East Sussex Pension Fund

Environmental, Social & Governance Statement

Voting and engagement report

Q3 2023

1 July – 30 September 2023

Executive summary

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

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

Investment strategy

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

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

Investment managers

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

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

Policies and approach

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

Collaboration

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

East Sussex Pension Fund Engagement

East Sussex Pension Fund Commitments

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

- Institutional Investors Group on Climate Change (IIGCC)
- Local authority Pension Fund Forum (LAPFF)
- Principles for Responsible Investment (PRI)
- Pensions for Purpose
- UK Sustainable Investment and Finance Association (UKSIF)

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

- Financial Reporting Council (FRC) Stewardship Code 2020
- Taskforce on Climate Related Financial Disclosure (TCFD).

In addition to being members of these groups the Fund demonstrates is commitment to RI by actively participating via representation in:

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

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

LAPFF Engagement Activity

All [engagement activities completed in Q3 2023 through LAPFF are available here]

Sample engagement updates

Shell

Objective: Further to Shell's rowing back from its already unsatisfactory Energy Transition Plan, the company is now a point of special focus, given both its size and importance as an investment, as well as the scale of its emissions. LAPFF continues to aim to have the company understand its role in the energy transition and take action accordingly.

Achieved: LAPFF has met with the chair of Shell with some meeting of minds on some issues. Comments from the new leadership at the Shell Annual General meeting, that Shell does not have enough visibility on some putative sources of future revenue and growth to attach numbers to, does accord with LAPFF's critique in LAPFF's voting alerts since 2020.

In Progress: Given Shell's historically poor investment performance (over 20 years barely better than a bond return), which is indicative of poor investment decision making, alongside no appreciable record or prospect of investment, further effort will be put into understanding the numbers and the business model as well as direct engagement.

National Grid

Objective: LAPFF has continued its engagement with National Grid through the CA100+ forum. One of LAPFF's main concerns is to ensure that the company's transition plan allows for a sufficiently speedy transition for the users of its grid.

Achieved: LAPFF's view is that the company is missing some opportunities to decarbonise more quickly, so LAPFF issued a voting alert for National Grid ahead of the company AGM in July. LAPFF cited three main concerns in the voting alert: the company's confusing approach to the use of gas, delays in connecting clean energy projects to the grid, and disclosure on the energy transition. Consequently, LAPFF recommended opposition to the company report and accounts and to the resolution on political donations.

In Progress: LAPFF will continue to engage National Grid on its transition plan, including on the specific points mentioned above.

Further information on the Funds activities and polices can be found on our investment page.

Engagement with policy Makers

IIGCC

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

Joint statement on European Sustainability Reporting Standards
July 2023

Eurosif, IIGCC, PRI, EFAMA and UNEP FI have called on the European Commission to uphold the integrity and ambition on climate of the European Sustainability Reporting Standards (ESRS).

This letter, signed by 92 investors, was sent to President Ursula von der Leyen and European Commissioners on 6 July.

In the letter, the organisations welcome the opportunity to provide input on the implementation of the draft Delegated Act. However, they are concerned by the proposals to move away from requiring certain key disclosure indicators to be reported on a mandatory basis, which will instead be subject to materiality assessment. They see this as a significant rollback of ambition compared to that envisaged by the European Financial Reporting Advisory Group (EFRAG). Read the full letter here.

Contradictory policy signals leave investors unclear on UK net zero ambition
August 2023

The UK government announced support for new carbon capture and storage clusters alongside 100 new oil and gas licenses, adding to contradictory signals from changes to its Emissions Trading Scheme (ETS). These developments risk undermining the UK's climate credibility and damage investor confidence, warns IIGCC CEO, Stephanie Pfeifer.

Investors committed to net zero have cause to be concerned by recent UK government climate and energy announcements.

The challenge of balancing energy security with climate ambition is an unenviable task for leaders, but new oil and gas exploration is not a short-term solution as it requires a minimum timeline of between five and ten years.

More broadly, this announcement adds to a conflicting mix of policy signals which seem at odds with the targets set in UK law to respond to the climate emergency. And from a climate perspective, the International Energy Agency made it clear that no new oil and gas is needed to meet the net zero by 2050 pathway.

Read more in the article here

IIGCC responds to ISSB consultation on upcoming priorities
September 2023

IIGCC have published their response to the International Sustainability Standards Board's (ISSB) consultation on its agenda for the next two years.

In their response, they emphasise the successful adoption and consistent implementation of the S1 and S2 sustainability standards as the most important priority for the ISSB to pursue, in support of its objective for the standards to serve as a useful global baseline for climate disclosures.

IIGCC also highlight the need for targeted enhancements to further cement the usefulness of the standards, particularly in relation to the integration of a double materiality lens and more detailed transition plan disclosures that align with market best practice.

Lastly, IIGCC advocate for the ISSB to prioritise the development of standards for biodiversity and nature as their next thematic focus, given the fundamental interdependencies between climate and the wider environment.

Read more in the article here

LAPFF

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

LAPFF has submitted a response to the UN Working Group on Business and Human Rights' consultation on investors, ESG, and human rights. The consultation is aimed at understanding how to improve investors' implementation of the UN Guiding Principles on Business and Human Rights, which is the primary authoritative standard in this area. LAPFF has received an acknowledgment of its submission noting that its response will be posted on the UN group's website and that it will substantially inform the consultation's final report.

ACCR Meeting
LAPFF has a long-standing relationship with the Australasian Centre for Corporate Responsibility (ACCR) in relation to climate, human rights, and governance-related topics. ACCR and LAPFF had a call this week to discuss how to approach engagements with BHP and Glencore. ACCR has filed shareholder resolutions on human rights with BHP in the past, and LAPFF has engaged extensively with the company on human rights through its tailings dam work in Brazil. You will also remember that ACCR worked with a number of large investors to file a shareholder resolution on climate with Glencore at this year's AGM. LAPFF recommended support for the resolution and is seeking a meeting with the company on climate, human rights, and governance issues. Working with ACCR is a very positive example of how LAPFF seeks to leverage its influence with companies through collaborative engagements.

