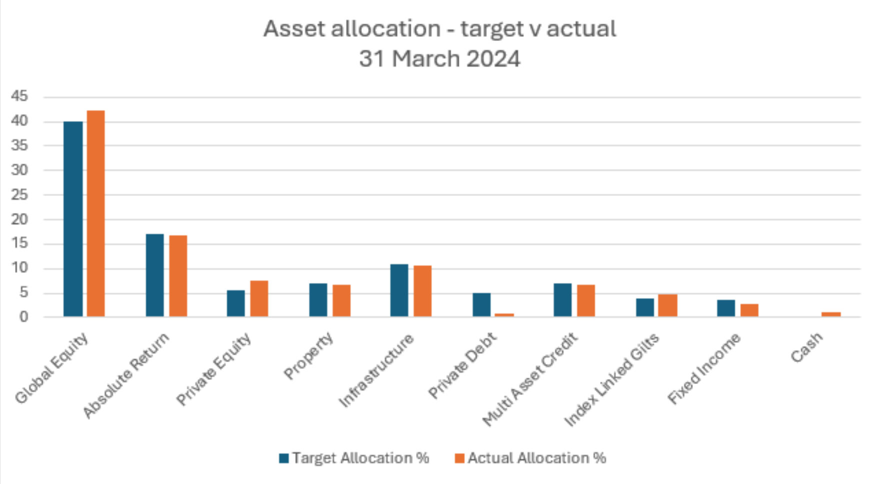
All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, via regular newsletters and ad-hoc communications where appropriate (change in process for example). They are encouraged to get in touch if they have questions.

In addition, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This was held via Teams in 2024 and focused on actuarial issues as part of the triennial valuation. In 2024 employers received various information around topics such as Administration, the Funding Strategy and i-Connect (a new service to transfer data from scheme employers monthly to the Fund to improve the data held when providing services to the Fund's beneficiaries). Employers can raise topics of interest for this forum and ask questions of officers and advisers as required at the event.

An annual survey is conducted with employers to get input into the administration and service provided by the Fund.

Where there are proposed changes to the Administration Strategy or to the Funding Strategy Statement, employers are consulted prior to implementation of the revisions. The Fund created an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers.

Investment



As a long-term investor, the Pension Fund can set its strategy over a long-term investment horizon. The average life expectancy of the Fund's members from age 65 are between 21 and 26 years depending on gender and status. The Fund Actuary anticipated that the Fund's best estimated investments returns to be 5.7% based on CPI inflation with an allowance for capital growth and in the case of equities, future dividend yield, over the next 20 years, at the 2022 valuation.

The Fund is transparent with its Funding strategy with strategy and performance reports being published and discussed in public sections of Pension Committee meetings. Confidential items are held in private, which include the specific holdings by a manager, detail of a change in manager, or sale of assets that could be impacted by knowledge in the market. In addition to the public nature of reports and meetings, the Fund has a section on the website for investments where we provide information on strategy and areas of specific interest of our members such as fossil fuel exposure, climate activity and other engagement areas. This area of the website has continued to be developed in 2024.

The Fund has made a number of changes in the Investment strategy partially due to insights into member views on areas such as climate change from the engagement received and areas of focus from questions to the Fund, but also because of the focused work by the Pension Committee in determining their Responsible Investment Principles.

Outcome

Scheme beneficiaries received regular updates through newsletters and information on the website and can contact the Fund and attend public meetings so we can assess their views and incorporate them where possible.

The evaluation of the effectiveness of engagement with scheme members is through the volume of correspondence received and the topics covered. It is rare that the scheme received follow up questions when responding to a member question on an RI matter following detailed responses.

The Pension Board and Committee have agreed that it wants to increase the level of engagement and communications that it has with scheme members further resulting in the setting of a budget for communications. The Fund is continually reviewing the content of the website to ensure the most up to date information is available and covering content as requested by beneficiaries.

Over the year the Fund has continued to respond to a number of requests from scheme members and other interest groups on RI related matters, in the main these relate to exposure to fossil fuels in light of the climate emergency and investment in companies that conduct business in the occupied territories in Palestine. Many of these questions come through as Full Council questions where an answer is provided on behalf of the Fund and published in advance of the meeting.

Membership of the Pension Board includes employer and member representatives. These representatives can input into and comment on the Fund's stewardship and investment approach through governance oversight of the Fund and access to policies, or through the Communications working group.

The Fund is happy to engage with employers and scheme members on an ad-hoc basis to provide additional information on Stewardship matters and regularly includes a training item at the employer engagement forum on responsible investment.

In the 2024 annual report and accounts, published 1 December 2024, the Fund publicly reported against the Taskforce for Climate-related Financial Disclosure (TCFD) criteria.

The Pension Fund publicly reports on the carbon footprint of its investments which show a reduction between the second and third year of reporting in intense carbon emitters within the portfolio as well as improvement in energy transition plans.

Carbon Footprinting

In 2024 the Fund commissioned Carbon Footprinting analysis of its Investment Managers' holdings, the results of which are shown in the table below.

	Coverage number	Coverage % Weight	Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3

Total Carbon Emissions (tC02E)

	Coverage number	Coverage % Weight	Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3
Portfolio	70.6	78	58,906.2	13,465.3	971,795.3	72,371.5	1,044,166.8
Benchmark	99.9	100	156,294.7	28,078.3	1,917,527.5	184,373.1	2,101,900.6

Carbon Footprint (tCO2e) / GBP Invested

	Coverage number	Coverage % Weight	Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3
Portfolio	70.6	78	33.5	7.7	552.2	41.1	593.4
Benchmark	99.9	100	88.8	16	1,089.7	104.8	1,194.4

Carbon Intensity (tCO2e) / GBP Revenue

	Coverage number	Coverage % Weight	Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3
Portfolio	70.6	78	79.2	18.1	1,306.0	97.3	1,403.3
Benchmark	99.9	100	136.2	24.5	1,670.9	160.7	1,831.5

Weighted Average Carbon Intensity (tCO2e) / GBP Revenue

	Coverage number	Coverage % Weight	Scope 1	Scope 2	Scope 3	Scope 1 + 2	Scope 1 + 2 + 3
Portfolio	92.5	98.5	57	24.5	1,050.0	81.6	1,131.6
Benchmark	99.9	100	91.6	21.4	1,267.8	113.1	1,380.9

Example Physical Climate Risk

CBRE Property Fund

Challenge

IPIF is a fund that is invested predominantly in multi-let industrial estates, as well as urban logistics units. As such, IPIF has exposure to 1,710 units across 149 estates, and 1,066 unique tenants (data as of December 2024). Given the breadth of units and occupiers across the portfolio, attempting the reduce the level of Scope 3 emissions, associated with the energy that the occupiers procure and control, has proved cumbersome and challenging.

Solution

Despite the challenges that exist to collect energy usage data across each of the 1,710 units in the portfolio, CBRE IM Indirect have continued to engage with the IPIF team to ensure that they are continuing to make this a priority item. To address this, IPIF is implementing a power monitoring solution across its assets, which assists the Fund in measuring and tracking energy usage at both the unit and estate levels. This initiative enhances the IPIF team's understanding of available capacity, promotes energy efficiency, and enables collaboration with occupiers to reduce Scope 3 emissions.

Result and Next Step

As of Q4 2024, IPIF have installed automatic meter readers (AMRs) at 990 units, allowing the Fund to capture and analyse unit-level energy data. The Fund has identified high power users in five assets, where satisfied with data quality and a 12-month energy usage sample. Technical building performance engineers have assessed these sites to identify energy-saving opportunities. An external advisor has also been engaged to generate new AMR data reports to target key occupiers for significant energy efficiency improvements.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change to fulfil their responsibilities

Overview

Environmental, Social and Governance is a crucial part of the Fund's investment process. Climate change risk and opportunity have continued to be the primary driver for changes in the investment strategy throughout 2024 alongside flexibility and liquidity. During 2024 the Fund continued to focus on biodiversity as it recognises the strong interlinkages between climate change and biodiversity, resulting in a need to enhance biodiversity and contribute towards the regeneration of wildlife habitats. With nearly a third of all monitored species currently under threat of extinction due to human pressures, the importance of biodiversity regeneration is unmistakeable. Other ESG focuses in the year have also played a key role in the stewardship of the existing investments and manager selection processes especially around human rights issues and governance structures. In addition, the Fund has focused on the control structures in place of our manager for real assets looking to evidence sufficient control such as a board seat and that there is effective oversight and governance at the board level of companies. In 2024 the Fund continued to include questions to all managers on biodiversity risk and how the managers were approaching this risk as a first step in consideration of upcoming disclosure against the Taskforce of Nature related Financial Disclosures (TNFD).

Activity

The Journey - The Fund has integrated ESG and RI into its investment strategy from 2018 and continues to make changes and improvements today and considers stewardship and integration of ESG and RI as a continual journey. The Fund has made several changes and carried out reviews during the past few years.

The Journey started in 2018 with the Fund's first climate aware allocation to a climate tilted passive mandate. In 2019 the Fund commissioned a report into its ESG activities with recommendations on key commitments and changes it should consider and published its first ESG and climate statement and investment beliefs. 2020 saw the outcome of an independent review for recommendations on ESG activity and the first carbon foot printing for the listed mandates and a commitment to investigate investment into climate opportunities with two impact equity managers selected. The Fund also approved a detailed Statement of Responsible Investment Principles, while bringing in a Paris aligned smart beta strategy. As well as focusing on equities the Fund took a step into listed Infrastructure and selected a manger in this asset class that carried out climate scenario testing in the selection of the holdings in the portfolio.

