East Sussex Pension Fund

Environmental, Social & Governance Statement

Voting and engagement report

Q4 2024

1 October – 31 December 2024

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 Fund's 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 Q4 2024 through LAPFF are available here

Sample engagement updates

Airlines

Objective: Following the "Aviation, decarbonisation and synthetic fuels ('synfuel')" paper which was produced for LAPFF and shared at the October LAPFF Business Meeting, LAPFF continues to engage with airlines and aviation fuel suppliers, who as an industry, account for approximately 2% of global CO2 emissions.

Achieved: During the quarter, LAPFF met with Wizz Air and IAG, gaining insights and reaffirming its understanding of the aviation industry's approach to decarbonisation, building on similar discussions with Ryanair in Q3.

At the time of the meeting, Wizz Air had not yet committed to a net-zero target but plans to publish one by April 2025. The company is reassessing its approach in light of evolving Science Based Targets initiative (SBTi) guidance and will complete internal evaluations by the end of this year to establish a roadmap for 2030-2035 targets. IAG has already committed to achieving net-zero emissions by 2050, aligning with global aviation bodies such as IATA and ICAO. Its strategy includes interim goals, such as a 10% use of Sustainable Aviation Fuel (SAF) by 2030 and reducing overall emissions by 20% by 2030 compared to 2019 levels. Both Wizz Air and IAG noted their short, medium and long term goals with regards emissions reductions.

For the short term, Wizz Air is investing in Airbus A321 NEO aircraft with advanced engines, enhancing fuel efficiency and reducing emissions per seat. Its goal is to lower emissions intensity to 42 grams of CO2 per passenger kilometre by 2030. Similarly, IAG is focusing on operational efficiency and fleet upgrades to achieve near-term reductions in carbon intensity.

In the medium term, both airlines are advancing SAF as a cornerstone of their decarbonisation strategies. Wizz Air has secured long-term SAF supply agreements, while IAG is targeting 10% SAF use by 2030 and 70% by 2050. IAG is also actively advocating for SAF mandates and incentives, partnering with producers like 12 Power Liquid to accelerate SAF technology development.

With regards long term approach, both Wizz Air and IAG are exploring hydrogen-powered aircraft, both similarly acknowledging infrastructure and cost hurdles that make adoption unlikely before the mid-2030s for smaller aircraft and before 2040/50 for larger planes. IAG is investing in disruptive technologies like hydrogen fuel cells and carbon removal solutions, including direct air capture, to address residual emissions. It emphasises the need for regulatory support to scale these technologies.

IAG supports carbon pricing mechanisms, such as the UK and EU emissions trading schemes and the global CORSIA framework, while advocating for enhancements to include all emissions and extend timelines to 2050. Additionally, IAG integrates carbon efficiency into its operational practices, tying 10% of managers' bonuses to carbon reduction targets. The company continues to engage with policymakers to promote SAF production and ensure regulatory frameworks align with industry goals.

In Progress: Airlines highlighted additional operational challenges in improving emissions intensity, including idling on runways and circling over airports while waiting to land. Both companies noted stricter climate-related regulation requirements for flights within the EU compared to longer-haul flights outside the EU. LAPFF recognises these challenges and may explore future engagement with airport authorities and regulatory bodies to gain their perspective on these issues. Additionally, LAPFF continues its engagement with Shell and BP, two key suppliers of aircraft fuel.
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:

Does the UK Autumn Budget 2024 deliver on climate?

October 2024

The UK's first Labour Budget in 14 years shows a positive direction on climate action but falls short of being a 'green budget'. While there is a clear intent for investment and growth, further steps are needed to decarbonise the UK economy and support meaningful progress towards net zero by 2030.

Chancellor Rachel Reeves pledged to 'invest, invest, invest' during her anticipated first Budget, but more needs to be done to deliver a green industrial revolution.

Labour's 2024 campaign and manifesto emphasised clean energy initiatives, green finance and nature conservation to make the UK a clean energy superpower and a global hub of green finance.

This budget does showcase some effort in that direction. However, to truly fulfil the ambition the government laid out, a more comprehensive strategy is required that outlines financial commitments and provides the regulatory clarity needed to unlock private investments.

Read the full article here.

COP29: Outstanding questions, progress made and opportunities ahead

November 2024

Another year of tense negotiations saw discussions overrun in Baku, with the final text leaving some disappointed and others relieved that a deal was reached at all. We explore the outcomes and opportunities they might present for investors.

The 29th Conference of Parties (COP) delivered a New Collective Quantified Goal (NCQG) on climate finance but failed to define the mechanisms behind the headline financial target. Developed nations agreed to channel USD 300 billion a year to developing countries by 2035 to support their climate goals, a figure far short of the USD1.3 trillion required, according to research from the High-Level Expert Group on Climate Finance.

To strengthen this commitment we called for a multilayered approach, combining a robust policy framework with actionable steps to mobilise the private investment flows which are essential to deliver the capital required.

Although the final text made one mention of investors, it lacked detail on specific policy signals or mechanisms for meaningful engagement between public and private capital.

Read more in the article here

LAPFF

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

Chancellor's *Mansion House Speech and LGPS Consultation*

This week has been awash with speculation and media interpretations as to what the Rt Honourable Rachel Reeves MP, The Chancellor, might have said in her Mansion House Speech last evening, Thursday 14th November 2024. Below I include three information links for your interest and ease; the first gives you the detail in an earlier Press Release ahead of the Speech, the second is the script The Chancellor delivered to the audience last evening and the third is the link to the open consultation for the proposed pension scheme.

- Press release: Pension megafunds could unlock £80 billion of investment as Chancellor takes radical action to drive economic growth
- Mansion House 2024 speech
- Consultation: Local Government Pension Scheme: Fit For The Future

Further documentation includes:

- Pensions Investment Review Interim Report
- Pensions Investment Review: Unlocking the UK pensions market for growth – (Consultation PDF Version)
- Pension fund investment and the UK economy
- Open consultation: Local Government Pension Scheme (England and Wales): Fit for the future

United Nations Principles of Responsible Investment (UNPRI)

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

United Kingdom

The PRI welcomes the value for money (VFM) framework consultation on the detailed rules and guidance for the framework which moves the emphasis away from a focus on cost towards overall value. The PRI encourages the strengthening of requirements for Independent Governance committee to consider how firms take into account ESG considerations. Additionally, the FCA should also recognise the value of stewardship and engaging with beneficiaries on sustainability topics.

