

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



## **Environmental, Social & Governance Statement Voting and engagement report**

**Q4 2022**

**1 October – 31 December 2022**

## Executive summary

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

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

## Investment strategy

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

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

## Investment managers

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

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

## Policies and approach

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

## Collaboration

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

## East Sussex Pension Fund Engagement

### East Sussex Pension Fund Commitments

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

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

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

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

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

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

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

East Sussex Pension Fund was among a record number of signatories to a Global Investor Statement which urges governments to radically step up their ambition on climate policy – the most ambitious global climate statement from investors in history.

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

### LAPFF Engagement Activity

All engagement activities completed in Q4 2022 through LAPFF are [available here](#)

## Sample engagement updates

### BHP

**Objective:** LAPFF attended a BHP webinar on the company's sustainability activities and met with CEO, Mike Henry, informing a position for a voting alert ahead of BHP's November AGM. The LAPFF Chair, Cllr Doug McMurdo, also met with the Australasian Centre for Corporate Responsibility (ACCR) to find out more about why the organisation filed three shareholder resolutions ahead of BHP's AGM.

**Achieved:** LAPFF issued a voting alert in favour of the ACCR resolutions, recommending that its members oppose the BHP Chair, Ken MacKenzie, and vote in favour of three shareholder resolutions aimed at improving the company's climate practices.

**In Progress:** While LAPFF was grateful to the CEO for meeting to discuss the shareholder resolutions put to the AGM, there is still concern that the company has denied a meeting on the Samarco tailings dam collapse that occurred in 2015. LAPFF is continuing to engage BHP on both human rights and climate, but the views of both parties diverge significantly at the moment.

### Glencore

**Objective:** Although LAPFF was keen to meet Anglo American, BHP, and Vale in relation to its Brazil visit, it wanted to share its findings and observations with other mining companies covered in LAPFF's mining and human rights report issued earlier this year. Therefore, Cllr McMurdo met with Glencore Chair, Kalidas Madhavpeddi, to talk about LAPFF's work in Brazil, to discuss concerns community members in Peru have raised about Glencore's activities in that country, and to discuss various bribery and corruption allegations against the company. Glencore's approach to climate was also discussed.

**Achieved:** For a number of years, LAPFF had requested that Glencore undertake an independent assessment of the company's internal controls. This request stemmed from an investor collaboration spearheaded by Sarasin when details of Glencore's business relationships in the Democratic Republic of Congo raised concerns of bribery and corruption. Although Glencore does not appear to have heeded this request, the company has now entered settlements in numerous countries in relation to various bribery and corruption allegations. It is hoped that these settlements will place internal control requirements on Glencore to prevent the occurrence of future problems in this area.

**In Progress:** LAPFF is hearing concerns from community members affected by Glencore's operations in Peru that are eerily similar to those LAPFF encountered in Brazil, Colombia, Mexico, Papua New Guinea, and elsewhere. Namely, communities allege that mining companies have polluted, and are continuing to pollute, their water. The companies respond by stating that the water is naturally polluted. LAPFF needs to investigate to understand what is happening in these situations.

## Rio Tinto

**Objective:** LAPFF has been pleased to see some progress made by Rio Tinto after the company's destruction of a 46,000-year-old cultural heritage site at Juukan Gorge, Australia. Rio Tinto has been particularly transparent about its challenges on both community relations and workplace culture. During the year, the company issued both a community engagement update and a workplace culture report by a reputed independent consultant that highlighted a range of practices that need to be improved at the company. LAPFF is keen to ensure that Rio Tinto is undertaking effective social and environmental impact assessments and that the company does not face the same problems in relation to reparations at Juukan Gorge that BHP and Vale are facing in relation to reparations for the Mariana tailings dam collapse in Brazil.

**Achieved:** LAPFF attended an ESG briefing for investors to discuss the company's new 'Communities and Social Performance (CSP) Commitments Disclosure Final Report'. Given Rio Tinto's description of increased cultural heritage assessments, LAPFF asked if the company has also committed to independent environmental and social impact assessments (ESIAs) as part of its CSP approach.