2021 saw a second year in carbon foot printing analysis including energy transition plan assessments and published its first ESG implementation assessment against its previously approved RI principles. An ESG impact assessment was carried out on all Fund Investment managers with actions set for improvements for each manager. Fossil fuel exposure was an area where the Fund assessed its exposure specifically, to understand the positioning and financial risk to the Fund.

A statement was published on the Fund's website regarding exposure to occupied territories companies with possible human rights concerns. The Head of Pensions continued their role on the LAPFF Executive Committee to help drive forward engagement on behalf of LGPS Funds across the country and hold companies to account.

Further actions in the RI journey in 2024 were:

February	- Approved as signatory to FRC Stewardship Code
March	- Carried out Carbon Footprinting analysis of the portfolio
April	- The Fund invested into the BlueBay Total Return Credit Fund
May	- Fossil Fuel Divestment training to members provided by Osmosis
July	- PRI Submission - Presentation and training to PC by BlueBay on the subject of carbon
August	- Carried out a Sustainability Integration Assessment of the Fund's Investment Managers
September	- Natural Capital training for officers and Committee, delivered by JP Morgan and Stafford - Proposals to divest the Fund from fossil fuels and thermal coal debated at committee
October	- Stewardship Code Submission - ACCESS Pool submits first Stewardship Code report

Integrated Strategy

The Fund has an ongoing commitment to stewardship as part of its fiduciary duty to its members and employers. Systematic integration has been achieved through our various published polices; the publication of our ESG statement; ongoing performance monitoring; and regular reviews with Investment managers to ensure they are actively managing the assets on our behalf with aligned principles. The Fund also look to ensure Investment managers do not deviate from the strategy in which the manager was hired to implements. The Fund consider its membership as a PRI signatory and a member of IIGCC helps support the integration of effective stewardship within our strategic approach.

Responsible investment is carried out by:

- External investment managers who are expected to exercise the Fund's voting rights to incorporate stewardship and ESG in their strategy.
- The Fund itself through direct engagement with managers over their positions, approaches, policy, and engagement activities.
- Through collaborative efforts with LAPFF, IIGCC, Pensions for Purpose and other alliances.
- Through Advisory and Consultants, by working with ISIO our Investment Consultants and our Independent Advisor who ensure our ESG strategy goals are priorities in our investment activities. This is also supported by ESG advisers such as carbon footing, the ACCESS pool and independent reviews.

The Fund receives and attends various training opportunities to enable integration into decision making, strategy setting, manager selection, procurement, manager review meetings and engagement opportunities.

As part of the SIRP refresh in 2023 the Fund set the following engagement priorities to focus on when challenging investment managers.

Environmental

- Climate change –emission reporting and reduction, sector transition pathways and investment in renewable energy and technical solutions
- Enhancing biodiversity, regeneration and protection of forests and conservation of oceans and marine resources
- Sustainable consumption and production. Preventing pollution and waste including plastic waste and promoting circular economy
- Agriculture, food security and Food Waste

Social

- Human rights including forced labour, companies operating in conflict zones and destruction to communities
- Promoting gender equality and social inclusion
- Inclusive and equitable education
- Water security and access to sanitation
- Eradicate poverty and hunger

Governance

- Executive pay or dividend linked to sustainable and growth performance
- Business / Company leadership with experts on boards
- Company board focus on providing products, goods or a service through effective and sustainable corporate governance
- Diversity of boards, workforce and policies
- Anti-bribery and corruption

Commitments and In Year Changes by Sector

Active Equity managers (pooled funds): As a part of the appointment process, we ensure that Managers demonstrate that they incorporate ESG filters into their investment analysis and asset acquisition processes. We monitor the managers' performance on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, where available. Managers are encouraged to join PRI, IIGCC and Climate Action 100+ as signatories, where they are not already members.

The Fund took a strategic decision to focus on equity allocation as a starting point for ESG integration. Whilst maintaining the 40% target allocation, equity positions were allocated to mandates to provide active impact equity, smart beta passive Paris aligned, resources efficient passive and Paris aligned active.

Passive Index funds with ESG tilts: Passive indices offer a low-cost complement to Active Managers. We select Passive indices based on the index's ability to reduce exposure to climate risks and to capture opportunities for investment in companies that are forward looking, generating green revenues, and better aligned to navigating the Energy Transition

Corporate Credit managers: during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review the PRI transparency reports of external managers, where available. It is our ambition to appoint managers who devote greater focus in providing finance to companies or projects that are more compatible with the aims of the Paris Agreement.

Property managers: The capacity for Managers to incorporate ESG factors into the investment process alongside other key investment criteria will be required, monitored, and regularly reviewed. Managers will be encouraged to adopt PRI Transparency and GRESB reporting and to utilise CRREM assessment tools, as recommended by the IIGCC, in assessing their property portfolio alignment with the Energy Transition.

***Real Asset management (infrastructure) managers*:** during the appointment process, we assess the approach of managers to incorporating ESG issues into their investment analysis and decision-making processes. We monitor the managers' implementation of the approach on a quarterly basis alongside all other investment matters, and review PRI transparency and GRESB reports of external managers, where available.

Manager Selection

The Fund takes the following steps before a new investment manager is appointed:

Direct manager selection route

- The Pension Committee set its Strategic Asset Allocation to determine asset classes and proportion holding in those classes. They also discuss style and geographic requirements to ensure a diverse portfolio on allocation of new mandates. ESG is an integral factor of all strategic decisions as it effects the long-term risk and provides opportunities to the Fund's performance.
- A list of criteria to assess potential investment managers and areas of focus in the selection of a manager are discussed and approved by the Committee. ESG specific criteria are included in this as a separate section.
- Managers are questioned over a number of RI topics in addition to their initial responses.
- Due Diligence is conducted with information on managers ESG statements, benchmarks, fees, and policies such as health and safety and renumeration being assessed.

Appointment from the LGPS pool

- The Fund is a member of the ACCESS pool who approved a set of RI Guidelines in 2022.
- Where the pool has a sub fund that meets the strategic asset allocation requirements as set out by the Committee, the Fund's investment consultant conducts a review against a range of criteria including ESG essentials to assess if the manager is a good fit for the Fund's strategy and aligned with its investment beliefs.

- Before a manager is appointed full Due Diligence will also be conducted.
- There were no major changes in the Investment strategy in 2022.

Appointment of a Consultant

- Before appointment of a consultant or service supplier, the Fund will use the National LGPS Framework, which has first conducted a Find a Tender Service (FTS) process to put appropriate and professional firms to carry out the relevant functions. From the framework, the Fund then conduct a further competition tender process which includes the consultants ESG standpoint and how ESG issues are incorporated into the consultants' approach.
- Prospective consultants and suppliers are also asked to highlight how they can enhance the RI actions of the Fund.
- In line with CMA, consultants are set annual objectives and reviewed annually.
- In 2024 the Fund undertook a procurement process with regards to the contract for Investment Consultancy, as the existing contract would terminate in January 2025.

Procurement

The Fund carries out a number of other procurement activities to provide contractual services to administer the Fund or provide other advice. Where the Fund is able to, it considers the sustainability of the service provider and policies they have in place. Where there is an overlay with Investments, ESG will also be considered. In 2024 the Fund commissioned carbon footprinting reporting; the selection process was based on value for money and a comprehensive reporting provision to aid investment strategy and monitoring of Investment Managers.

Investment Strategy Priorities within the ACCESS Pool

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship. Whilst the participating authorities have an overriding fiduciary duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment in the investment decision making process.

In June 2022 the Joint Committee of the ACCESS LGPS pool which the Fund is a member approved a detailed set of RI Guidelines for all activities of the Pool. Alongside this summary set of guidelines was approved to provide a more accessible version of the guidelines for beneficiaries of the 11 partner LGPS Fund's. In addition to the guidelines in December 2022 the Joint Committee gave approval for the second phase of development of RI work for the pool, this included the agreement to commence a procurement for a stewardship consultant to address the implementation of the RI guidelines and in particular the delivery of reporting requirements. This procurement completed in 2024. In addition to the appointment of a specialist consultant the Joint Committee approved investigation into Pool membership of LAPFF and whether the pool would be able to become a stewardship code signatory in addition to the underlying partner Fund's.

Assessment and Reporting

Principles of Responsible Investment

The Fund has been a PRI signatory since June 2020, due to the time of joining and absence of a 2022 submission for PRI reporting, we have not yet made a submission. The first submission will be made when the PRI allow during 2023, and The Fund subsequently made a submission in 2024. The PRI annual survey will demonstrate how the Fund implements the PRI Principles in the year, and we will take forward any improvements in stewardship and RI considerations when undertaking the return and reviewing the assessment.

Taskforce for Climate Related Disclosures

The Fund committed to reporting under TCFD in its Statement of Responsible Investment Principles which was approved in September 2020. TCFD is structured around four thematic areas of Governance, Strategy, Risk Management and metrics and targets. The Fund support the TFCD recommendations to provide a framework to communicate the steps the Fund is taking to manage climate related risks.

The Fund completed its report against these disclosure requirements in its Annual Report and Accounts 2021/22 published in December 2022. Where the Fund has gaps in reportable data, this is highlighted in the sections, with a plan on how this will be progressed in future years reporting including on climate scenario modelling and setting targets and a transition plan.