The PRI provides recommendations on ensuring a whole-of-government approach that considers socioeconomic implications of the transition, an enabling policy environment, and further details on the proposed Industrial Strategy Council.

European Union

The PRI signed a joint letter with over 100 businesses and investors calling on the EU to set a greenhouse gas emissions reduction target of at least 90% by 2040. A robust climate target and sectoral roadmaps and decarbonisation pathways will improve the EU's resilience to shocks, energy security and competitiveness.

Global

The PRI encourages the Co-Facilitators to address legal and market barriers that prevent investors from contributing to sustainability goals in support of the economic transition to net zero. Furthermore, the PRI recommends the Co-Facilitators acknowledge the importance of a whole-of-government approach to policy reform, and account for the social effects of the economic transition in terms of socioeconomic conditions and the protection of fundamental rights.

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 4 of 2024.

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.	Newton	Absolute Return
2.	Atlas	Infrastructure
3.	M&G	Corporate Bonds
4.	M&G	Absolute Return
5.	M&G	Infrastructure
6.	M&G	Real Estate Debt
7.	UBS	Government Bonds
8.	UBS	Infrastructure
9.	Osmosis	Resource Efficient Equity

Industry meetings, events, and training

- Harbourvest Private Markets Roundtable (3rd October)
- LAPF Investment Awards (3rd October)
- Longview Investor Day (12th November)
- LAPFF Conference (4th – 6th December)

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 43

- 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
5	67	40	21	6	42	25

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 Q4 24 engagement examples provided to us are below:

Company A

In December 2024, Longview held a video conference call with Company A's Head of Human Rights, Associate General Counsel and Head of Investor Relations to follow up on their inclusion in the UN's High Commissioner for Human Rights Report. This is an issue we have raised with the company on several occasions since December 2023, in relation to their listings in Israeli settlements in the Occupied Palestinian Territories (OPTs). During the call, we sought to address specific questions about Company A's approach to addressing the risks and human rights concerns related to listed properties in Israeli settlements within the West Bank and East Jerusalem.

We began by asking Company A how their previously stated approach of permitting listings unless legally prohibited by sanctions, legal frameworks, or safety concerns aligns with the view that Israeli settlements in the OPTs are deemed illegal under international law.

Company A explained that while they are aware of international law and monitor it closely, they do not view it as directly applicable to them. Their analysis is primarily focused on legal compliance within the jurisdictions relevant to their operations. As the company is headquartered in Delaware, US, and incorporated in Amsterdam, Netherlands, they adhere to the legal frameworks of both jurisdictions: US federal and state laws, and Dutch laws. Their priority is compliance with these laws and those of the countries in which they operate.

They noted that under US state law, some states have laws against boycotts and divestment from Israel, and the delisting of Company A's properties in Israeli settlements in the OPTs would be seen as divestment from Israel. Company A constantly monitors government bodies in this area and would review any changes in this regard. They also monitor the UNGPs (United Nations Guiding Principles on Business and Human Rights) and strive to follow them where relevant. They cited the example of Russia's invasion of Crimea, explaining that when sanctions made it illegal to conduct business there, they acted accordingly. Similarly, they took action in response to the recent invasion of Ukraine.

Longview requested further information about Company A's human rights due diligence process. In their Human Rights Statement, Company A stated that they conduct heightened due diligence on listings that are located in conflict-affected areas and aim to avoid being linked to human rights abuses or exacerbating such situations. We enquired about the criteria used to determine when their due diligence process is initiated; how the process is carried out and who is involved in its implementation; how they evaluate whether human rights violations have occurred; and whether international law is considered at any stage of their risk-tiering process.

They explained that Company A's due diligence process includes a risk assessment for conflict-affected areas globally, across 223 territories exposed to varying degrees of conflict. They use human rights and conflict indicators to rank listings and assess whether they may require stricter controls. Their risk-tiering approach is guided by the UN guiding principles. If a relevant legal framework is deemed applicable, the appropriate mitigation recommendations would be issued to the business. Their process combines desktop research, expert engagement, and on-the-ground research, depending on the region and safety considerations.

On the question of whether international law is considered within the risk assessment, Company A explained that although it is considered from a human rights perspective, it would not prompt a delisting.

Lastly, Company A elaborated that they engage with community members and independent organisations representing various stakeholders. They also collaborate with legal advisors and external organisations that conduct risk assessments in high-risk conflict zones. They have a 'secret shopper' programme to assess customer experience and address inappropriate language or discriminatory content in listings.

Their Trust and Safety function manages the compliance hotline and customer complaints, while problematic or discriminatory content may feed into discussions with partners for further assessment. For a listing that may be triaged into a higher-risk tier, they would respond more quickly and assign additional analysts to assess the claims.

Longview will continue to monitor Company A's management of their inclusion in the UN's High Commissioner for Human Rights Report; however, we believe that our questions have been sufficiently addressed at this stage. We may reach out to the company if additional information is required.

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

Fund Manager collaborate engagement groups - links on page 43.

- 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
3	41	33	8	0	35	6

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

Barclays PLC

Relevance

E - Climate transition risk and net zero strategy = Robust disclosures on the bank's client transition framework (CTF) including details around its scoring methodology including factors such as sub-targets used for sectoral assessment and material topics used for scoring are very crucial to help investors understand the effectiveness of its client transition framework.

Key Takeaways

E - Climate transition risk and net zero strategy = Context:
Barclays has improved its CTF considerably over the years by providing information on its overall scoring methodology, governance structure and broad parameters it uses to assess clients. However, investors would gain more comfort if they understand the material parameters or risk indicators it uses to assess a specific sector.

Takeaways:
- Barclays highlighted its overall approach to use the CTF to identify clients that need more help to transition

and then seeks to engage with them.
- We highlighted we are appreciative of the direction of travel but conveyed some aforementioned points that would increase confidence in the CTF further. ||, E - Climate transition risk and net zero strategy = Context:
Barclays has improved its CTF considerably over the years by providing information on its overall scoring methodology, governance structure and broad parameters it uses to assess clients. While the bank has highlighted it engages with its clients, more disclosures around its engagement process with a focus on key topics of discussion and expectations around best in class practice would provide investors more comfort.