**In Progress:** Although it seems that there is a fair amount of external input into various assessments, LAPFF is concerned that the company does not have a consistent or coherent approach to ESIA's. The independent assessment at Panguna in response to the OECD National Contact Point complaint on this issue is apparently underway and is to be commended, but it is reportedly a one off. Acknowledging the expense and resources involved in this type of assessment, LAPFF would like to work with a range of mining companies to determine how it could be feasibly done much more widely.

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

## Engagement with policy Makers

The Fund responds to Government consultations and will put its name on investor activities promoting change.

During the Quarter the Department for Leveling Up, Housing and Communities (DLUHC) issued a consultation on Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. Seeking views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The Fund was positive on the content of the consultation and responded by the deadline. The Fund is waiting for the result of the consultation to be provided by DLUHC.

## IIGCC

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

### **IIGCC response to BEIS Review of Net Zero: Call for Evidence**

October 2022

On 29 September, the UK Government's Department for Business, Energy and Industrial Services (BEIS) published their [Call for Evidence](#) on the UK's approach to delivering its net zero targets. The review was issued to obtain evidence and views from relevant stakeholders on how the UK can deliver a transition that is pro-business and pro-growth, while also supporting UK energy security.

On 27 October IIGCC submitted a response to BEIS's Call for Evidence, setting out the case that the net zero transition will provide considerable opportunities to boost growth, create jobs, and cement the nation's position as a world-leader in green products and services. Critically, IIGCC also notes that a consistent and robust net zero transition will help ensure the UK avoids the worst impacts of a climate crisis that threatens to businesses and communities alike.

IIGCC's Policy Director, Emily Murrell, has also published an [Insight](#) piece on how the UK's economy can continue to grow with net zero and establish a global climate leadership.

### **IIGCC letter on EU Energy Performance of Buildings Directive (EPBD)**

December 2022

Ahead of the European Parliament setting its position on the recast Energy Performance of Buildings Directive (EPBD) in January 2023, IIGCC sent a letter to key Members of the European Parliament (MEPs) on December 2<sup>nd</sup> 2022, emphasising our strong support for an ambitious outcome. It was also sent in parallel to the other EU Institutions.

Investors will be critical for the meeting the objectives of the recast EPBD; IIGCC emphasises the need for strong signals to accelerate private sector investment in buildings' energy efficiency, finance deep retrofits, and support the acceleration of transition finance flows in line with the EU's sustainable finance agenda. The letter contains several specific points that IIGCC wishes to see reflected in the EPBD in order to achieve this.

IIGCC will continue to liaise with MEPs on the EPBD to represent the investor perspective.

### **IIGCC Letter on EU Renewable Energy and Energy Efficiency Directives**

Amidst the ongoing negotiations on the Renewable Energy Directive (RED) and Energy Efficiency Directive (EED), IIGCC sent out an open letter to key contacts in the European Parliament, Commission, and Counsel on December 12 noting our strong support for ambitious clean energy measures across Europe.

The letter emphasises that investors support clear, impactful policies that drive a significant increase in the use of renewables and energy efficiency. The energy crisis has further highlighted the importance of quickly moving towards clean and secure energy sources; this will only be accomplished with robust policy

frameworks that accelerate private sector investment in energy efficiency and renewable deployment across the EU. This will also further accelerate investment in decarbonisation measures supporting the wider Fit for 55 package and its overarching emissions reduction target.

IGCC will continue to liaise with the EU institutions on the EPBD to represent the investor perspective.

## LAPFF

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

LAPFF have issued a report around the Financial Reporting Council FRC ARGAs Consultation. In addition, there has been a response between LAPFF and Department of levelling up and housing communities 'local government pension scheme governance and reporting of climate change risks. These reports can be found [here](#).

## United Nations Principles of Responsible Investment (UNPRI)

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

### United Kingdom

The UNPRI welcomes the opportunity to respond and makes recommendations showcasing the ability of net zero targets to deliver maximum economic growth and investment, and to support UK energy security and affordability.

In our response, the UNPRI welcomes the proposal from DLUHC to require LGPS schemes to assess, manage and disclose climate-related risks in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). In particular we welcome proposals to align new requirements for LGPS AAs with existing requirements for occupational pension schemes, as set out by the DWP earlier this year.