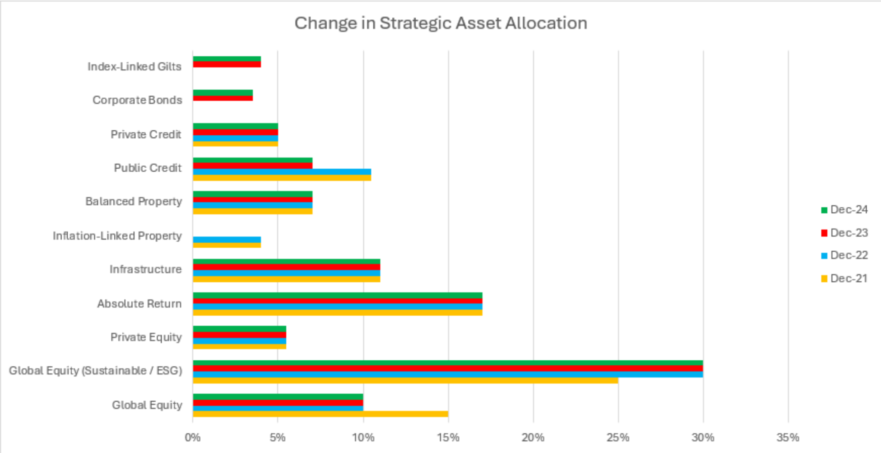
Outcome

The Fund make changes to the strategy and integrate ESG and stewardship into all aspects of its decision-making processes including manager selection and consultant tenders as well as asset allocation and in line with the Fund's RI objectives.

The Fund addresses both risks and opportunities as seen in the restructure of its equity positions through the changes to implement impact funds and Paris aligned products, investing £200m into a resource efficient ex-fossil fuels portfolio and allocating to sustainable multi asset credit. The Fund's integrated actions have looked to align all business activities within the Fund's RI objectives to provide a more robust risk management framework to better protect the interest of the Fund members The Fund are looking at carbon reduction across the whole portfolio as well as opportunities to help drive solutions to climate change. Opportunities can be within market gaps, climate mitigation or climate adaptation; to aid the energy transition so the Fund can continue to generate returns to keep the funding position in surplus and contributions of the employer's stable.

The Fund's actions from 2020, moved the positioning of fossil fuel exposure away from the passive mandates into tactical positions with focused engagement activities. Traditional passive mandates generally lag the market and could be a significant risk to the Fund's returns by holding these companies without conviction or the ability to sell, so they no longer form part of the strategic asset allocation.

Fossil fuel exposure is now significantly lower, actively managed and held for more defensive reasons. The managers with exposure are Climate100+ leads with a number of the high emitting companies held within the portfolios.



Manager Engagement Example

In 2024 the Fund continued its engagement with the two Private Equity Managers that it has mandates with, Adams Street and Harbourvest, to challenge them as to why they were not signatories to the Stewardship Code. The Fund also researched different funds operated by the two Private Equity managers, including a 'Stewardship Fund'. In 2024 Harbourvest took part in the FRC's review of the Stewardship code, to ascertain how it could be made more appropriate for non-listed asset managers.

In 2024, the operator of the pool that the East Sussex Pension Fund is in, continued to produce TCFD reports for all the pooled mandates that the Fund is invested in.

These reports include:

- The analysis of carbon footprinting (Scope,1,2 and 3 (both downstream and upstream).
- The analysis of the carbon intensity of the portfolio
- Details on the top carbon intensive companies within the portfolio
- Analysis of the exposure the portfolio has to fossil fuels and stranded assets
- Green Taxonomy Disclosures
- Analysis on climate mitigation and adaption in relation to the Paris Climate Agreement
- Scenario Analysis of physical risks on each underlying company

The data in these reports allows the Fund to better understand the risks of assets involved at both the portfolio and company level. It also provides robust data to the Fund so that individual managers cvan be more effectively challenged on their TCFD credentials.

Principle 8

Signatories monitor and hold to account managers and or service providers

Overview

Responsibility for day-to-day interaction with companies is delegated to the Investment Managers, including escalation when necessary. We expect Investment Managers to disclose their policies and procedures for escalation in their own Stewardship Code statement. Investment Managers conduct robust and continual research on underlying holdings, engage with the company's management team, collaborate with other institutional shareholders, voting, filing shareholder resolutions or partially or entirely disinvest. The Investment Manager will seek to add value to their clients through improved company share performance following such escalation. The Fund meets it managers throughout the year. Our Investment Consultants have a continual review programme of all the Fund's Investment Managers. The Consultants will let the Fund know if there are any concerns, changes, or performance issues we need to consider or act upon.

Activity

Investment Advice

The Fund takes investment advice from its Investment Consultants and Independent Advisor. In addition, the Fund seek expert advice in various areas such as Governance, Legal and ESG projects. These advisors allow the Fund to monitor all aspects of performance including ensuring the Investment managers are meeting their objectives and adhering to our principles.

Investment Consultants are set a range of objectives annually which are then assessed to ensure they are carrying out there role effectively and in line with the service procured.

The Investment Consultants produce quarterly reports covering a wide range of investment topics such as Investment Manager performance including any areas of concern, strategy, manager implementation, ESG assessment reports. These reports and recommendations are presented to the Pension Committee for approval.

The Investment Consultants are also part of the Investment Implementation Working Group which includes the Independent Adviser and senior officers. This group meet outside of the Pension Committee to ensure investments are monitored and considered between quarterly meetings and the group discuss key market changes, or investment manager issues, impact analysis, voting, ESG and engagement as well as progress in implementing the Pension Committees decisions.

Committee and Board

The Pension Committee and Pension Board meet quarterly after receiving details on the investment performance. They assess investment activities and the course of action for any change. Managers present on request to committee members. All committee papers can be found at Browse meetings - Pension Committee | East Sussex County Council.

Fund Officers

The Fund officers engage directly with Investment Managers to monitor performance. Investment managers are responsive, and discussion and commentary provided ensures we maintain good Fund performance, oversight of the underlying managers and can challenge on ESG standards. Investment Managers report relative to benchmarks, where applicable, to demonstrate performance. The Fund meets each manager at least once a year with a set agenda and focus on key geopolitical or market issues relevant at the time as well as a strong focus on RI and progress on ESG.

Investment Manager Stewardship Code and collaborative engagement membership

In addition to its own commitment to the Stewardship code the Fund expects its investment managers to also be signatories to the Stewardship Code, PRI, IICGCC and TCFD.

Manager	PRI Signatory date	Stewardship Code 2020	IIGCC
Longview Global Equity	08/04/2010	Yes - 2021	Yes
Baillie Gifford - Paris Aligned Fund	26/06/2007	Yes - 2021	Yes
Wellington – Global Impact Fund	26/04/2012	Yes - 2021	Yes
WHEB - Sustainability Fund	31/05/2012	Yes - 2021	Yes
Storebrand – Global ESG Plus Fund	27/04/2006	Yes - 2022	Yes
UBS - Osmosis	22/04/2009	Yes - 2021 (both UBS and Osmosis)	Yes
M&G Absolute Return	11/01/2013	Yes - 2021	Yes
M&G Corporate Bonds	11/01/2013	Yes - 2021	Yes
Newton Absolute Return	13/02/2007	Yes - 2021	Yes
Ruffer Absolute Return	15/01/2016	Yes - 2021	Yes
Pantheon Infrastructure	05/10/2007	No	No
ATLAS Global Infrastructure Equity Fund	18/03/2019	Yes	Yes
Harbourvest – Private Equity	25/11/2013	No	No
Adams Street – Private Equity	29/10/2010	No	No
Schroders – Property	29/10/2007	Yes - 2021	Yes
M&G Infrastructure	11/01/2013	Yes - 2021	Yes
IFM	07/05/2008	Yes - 2023	Yes

Pooling

As a partner Fund within the ACCESS LGPS pool, further work is also conducted at pool level. There are monthly Investment User Group meetings where Investment managers on the ACCESS platform are invited to meet with the partner Fund's to discuss their performance, key focus areas and enables Fund's to challenge the managers on various aspects of their activity including RI and stewardship.

There is quarterly reporting produced for all ACCESS Fund managers which is reported to the Joint Committee for review and discussion. This report covers performance; scale of assets invested within the pool and voting as well as a market overview. The ACCESS active liquid managers are held within an Authorised Contractual Scheme (ACS) which is managed by Link Asset Management solutions who are the FCA regulated element of the ACCESS pool. Link carry out significant due diligence and manager monitoring on the partner Fund's behalf. Link hold the direct IMA (Investment Management Agreement) and agree the Fund prospectus with the Investment Managers rather than us as a Fund.

The ACCESS pool also consolidates the voting results of the Investment Managers within the ACS including any explanations for managers that have not complied with voting policy. This information is shared with the underlying partner Fund's where we can consider and review the relevant voting decisions.

Reporting and Review

The Fund conduct annual Carbon Footprint reporting of the portfolio and has three years of assessment from the same provider. This looks at where the Fund's managers have amended the portfolio and how that has affected carbon footprint impact. This allows the Fund to identify where managers portfolios are reducing in carbon emissions.

The reporting also identifies where the underlying companies within the mandates are on their transition pathway reporting, this is particularly important for challenging Investment managers if a company is an intense emitter but also deemed to have a poor energy transition plan in place.

As part of the Fund's production of its quarterly engagement and voting report, the Fund engages with managers on their activity for the quarter and this can lead to additional challenge at manager review meetings to dig further into approaches and considerations for the portfolio construction.