United Nations Principles of Responsible Investment (UNPRI)

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

United Kingdom

The PRI welcomes this call for evidence as an opportunity to ensure pension trustees have the right knowledge, skills and support to make investment decisions in the long-term interest of beneficiaries. We make recommendations on the need for ESG related training for trustees, clarification of fiduciary duty, and increased engagement with and incorporation of beneficiaries' preferences.

The PRI welcomes the proposed changes to the UK Corporate Governance Code. The PRI is particularly supportive of revisions seeking to prompt more outcomes-based reporting, increased transparency on director appointments and the inclusion of narrative (sustainability) reporting within the remit of audit committees. We encourage the FRC to introduce provisions on the disclosure of sustainability related skills and experience of board members and governance arrangements for the oversight of sustainability matters.

European Union

The PRI published a joint sign-on statement to the European Commission in collaboration with Eurosif, IIGCC, EFAMA, UNEP FI and 93 undersigned investors and other financial market participants. The statement calls for mandatory reporting by companies of information that investors need for decision-making, and to meet their regulatory obligations such as those under the Sustainable Finance Disclosure Regulation (SFDR).

Global

The PRI welcomes the ISSB's proposed methodology to internationalise references within the SASB Standards, which are now part of the IFRS Foundation, and recommends future enhancements to the Standards to better meet the data needs of responsible investors.

The PRI published a response to the ISSB's consultation on its next two-year workplan, setting out recommendations on how the ISSB should prioritise its future activities and research projects across sustainability topics to better meet investor data needs.

Global Investor Statement

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

Activities and training undertaken directly by the Fund.

The Fund has undertaken the following activities during Quarter 3 of 2023.

Fund manager meetings

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

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

1.	Schroders	Property
2.	IFM	Infrastructure
3.	Baillie Gifford	Paris Aligned Equity
4.	Newton	Real Return
5.	Pantheon	Infrastructure

Industry meetings, events, and training

LAPFF Business Meeting and conference, July

LGC Pensions Insight Symposium, July

RI Cross Pool working group, August

LGPS Pooling Guidance Roundtable, September

Investment Manager approaches to supporting climate opportunities – training with Osmosis, September

Pensions for Purpose and Fidelity – Bonds and Biodiversity, September

Investment Manager approaches to supporting climate opportunities – training with WHEB, September

Engagement & Stewardship Internal workshop, September

The Global Capital Sustainable and Responsible Markets Forum, September

Third party supplier commitments

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

Barnett Waddingham (Fund Actuary)

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

Barnett Waddingham - Sustainability page available here

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

ISIO (investment advisory service)

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

Sustainability Beliefs can be found here: Sustainability Beliefs Pension investment consultants | Isio

Isio have adopted the Impact Investing Institute Impact Investing Principles for Pensions

Northern Trust (Custodian)

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

Northern Trust - Social Responsibility page - available here
Northern Trust - Latest Corporate Social responsibility report – available here

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

Eversheds (Lawyers)

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

Evershed's - sustainability page – available here

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

LGPS Pooling

East Sussex are part of the ACCESS pool and all investment managers the fund invests in through the ACCESS pool need to comply with the ACCESS voting guidelines. Link to Access website here.

Link to Access Responsible Investment guidelines and summary report here.

Examples of what should be voted for and against below:

Vote for:

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

Vote against:

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

Manager Engagement and Voting Activity

Longview (Active listed equity) Part of Access Pool

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
1	23	19	4	0	19	4

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

Engagement

[Longview Partners - Responsible Investment & Engagement Policy]

Longview currently send tailored ESG reports to ESPF each Quarter. Anonymised Q3 23 engagement examples provided to us are below:

Company A – September 2023

In September 2023, Longview held a video conference call with Company A's Global Chief Counsel and their Head of Investor Relations & ESG. We discussed various sustainability matters including the company's environmental approach and climate commitments; diversity and inclusion; and other key ESG initiatives. Another purpose of the call was to engage on the company's approach to data ethics as part of Longview's efforts to gather information on the theme. This will be reported on in due course.

Company A explained that their environmental impact encompasses not only their own corporate footprint but also the climate-related solutions they provide to clients. This pertains to various aspects of their reinsurance business, climate analytics tools, and commercial risk solutions, amongst others. Longview asked about the progress they have made towards their net zero target. We had identified in our portfolio-wide Climate Audit in 2021 and 2022 that Company A had committed to achieve net zero emissions by 2030. The company confirmed that they have reduced total emissions by 16% compared to their 2019 baseline, for scope 1 and 2 emissions and that their efforts have been consistent with their proposed Science-Based Targets Initiative (SBTi) goals which are in-line with a 1.5-degree pathway.

The company's Smart Working Policy, which offers employees the flexibility to work in-office, remotely, or a combination of both, has contributed to reducing travel and commuting. The company's centralised purchasing approach has also improved efficiencies. They are working with suppliers to manage scope 3 emissions through their Sustainable Procurement Program. This initiative involves collecting information on carbon commitments from suppliers and actively encouraging them to meet their sustainability targets. Notably, eight out of their top ten suppliers have aligned their targets with SBTi, while educating smaller suppliers has been an ongoing process. Within their supplier network, their primary focus has been on the top 200 suppliers, with the overarching aim of conducting a complete assessment of their supply chain.

They also discussed two of the company's social initiatives – the Apprenticeship Program and their Inclusion and Diversity (I&D) training designed for employees at all levels. The two-year Apprenticeship Program provides an alternative pathway to permanent roles for high-potential individuals from disadvantaged communities. In 2022, Company A welcomed 145 apprentices globally. Longview was interested in how they measure success. One of the ways that the company gauges the impact of its I&D efforts is through an employee engagement survey, which has achieved an 80% participation rate in 2022.