Takeaways:
- Barclays highlighted that it regularly reviews client's disclosures and actions on transition and engages with them if it feels it can add value, it seeks to work with them and help them transition in the long-term.
- We highlighted that the best in class practices or key topics it discusses without disclosing competitive information would be beneficial for shareholders to assess the bank's actions.

Engagement Outcome

E - Climate transition risk and net zero strategy = We remain comfortable with the bank's overall approach to climate transition and our feedback was acknowledged by the bank to provide more disclosure on specific parameters or metrics used to analyze sub-sectors under the CTF. ||, E - Climate transition risk and net zero strategy = We remain comfortable with the bank's overall approach to climate transition and our feedback was acknowledged by the bank to provide more disclosure on its overall engagement process under the CTF.

Next Steps

E - Climate transition risk and net zero strategy = We will monitor the bank's update on its broader transition plan later this year and aim to engage again by early next year. ||, E - Climate transition risk and net zero strategy = We will monitor the bank's update on its broader transition plan later this year and aim to engage again by early next year.

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

Fund Manager collaborate engagement groups - links on page 43.

- 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
2	23	21	1	1	21	2

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

Ruffer – Quarterly Reports available here

Engagement – from Quarterly Responsible Investment Report

ArcelorMittal

OBJECTIVE: to gain insights into the implementation and reporting of the findings contained in the DSS+ safety audit

Following the 2023 industrial accident at its former Kazakhstan coal mine and steelmaking site and its commitment to undertake a full, company-wide health and safety audit, ArcelorMittal announced the recommendations of the DSS+ workplace safety audit in a press release and hosted a management-led update of its key findings. The company did not make the full report available to stakeholders.

There were six findings

- improve the identification and understanding of operational risk exposure
- strengthen the existing health and safety assurance model
- continue to embed safety values, mindsets and behaviours to strengthen the 'one safety culture'
- improve contractor safety management standards
- adopt industry best practices for process safety management
- integrate health and safety elements into supporting business processes

At our meeting with directors, we asked about the board's involvement in and reaction to the safety audit. In brief, the board said that it was heavily involved and safety remains a key discussion point and the highest priority for directors. Directors understand they are under an obligation to ensure their people return home safely but noted the audit findings suggest a change of culture is needed, and that takes time. We asked two main questions.

In its ESG update for the third quarter of 2024, the company reported a lost time injury frequency rate (LTIFR) of 0.88 for the third quarter and 0.68 for the first nine months of 2024. That compares with the 2023 LTIFR of 0.92 including Kazakhstan (0.70 excluding Kazakhstan) and 0.70 in 2022 (0.68 excluding Kazakhstan). LTIFR is defined as lost time injuries per 1,000,000 worked hours (by own personnel and contractors). A lost time injury is where the person is prevented from doing their next scheduled shift.

First, could we expect regular updates and reporting on the implementation of the six recommendations? ArcelorMittal said they would provide updates on the six recommendations, potentially before the next AGM. Secondly, how may investors assess whether changes are working? Whilst the metrics related to improving leading indicators will translate into improved lagging indicators (like LTIFR), implementation of the recommendations will be a series of steps, rather than a simple solution. It's like opening a combination lock: once the series of recommendations are in place, that should release better safety and health performance.

OBJECTIVE: to assess the feasibility of the company's decarbonisation pathway and carbon intensity reduction targets

At the CA100+ meeting with management and the board, we asked whether the company remains committed to its stated group and European carbon reduction targets. Various company and media reports had suggested it was delaying its final investment decision in steel making technology to replace its coal-fired fleet of blast furnaces/basic oxygen furnaces, whilst vertically integrating in the scrap metal recycling industry. Although the company has proven technology, the postponement of investment in steel making technology raises market and regulatory concerns such as the availability and economics of green hydrogen and renewable electricity. And will the Carbon Border Adjustment Mechanism (and other EU policies and regulations) allow the company, and Europe more broadly, to decarbonise whilst creating economic value and without de-industrialising?

ArcelorMittal highlighted the flexibility its global footprint affords the business to pursue different pathways to achieve its targets. For example, it mentioned exporting hot briquetted iron (HBI, or sponge iron) from its ArcelorMittal Texas HBI plant, which is near the important Henry Hub export terminal. This plant can produce 2 million tons of high-quality HBI for use as a pre-material in steel production. Whereas traditional coke-based ironmaking produces 1.6 to 2.2 tons of CO_2 per ton of iron, using HBI in the blast furnace may reduce CO_2 emissions by 20% or more.

Whilst we know many companies are revising their carbon reduction targets, ArcelorMittal appears confident that, in the current macroeconomic environment, its targets remain achievable, thanks to its geographical advantages.

NEXT STEPS

We plan to continue participating in a collaborative engagement with ArcelorMittal on health and safety, seeking a dedicated meeting with directors. As we have not spoken to the CEO for several years, the CA100+ group has kindly requested a meeting with Aditya Mittal to gain his perspective on the company's capabilities and the challenges it faces in decarbonising whilst creating shareholder value. More immediately, we have asked ArcelorMittal to publish its Climate Action Report 3 at least two months before the next AGM, to allow investors sufficient time to digest the information and inform ongoing stewardship activities.

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

Fund Manager collaborate engagement groups - links on page 43.

- 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
10	101	91	10	0	98	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]

During the Quarter, Baillie Gifford took the decision to withdraw as signatories from both Climate action 100 and the Net Zero asset managers initiative. This decision was not taken lightly and was due to various US clients threatening litigation. The Fund are very disappointed with this decision and are in close contact with the manager on this topic and its potential ramifications.

Examples of engagement in quarter (as per Quarterly report)

Shopify Inc.

Objective: The purpose of the call was twofold: to discuss and better understand the rationale behind the chief executive officer's (CEO) equity grant that was made in February 2024; and, to meet Shopify's new head of sustainability and communicate our desire to see Shopify's sustainability reporting develop.

Discussion: Having met with them earlier in 2024, we spoke with several members of Shopify's governance team, including its corporate secretary, to discuss the company's approach to executive compensation which is changing. Previously, the compensation committee were issuing equity grants vesting over three years without considering what would vest each year. Going forward, the approach will look more holistically at what awards vest each year and whether that is appropriate compared to peers. We were pleased to hear longer vesting periods will be considered, and that the large one-off awards issued this year, are unlikely to be repeated.