ESG Impact Assessment

The Fund receive an annual report from its investment consultants analysing the Investment Managers over a range of assessment criteria to capture the ESG capabilities of the managers. There are additional sustainability criteria for the managers that have a specific sustainability mandate.

The assessment criteria cover

- Risk Management
- Approach and framework
- Voting and Engagement
- Reporting
- Collaboration

With regards to ESG the Fund scored above satisfactory at 2.4, meaning the investments held have scored strongly on the majority of ESG criteria.

Outcome

The Fund pushes for meetings with external managers and consultants in a way that adds value to its members. The Fund believes integrating ESG opportunities and ESG risk mitigation can have a positive impact to the Fund's investment performance and aligns with the Fund's RI beliefs. The Fund continue to review Investment Managers and other contractual partners policies to ensure alignment with our own position. We have high expectations for our managers and their prioritisation of ESG standards and look for other advisers and suppliers to have stewardship arrangements in place. All third-party supplier commitments to responsible investment activities and collaborative groups are included in the Fund's quarterly ESG reporting to add to the transparency of how embedded the principles of sustainability are to the Fund and its suppliers.

The list of supplier commitments have increased during the year with new service providers and new initiatives of existing providers.

The Fund's Statement of Responsible Investment Principles sets out how we expect external managers to function as well as how the Fund will approach decision making, RI and stewardship.

The Fund's ESG impact assessment in July 2022 identified that 9 Investment managers met the traditional criteria set by the consultant, while a further 3 met additional sustainable criteria (the highest ranking).

In addition to the 2021 report, the consultant included a consideration of climate risk integration by managers.

The Fund meet with Investment managers throughout the year, where we challenge managers on voting activity carried out on the Fund's behalf; discussion on the purpose of why specific holdings are in the portfolio considering value added and risk characteristics; performance over the short, medium and long term and how the managers are responding to macroeconomic and geopolitical changes in the markets. In 2022 with increased market volatility the Fund spent significant time challenging investment managers over how they anticipated the mandates to respond to high inflation and a low growth environment.

Through this process the Fund were able to stay ahead in expectations of investment performance over the year and utilise flexibility in the strategy.

Monitoring of service providers

The Fund have set strategic objectives in which its Investment Consultants are assessed annually. This followed the CMA Investment Consultancy and Fiduciary Management Market Investigation Order 2019 which placed new obligations on pension schemes for Fiduciary Management and Investment Consultancy Services, setting objectives for Investment Consultants.

The objectives were approved by the Pension Committee in March 2021 and have been reported to the CMA in each subsequent year. The Investment Consultants are assessed mapping a set of objectives to the Fund's own objectives. The objectives outline the expectations of the Consultant to help the Fund achieve its key priorities and define the outcomes and measurement for assessment. The assessment of the Investment Consultants considers the returns of the investment strategy in line with the funding level requirements; liquidity of the fund and income; a focus on risk; solutions to be proactively given where investment strategy requires amendment; a strict approach to compliance; and sufficient knowledge to ensure value for money arrangements are achieved. The Fund's Investment Consultants were assessed to be in compliance with their objectives in 2022, giving assurance to the Pension Committee that the consultant is working in line with the strategic and overriding objectives of the Fund.

Holding managers to account
Quarterly Engagement Reports

The Fund produces quarterly ESG reports, whereby relevant material on engagement and voting undertaken by our managers is published on the Fund's website. One manager was consistently not providing the required information, so officers initially challenged and subsequently escalated the issue with the manager, culminating in a meeting between the two parties, during which it was agreed that regular examples of engagement and voting will be provided for publication. This action will allow the Fund to continue to demonstrate that it takes the engagement on ESG issues of its investment managers extremely seriously, and where it is felt that they fall short, action will be taken.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

Overview

The Fund invests through a range of Investment Managers rather than through direct investments, as a result, much of the Fund's engagement to underlying companies is allocated to Investment Managers or is conducted though collaborative engagement groups such as LAPFF. The Fund carries out its responsibilities of engagement by challenging the Investment Managers over their engagement activities on assets within the portfolio or investment rational for specific holdings.

Activity

The Fund meet regularly with Investment Managers and discusses RI topics and specific holdings to ensure the value at risk of investments is in an acceptable range and the value of beneficiaries' investments are secure. If we believe an Investment Managers strategy is not aligned with our values, we will raise it with the manager for their rationale and further details and take action to try to ensure our values are better incorporated.

The Fund currently uses mostly active Investment Managers to facilitate effective engagement with underlying holdings and to ensure the types of investments in the portfolio are aligned with the Fund's investment beliefs. Significant due diligence is carried out on an investment managers methodology and integration of ESG issues - including engagement activity before an investment is made.

Both active and passive managers, have a requirement to be responsible investors and are expected to act as good stewards for the companies they invest in. The Fund expects managers to sign up to the Stewardship Code or other local equivalent for Investment managers outside the UK. The Fund requests information from its managers on a quarterly basis on engagement activity, whether this is in a formal published document or as an update to the Fund specifically. The Fund is talking to all managers to encourage them to publish this information quarterly for increased transparency to investors and interested stakeholders.

At meetings with the Investment Managers, discussions take place on a range of engagement topics including carbon emissions, physical and transitional climate risk, biodiversity, diversity of boards, mining risks, holdings in defence companies, holdings in occupied territories, retrofitting of properties and many others.

Challenge on holdings to managers is targeted from a number of activities including companies with intense or high carbon emissions or limited transition plans as identified through the annual carbon foot printing reporting; companies within industries covered by the Transition Pathway Initiative (TPI) where companies management quality score is rated low by the TPI or Carbon performance is not considered to be aligned with the Paris agreement; companies where beneficiaries or stakeholders identify a possible concern based on an ESG principle such as human rights; or companies that have been highlighted by the LAPFF on poor practices.

Investment Manager Engagements

The Fund publishes a quarterly report on the engagement of the Fund's Investment managers and has started to comment on engagement activities of the Fund directly. These Manager Engagements reports can be found on the [Fund's website](#).

Example of Fossil fuel company engagement

BP

Manager – Ruffer

Topic: Sustainability Reporting

Ruffer met with BP twice in 2024 to discuss sustainability reporting and health and safety. On the former, they requested additional reporting on low carbon or transition growth engines and financial reporting by business segment for greater transparency. Subsequent to the first meeting, BP released its annual report materials (reiterating its carbon reduction ambitions) and released additional communication which address the points about the likely total returns from renewable assets versus traditional oil and gas assets.

In their follow up meeting, they questioned BP's recent performance against its stated Net Zero aims and reiterated their request for additional disclosure. BP explained that it was a timing issue, with investments starting to deliver operational efficiency and sustainable emissions reductions. Ruffer are keen to explore further the metrics BP uses to signal and measure the speed of the transition, anything further that can be shared on hurdle rates, carbon pricing assumptions, capital allocation decisions and maximising value post integration.

Since their engagement in 2024, the sentiment and fundamentals have clearly changed, given their 'reset BP' strategy. Ruffer's engagement objectives will adjust slightly, but will remain focused on the ambition, credibility and scope for (shareholder) value creation of its energy transition strategy. It is up to BP to articulate a cohesive strategy and provide sufficient transparency and disclosure on its capabilities, financial and extra-financial performance and KPIs to satisfy investors' needs in terms of future value.

Outcome

All the Fund's managers are required to report on their engagement activity on a regular basis and exercise the voting rights in relation to the Fund's investments as far as practical. This will continue to be the case when further assets are invested through the ACCESS pool.

We can see from the quarterly ESG statements and especially amongst our impact fund managers biodiversity is becoming as important as climate which we encourage.

Major areas of focus have been on fossil fuel exposure challenging managers on their engagement activities to help drive these companies to transition. The Fund's holdings of these companies have fallen over the past year, and the remaining holdings are held through active managers where there is a rational for the holding to help reduce real world emissions.

As well as fossil fuels the Fund updated its published statement on exposure to occupied territories companies with possible human rights concerns.

Example of Company Engagement - Manager – Longview

US Consumer Staples Company

In August 2024, Longview held a video call with the company's VP of

Sustainability and Head of Investor Relations to discuss sustainability topics and receive an update on the company's deforestation strategy. Earlier in the year, the investment manager had requested information about the company's exposure to palm oil due to its deforestation risks.

During the call, Longview asked about progress in promoting and sourcing certified sustainable palm oil across the supply chain. The company confirmed that palm oil is used in products it distributes, but it is not a manufacturer, except for one division producing soaps and lotions. The company is a member of the Roundtable on Sustainable Palm Oil (RSPO) and reports annually through the RSPO's Annual Communication of Progress (ACOP). They work with suppliers to adopt sustainable palm oil and verify certifications, though traceability remains a challenge. They also identify non-transitioned suppliers.

In its 2023 ACOP disclosure, the company stated that certified palm oil is required in product specifications and mandatory for private-label products. As data collection and traceability improve, the company expects to provide more detailed reporting on sustainable palm oil adoption across the supply chain. The investment manager also requested updates on the company's EU deforestation policy and its evaluation of the Science-Based Targets Initiative's FLAG Guidance.

Longview will continue to monitor the company's progress in three areas:

- The adoption of sustainable palm oil across the supply chain
- The implementation of the company's EU deforestation policy
- The evaluation of the SBTi's new FLAG Guidance and its implications for food distributors.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

Overview

Although the Pension Fund has delegated investment management activity to its external investment managers. The Fund believes that Collaboration with other asset owners and Investment Managers is an effective way to help improve the effectiveness when exercising rights and responsibilities on engagement with the invested companies; to this end the Fund are members of the LAPFF, IIGCC and the PRI. The Fund also encourages all its Investment Managers' to be signed up to these collaborations and to demonstrate effective stewardship through adherence to the UK Stewardship Code 2020, however they can sign up to any collaboration entitative that they believe to benefit the Fund.