### European Union

The PRI, Eurosif, Investor Alliance for Human Rights and 142 undersigned signatories (representing approximately 1.5 trillion USD in AUM) welcome the European Commission's CSDD proposal. This statement raises 5 key recommendations to create an ambitious and effective directive, which works for investors, complements the existing EU legislation and is aligned with international standards including the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises.

## United States of America

The PRI responded to the US Office of Management and Budget and Office of Science Technology and Policy on their proposal to develop a strategic plan on statistics for environmental-economic decisions via natural capital accounting.

The PRI is joined by 75 signatories representing over \$1.7 trillion in AUM calling on the Securities and Exchange Commission to finalize the proposed climate-related financial disclosures rule. Strengthening and finalizing the proposed rule will provide clear and comparable information to allow for full accounting of climate-related risks across investment portfolios.

## Global

The G20/OECD Principles are being [reviewed](#) in light of recent evolutions in capital markets and corporate governance policies and practices. PRI welcomes many aspects of the reviewed Principles and makes recommendations on executive remuneration, whistleblowing, the responsibilities of the board, DEI, stewardship, investor collaboration and sustainability reporting.

## Global Investor Statement

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

Full details on the statement can be found [here](#).



## Activities and training undertaken directly by the Fund.

The Fund has undertaken the following activities during Quarter 4 of 2022.

### 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)

- |                    |                          |
|--------------------|--------------------------|
| <b>1.</b> Newton   | Real Return Fund         |
| <b>2.</b> Longview | Global Equity Fund       |
| <b>3.</b> M&G      | Alpha Opportunities Fund |
| <b>4.</b> M&G      | Sterling Corporate Bonds |

## 5. M&G Private Debt

### Industry meetings, events, and training

#### 1. LAPFF business meeting October 2022 which covered the following areas:

##### Policy

- LAPFF response to the Financial Reporting Council ARGAs Consultation
- Drax and biomass energy
- Climate change committee 2022 report to Parliament

##### Engagement

- Brazil mining community engagement
- Quarterly engagements

##### Services

- LAPFF Exec Diversity Taskforce

#### 2. LAPFF Conference – December 2022 which covered the following areas where officers were in attendance.

- Human Rights: Establishing Parameters - The Withdrawal from Myanmar
- LAPFF visit to Brazil, engagement with Brazilian investors and learning of Vale.
- Reflecting on Sustainability and Stewardship
- The Challenges facing ESG.
- How Climate Change relates to business and the role of non-executive directors

#### 3. Discussion on DLUHC governance and reporting of climate change risks consultation.

## Third party supplier commitments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Moody's, formerly known as Vigeo Eiris, (Carbon footprinting Company)**

Moody's provide us with carbon footprinting data on our fund managers, to allow us to make informed decisions and highlight areas of focus in manager meetings.

Moody's - Sustainability page - [available here](#)

Moody's are part of the "Say on Climate" campaign, accounting for sustainability, Task force for Climate Related Disaster (TCFD) and was given the highest grade for tackling climate change by the Climate Disclosure Project (CDP). Additionally, Moody's have committed to be net zero by 2040.

### **Eversheds (Lawyers)**

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

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

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

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

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

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

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

## LGPS Pooling

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

Examples of what should be voted for and against below:

### Vote for:

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

### Vote against:

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

## Manager Engagement and Voting Activity

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

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
5	91	52	31	8	53	38

**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 22 engagement examples provided to us are below:

#### Company A – November 2022

In November 2022, Longview held a video conference call with members of Company A’s senior management team on various governance and sustainability matters including executive compensation and the company’s climate commitments. Another purpose of the call was also to engage on the company’s approach to modern slavery risk as part of Longview’s efforts to gather information on the theme, which will be reported on in due course.

On climate, Longview referenced the climate audit undertaken across the portfolio in 2021. At the time, we had noted that Company A committed to science-based targets and that the business had already achieved carbon neutrality, but that they had not set a net zero emissions goal. We discussed Company A’s commitment to achieving net zero and asked whether the entire organisation will be setting a similar goal soon.

Company A explained that such a commitment is not currently on their agenda as they do not yet fully understand the implications on their global business operations. They have been waiting for more clarity and guidance from the SEC. However, there is a lack of consolidation amongst various regulations. Much of the uncertainty stems from identifying the appropriate standards and methodologies for measuring scope 3 emissions. They explained that they would be ready to make a commitment once they have a better understanding of the path to achieving net zero. Longview will keep track of Company A's progress regarding its climate commitments and may follow up with the company as appropriate.