It was useful to meet the new head of sustainability, having met with his predecessor, and to understand his focus areas. He expects to continue Shopify's strategy of funding quality carbon removal and allowing businesses and their customers to participate in these initiatives. The Shopify team was clear that while they remain voluntary, Shopify will not set any absolute emissions reduction targets but will maintain its commitment to being carbon neutral through offsetting and removal. We emphasised our belief that a company should focus on its most material environmental, social and governance (ESG) matters but also stated our view that emissions reduction targets are increasingly expected for large companies such as Shopify. We also asked whether Shopify would consider restarting its social impact assessments and reporting among its merchants which it had stopped in recent years.

Outcome: We found the conversation around compensation reassuring; however, once published, we will need to review the details in the 2025 proxy statement closely. We will continue to advocate for simplicity and terms in compensation plans and discuss emissions targets and impact reporting with Shopify when we meet with the relevant teams.

Moderna, Inc.

Objective: We had a call with Moderna's chief legal officer and deputy general counsel focused on pay, environmental, social and governance (ESG). These topics align with our objectives of advocating for board refreshment, encouraging simplicity and long-termism in executive compensation plans, and emphasising our support for reporting on Moderna's public health initiatives and emissions targets.

Discussion: Firstly, we received updates from the company on its decision to introduce measures to improve minority shareholder rights and its reasons for two new board appointments in 2024. We are satisfied that both new independent directors bring valuable and relevant experience to Moderna's board and believe that the appointments will help Moderna navigate its next growth phase. The board may still want to add more science and technology capability in the future. We used this opportunity to commend Moderna's much-improved ESG reporting, particularly the introduction of its new Access Principles as part of its Global Public Health Strategy. We also expressed general encouragement for climate reporting and for science based target initiative (SBTi) validation, which Moderna has committed to.

We then shared Baillie Gifford's new principles for considering the structure of compensation plans. Our new principles are based on what structures the latest research indicates are best for shareholder value creation rather than what is considered 'market best practice'. We explained that we continue to believe Moderna's compensation plan is supportable, with good alignment between pay and performance. However, we noted that its structure is complex and could be more long-term focused.

Outcome: Moderna's team was receptive to our feedback on its approach to compensation and we plan to share the research that went into it with the company. We expect additional governance changes in 2025 and will be watching out for news of this and Moderna's climate targets next year.

Storebrand Global ESG Plus (Passive listed equity)

Fund Manager collaborate engagement groups - links on page 43.

- 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

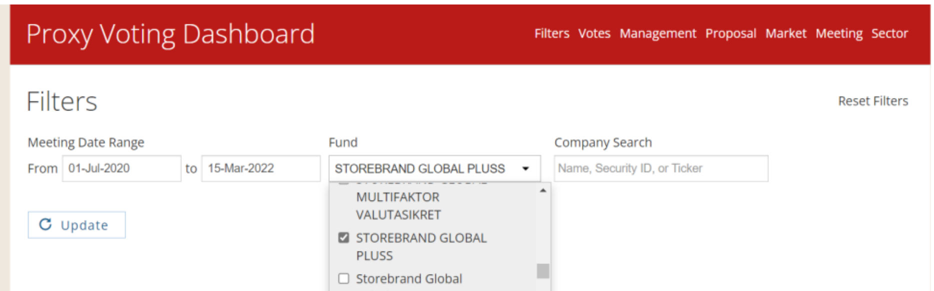
Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
56	511	462	44	4	460	51

1 vote made was 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

In the fourth quarter of 2024, Storebrand gave its support to a joint investor letter to Alphabet Inc, the conglomerate parent holding company of subsidiaries such as Google, Isomorphic Labs, Waymo and Calico. Together, the signatories of the investor letter are requesting that Alphabet should conduct and disclose the results of a Human Rights Impact Assessment (HRIA) on the company's AI-driven targeted advertising technology.

The joint investor letter, organized by SHARE, was sent as a follow-on to three-year long engagement with Alphabet Inc, regarding AI-driven targeted advertising and the risks that such technology could pose to the company, its users, and its shareholders.

The lengthy engagement has included a shareholder proposal submitted by SHARE and several co-filers at the Alphabet Inc 2024 Annual Meeting of Stockholders: "Proposal Number 13: Stockholder Proposal Regarding a Human Rights Assessment of AI-Driven Targeted Ad Policies". The proposal, which articulated a clear investor and business case for the actions sought, received the backing of roughly half (over 48 per cent of votes) of independent shareholders, making it the second most supported proposal on the ballot at the June annual meeting. However, since then, there has been no visible indication that Alphabet has either taken steps on the specific actions proposed or addressed shareholder concerns on the issues raised.

With the submission of the letter, the signatories aim to jointly demonstrate to Alphabet Inc the continued breadth and depth of investor concern on these specific issues, and to generate steps by the company towards addressing them.

This action is part of our ongoing engagement theme that focuses on human rights, and specifically within that arena, the topics of digital rights and artificial intelligence

Read more in the quarterly report available here

Wellington (Active listed equity – impact fund)

Fund Manager collaborate engagement groups - links on page 43.

- 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
7	45	45	0	0	45	0

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

During the quarter, Wellington engaged with the CEO of Xylem (Clean water and sanitation, US) as he nears the end of his first year in the role and they spent time reviewing the team's efforts to focus on streamlining and avoiding portfolio creep, an approach they refer to as "80/20". While Wellington remains positive on the direction of travel and the company's long-term outlook, it was also clear that change is occurring at a more measured pace than management had hoped and may bring near-term top-line pressures, information which led them to tactically reduce their position size. Given the near-term outlook, Wellington felt it prudent to trim its oversized exposure, leaving room to add as the company gets to the other side of cost-cutting measures.

Wellington also attended GoDaddy's (Digital Divide, US) December investor dinner and engaged with the CEO, CMO and various other executives. This engagement highlighted the company's progress incorporating generative AI into their products through their "Airo" virtual assistant. The features provide significant added value to customers in website creation and marketing, for example, AI-generated logos. In 2024, GoDaddy grew through bundling products and cross selling with Airo, but they plan to directly monetize the AI assistant through a paid tier of Airo offering premium features going forward. This engagement gave Wellinton increased confidence in GoDaddy's ability to accelerate the business and provide a positive customer experience through high quality, customer-tested offerings built on AI technology.

WHEB (Active listed Equity – Impact fund)

Fund Manager collaborate engagement groups - links on page 43.