The Fund is a member of the ACCESS pool, which it uses to access more than half of its investments. The 11 partner Fund's in ACCESS have collectively pooled in excess of £45bn. ACCESS are collaborating on RI activities through unified RI guidelines which set the framework for the Investment Managers and enable them to use the combined weight of capital of the ACCESS authorities to positively engage with the companies they invest with.

Collaboration is the fundamental working principle of ACCESS, with a culture of regular dialogue and engagement across the pool, a track record of consensus between the Authorities has been built.

Activity

Collaborations

The Fund seeks to collaborate with like-minded institutional shareholders to maximise the influence that it can have on individual companies.

Institutional Investors Group on Climate Change (IIGCC)

IIGCC has the collective weight of over $65 trillion from over 400 members and is leading the way on a global stage for investors to help realise a low carbon future. IIGCC helps shape sustainable finance policy and regulation for key sectors of the economy and supports members in adopting active ownership and better integrated climate risks and opportunities into investment processes.

The Fund's Pension Committee Chair is currently a representative on the IIGCC Corporate Programme Advisory Group. The corporate programme focuses on supporting investors to engage with companies to align portfolios with the goal of net zero by 2050.

In addition to the Fund's own membership of IIGCC, the Fund asks its managers to also be members providing a double lock on engagement.

IIGCC and Investor Practices

In 2022 the IIGCC and its members have put forward guidance for three new asset classes, infrastructure, derivatives and hedge funds, and private equity. Soon NZIF (Net Zero Engagement Initiative) will provide guidance for most major asset classes in a typical investment portfolio. A working group has also been formed to address the urgency of physical climate risk for investment portfolios. In 2022 hundreds of asset managers and owners disclosed their initial net zero targets and showed that NZIF is the most utilised net zero methodology for investors across GFANZ (Glasgow Financial Alliance for Net Zero).

IIGCC and Climate Action 100+

As a member of IIGCC, the Fund is exposure to Climate Action 100+, in addition a number of the Fund's managers are members of Climate Action 100+ and lead on various engagements.

Climate Action 100+ investors have committed to engage with the world's largest corporate greenhouse gas emitters to improve their climate performance and ensure transparent disclosure of emissions. The group is made up of more than 400 investors, responsible for over $65 trillion in assets under management, are engaging companies on improving climate change governance, cutting emissions, and strengthening climate-related financial disclosures. Climate Action 100+ is focused on companies that are key to driving the global net-zero emissions transition. Climate 100+ Net Zero Company Benchmark results showed that engagements supported by IIGCC accounted for 48% of all global improvements between March and October 2022.

IIGCC Engagement Example

In 2023 the IIGCC sent a letter signed by more than 100 investors to 107 companies setting out their expectations of a credible net zero transition plan and marking the launch of the Net Zeron Engagement Initiative (NZEI). These engagements were deepened in 2024 with topics including all scope emissions, market capitalisation as well as sectors already covered by the IIGCC. Alongside the letter to companies, the IIGCC shared 'investor expectations of net zero transition plans'. This is open to the public and supports investors and companies on the questions they might ask when assessing transition plans, including the rationale for those requests, and how companies can meet them.

Local Authority Pension Fund Forum (LAPFF)

The Fund as a member of LAPFF intends to continue that relationship indefinitely. LAPFF engages with companies over environmental, social and governance issues on behalf of its members. The advantage of collective engagement is that there is greater leverage over the company due to the pooling of holdings.

LAPFF is unique in its engagement approach in that it is a collaborative engagement group made up of institutions with a common purpose and shared values. LAPFF gives a voice to those in effected communities rather than just engaging with the management boards of companies to give a much deeper understanding of the impact of those companies. LAPFF members choose what engagements to pursue and who to target as this is put forward to the membership at its business meeting to agree. LAPFF members take the lead and set the tone in each engagement meeting – the engagement is an authentic voice speaking on behalf of the Pension Fund beneficiaries and not an investment bank which may be unusual for many boards in engagement activities.

The Forum speaks on behalf of all LSPF Fund members with a single voice that carries the weight of more than £300bn in assets under management, placing Forum members in the top 60 asset manager in the world in scale of AUM voice, to get the attention of corporate boards, politicians, or regulatory body.

LAPFF Engagement example 2024

Apple Inc

LAPFF has been engaging technology companies on their governance and human rights practices for a number of years. LAPFF policy is to encourage companies to adopt human rights policies and management practices in line with the UNGPs, and it believes these policies and practices should be disclosed to shareholders. Technology companies have a great potential impact on human rights, including the rights to privacy and freedom of expression. Their reach is wide, and they are well-known and used globally, so any mis-steps raise operational, reputational, legal, and consequently financial concerns for investors. Given the financial materiality of their human rights practices, LAPFF routinely issues voting alerts for some of these companies, including Apple. At the company's 28 February 2024 AGM, LAPFF recommended a vote in favour of two shareholder resolutions that received significant shareholder support. These were resolution 6 requesting racial and gender pay gaps reporting which received 30.85% support, and resolution 7 calling for a report on the use of AI, which received 36.49% support. Whilst these resolutions did not pass, the significant investor support for these resolutions provides a clear signal from shareholders.

LAPFF Executive Committee

In addition to being a member of LAPFF, the Head of Pensions at the Fund was appointed to the LAPFF Executive Committee in October 2021 and continued on the Executive in 2024. As result the Fund is much more involved in the strategy of this engagement group with the Head of Pensions attending engagement calls with target companies on behalf of the other LGPS member Funds.

LAPFF Engagement example 2024

United Utilities

Objective: Over the past two years, LAPFF has been engaging UK water utility companies on sewage overflows. These engagements have sought to ensure companies are reducing storm overflows and thus reducing the investment risks, including those associated with reputational damage and regulatory intervention. As the sector has acknowledged that more needs to be done and has started to outline plans, LAPFF's focus has expanded to ensure overflows are being reduced against targets and to look more closely at how companies are seeking to deliver future improvements. At the same time, LAPFF has also been engaging the publicly listed companies on the financial resilience of the sector given the situation at Thames Water. Achieved: LAPFF met with the chief financial officer at United Utilities to discuss the company's plans for reducing overflows. In October, water utility companies set out their plans under Ofwat's price review process. These plans include investment strategies for improving environmental performance (regulated by the Environment Agency) such as storm overflow reductions. The meeting therefore spent some time discussing United Utilities' investment plans under the price review. The last round of engagements with water companies included discussion around investment needed in infrastructure. An important area LAPFF wanted to follow up on was delivering value for money and ensuring affordability for customers given the additional investment and higher prices needed. The meeting discussed adaptive planning, supply chain capacity, consultation and support for the plans from their customers, and financial assistance for lower income households. The meeting also discussed gearing levels and implications for United Utilities. This covered the definition of gearing: the traditional debt to equity versus debt to assets, which is used by the regulator, and that the Ofwat definition is less sensitive to increasing debt than the traditional one. The situation at Thames Water was also discussed as was the differences between publicly listed and private equity run firms.

In progress: As additional funding comes into the sector to address storm overflows, LAPFF will engage with water utilities to ensure that plans are being delivered, overflows are being reduced, and the investment represents value for money for shareholders and stakeholders.

LAPFF Engagement example 2024

ABB

Objective: Transport is a major contributor to global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from internal combustion engine vehicles towards electric vehicles. To support this transition, adequate charging infrastructure is required to overcome charging anxiety. LAPFF sought to understand progress in scaling up charging infrastructure and the challenges of delivering charging points for a charging point producer.

Achieved: LAPFF met with an ABB E-mobility representative to discuss electric charging infrastructure. The Swedish-Swiss company is a major player in charging infrastructure and describes itself as the world's number one in EV charging solutions. The meeting covered the likely trajectory of EV take-up, demand for charging infrastructure, and the use case for different charging solutions. The engagement covered the impact of regulation in the EU and US, which was starting to increase the requirements on charging, the impact on demand of the price of EVs,

future-proofing technology, and how the interoperability of connectors was becoming less of a barrier. The meeting also discussed challenges for charging infrastructure, including around software. At the meeting LAPFF also raised the issue of human rights in its supply chain.

Progress: LAPFF will continue to engage those in the EV charging infrastructure sector given its critical role to the decarbonisation of surface transport. This will cover consistency and coverage of services.

Principle of Responsible Investment (PRI)

The Pension Fund is a signatory to the PRI who encourages investors to use responsible investment to enhance returns and better manage risks but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

The PRI aim to work to a sustainable global financial system by encouraging adoption of the PRI Principles and collaboration on their implementation; by fostering good governance, integrity, and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures, and regulation.

The Fund successfully became a signatory of PRI in 2023 and subsequently was successful in maintaining its signatory status in 2024. As a signatory of PRI, the Fund is committed to collaborating with other signatories to improve and contribute to developing a sustainable global financial system.

Outcome

Collaborative engagement has meant that the Fund is able to engage with companies who would not otherwise be willing to speak directly to the Fund.

Using its collective power, the Fund's engagement partner LAPFF on behalf of the LGPS have made some marked progress in mining companies in relation to tailings dams and across oil and gas sectors and annually review the engagement priorities in liaison with the member Fund's.