### **Company B – November 2022**

In November 2022, Longview held a video conference call with Company B's Investor Relations team. The call was arranged to discuss the company's operational performance, capital allocation and climate commitments. Another purpose of the call was also to engage on the company's approach to modern slavery risk as part of Longview's efforts to gather information on the theme, which will be reported on in due course.

On capital allocation, we were interested in discussing the rationale that led Company B to spin off their diabetes business. Longview believes that the selling of lower-growth companies to boost organic growth can destroy value if this is the main reason for the sale. Company B explained that they evaluate their portfolio holistically. The diabetes business was highly cash-generative and high margin but with a much lower growth rate than the rest of the company. Also, its margin was declining.

Longview also wanted to seek clarity on why Company B sought a spin-off of the diabetes business rather than selling it. We explained that as a large institutional shareholder, the spin-off meant that we became forced sellers of the diabetes business as the position was too small and illiquid for our portfolio. We asked Company B why shareholders were not consulted before the decision was made and strongly encouraged them to reconsider the automatic use of spin-offs as they may not be in the best interest of shareholders. Company B appreciated our feedback and offered to engage further regarding the risk of value destruction and the implications of spin-offs for larger shareholders. Longview will consider re-engaging with Company B on these questions and will report on the outcome.

On climate, Longview referenced the climate audit undertaken across the portfolio in 2021. At the time, Company B had not yet set a net zero emissions goal and we were interested to hear about any developments. Company B confirmed that they have now officially signed on to the Race to Zero via the Science Based Targets initiative (SBTi) and in partnership with the Business Ambition for 1.5°C. We were encouraged to hear about their commitment and will update our audit findings accordingly.

### **Company C – December 2022**

In December 2022, Longview held a video conference call with members of Company C's senior management team to get an update on various governance and sustainability matters including executive compensation, the company's climate commitments and diversity and inclusion. Another purpose of the call was also to engage on the company's approach to modern slavery risk as part of Longview's efforts to gather information on the theme, which will be reported on in due course.

We started by asking for an update on Company C's climate commitments. Company C had informed us in a prior engagement that they were pursuing discussions with other custody banks on the steps to take towards a net zero emissions goal. They are assessing the impact of such a commitment across their operations and identifying the capabilities that would be needed. Out of

their seven investment managers, Newton Investment Management and Insight Investment have made commitments to the Net Zero Asset Managers initiative (NZAM) and they are currently navigating the inherent challenges. Across their lines of business, there are different opinions on which activities should be included in the scope of measurement. In contrast with their peers, they prefer to wait before making any commitments as they believe it has been a challenging environment for those who have. Longview will keep track of Company C's progress regarding its climate targets and may follow up with the company as appropriate.

Company C also updated on us on their diversity and inclusion efforts. They have made progress vis-à-vis their diverse representation goals. They have chosen to focus on Black and Hispanic populations in the US, and gender globally. They have also seen progress with their senior leadership population, and they are working on growing representation at the director level to ensure that they have visible representation in the marketplace. They believe that these efforts should help attract talent as they are starting to see attrition in the market. They are also working on new technologies around processes to encourage an inclusive culture and create a sense of belonging to sustain diverse representation.

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

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
8	111	95	15	1	102	9

**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

#### Axa Core Fund

UK Real estate fund

Newton met the company to discuss the capital expenditure the fund would have to incur to achieve its carbon reduction targets. The requisite building upgrades will cost the company 50-100 million euro a year. The company has seen the benefits of such upgrades in other situations, providing Newton with an example of a London residential project where it spent £250 million on an upgrade, which resulted in a 75% reduction in CO2 emissions for running the building

## **Tesco**

UK consumer discretionary company

Newton met with the company for the second time following the withdrawal of a shareholder proposal regarding nutrition. The company expressed its concerns regarding meeting its target for healthy food sales and the extent of the resource required to meet incoming regulations which were subsequently watered down or delayed. This highlights the challenges for companies in being an early mover on specific ESG issues. While there was little progress since the last meeting, Newton do still see Tesco as a leader on the issue which is generally poorly managed across the sector.