We were also interested in the company's firm wide ESG risk assessment conducted in 2022 and asked about outcomes and actionable findings. Company A clarified that their ESG steering committee, a cross-functional team representing key areas of the business, was responsible for identifying and assessing relevant ESG risks. They collaborated with 30 subject matter experts from across the organisation to gather recommendations for risk mitigation. Lastly, Company A explained that their plan is to integrate most of these ESG risks into their overall enterprise risk management process.

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

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
9	108	96	4	8	96	12

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

Engagement

Newton – Responsible investment page - available here

Newton – Quarterly Reports - available here

Example ESG Engagement

Amazon.Com
Social: Human capital (safety, working conditions, employee engagement, diversity and inclusion)
Governance: Board and leadership quality, skills and experience.

The first objective of this engagement was to conduct an independent assessment/audit of human rights/health and safety issues and report upon key findings and how the company will action them.

Amazon reasonably highlighted that this could be extremely expensive. However, we would disagree that this is a poor use of resource - it remains unable to point to current risks to the business through human capital. We emphasize we need to see the bridge as to what is being done and what will happen in the future.

It is likely that the company will continue to take a defensive stance towards forward looking asks around governance and disclosures and will continue to do only what is regulatory requirement.

The second objective was to appoint a director with experience in human capital to the board and as workforce representative (should be non-executive) and report on how the board oversees human capital related issues and related strategy. Appointing a director with HCM experience may be more effective in the long run and ensure these issues are given the attention and consideration that they deserve at the highest levels of the company. Further, by requiring the board to report on how it approaches and oversees HCM issues – shareholders can hold the board accountable in a more effective manner.

The initial reaction to this ask was disappointing but not unexpected. However, this is a thematic engagement which means these are long-term objectives which do not have an immediate investment impact if not achieved but these engagements are necessary to conduct to be on top of our risk assessment and understanding.

In terms of next steps we are still considering how we can push further for what would provide us comfort in terms of their human capital management practises and we will continue to escalate our concerns through annual check-ins and voting in the AGMs

SHELL Environmental

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

Scope 3 is the largest source of emissions for the company (similar to other Oil & Gas producers). Planning and actively managing the transition to a low carbon economy for Shell can unlock opportunities and help in preparing the workforce by re-skilling and up-skilling, which can ultimately reduce labour costs and unlock value if done at early stages of the transition.

Newton think that Scope 3 emission reduction should be an integral part of an energy transition plan, and we engaged with the company to emphasize the need to establish targets and plan for a gradual reduction in absolute Scope 3 emissions.

We met Shell's Chair, and discussed in detail the board's thinking around the new climate transition plan that they will be announcing in March 2024. We went away with a few important points:

- The Chair reiterated the message from our last meeting that their initial transition thinking was maybe too ambitious. Unlike some of their US competitors for Shell it is not a question of whether the transition is occurring; it fundamentally believes in its scenarios where transition to a low carbon economy will occur, albeit slowly and with more bumps along the way.
  In this context, the company will do everything in its control to reduce its emissions, while being capital disciplined, and not committing to anything that is unachievable.

- It will announce in March 2024 some sort of absolute Scope 3 targets on the transportation sector or the hardest to abate sector. This will not satisfy all shareholders but will have the merit of being an improvement compared to the previous transition plan.

- To achieve this target, the company is leaning into biofuels, which will be one of the scope 3 reduction levers it thinks it has. It is not planning to increase its green capex. The main element of its new strategy will be LNG, where it is very positive on the outlook. Capital discipline and shareholder returns are still the main

We stressed the following points that would help the transition plan messaging:

- The company needs to communicate better and in a more shareholder friendly way its climate narrative.
- Announce a Scope 3 target that it can control
- Stress on the Emerging Markets side of the transition story and the needs there that are different from the EU or the US.

The meeting was overall positive and, taken altogether with our meeting with the CEO, we are starting to hear a coherent climate transition narrative. Shell is undoubtedly less ambitious than the initial climate transition thinking it laid out a few years ago, but this plan seems more credible and more in touch with today's state of the world and the economy. With the publication of an absolute Scope 3 target for some sectors, we may consider this objective achieved in 2024.

We will continue to monitor the company's March 2024 new climate transition plan announcement.

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

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
3	31	29	2	0	29	2

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

Ruffer – Quarterly Reports - available here

Engagement

Perseus Mining

For the third year running, Ruffer have taken part in CDP's non-disclosure campaign, an initiative to selectively engage with companies in high impact sectors that have consistently failed to respond to CDP's information requests. Ruffer have been a member of CDP for several years and are staunch supporters of the initiative's goal of providing a comprehensive source of corporate environmental data that is aligned with key environmental disclosure standards. As in previous years, Ruffer focused its efforts on gold companies, particularly those CDP had deemed critical from a climate perspective, and were selected to lead the engagement with Perseus Mining. In earlier campaigns, Ruffer could opt to co-sign letters to other companies they were invested in. This year, however, the signatories of all investors involved in the campaign were added to every letter.

We sent a letter drafted by CDP to Perseus Mining's CEO, explaining the importance of reliable and complete environmental data, especially for investors who seek to assess the risks and impacts related to climate change on their investments. The letter also encouraged the company to respond to the CDP climate change questionnaire though the CDP reporting platform. We received a response from the CEO saying he would investigate Perseus Mining's capacity to respond before the initial deadline of the end of July, but that the company was currently focused on producing its inaugural consolidated Operations, Finance and Sustainability Report for the upcoming year end. We then set up a call with the CEO and the general manager of communications and corporate services to further discuss our view on sustainability reporting and why we support CDP's disclosure initiatives. The CEO highlighted that, being resource-constrained, the company had decided to work with ratings agencies that evaluate across all dimensions of ESG, in contrast to CDP's sole focus on environmental data. There was an understandable element of frustration about the volume of environmental data reporting standards and frameworks for companies to respond to, which then leads to resourcing issues and reporting fatigue. With the year end reporting burden, the company felt it could not commit to the July deadline to submit its environmental data and receive a CDP score.