As part of its collaborative engagement the Fund was among a record number of signatories to a Global Investor Statement which urges governments to radically step up their ambition on climate policy – the most ambitious global climate statement from investors in history. More details around this commitment can be found here.

The Fund have been able to take active part within the collaborative engagement activities with the Head of Pensions on the executive Committee for LAPFF to help drive strategy and carry out the engagements directly with the underlying companies and with the Chair of Pension Committee sitting on the IIGCC Corporate Programme Advisory Group.

The Fund also actively feed into research areas and attend webinars to help the industry move forward with practical examples, tis can be seen with attendance at Pensions for Purposes events as well as responding to consultations such as the FCA"s paper titled The Primary Markets Effectiveness Review.

Example company engagement with LAPFF

Drax

Objective: Decarbonising power needs to be a major contributor to reducing global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from carbon emitting processes. LAPFF engaged with Drax this quarter as there are questions about the time scale over which new growth of trees will compensate for the >10MT of CO2 Drax emits each year. The Forum sought to understand the company's business model, associated risks and sustainability of the supply chain for wood pellets for combustion at Drax Power Station, which are mainly imported, and their cost, considering that gas and renewables offer cheaper alternatives.

Achieved: Since their last AGM the chair has been replaced as expected given his tenure and the Forum is arranging a meeting with the new chair. LAPFF responded to the consultation from the Department of Energy Security and Net Zero on prolonging the subsidy to Drax. LAPFF's response to the consultation covered the evidence that Drax's supplies of wood are not carbon neutral, nor sustainable as a supply source (being dependent on US imports). Just after the LAPFF submission, BBC Panorama had its second exposé of Drax's activities. Drax claims to source its wood pellets from sustainable sources by way of waste material. However, the BBC investigation showed that not only has Drax been cutting and using whole trees, but that the trees cut were from rare forest wood, rather than managed plantations. The consultation also states the DESNZ position that subsidised biomass burning (in the case of Drax, wood), will increase the cost of electricity and displace renewables.

In progress: LAPFF is awaiting a meeting with the new chair and is following government policy in this area closely. In March 2024, the government announced that new gas plants will be needed for intermittent supply of energy when there is insufficient generation from renewables. That would seem to be relevant to the medium to long-term future of Drax.

UK Sustainable Investment and Finance Association (UKSIF)

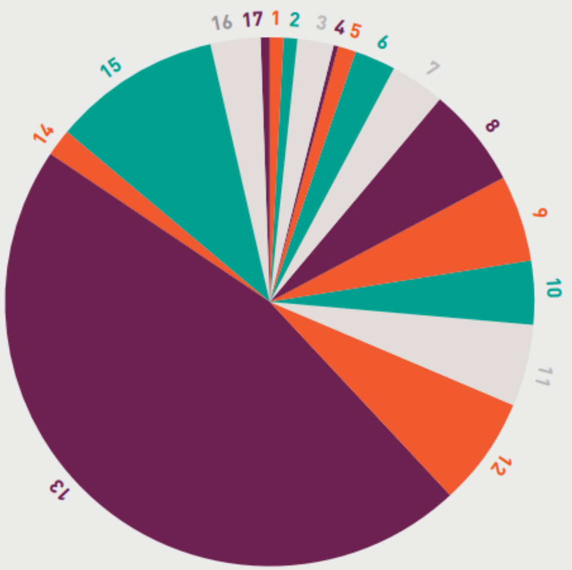
In 2024 the Fund continued its member of UKSIF, an organisation that is committed to growing sustainable and responsible finance in the UK. The organisation has over 300 members with assets under management of over £19 trn. Membership allows the Fund access to knowledge sharing with other pension funds and organisations, as well as a large library of curated sustainability content. Officers have also attended events and conferences hosted by UKSIF on a range of sustainable investment topics.

LAPFF 2024 Annual Report Engagement Statistics

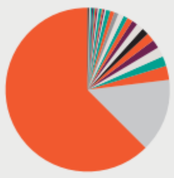
LAPFF Engagement Data Q1 2024

LAPFF ENGAGEMENT STATISTICS

LAPFF engaged with 565 companies during the year.



DOMICILES

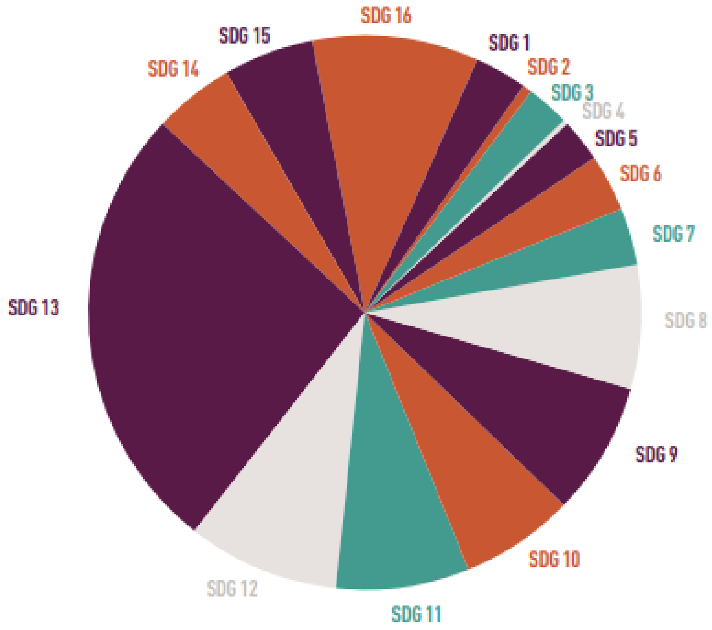


United Kingdom	517
USA	118
Japan	23
Ireland	17
Australia	16
Jersey	14
Germany	14
France	12
Czechia	11
Brazil	9
Canada	9
Sweden	8
PR China	8
Israel	7
Hong Kong	7
Mexico	6
Singapore	3
India	3
Korea	3
Netherlands	3
Guernsey	3
Tawain	2
Bermuda	2
Luxembourg	2
Finland	2
Indonesia	2
Malaysia	1
Belgium	1
Mauritius	1
Denmark	1
Isle of Man	1

LAPFF SDG ENGAGEMENTS

Goal	
1 No Poverty	14
2 Zero Hunger	10
3 Good Health and Well-Being	27
4 Quality Education	6
5 Gender Equality	15
6 Clean Water and Sanitation	32
7 Affordable and Clean Energy	43
8 Decent Work and Economic Growth	79
9 Industry, Innovation, and Infrastructure	67
10 Reduced Inequalities	54
11 Sustainable Cities and Communities	63
12 Responsible Production and Consumption	89
13 Climate Action	601
14 Life Below Water	24
15 Life on Land	131
16 Peace, Justice, and Strong Institutions	42
17 Partnership for the Goals	5

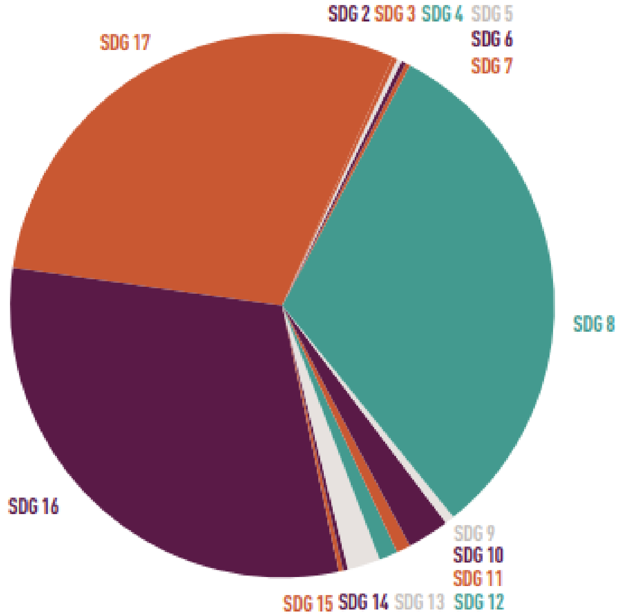
LAPFF Engagement Data Q2 2024



LAPFF SDG ENGAGEMENTS

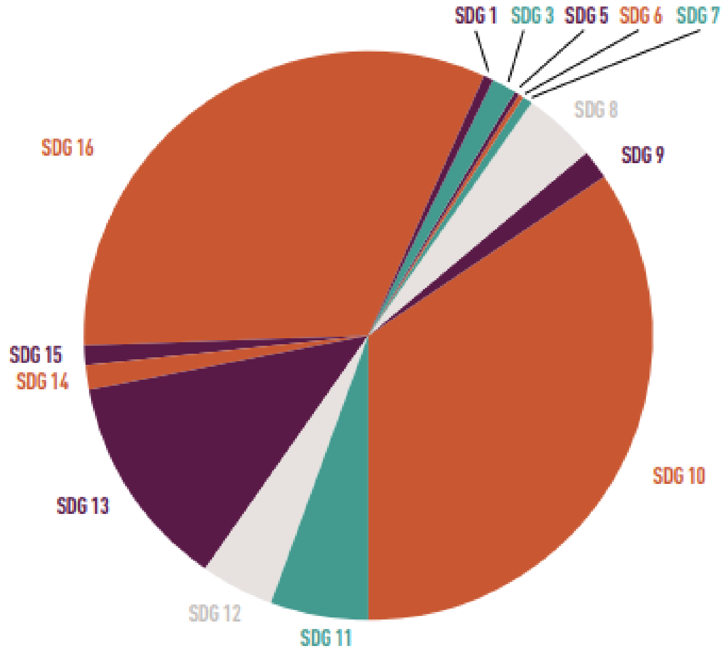
SDG 1: No Poverty	8
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	6
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	8
SDG 7: Affordable and Clean Energy	8
SDG 8: Decent Work and Economic Growth	17
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	19
SDG12: Responsible Production and Consumption	21
SDG 13: Climate Action	64
SDG 14: Life Below Water	11
SDG 15: Life on Land	13
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