- 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 31st December 2024, east Sussex has £218.2m invested in WHEB, which has resulted in:

70,262 MWh of renewable energy generated (equivalent to 6,110 European households)
46,041 tons of CO_2 emissions avoided (equivalent to the average yearly electricity use of 23,130 houses)
327.3m litres of water use avoided (equivalent to the water used by 5.35m showers)

Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
4	40	32	7	1	32	8

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

Engagement

WHEB – Quarterly Reports available here

WHEB – Impact report available here

Engagement example: Schneider Electric

WHEB's Objective

Limiting material negative social or environmental impacts

Company Objective

For Schneider Electric to accelerate and enhance the positive impact of its net zero strategy. Specifically, we sought publication of a comprehensive, Paris-aligned strategy to reduce absolute Scope 1–3 GHG emissions across the business.

Desired Outcome

Improved disclosure and target setting in line with Paris Agreement as a precursor to absolute Scope 1–3 GHG emissions (tCO_2e) reductions.

Background

Schneider Electric has been included in the Net Zero Engagement Initiative (NZEI[1] due to its material operational and value chain emissions, and its important role in enabling low-carbon transitions across industry. The company put a transition plan to vote in 2023, receiving near-unanimous shareholder approval. With its current strategy covering 2021–2025, the engagement group sought to influence the development of the next phase of the company's climate strategy (2026–2030), encouraging stronger ambition, transparency, and delivery mechanisms.

Engagement Activity

WHEB has been working with the NZEI investor group. Having written to the company multiple times we are planning a meeting in 2025 to influence the next phase of Schneider's climate strategy.

Engagement Outcome

M4 - company provides evidence that the issue is being managed in line with the policy or strategy, demonstrating concerns have been addressed

Schneider Electric has published a strengthened, Paris-aligned net zero strategy with clear measures to reduce absolute Scope 1–3 GHG emissions. The strategy includes interim targets, implementation mechanisms, and transparency on decarbonisation levers. The company's efforts are now better aligned with investor expectations and global climate goals, enhancing its credibility and positive impact.

Atlas (Infrastructure listed equity)

Fund Manager collaborate engagement groups - links on page 43.

- 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
1	5	5	0	0	5	0

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

Resolutions voted on in the quarter:

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

Atlas – Environmental, social and governance – available here

Atlas voting guidelines and policies:

Atlas – Responsible investment policy – available here

Engagement

Atlas - ESG Page available here

Engagement Example taken from annual report:

American Electric Power Company

Opened 11th October 2023

Environment - Climate Mitigation: ATLAS assesses the alignment of expected company emissions with Paris Agreement goals of limiting global warming to Below 2 Degrees and ideally, to within 1.5 degrees. Our initial assessment for AEP suggested misalignment on both measures.

Engagement status:
Open

Engagement objectives:

ATLAS' management requests:
• A commitment toward mitigating the expected increase in emissions from 2022-26 through resource procurement or system management. Ideally reducing emissions within the B2DS budget
• Continue to commit to, and invest for, retirement of coal plants between 2026-38. Demonstrate commitment with plans and investments for required alternatives

Engagement outcomes:

On 20th November 2023, ATLAS joined a CA100+/CERES led engagement meeting to speak with AEP management regarding their new annual emissions guidance to 2040 given at EEI 2023, and their public comments submission on the US EPA's proposed new power plant emissions rules. AEP does not expect to be materially affected by the EPA's proposed rules. The new annual emissions guidance results in around -38% cumulative emissions over 2024-40 by ATLAS estimates. This would bring the company -6% within a 2030 B2DS emissions pathway. ATLAS has incorporated these assumptions to the model base case but retained the engagement as open pending further confirmatory signals from regulatory filings and approvals.

Investment impact / next steps:

ATLAS considering exiting the engagement group and closing the engagement following exit from the position in Q1 2024

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 43.

- 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
44	343	297	39	7	308	35

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

Resolutions voted on in the quarter:

UBS – voting record (Q1 2024) – available here

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

Environmental Finance
Sustainable Investment Awards
2021 Winner
Environmental fund of the year, listed equity

Engagement

UBS Sustainability page available here

UBS Annual Report available here

Nike Inc

Topic: Human Rights in Supply Chain

Nike's 2024 AGM included a shareholder proposal requesting the Company to publish a report evaluating how implementing Worker-driven Social Responsibility (WSR) principles and supporting binding agreements would impact the company's ability to identify and remediate human rights issues in sourcing from high-risk countries. The resolution was proposed following investor concerns regarding the viability of social audits at Nike suppliers, whereby one supplier in East Asia had 26 separate social audits showing no rights violations in the same year that an investigation utilizing WSR principles unveiled extensive wage theft, forced and excessive overtime, unsafe conditions and abuse.

The proponents argued that supporting worker driven responsibility binding agreements could help improve the industry, potentially reducing the risk of human rights abuses and labour issues in the future.

We met first with the proponents, who explained that Nike is involved in voluntary Corporate Social Responsibility (CSR) initiatives that may include a "worker empowerment" or "worker voice" component, but the scope of these voluntary CSR initiatives does not account for workers in the remediation process or include an enforceable mechanism to ensure access to effective remediation as prescribed by the UNGPs. The proponent argued that CSR is characterized by voluntary commitments, broad standards that often merely mirror local law, ineffective or non-existent monitoring, and the absence of any commitment to or mechanisms for enforcement. Instead, they argue, WSR labor rights programs in corporate supply chains should be worker-driven, enforcement-focused, and based on legally binding commitments that place responsibility for improving working conditions on the global corporations at the top of the supply chain. The proponents also pointed out that some of Nike's peers had already agreed to binding agreements under the WSR principles.

When we met with Nike, the Company responded that it had set stretching targets on human rights oversight for the period targets set for 2020 2025 and expanded the scope of its audit program to Tier 2 and distribution centres. Nike also explained that its suppliers are not allowed to contract out to other parties without visibility and agreement from Nike.
UBS decided to support the proposal, as we determined that Nike remains at the centre of allegations of human rights abuse and poor working conditions, and the report could help the Company to strengthen and make more efficient its oversight of labour rights across its global supply chain. At the 20204 AGM the proposal was supported by 12.3% of the votes cast.

The company did not previously participate in OGMP 2.0 or sign the Global Decarbonization Accelerator at COP28, despite wide industry participation. UBS engaged with Chevron in 2023 to discuss these gaps. In 2024, the company joined OGMP 2.0. UBS continued our engagement with the company in 2024 to assess progress on additional gaps. The company was unable to commit to any timeline to update its targets.