However, the reporting window remains open until the end of September. Any submissions after July won't receive a score, but the data will be made available to investors. So Perseus Mining has committed to seek to provide an unscored response to CDP and will look to include the CDP questionnaire in its reporting cycle in 2024

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

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
6	85	82	3	0	82	3

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

Resolutions voted on in quarter.

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

Baillie Gifford voting policies and guidelines

[Baillie Gifford - Stewardship & Climate Documents – available here]

Engagement

[Baillie Gifford - ESG information available here]

[Baillie Gifford – Quarterly reports available here]

Examples of engagement in quarter (as per Quarterly report)

Amazon

Objective: Baillie Gifford spoke with the company's head of ESG engagement to discuss progress and developments in Amazon's climate strategy. With one of the largest value chains in the world, Amazon's sustainability initiatives mitigate risk of supply chain disruptions, support its brand and reputation, contribute to operational efficiencies and long-term cost savings.

Discussion: Amazon has positioned itself as a climate leader by setting ambitious decarbonisation targets and establishing The Climate Pledge to accelerate climate action by the world's top companies. However, recent developments indicate challenges to delivering on its climate strategy. Baillie Gifford discussed the company's decision to step back from its SBTi commitment. Amazon referred to methodological differences with the SBTi regarding business complexity and differentiated pathways, both organisations' approach to offsets and Amazon's ongoing development as a high growth business. The company are looking at alternative organisations to validate its emissions targets and we hope a new supply chain standards report, due in 2024, provides more insight into how the company is progressing climate action and sustainability across its value chain. Finally, Baillie Gifford repeated their encouragement for Amazon to broaden the scope of its targets to include upstream emissions from first-party and third-party sellers on its platform. Given the company's systemic importance, they believe this would be an important catalyst for decarbonisation across the value chain.

Outcome: Baillie Gifford remain supportive of Amazon's long-term aspiration to be net zero by 2040 and understand the pathway to this goal will be challenging. Baillie Gifford asked for greater transparency in how Amazon plans to achieve its objectives and outlined their belief that external validation of its targets is important to ensure accountability beyond its immediate emissions boundary. Baillie Gifford will continue to monitor the company's progress and engage when necessary.

Tesla, Inc.

Objective: CoStar provides information, analytics and online marketplaces to the commercial real estate industry in North America and the UK. The objective of Baillie Gifford's meeting was to explore aspects of sustainability most material to CoStar, namely, human capital, social issues and data privacy.

Discussion: During their discussion about human capital and social issues, management was keen to balance employees' needs and the imperative for growth. CoStar conducted a materiality assessment several years ago, identifying attrition and engagement as concerns. They believe the answer to this issue was in people leadership. The board spends a lot of time on strategy alongside acquisitions and integrations, and the head of HR presents to CoStar's board at least twice yearly. Attrition rates have fallen, and engagement scores have subsequently risen, suggesting this focus on people leadership is having a positive effect.
Data privacy has always been on top of CoStar's priority list due to its large dataset, which is a source of competitive advantage. The engagement surfaced CoStar's continued focus on strengthening its data and cyber security as it integrates AI further into its business.

Outcome: By engaging thoughtfully, Baillie Gifford expand their understanding of an investment opportunity by considering the whole-system implications of a company's actions. Through ongoing discussions with company leadership, it has become clear that CoStar sees human capital, social issues and data privacy as among the most material to the long-term sustainability of their businesses. Baillie Gifford agree.

Storebrand Global ESG Plus (Passive listed equity)

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
52	608	561	29	6	574	34

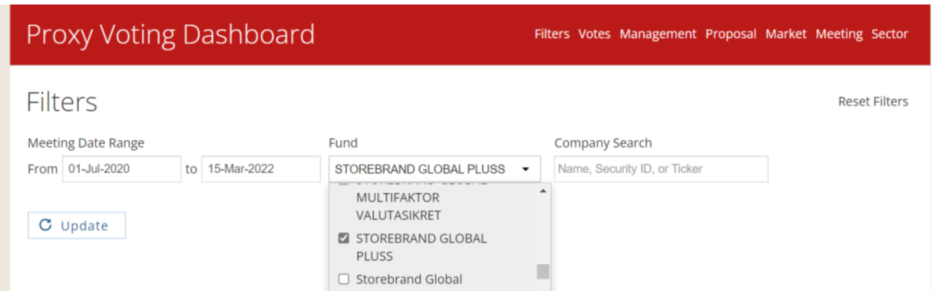
**12 votes made were date related*

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

Resolutions voted on in the quarter:

Storebrand – Proxy voting dashboard – available here

Note: Please select 'Storebrand Global Plus' in the 'Fund' dropdown box



Storebrand voting guidelines and policies:

Storebrand – Proxy voting policy – available here

Engagement

Storebrand – Sustainability page available here

Storebrand – Quarterly Reports available here

No collaborative engagements present in Storebrand's quarterly reporting. Below in an example of wider engagement from the quarter:

A voice to parliament: Political engagement to prevent systemic risks from deep-sea mining.

Earlier this year, the Norwegian government proposed opening up areas on the Norwegian continental shelf for commercial seabed mining activities. A white paper presented by the Norwegian Ministry of Petroleum and Energy detailed the government's plans to open its extended continental shelf within the Arctic to deep seabed mining. There is still a chance, however, that this decision could be overturned through a vote in the Norwegian parliament, which invited relevant stakeholders invited to the Parliament to present their views.

Jan Erik Saugestad, CEO of Storebrand Asset Management was the first person to speak at the hearings, held this October in Oslo. In his statement, Saugestad underlined that significant challenges must be overcome before the sector can reasonable be regarded as environmentally and economically sustainable.