LAPFF Engagement Data Q3 2024



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	2
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	220
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	18
SDG 11: Sustainable Cities and Communities	6
SDG12: Responsible Production and Consumption	7
SDG 13: Climate Action	13
SDG 14: Life Below Water	2
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	213
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	206

LAPFF Engagement Data Q4 2024



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	5
SDG 4: Quality Education	0
SDG 5: Gender Equality	1
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	15
SDG 9: Industry, Innovation, and Infrastructure	6
SDG 10: Reduced Inequalities	121
SDG 11: Sustainable Cities and Communities	19
SDG12: Responsible Production and Consumption	15
SDG 13: Climate Action	43
SDG 14: Life Below Water	4
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	113
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

Collaboration Example

In the first half of 2024, Fund officers were approached by Sumitomo Mitsui Asset Management, a large company based in Japan. Due to a change in Japanese politics, the company was aiming to become a signatory to the UN PRI and required help in understanding best practice with regards to embedding responsible investment into their organisation's structure and processes. Officers provided detail on topics such as policy and resources, outlining the decisions that had led to the Fund becoming a signatory, the challenges it faced, and the key changes that were implemented as a result of the decision to apply for signatory status.

Principle 11

Signatories where necessary, escalate stewardship activities to influence issuers

Overview

We expect investment managers to take responsibility for day-to-day interaction and take the appropriate action when operating on the Fund's behalf while engaging in stewardship activities, this includes actions to escalate their approach when appropriate. The Fund discuss emerging issues and priorities at the Investment Implementation Working Group, alongside the Investment Consultants and Independent Adviser. These issues then form the basis for discussions with the investment managers where it has felt issues needed to be called into question or challenged.

Activity

As laid out under principles 9 and 10 the Fund meet regularly with Investment Managers and discuss RI topics and specific holdings to ensure the value at risk of investments is in an acceptable range and the value of beneficiaries' investments are secure through these investments.

Within the Fund's Statement of Responsible Investment Principle's, the Fund seeks to influence companies through engagement. The Fund will engage with the investee companies and appointed managers, either directly or via their collaborative partners. Where material risks remain following engagement activity, we retain the ability to divest, since the failure to engage destroys value in the longer term. The issue of engagement is a vital aspect of ownership.

Escalation of action can take place through voting where management of companies are not engaging or making adequate changes.

Escalation will Collaborative Partners

LAPFF engaged with 340 companies during 2024 and had numerous engagement meetings with companies such as Apple, Amazon, Glencore and Meta.

LAPFF issued over 100 voting alerts in 2024, these voting alerts are issued to members when it is felt that engagements need to be escalated.

Examples of companies where a voting alert was necessary due to inaction of Investee companies were:

BHP Group, Rio Tinto, Bank of America, Goldman Sachs, IBM, Berkshire Hathaway, Equinor, Lockheed Martin, Boeing, Morgan Stanley, Alphabet and Tesla.

Escalation Example – Baillie Gifford

Amazon

Background

Baillie Gifford first invested in Amazon in 2006. Over their long holding period, the company has matured from a US retail disruptor to an entrenched and diversified leader across ecommerce, cloud computing and streaming. It has also evolved and improved its processes and governance across a range of ESG issues, including climate, employee welfare, and supply chain management. However, Baillie Gifford believe the company can be more proactive and continue to engage on these issues.

Objective

In 2024, they engaged with Amazon through two key discussions. The first was an investor roundtable with Amazon's management, including the CEO and CFO, to understand their long-term strategy and ESG initiatives. The second meeting was with Amazon's ESG team to delve into issues including employee engagement, supply chain transparency, and artificial intelligence (AI) governance.

Discussion

Three key areas to highlight from engagements this year are:

Labour practices – There are various company-wide initiatives to support employee engagement, including the 'Dragonfly' software tool that records employee safety-related feedback to turn into measurable action. Over 200,000 observations were actioned in 2023, and injury rates have reduced to substantially below the industry average.

AI governance – Baillie Gifford were pleased to hear that Amazon is engaging with governments on AI regulation with interoperable international standards. The company has established internal principles for responsible AI use and has board oversight. The appointment of Andrew Ng (co-founder of Google Brain, DeepLearning.AI and Coursera) has strengthened this approach. Baillie Gifford have encouraged the company to continue acting as a thought leader in transparency and educating retail customers.

Climate – Amazon has substantial decarbonisation ambitions and in 2023 alone, it contracted 28GW of renewable power (equivalent to more than 50 per cent of the UK's entire installed capacity). Baillie Gifford are also encouraged that Amazon will disclose new supply chain standards. We supported a related shareholder resolution at the 2024 AGM and see these new standards as an opportunity to expand the company's boundaries for supply chain emissions reporting and consequent decarbonisation ambitions. The partnership with Rivian for electric delivery vans, for example, was noted for its benefits in safety, maintenance, and carbon footprint.

Outcome

Baillie Gifford believe the company's proactive approach to ESG issues is commendable. However, challenges persist regarding its adherence to its stated commitment to workers' freedom of association and collective bargaining rights. Baillie Gifford supported a shareholder resolution on this issue at the AGM and will continue to monitor going forward. Ongoing key topics for engagement going forward also include supply chain transparency and AI governance.

Activity

In 2023 the Fund added an escalation section it its Statement of Responsible Investing Principles.

Where the Fund believes an Investment Manager to be holding assets bearing financial risk to the Fund and outside of the Fund's long term Investment Beliefs and Investment Strategy, the Fund will take the following escalating actions:

• Communicate with the Manager and ask them to explain the position of the holding in the portfolio.

• Request information on any engagement or escalation activity undertaken, engagement outcomes, transition plan analysis and an assessment of financial risk.

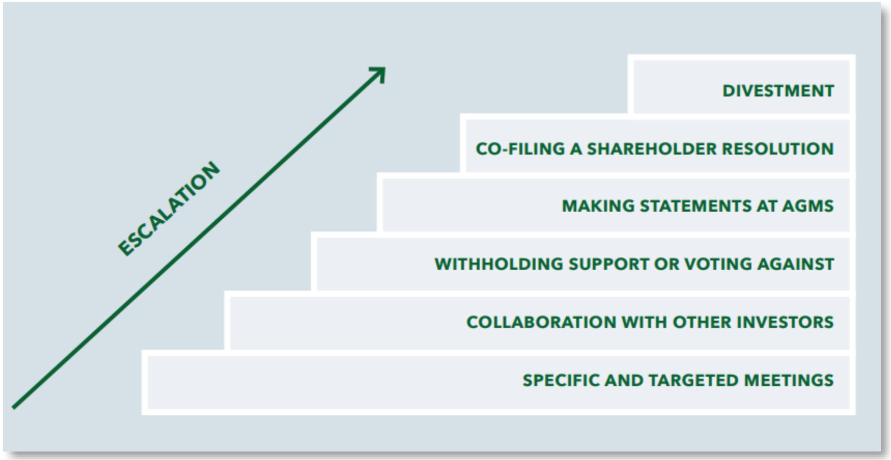
• Pension Committee will write to the Manager to outline its concerns. This may be followed up with a meeting with the Manager and Pension Committee.

• Engage with its Investment Consultant and Independent adviser to understand financial risks for continuing investment with a view on risk and return of the Investment methodology and approach.

• Managers' activities will be considered in light of the Investment Management Agreement (IMA) where relevant, Subscription documents and due diligence or Prospectus if invested by the ACCESS Pool, and manager section paperwork.

• Engage with other invested pool members and pool operator if investment is via the ACCESS pool to understand wider concerns and risk.

Escalation process of Ruffer – Diversified Growth Fund Investment Manager of the Fund

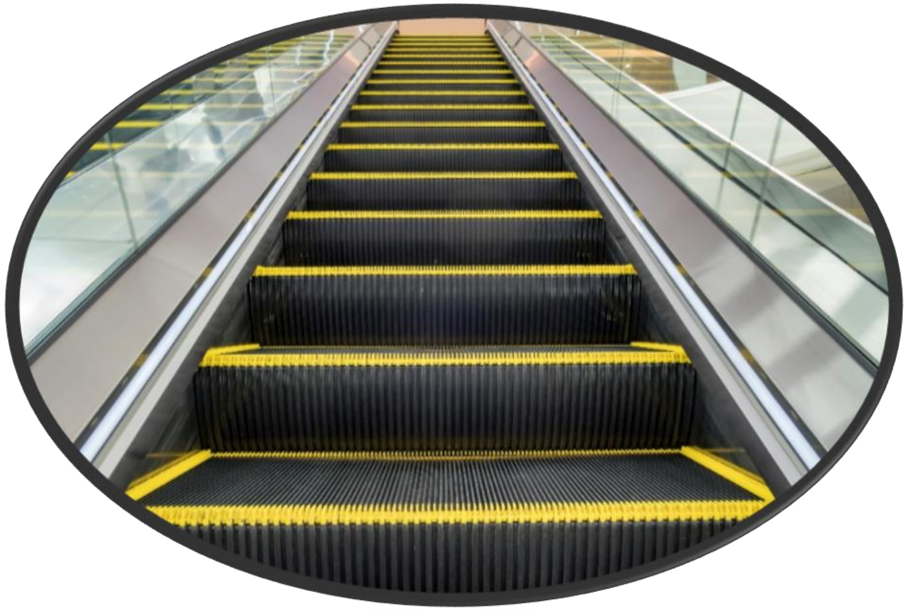


Outcome

Engagement and divestment can work together for escalation, where managers engagement activities with investee companies are deemed ineffective the Fund expect the manager to escalate through voting, shareholder resolutions or sale of that company. Engagement is a long process however the Fund expects managers to have time limits on when engagement is not working or the ability to acknowledge when Boards of companies are not interested in engaging with investors. The failure of engaging suggests there are other governance and other risks within the underlying company.