UBS continue to monitor the credibility of its climate transition plan and will follow up to discuss gaps in the plan.

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

Glencore (taken from latest annual sustainability report)

Case study results: In early-2024, Glencore published an updated climate action transition plan with expanded discussion on the strategy for its coal business, and a data provider upgraded its assessment of the management of community relations at Cerrejon Coal.

Next step: Continued engagement on the climate action transition plant and further improvement of community relations in Colombia.

Purpose of engagement: In recent years, our engagement with Glencore has covered a range of topics and we have seen a number of positive changes at the company. These have included board and senior management changes, the introduction of a new internal compliance system in response to bribery and corruption charges, and an overall enhancement in sustainability performance. One key operational improvement has been the reduction in fatalities in the company's mining operations. As a result of these changes, our engagement focus has steadily shifted to two additional topics. First, climate: Glencore published a transition action plan nearly three years ago and we are engaging to gain clarity into the company's strategy, with a particular focus on the managed decline of its thermal coal mining business. Second, community relations: Glencore's acquisition of full ownership of Cerrejon Coal in Colombia has brought longstanding community relations issues within the direct scope of the group. Here, our engagement is focused on ensuring good management of community relations in a complex social situation.

Action: We have been engaging with Glencore on climate change issues for more than three years. This has included discussions with the board chair, the head of sustainability and investor relations. In 2021 we supported Glencore's Say on Climate reflecting the overall depth and detail of its first climate transition action plan which incorporated targets for a significant reduction in scope 1, 2 and 3 emissions. Since then we have continued to engage with a focus on the strategy for the coal division, and especially for greater transparency into Glencore's plans to manage a reduction in overall thermal coal production. During this period, discussion has been against the backdrop of Glencore's purchase of a full interest in Cerrejon Coal, the proposed merger with Teck Resources and the recent announced acquisition of Teck's metallurgical coal assets.

With regards to community relations at Cerrejon Coal, we engaged with the chair and head of sustainability, and have met with the Cerrejon Coal CEO and her team. In November 2023, alongside UBS-AM colleagues, we also met with community representatives and civil society organizations to discuss the situation.

Outcomes: Glencore will present its revised climate transition action plan for shareholder approval at its AGM in the first half of 2024. In our engagements the company has highlighted actions it has been taking to review its plan and we expect that greater detail on implementation, just transition and policy advocacy will be provided. Glencore verbally confirmed its intention to wind down its thermal coal assets while the pace of the reduction will be determined by global policy, the stability of the global energy system and pricing.

Our meetings with Glencore and community representatives, as well as our broader research, confirm the complexity of the social situation in the La Guajira province which is the location of Cerrejon Coal. It is clear that community relations reached a nadir around six years ago and that action has been spurred by the intervention of the Constitutional Court. More recently, our research indicates an improvement in the approach to community relations, although legacy grievances remain and frustrations are ongoing.

Status and next steps: Engagement on both the group climate change plans and the community relations in Colombia are ongoing. Glencore's openness to receiving feedback from investors and its dialogue on both topics provides a constructive backdrop to our engagement.

We will engage further with Glencore on the details of the climate transition plan. The extent to which the plan contains further information, especially on the direction of the coal business, will be a factor in determining our position on the upcoming Say on Climate vote.

Since late-2022, we have taken the view that Glencore was making sufficient progress in managing the community issues in Colombia to allow us to assess the company as demonstrating credible corrective action in line with our SI Exclusion Policy. In March 2024, one of the major ESG rating agencies upgraded its view, removing its indication of a violation of the United Nations Global Compact principles, following a reassessment of Glencore's role and actions.

We are continuing to engage with Glencore on community relations in Colombia. This includes incorporating the insights from our recent contact with communities into our engagement dialogue with the company. We are especially interested in how Glencore progresses with Cerrejon's community consultation and agreements, and how the subsidiary implements the recent update of the human rights impact assessment.

Schroders (Property)

Fund Manager collaborate engagement groups - links on page 43.

- 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

Vale

We have been actively engaging Vale since 2011 on a range of issues spanning governance, safety, biodiversity and human rights, with the Chair, CEO, CFO and lead independent director. We have been monitoring their progress through a difficult time over the past nine years, following two dam collapses. In addition, we are currently engaging Vale SA through the UN Principles for Responsible Investment (PRI) Advance collaborative initiative on human rights.

Mining companies like Vale contribute locally towards the economy and environment, and they invest in local infrastructure. The minerals they mine may also contribute to the transition to a low-carbon economy. However, some mining companies have significant negative externalities. Because of Vale's involvement in two tragic dam collapses, we placed the company under heightened due diligence and engagement plays a key role in this.

The site visits included their iron ore operations, visiting two tailings dam 'de characterisation' sites and meeting the community engagement team and seeing their work first-hand. We also had the opportunity to see how innovative technology was being deployed, such as autonomous vehicles and AI tools used to enhance safety.

Meeting with communities demonstrated the human impact of Vale's activities and the complexities surrounding Vale's commitment to rebuild trust. We were keen to see the company's effort to provide remedies for these first-hand, understand the impact of the damages to the communities we visited and see some of the progress made by Vale during this reparation process.

These site visits allowed for a deeper, on-the ground understanding of the company, adding another dimension to our ongoing engagements. We encourage analysts engaging with investments to do more site visits where possible to enhance understanding of a company's business practices, by gathering insights that are not inherently evident from reports or remote communications.

Infracapital (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 43.

- 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

Responsible Investment Update taken from Q4 2024 Management Report

Across the portfolio, we centred our focus on key thematics such as climate impact, supply chain and governance in addition to enhancing accurate reporting and readiness vis-à-vis incoming EU regulation for in scope assets.

Climate impact continues to be a key focus area, both as a driver of opportunity and risk mitigation . Our engagement saw us work with our assets to drive better accuracy and coverage in greenhouse gas emissions reporting for the development of costed decarbonisation plans that align with the business strategy. In our 2024 Annual ESG report, we will bolster our environmental reporting by publishing alignment to the Institutional Investors Group on Climate Change (IIGCC) Net-zero investment framework for Infrastructure (NZIF) to better track our portfolio alignment to net-zero.