Following the precautionary principle, Storebrand is backing a moratorium on deep sea mining together with companies such as Volvo, BMW and Google. This commitment means that we will not invest in companies involved in deep-sea mining until we have sufficient scientific knowledge on the impacts of these activities, to be able to regard them as credible investments. As a result, we have divested from companies that are involved in such activities.

Why do we take this stand? Half of the world's GDP — around $44 trillion — is highly or moderately dependent on nature. Although we need minerals like cobalt, cobber, and nickel to combat climate change and in the transition to a green economy, there is a growing recognition that a sustainable energy transition cannot be built at the cost of destroying nature. The decisions we make today need to benefit both climate and nature.

This summer, ahead of the ISA meeting, 37 financial institutions released a joint statement ahead of the International Seabed Authority (ISA) meeting this summer, urging governments to protect the ocean and not proceed with deep seabed mining until the environmental, social, and economic risks are comprehensively understood, and alternatives to deep-sea minerals have been fully explored

Wellington (Active listed equity – impact fund)

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
8	64	60	3	0	61	3

*1 vote made was date related.
Note: All data displayed is fund specific, not at fund manager level

Resolutions voted on in the quarter:

Wellington – Global proxy voting disclosure – available here

Wellington voting guidelines and policies:

Wellington – Global proxy voting policy 2023 – available here

Wellington Sustainability related investment Disclosures October 2022 – available here

Fund Overview

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

Engagement

Supply chain risks continue to be a key consideration for many companies this year following heightened geopolitical risk and energy requirements. Nearshoring is a growing theme among portfolio companies. For example, Wellington's engagement with Hubbell showed that the company has been looking to source nearer to its supply chain in order to better match costs. Many industrial companies are using working capital to hold more inventory and avoid "the golden screw" problem, where missing a small component can stop production. Agilent and Danaher continue to navigate these choppy waters with admirable nimbleness. These changes in supply chain management may offer new business opportunities to other portfolio companies. For example, nearshoring in the semiconductor space can be very water intensive and companies like Tetra Tech and Evoqua are implicated in the need to increase water recycling and reduce water usage.

Inflation remains top of mind for companies. Wellington engaged with Nokia on how the telecom industry has grown accustomed to price decreases due to the falling costs of technology, but this is now shifting with inflation. Nokia's management team is focussed on ensuring that changing price dynamics don't lead to the company being squeezed on both cost and demand. Wellington also continues to engage with National Vision, as they have for the first few quarters, to understand their management of inflation and how it affects their low-income customers. Management's message has continued to be consistent with a focus on value to customers while maintaining margins, and we believe the team to be well positioned to deal with short-term challenges.

In the period, Wellington had their first in-person meeting with PowerSchool's management since they started following them pre-IPO. The team is confident in the business and their backlog, and they like the companies' relative insulation from macro factors. Management shared that their end market has only seen negative growth in one of the last 30 years and education spending has been increasing focus post-COVID. Further, Wellington believe teacher shortages increase the value proposition of the business as PowerSchool's products hep to reduce teacher's administrative time by up to 12.5 hours per week.

WHEB (Active listed Equity – Impact fund)

Fund Manager collaborate engagement groups - links on page 45.

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

Additional Information

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

WHEB utilizes analysis tools to inform investors of the beneficial aspects of their investments. As of 30th September 2023, east Sussex has £209.1m invested in WHEB, which has resulted in:

65,647 MWh of renewable energy generated (equivalent to 4,390 European households)
42,022 tons of CO_2 emissions avoided (equivalent to the average yearly energy use of 14,635 houses)
230m litres of water use avoided (equivalent to the water used by 3.7m showers)

Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
8	98*	76	21	0	77	21

*One vote made was date related

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

Resolutions voted on in the quarter:

WHEB – detailed voting record – available here

WHEB voting guidelines and policies:

WHEB – voting records – available here
WHEB – Stewardship and Engagement policy – available here
WHEB – RI policy – available here

Engagement

WHEB – Quarterly Reports available here

WHEB – Impact report available here

Engagement example: CSL

CSL is a provider of human blood-plasma derived products to treat bleeding disorders, rare and serious infections and autoimmune diseases. CSL also manufactures vaccines and related products, including for flu and cervical cancer, as well as other products that speed up recovery times for patients that have undergone heart surgery, organ transplants and burns.

Objective

Understand ethical implications around frequency of blood plasma collections.

To improve the donor experience, especially in terms of non-financial value add.

Background

WHEB has been engaged in ongoing dialogue with CSL on the ethical implications of blood plasma donation, known as plasmapheresis, since 2017.

As investors, we regard CSL very highly. We appreciate that blood plasma products are lifesaving, while the vaccines developed by the company play a critical role in preventing illness. We are also mindful that paid for donations are essential for ensuring global supplies, but often questioned in the media, making the conversation both complex and nuanced.

Since the COVID-19 pandemic we have also been aware of increased competition for donors, placing pressure on margins and making improved donor experience more important than ever.

Actions

In Q3 2022, WHEB was contacted by an Australian investor with questions concerning the frequency with which CSL enables people to give blood plasma, known as plasmapheresis, and about the ethical implications of doing so.

Given our history engaging CSL on this topic, we were able to share some initial context. For example, CSL's franchise critically relies on the long-term safety of donors. Also, plasmapheresis, in which only proteins are lost, enables more frequent donation than when giving whole blood, which requires replacement of blood and plasma.

Considering the increased complexity of the issue and pressure on margins in light of the COVID-19 pandemic, we undertook further research both independently and by speaking to CSL. Initially we exchanged emails with CSL's Investor Relations team in which donor screening protocols, benefits (financial and non-financial) and donation frequency were discussed.

These exchanges reaffirmed our confidence in CSL's focus on product, and therefore donor, safety, though we also emphasised our desire for evidence of consideration of non-financial value-add for donors. We suggested that this could be, for example, through comprehensive wellbeing assessments that are easily shared with healthcare providers.