Escalation activities in the Fund are mostly seen through voting alerts from LAPFF to managers on how to vote for shareholder resolutions, and managers removing companies as they no longer meet the expected standard for investment.

These activities ensure the Fund is not holding assets where there is a material financial risk of future failure, reputational damage or other penalties a company may incur.



Storebrand's firmwide exclusion policy 2024

Exclusion category:	
Conduct-based exclusion - Environment	23
Conduct-based exclusion - Corruption and Financial Crime	9
Conduct-based exclusion - Human Rights and International Law	65
Tobacco	28
Controversial weapons	41
Climate - Coal	125
Climate - Oil sands	14
Climate - Lobbying	4
Arctic drilling	0
Deep-sea mining	1
Marine/riverine tailings disposal	4
Deforestation	14
Cannabis	0
State-controlled companies	23
Total number of companies	**333***
No. of companies on observation list	2

*Companies may be excluded on the basis of several criteria

Companies Excluded under the additional criteria (E.G fossil free funds)

Exclusions by category:	
Alcohol	80
Adult Entertainment	0
Weapons	66
Gambling	38
Fossil Free	495
No. of companies excluded	**667***

*Companies may be excluded on the basis of several criteria

Principle 12

Signatories actively exercise their right and responsibilities

Overview

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The Fund's managers have written guidelines of their process and practice, which is considered as part of the appointment of an investment manager process. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under LGPS Investment Regulation 7(2)(f). The Fund's investment managers also file or co-file shareholder resolutions on important issues at the investee companies in the interests of agitating for better governance. In addition, managers engage with investee companies on material ESG issues. For investments held through the ACCESS pool in a segregated sub-fund, the expectation is that investment managers will vote in line with the pool's RI policy, whereas where investments are in a pooled vehicle the Pension Fund accepts the investment manager will vote in line with its own policy. There is a requirement for the investment manager to explain the rationale for its decisions and ultimately the committee has the option to disinvest if it is dissatisfied with the manager's decisions.

Activity

ACCESS Pool Voting

For investments held through the ACCESS pool in a segregated sub-fund the expectation is that investment managers will vote in line with the pool's RI policy, whereas where investments are in a pooled vehicle the Fund accepts the investment manager will vote in line with its own policy, however there is still a requirement for the investment manager to explain the rationale for its decisions.

The Full ACCESS Voting policy can be seen here

Examples within the ACCESS voting policy:

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.

Example Quarter Voting Q4 2024

WHEB (Impact Fund)

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against
4	40	32	7

Abstained/ Withheld/ Did not vote	With management	Against management
1	32	8

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

The Fund's listed equity managers and their voting approaches

Longview - Equities – within the ACCESS pool – Votes in line with ACCESS Guidelines

Newton - Diversified Growth Fund - within the ACCESS pool – Votes in line with ACCESS Guidelines

Storebrand – Equities – outside the ACCESS pool – Storebrand own voting policy – available here

Wellington - Equities – outside the ACCESS pool – Wellington own voting policy – available here

WHEB - Equities – outside the ACCESS pool – WHEB own voting policy - available here

UBS Osmosis index - Equities – ACCESS pool aligned passive – Votes in line with ACCESS Guidelines

Ruffer - Diversified Growth Fund - within the ACCESS pool – Votes in line with ACCESS Guidelines

Baillie Gifford - Equities – within the ACCESS pool – Votes in line with ACCESS Guidelines

Atlas – Listed Infrastructure – outside the ACCESS pool - Atlas own voting policy – available here

Reporting

To ensure that the managers are fulfilling their duties, the Fund requires the Investment Manager's to report on their engagement with company management and voting record, highlighting any instances that they voted against company management or did not follow its policy. The Fund discuss specific issues when they arise and undertakes an ESG impact assessment by a third party to assess its managers adherence to its stated policies.

The Fund produce and publish a voting and engagement report quarterly, to demonstrate implementation of the Principles and to promote them. The Committee review asset manager voting and engagement through sight of the engagement reports at the Pension Committee meetings.

In addition to the Fund's reporting and assessment of the voting, the ACCESS pool collates and report the voting of all the managers within the ACCESS LGPS pool and advise of any votes against the ACCESS voting guidelines. This information is then discussed as part of the investment performance report at each Joint Committee meeting.

In 2022 the Fund made a focused change to review the reasons for any non-alignment with the voting policy and ensure it is sufficiently robust as an explanation – the Fund have identified a manager which it has discussed the voting explanations with. In addition, the Fund will look at contentious voting items or companies where there is engagement activity and will raise questions on relevant votes.

All the Fund's managers publicly report their voting actions which is then shared through the Fund's own reporting.

Example LAPFF Voting recommendation

At the bank's AGM in May, LAPFF also recommended support for a shareholder resolution which would directly support Barclay's longer term ambition to be a net zero bank by 2050 and align its provision of financial services across all sectors, starting with the energy and power sectors.

This second resolution, co-filed by some LAPFF members, and co-ordinated by Share Action, encouraged Barclays to set and disclose targets for the withdrawal of services to fossil fuels and utility businesses whose operations are at odds with the Paris Accord.

In response, Barclays formulated its own resolution arguing that focusing solely on the fossil fuel and energy sectors conflicted with its need to treat customers equally. Rejecting the shareholders' resolution, the bank instead committed to aligning its financial services with the goals and timelines of the Paris Agreement for all sectors starting with, but not limited to, the energy and power sectors.

The resolution put by Barclays received a resounding 99% support while the shareholder sponsored resolution secured 24%. This will ensure the bank engage further with shareholders on this issue.

Cllr Doug McMurdo, the LAPFF Chair was impressed by the openness of the Barclays' chair, Nigel Higgins, to discussions on the banks' approach to climate change.

He added: "Barclay's own resolution complements that put by some of our members and other shareholders. The two proposals go a long way to tackling multiple climate change goals simultaneously by supporting a just transition to a zero-carbon economy by 2050 by engaging with Barclays' customers in all sectors."

Barclays is the biggest financier of fossil fuels in Europe and its decision to align operations with the Paris Accord will send shockwaves across the financial community as other institutions feel pressure to follow suit. However, a notable opponent to the shareholder filed resolution included the world's largest asset manager BlackRock.

Cllr McMurdo said: "While the Barclays' result is a genuine victory for sustainable investment, it is clear we will need to keep up the pressure if we are to instigate change at other organisations."

Collaborative Voting

The Fund believes that collaboration with other asset owners and Investment Managers an effective way to help improve the effectiveness when exercising rights and responsibilities on engagement with the invested companies; to this end the Fund are members of the LAPFF, IIGCC and the PRI. The Fund also encourages all of its Investment Managers to be signed up to these collaborations and to demonstrate effective stewardship through submissions of the UK Stewardship Code 2020.

As a member of the Local Authority Pension Fund Forum (LAPFF) the Fund asks Investment Managers to vote in accordance with voting alerts from LAPFF or explain why they have voted differently. The Fund recognise that the research teams of the investment managers may have a different insight to the research team at LAPFF and they may not always agree on the best approach, so an explanation is expected in these cases.

Stock Lending

The Fund can take part in stock lending through its global custodian (Northern Trust). The Fund has not permitted stock lending in their segregated mandates since 2008. The manager of pooled funds may undertake a certain amount of stock lending on behalf of unitholders. If a pooled fund engages in this activity, the extent to which it does so is disclosed by the manager. The Fund has no direct control over stock lending in pooled funds. However, the arrangements within the ACCESS pool require that the stock is recalled in the event of a company meeting which the Investment manager wishes to ensure all voting rights can be utilised.

Outcome

Active stewardship through exercising voting rights have benefited Fund beneficiaries through the expertise of the investment managers research team as well as from research analysis feeding in from LAPFF to ensure that all votes are used, and votes are applied based on engagement discussions.

It is important that there are clear priorities by our Investment Managers in ensuring the underlying companies are well managed, and well positioned from a risk perspective to generate return to the Fund and hold companies with robust valuations, with the objective of preserving and enhancing long term shareholder value.

The Fund expects that Investment Managers vote on all the shares they hold and monitors to this effect. Engagement with the Investment Managers' governance teams has proved successful in building relationships with companies in their transition to net-zero. Managers are required to report their stewardship activities to the Fund and to seek direction where required. As described above, each manager's approach is assessed by the Fund via each manager's written report, in monitoring meetings, and at Committee meetings. The Fund assesses the approaches taken by managers alongside each other and guidance provided by the LAPFF, for consistency and alignment of interests.

It's important that voting and engagement work hand in hand, so the Fund can influence the underlying companies in making improvements thought the selection and monitoring of the Investment Managers.

The voting guidelines for inclusion in the Investment Management Agreements were agreed by the ACCESS Funds and set out the matters of importance to the Council's and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in the guidelines, they are required to provide a robust explanation of the position adopted.