On governance, we have worked with our assets to ensure that material sustainability factors are given appropriate board oversight. We have baked sustainability objectives into management team incentives and performance plans, where appropriate to seek to increase such alignment with further asset teams throughout 2025. Additionally, the structural changes at Infracapital have brought with it opportunity to further integrate key sustainability factors within the investment lifecycle and we continue to evolve and enhance or ways of working.

Pantheon (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 43.

- 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.

Company A engagement – Call on 24th April

Attendees: Company A Sustainability and IR teams, Pantheon Investment and Sustainability teams

Priority 1: GHG data. Requested an update on GHG emission reporting and plans to improve Scope 3 coverage. Discussed emission profile of one of their holdings (Fibre provider in Latin America). Company A confirmed that the asset was active in laying fibre (hence the high Scope 1 emissions); given the high emission intensity relative to other Pantheon assets in the same sector, they will review the methodology and revert.

Priority 2: Decarbonisation
Company A have a NZ commitment and an emission reduction target that applies to the portfolio. Requested PMDR mapping for all underling assets. Company A confirmed they could provide this for the assets Pantheon is invested in.

Priority 3: Biodiversity
Recommended they conduct a biodiversity risk assessment (along with 25% of Infra peers) and an industry initiative that could help accelerate learning/streamline this process

IFM Infrastructure Fund

Fund Manager collaborate engagement groups - links on page 43.

- 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

Sustainability Reports available here

Engagement Example: Aqualia

Topic: Environment – Climate Change and Social

Rationale: Understanding and mitigating climate risk is at the forefront of IFM's investment process. IFM has implemented carbon reduction targets across all of our portfolio companies. This has required extensive engagement, discussion and planning across all our portfolio companies and IFM is actively engaged with portfolio companies to implement Sustainable Investment (SI) initiatives at assets.

We also have an active programme to integrate the consideration of 'S' factors across our portfolios. We continue to progress our infrastructure inclusion and diversity roadmap; this initiative aims to understand and support the I&D maturity of companies in our infrastructure portfolio by strengthening transparency, measurement and accountability both within and across asset classes and regions.

What have IFM done: In October 2024, an extraordinary flooding event impacted one of Aqualia's water concessions in the Valencia region in Spain. As part of its local community engagement efforts, Aqualia provided first aid and water supplies to the most affected areas. There were no injuries among the workforce and the facilities and equipment sustained minimal damage. The impacted concession was fully operational following a brief service interruption.

Deep Purple Project, one of Aqualia's R&D projects, has been selected by the European Commission to participate in the Sustainable Industry Week in Germany given its promotion of the circular economy. Deep Purple uses wastewater as a source for material development and energy generation.

In line with the Board approved Strategic Sustainability Plan 2024-2026, Aqualia introduced a new Sustainability Policy and is rolling out policy training to all employees. Given Aqualia's global footprint, employee comprehension of the Sustainability Policy is essential for strengthening corporate culture and progressing towards an aligned sustainable future.

Outcomes & Next Steps: The Strategic Sustainability Plan establishes the main lines of action and specific initiatives aimed at maximising Aqualia's contribution to sustainable development, including the climate emergency, technology for integrated management, ethics, compliance and social impact.

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

Fund Manager collaborate engagement groups - links on page 43.

- 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 – Eramet SA

Engagement Objective – To encourage the company to make a public commitment to adhere to globally accepted standards in its treatment of indigenous people and FPIC in all jurisdictions in which it operates, to encourage the company to share publicly detailed information on the environmental impacts in Indonesia, with evidence of steps being taken to mitigate and remediate impacts and to encourage the company to demonstrate publicly what stakeholder engagement they have done / do to identify and manage their impacts, with a deadline of end of February 2026.

Engagement Result – On 15 January 2025, Eramet was flagged by ESG data provider RepRisk for violating United Nations Global Compact (UNGC) principles, specifically those realted to human rights and environmental standards based on allegation made by NGO Survival International. Of particular contention was Eramet's involvement in Indonesia through its indirect interest in PT Weda Bay Nickel Mine.

The company confirmed that the Eramet group has been present in Indonesia since 2006 through PT Weda Bay Nickel (WBN), in association with the Indonesian state-owned company PT Antam. In 2017, the private Chinese company Tsingshan joined the joint venture, acquiring a majority stake. Operations started at the end of 2019. PT Weda Bay Nickel's activity is located in the Indonesia Weda Bay Industrial Park (IWIP), an industrial zone inaugurated in 2018 in Halmahera central district.

Responding to the NGO allegations regarding its treatment of the O'Hongana Manyawa peoples, the company explained that, in Indonesia, there is no legislative or regulatory framework laying down the conditions for implementing a Free Prior Informed Consent (FPIC) process in line with international standards. Although Indonesia voted in favor of the United Nations Declaration on the Rights of Indigenous Peoples, it has not ratified ILO Convention 169, the only binding international instrument protecting the rights of indigenous peoples. The Indonesian Constitution recognizes the existence of customary law communities ("Masyarakat Hukum Adat"). Certain laws grant specific rights to these communities (e.g., the 1960 Agrarian Law and the 1999 Forestry Law). Recognition of a community as a customary law community must be established by regulation of the local government (province or district), after deliberation by the local parliament.

The O'Hongana Manyawa (also known as Forest Tobelo or Tobelo Dalam) are a mixed group of nomadic and semi-nomadic people who live in the forests of Halmahera Island. The company explained that the O'Hongana Manyawa are not currently recognized in Indonesia as an indigenous people under international law, nor as a customary law community under the Indonesian constitution. Nevertheless, the company confirmed that PT Weda Bay Nickel has identified this community as potentially vulnerable and requiring special monitoring. Based on international expertise, a protocol has been put in place to govern interactions with groups from this community. Under this protocol, when contact is initiated by these groups or inadvertently, PT Weda Bay Nickel employees are required to adopt culturally appropriate behavior to preserve them. An employee awareness program has been in place for about ten years.

When asked why it has not applied an FPIC automatically, the company explained that the subsidiary (PT Weda Bay Nickel) made a decision to respect local law, however, it was keen to point out that PT Weda Bay Nickel has implemented the specific protocols as mentioned above.

The company confirmed that it has made a public commitment to adhere to globally accepted standards in its treatment of indigenous people and Free, Prior, Informed Consent (FPIC) in the jurisdictions in which it operates in its publicly available Human Rights report.