Outcome/Investor Contribution

M3 - Company develops or commits to developing an appropriate policy or strategy to manage the issue

Dialogue developed into a lengthy call with the company's CSL's investor relations team and an internal plasma expert in Q3 2022. Ultimately, since the pandemic, a significant (c.20%) increase in donor competition has inflated the market donation rate leading CSL to implement other measures such as:

Adoption of the RIKA plasma donation system, which provides improved comfort in the donation process.

Investment into an App aimed at reductions in donation time reducing potential adverse effects to donation.

CSL's has also undertaken research with the Plasma Protein Therapeutics Association which has helped conclude US donation frequency does not adversely impact health.

Although not a treatment organization, CSL's business model inherently looks to reduce referral rates. On this basis, it is looking at how to support donor treatment access, which then enables donation, without becoming a treatment organization itself.

Atlas (Infrastructure listed equity)

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
4	80	77	3	0	77	3

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

Resolutions voted on in the quarter:

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

Atlas – Environmental, social and governance – available here

Atlas voting guidelines and policies:

Atlas – Responsible investment policy – available here

Engagement

Atlas - ESG Page available here

Engagement Example taken from annual report:

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

Engagement status:
Engagement opened 23 December 2022
• Snam was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement upon portfolio entry in March 2022
• Snam has incorporated scenario planning for lower gas demand and hydrogen substitution, but long-term methane demand remains above B2DS emissions trajectories.
• Snam has continued to invest in methane-infrastructure assets outside core-market, indicating inconsistency of policy and demand assumptions.

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

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

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

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

Fund Manager collaborate engagement groups - links on page 45.

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

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
31	423	353	56	3	370	53

***11 votes made were date related*

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

Resolutions voted on in the quarter:

UBS – voting record (Q3 2023) – available here

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

Engagement

UBS Sustainability page available here

[UBS Annual Report available here]

EOG Resources Topic: Climate

Osmosis met with members of the company's IR and Climate team to discuss their latest sustainability report and accomplishments, and for insight as to where the company is headed in terms of emissions reductions. In previous engagements, Osmosis communicated their desire for EOG to report on Scope 3 targeting. To take escalating action on this matter at the 2023 AGM, Osmosis voted against a member of the Sustainability Committee to express their concerns with the lack of progress being made. The latest sustainability report addresses this matter, with Scope 3 estimates being reported, as well as setting a Net Zero target for Scopes 1 and 2 emissions for 2040. The company also reached their interim targets ahead of schedule and provided Osmosis' team detail on expectations for the next set of targets, both in their content and when they should expect them. Osmosis dove deeper into the team's emissions strategy, getting a stronger understanding of each approach used (Reduce, Capture, Offset). This involved discussing methodologies as well as capital expenditure and technology updates required to meet ambitions in the coming years. When pressed on where they see their industry moving in the future, EOG stated they believe there will be a strong shift to natural gas as a big driver of the energy transition, for which they are well positioned to perform in that market. Osmosis will continue to discuss this topic with the company in the future to get clarity on progress being made and further discuss the company's next set of climate targets.

Vale Topic: Decarbonisation strategy

Osmosis held their first engagement with the company as its now included in their climate engagement program. Osmosis met IR to discuss their approach to decarbonisation and opportunities for the mining industry. Vale expressed their ideal position to supply Green Steel, and their ability to decarbonise the downstream steel value chain through green briquette, significantly reducing the temperature required by the downstream processes and their Scope 3 emissions. Vale is also expanding their transition metals portfolio, increasing their copper and Nickel operations, recently selling a stake in their base metals business to raise capital to fund these expansion plans.
Osmosis communicated that they would like to see;
Focused targets to increase the electrification of heavy machinery, trucks and locomotives to support interim emission reductions
Clarification on their decarbonisation strategy; demonstrating customer engagement, BF and DF agglomerated product production, replacing its pelletising plants with briquette products by the BF-BOF route, and shifting to the DRI-EAF process.

UBS Infrastructure Fund

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

UBS Sustainability page available here

UBS Annual Report available here

Phoenix Wind Topic: Sustainability

Background and goals

Phoenix Wind Repower, LLC (Phoenix) owns and operates the 198 MW Trinity Hills, 132 MW Sherbino Mesa 2 and 53 MW Silver Star wind projects in Texas. UBS acquired the business with the aim of repowering the wind farms to add value to the asset.

Action

As part of their sustainability program, UBS sought to explore the opportunity to classify Phoenix as a 'Sustainable Investment' under the EU Taxonomy. UBS drew on expertise from an external consultant to complete a deep dive sustainability assessment. At the time, although the asset substantially contributed to climate change mitigation by virtue of generating renewable energy, it did not fully meet the 'do no significant harm' technical screening criteria.

To fully align with the EU Taxonomy and meet the 'do no significant harm' technical screening criteria, UBS developed an action plan which involved close collaboration between their Sustainability specialists, Portfolio Managers and Phoenix's management.

For climate change adaptation, UBS completed a physical risk assessment to ensure that any high risks had adequate controls in place. For sustainable use and protection of water and marine resources, and pollution prevention and control, there were no adverse impacts.

For protection of biodiversity and ecosystems, Phoenix conducted a Phase I Environmental Site Assessment (ESA), Spill Prevention, Control, and Countermeasure which covers oil spill risks and protected species (birds and bats). No major risks were identified, and none of the sites were deemed to be in areas defined as biodiversity-sensitive.

For circular economy, Phoenix had to assess the availability of and aim to use components of high durability and recyclability. Phoenix's repowering activity in 2020 involved maximizing recycling of the decommissioned units. Electrical wire, copper, and other valuable components were stripped by electrical contractors and sent for recycling. Oil was drained and recycled or sent for energy recovery, and all fiberglass was recycled.

UBS also had to ensure there were minimum social safeguards in place and that good governance was being applied in the broadest sense. UBS worked with the Phoenix management team to consider how this could be implemented.

Outcome

As part of UBS's value creation activities, they successfully completed Phoenix's repowering with Vestas in 2020. This involved dismantling the blades and replacing them with newer blades that were almost 15% larger, as well as raising the height of the hubs by nearly 8%. These investments extended the project's lifespan, increased efficiency and supported more power generation over time. After repowering, the portfolio had a total capacity of 383 MW.

To support their goals around Sustainable Investments, UBS developed and implemented a strategy that qualifies Phoenix as a 'Sustainable Investment' under the EU Taxonomy. This means Phoenix meets advanced technical criteria for its approach to sustainability, with a substantial contribution to climate change mitigation.

Schroders (Property)

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

Schroders - Sustainability page available here

Schroders - Quarterly sustainable reports available here

Active Ownership: UK Water

Schroders have investigated the environmental performance of the UK water sector, with a focus on combined storm overflows (CSOs). These are systems developed to reduce pressure on wastewater treatment during increased periods of rainfall. Their use can result in untreated sewage and wastewater entering freshwater ecosystems. The UK is becoming generally wetter, with six of the top ten wettest years since 1836 occurring in the past 25 years (1998, 2000, 2008, 2012, 2014 and 2020), meaning these systems are being used increasingly by the sector. In response to increased monitoring and regulation on the performance of CSOs, Environment Agency and Ofwat investigations as well as increased media attention on pollution in UK rivers, Schroders worked with their ESG, Equity and Fixed income teams to assess how water utility companies are managing environmental risks.

Schroders have met with a range of stakeholders to support this investigation:
– Schroders have met with the CEOs and Chairs of the three public water and wastewater companies (Severn Trent, United Utilities, and Southwest Water). These meetings were part of a collaborative engagement led by the Investor Forum. This also included meetings with the trade association, Water UK, and the NGO Windrush Against Sewage Pollution. Schroders have also met individually with each of these public companies to dig deeper on their current environmental performance. Discussion topics included past environmental performance, the specific level of anticipated CSO spend and the evolving regulatory framework.
– Schroders have also sent data requests to all of the private companies on CSOs, and have followed up with meetings to discuss these issues. These companies account for the majority of ownership within the sector

and some of these companies have the worse environmental performance.
– Schroders spoke with Ofwat, the UK services regulation authority. This meeting was a key opportunity to discusses the incentives they are introducing with regards to CSO discharge reduction and encouragement of nature-based solutions. These can help to remove the pressure from surface water entering sewage systems by providing natural drainage.

Through these investigations Schroders have been seeking to identify the reasons company performance on CSO discharges differs. There is evidence to suggest there are some operational issues by companies, but we identified the main reasons for variance as: the proportion of the companies' historical sewage infrastructure that is combined, variation in rainfall patterns and differences in current capacity of the systems.

Schroders also explored the investment that is needed to reduce CSOs beyond the government's promised £56bn by 2050, estimating an average capex cost of 103%, compared to companies' current regulated asset bases (RAB).

This investigation highlighted that any solution to reduce CSO discharges will come with a large cost, take decades and be carbon intensive. As long-term investors in UK water utility companies Schroders will continue to work with their management teams to encourage robust management of environmental risks and to support effective solutions for environmental pollution.

Infracapital (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

Infracapital - Responsible Investment approach including ESG engagement available here

Information below taken from Annual ESG Report:

During 2022, Infracapital hosted a virtual workshop for its portfolio companies on sustainable supply chain management.
– The implementation of ESG factors into supplier procurement and onboarding is an ongoing focus area, where material with a number of businesses having implemented sustainability considerations into this process

• During 2023, Infracapital will host an in-person ESG summit for its portfolio companies. One such topic area to be discussed will be practical implementation and enhancement of UN Global Compact and UN Guiding Principles on Business and Human Rights compliance led by an external legal advisor.

• We continue to work to ensure excellence in health & safety procedures

Through engagement with Gridserve (Charge point operator), the following has been achieved:

Biodiversity: The business has a dedicated Biodiversity and Nature Sanctuary in place and considers its impact on biodiversity during the planning phase of its projects.

Over 100 high power chargers were installed in 2022. Post-year end, in January 2023, Gridserve installed 32 new high power chargers at four new electric super hubs. The chargers are capable of up to 350kW and powered by net-zero carbon energy. The Gridserve electric highway now has chargers in 169 locations and is delivering over 10 million EV miles into the UK's electric vehicles each month.

Pantheon (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

Pantheon - ESG Page available here

Pantheon - ESG Reports available here

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

No engagement updates were provided this quarter.

IFM Infrastructure Fund

Fund Manager collaborate engagement groups - links on page 45.

- United Nations Principles for Responsible Investment (UNPRI)
- Institutional Investors Group on Climate Change (IIGCC)
- Climate action 100+
- Global Real Estate Sustainability Benchmark (GRESB)
- Financial Reporting Council
- Net Zero Asset Managers Initiative

Engagement

Engagement Example: Manchester Airports Group (MAG)

Topic: Environment – Climate Change

Rationale: IFM has significant experience investing and managing airport businesses through GIF as well as the Australian Infrastructure Fund. They see this as a key sector that will benefit from decarbonisation initiatives.

As a reminder, IFM is targetting Net Zero across all asset classes, including GIF, by 2050.

What have IFM done: A 35.5% stake (with 50% voting rights) in Manchester Airports Group was acquired in February 2013.

IFM engages with MAG through their active management approach, either at the Board level where they have two seats, or through frequent direct interactions with MAG management.

Through their ownership, MAG has set a headline commitment to achieve net zero carbon by 2038 by cutting remaining emissions to zero. As part of this commitment, is the transition of the fleet to ultra-low emissions vehicles by 2030.

Outcomes & Next Steps: Airports often have access to land that is well suited for solar development and can leverage this to decarbonise their operations, particularly with respect to Scope 2. This has been an area of focus for MAG under IFM ownership.