The company confirmed that, at Eramet's instigation, Eramet and Tsingshan decided in 2022 to commit the PT Weda Bay Nickel mine to IRMA (Initiative for Responsible Mining Assurance), the most demanding standard in the international mining sector. The first internal IRMA self-assessments were carried out in 2022 and 2023. Following these self-assessments, a dedicated action plan was drawn up. It is currently being implemented and monitored on a regular basis. An independent third-party audit is scheduled to start in 2026. Once the IRMA cycle has been completed, IRMA audit reports will be published by IRMA and made publicly available.

Action Taken – M&G had a call with representatives from the company to make our expectations known.

Bluebay (Total Return Credit) Part of the Access Pool

Fund Manager collaborate engagement groups - links on page 43.

- Climate action 100+
- Global Impact Investing Network
- IFRS Sustainability Alliance
- Responsible Investment Association
- UK Stewardship Code
- United Nations Principles for Responsible Investment (UNPRI)

Engagement

Bluebay Responsible Investment and Climate Change policies available here

Engagement Example – IHS Towers

BlueBay views and engagement

IHS Towers is one of the largest independent owners, operators and developers of shared communications infrastructure in the world, with operations across Africa, Latin America and the Middle East.

During **Q4 2024**, the BlueBay EMD team participated in a call with the company as part of an ongoing engagement on climate change and other ESG components.

During the meeting we followed up on the progress of some of the company's projects and work streams that we had discussed previously. On reporting, even though it is voluntary, we would like the company to align to the ISSB (International Sustainability Standard Board) reporting framework and the company had planned to take into account recommendations by Task Force on Climate-Related Financial Disclosures (TCFD) as the next step.

A further point of discussion was Scope 3 emissions targets, which the company is so far lacking, with targets referring to Scope 1 and 2. The company's key program is 'Project Green', which focuses on converting power supply for towers from diesel to non-fossil sources, such as solar, but also the use of batteries.

On the topic of absolute reduction targets, the company does not feel in the position to commit as their underlying portfolio has continued to change inorganically, both via acquisitions but also asset sales. The lack of absolute targets also means that they cannot get SBTI (Science Based Targets Initiative) validation, which is a weak point for us, but the company is aware and looking for solutions.

Overall, it was a helpful engagement that gave us continued comfort on their ESG trajectory as well as solidity of policies and intentions. As a significant player in Emerging Markets telecom infrastructure, IHS plays a key role in achieving a number of Sustainable Development Goals. On the other hand, the meeting also showed there is further room for improvement and transparency and targets. Their next sustainability report, which is expected to be released around May 2025, may give us further insight and reason to engage for change.

Adams Street (Private Equity)

Fund Manager collaborate engagement groups - links on page 43.

- 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

2023 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.

We can confirm that over the course of **Q4 2024**, Adams Street engaged with 182 GPs to which East Sussex currently has exposure through their Adams Street portfolio. The nature of these interactions were as follows:

- 13 due diligence calls
- 7 operational due diligence calls
- 38 advisory board meetings
- 31 LPAC meetings

Harbourvest (Private Equity)

Fund Manager collaborate engagement groups - links on page 43.

- 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 2024 ESG Report)

Climate Solutions: A case study

2023 witnessed a surge in the global deployment of clean technologies: For the first time, wind and solar added more to the global energy mix (in EJ) in 2023 than any other source. Continued advancement of renewable technologies in terms of cost efficiencies, driven by natural maturation of business models as well as by government incentives, have driven record capital inflows to clean technologies.

Notably, the first wave of projects into which private infrastructure investors have deployed capital have begun to reach operational maturity, and the earliest GPs to raise funds dedicated to the sector have begun to reach their harvesting stages. As a secondary investor, the opportunity set to deploy capital alongside these GPs, often in the form of continuation funds or co-investments, has never been more attractive.

As an example, in March 2024, the HarbourVest Infrastructure team invested in a multi-asset secondary portfolio of seven utility-scale solar and storage projects in the southwestern United States through Quinbrook Infrastructure Partners.

Investment characteristics

• A compelling mix of operating and de-risked near-term development opportunities.

• Generating low-cost renewable electricity in the U.S. Desert Southwest where the resource is abundant and capacity factors are highest in the country.

• Management team has a combined 28 years of experience operating utility-scale solar plus battery storage assets.

• Changes to tax regulations resulting from the Inflation Reduction Act (IRA) allowed for the conversion of investment tax credits (ITCs) to production tax credits (PTCs), which are expected to result in an additional $60 million value uplift in 2024, enhancing returns for the investment.

• At the time of underwriting, the portfolio was expected to represent 2,707 MW of solar power generation capacity and 8,280 MWh of storage capacity.

One of the benefits to investing in the energy transition via secondaries is the ability of an investor to monitor the development of the underlying business over several months, sometimes years. In this case, HarbourVest was able to monitor the construction of the investment from 2022 to 2024, gain confidence in the eventual execution of PPAs for several of the underlying solar and storage platforms, and ultimately transact at a valuation that was favourable to buyers relative to the interim appreciation the team observed.

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 31st December 2024

Fund	Mandate	Exclusion	% Fund Assets	% Fossil fuel exposure of total fund value
UBS Osmosis	Equity - Passive - Resource Efficient	Fossil Fuel free	9%	0.0%
Longview	Equity - Global		11%	0.0%
WHEB	Equity - Sustainable Global	Fossil Fuel free	4%	0.0%
Baillie Gifford	Equity - Global	Fossil Fuel free	5%	0.0%
Wellington	Equity - Sustainable Global	Fossil Fuel free	5%	0.0%
Storebrand	Equity - Passive - ESG Plus	Fossil Fuel free	9%	0.0%
Harbourvest	Private Equity		4%	0.0%
Adams Street	Private Equity		4%	0.0%
Ruffer	Absolute Return		9%	0.4%
Newton	Absolute Return		6%	0.0%
CBRE	Property		7%	0.0%
ATLAS	Infrastructure Equity		2%	0.1%
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		4%	0.0%
M&G	Fixed Income - Corporate Bonds		3%	0.0%
Bluebay	Total Return Credit		3%	0.0%
UBS - Over 5 Year IL Gilt	Fixed Income - Passive Index Linked Gilts		6%	0.0%
IFM	Infrastructure		5%	0.3%
Cash	Cash		1%	0.0%
Total Assets			**100%**	**1.0%**

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)