Planning permission has been received for a 14.3MW solar farm immediately adjacent to Stansted Airport. The site is expected to be operational by the end of 2024 to meet up to 25% of the airport's energy needs. IFM believe this is a key enabler for Manchester Airports Group (MAG) to reach its 2038 Net Zero target. Similar schemes are under evaluation at the other MAG airports.

Furthermore, MAG has focused on initiatives that have the potential to impact Scope 3. Under IFM ownership, they have steered the business to explore these areas.

Manchester Airport Group (MAG) signed a memorandum of understanding with Fulcrum BioEnergy to support the development and delivery of Sustainable Aviation Fuel (SAF). As part of the agreement, SAF will be supplied to Manchester airport, meaning that up to 10% of the fuel used by aircraft at the airport could be replaced by SAF.

MAG has welcomed the UK Government's Jet Zero Strategy to support the aviation industry to reach net zero by 2050. The strategy includes an interim target of Net Zero domestic flights by 2040, a new SAF mandate to ensure at least 10% of jet fuel is SAF by 2030 and a commitment to ensuring at least five SAF plants are under construction by 2025.

Specifically, to support the aviation industry in delivering these goals, MAG has announced new pledges including launching a new competition offering five years of free landing fees to the first zero-emission aircraft operating transatlantic flights from its airports. It has also created financial incentives to encourage airlines to go beyond the UK SAF mandate on flights from its airports.

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

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

M&G - Sustainability page available here

M&G - Responsible Investment & Reports available here

Engagement Example – AIA Group Ltd

Engagement Objective – Encourage insurance company AIA to increase board diversity.

Engagement Result – (Update to engagement dated 9/9/21). M&G initiated discussions on improving board diversity (and succession planning) on 9th September 2021. Since then, AIA has added two female directors to its board. Most recently, 20 Sept 2023, AIA announced the appointment of Ms. Nor Shamsiah Binti Mohd Yunus as an Independent Non-executive Director and a member of the Nomination Committee of the Company. The new addition means AIA now has 3 female directors on the board of directors (23% female representation).

Adams Street (Private Equity)

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

Adams Street - Responsibility page available here

2022 ESG Report available here

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

During the quarter, Adams Street engaged with 12 GPs to which East Sussex currently has exposure through their Adams Street portfolio. The nature of these interactions were as follows:

- 2 due diligence calls
- 2 operational due diligence calls
- 11 advisory board meetings

Harbourvest (Private Equity)

Fund Manager collaborate engagement groups - links on page 45.

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

Engagement

Harbourvest – Annual ESG report available here

Harbourvest – TCFD progress report available here

Engagement Update (from 2023 ESG Report)

ESG Overall
A tighter concentration of manager scorecard scores in the upper ranges indicates that most GPs have established ESG process, policy, and resourcing. We continue to generally observe the most sophisticated practices from European GPs and those that are focused on the buyout market.

Climate Change
While we noted an uptick in the proportion of GPs that have developed a climate change strategy, most GPs still have much work to do on climate risk analysis, emissions data collection, and target-setting. Due to the nascency of climate change methodology and guidance in private equity, this is unsurprising, and we expect that industry progress will support GPs in moving forward on developing their approach to climate change.

DEI (Diversity, Equity and Inclusion)
Of the three main outputs of our Scorecard, we generally saw the most progress from GPs on DEI. This included improvements in monitoring workplace diversity and more robust initiatives to drive diversity.

82% of Investments held have an ESG policy, 31% are PRI signatories ad 30% have dedicated ESG resourcing.

Fossil Fuel Exposure by Fund Manager

The fund actively monitors the fossil fuel exposure of its fund managers to allow for engagement when we feel that these values are of concern. The below table lists fossil fuel exposure as of 30th June 2023

Fund	Mandate	Exclusion	% Fund Assets	% Fossil fuel exposure of total fund value
UBS Osmosis	Equity - Passive - Resource Efficient	Fossil Fuels free	5%	0.0%
Longview	Equity - Global	Fossil Fuels free	11%	0.0%
WHEB	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Baillie Gifford	Equity - Global	Fossil Fuels free	4%	0.0%
Wellington	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Storebrand	Equity - Passive - ESG Plus	Fossil Fuels free	11%	0.0%
Harbourvest	Private Equity		4%	0.1%
Adams Street	Private Equity		4%	0.1%
Ruffer	Absolute Return		10%	0.5%
Newton	Absolute Return		7%	0.3%
Schroders	Property		8%	0.0%
ATLAS	Infrastructure Equity		2%	0.0%
Pantheon	Infrastructure		2%	0.0%
UBS	Infrastructure		1%	0.1%
M&G	Infrastructure		1%	0.0%
M&G	Fixed Income - Private Debt		1%	0.0%
M&G	Fixed Income - Multi Asset Credit		7%	0.0%
M&G	Fixed Income - Corporate Bonds		3%	0.0%
UBS - Over 5 Year IL Gilt	Fixed Income - Passive Index Linked Gilts		4%	0.0%
IFM	Infrastructure		5%	0.4%
Cash	Cash		0%	0.0%
Total Assets			**100%**	**1.5%**

Engagement Group Links

Access to Medicines Foundation

B Corps

British Standards Institute (BSI)

Chemical Footprint Project

Climate Action 100+ (CA100+)

European Sustainable Investment & Finance Association (EUROSIF)

Financial Reporting Council Stewardship Code (FRC)

Future Fit Business

Global Impact Investing Network

Global Real Estate Sustainability Benchmark (GRESB)

ILPA Diversity in Action Initiative

Impact Management Project

Initiative Climate International (iCI)

Investors Forum

Local Authority Pension Fund Forum (LAPFF)

Net Zero Carbon 10

Net Zero Asset Managers Initiative

RepRisk

The Big Exchange

Transition Pathway Initiative (TPI)

Sustainable Accounting Standards Board

UK Sustainable Investment & Finance Association (SIFA)

[UN Global Compact]()

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