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

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
1	14	11	0	3	11	0

\*3 votes neither with nor against management as were advisory in nature

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

Ruffer – Quarterly Reports [available here](#)

### Engagement

#### Equinor

Given Ruffer’s focus on climate change and the energy transition, they contacted Equinor to refresh a dialogue on the company’s energy transition plan and its various components. The main aims of their initial meeting were to understand – specifically from a low emissions perspective – the company’s criteria for expanding its operations internationally and to gauge its progress and opportunities in the renewables and low carbon solutions space.

While Equinor produces oil at a much lower carbon intensity per barrel than the industry average, Ruffer expressed their concerns that increased exploration and production can more than offset a low carbon intensity, resulting in higher carbon emissions in absolute terms. The company’s overall production is projected to peak in 2026, before returning to current levels in 2030. But Equinor reiterated that, by moving away from volume towards value targets, it could focus on a low cost, low emissions, cash generating portfolio.

Importantly, Equinor’s experience with electrification, offshore floating wind and carbon capture and storage puts it in good stead when expanding these technologies internationally.

Equinor has continued to expand in both renewables and low carbon solutions. Ruffer have seen tangible progress in offshore floating wind, with a new lease awarded outside the North Sea region. Ruffer will follow how the company manages to leverage such value creation opportunities. Similarly, Equinor's deal with Yara, a European agrichemicals company, to transport and store Yara's operational emissions off the coast of Norway highlights a milestone for the company's carbon capture and storage ambitions. Whilst noting that government subsidies are still crucial, Ruffer are encouraged by Equinor's commitment to building out these operations and look forward to seeing the next milestones reached.

## **COTY**

Following their introductory call with Coty in December 2021, Ruffer met with the company again for a progress update. Previously, they had emphasised the importance of having a Board member accountable for sustainability, so they were pleased that the Board is providing oversight to the sustainability strategy, with Anna Makanju shouldering this responsibility as part of her role on the Board. The firmwide focus on sustainability is reinforced through the hiring of a new chief scientific officer and sustainability leader, as well as a new chief supply chain officer.

Coty is going through a major restructuring under a promising new CEO in a volatile macro environment. Whilst they understand the need for a balance between retaining institutional knowledge and introducing fresh ideas, Ruffer reiterated their views that Board members should be properly independent, and their tenure should not be unlimited. They asked again about linking compensation to ESG related metrics, and they understand the company expects that incoming disclosure requirements on pay will provoke debate on performance metrics.

Coty reassured us this is being actively discussed for implementation as the business executes its restructuring plan under the new management.

Coty's poor MSCI ESG rating was one of the initial reasons for engaging, and Ruffer were pleased the company has been upgraded since their last meeting. There is still room for improvement, but Ruffer can see the effort Coty has put into engaging with ratings agencies such as MSCI and Sustainalytics. Ruffer took the opportunity to encourage more disclosure, to benefit the company's assessment by such agencies. Coty recognises the need and will be launching a new website as a disclosure hub.

The rest of the meeting touched on a number of environmental and social topics, including emissions reduction targets, raw materials sourcing and litigation risk. Coty has already surpassed its 2030 Scope 1 and 2 reduction target. Overall, Ruffer are pleased by the achievements on each of these fronts and look forward to seeing further progress.

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

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
8	68	60	7	1	60	8

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

### Resolutions voted on in quarter.

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

### Baillie Gifford voting policies and guidelines

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

### Engagement

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

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

Examples of engagement in quarter (as per Quarterly report)

## **Rio Tinto Group**

Objective: Continue monitoring progress to strengthen ESG practices and reputation.

Discussion: We participated in two separate events hosted by the Chair, CEO and several senior managers, including the CEO of Australia. We learned more about its approach to rebuilding community and social relationships. We discussed workplace safety, given the critical Broderick Report published in January. The company provided us with early indicators of progress in safety and heritage, but we need it to sustain these improvements. The engagement also offered additional insight into managing the complex climate-related risks and opportunities that Rio Tinto faces. We were interested to learn that the role of Chief Scientist has been re-established to ramp up technical skills to help de-carbonisation.

Outcome: Rio Tinto is a complex business with a global footprint. From our recent engagements, we are encouraged by how the CEO and new Chair work together. Effective heritage, safety and climate management are critical challenges for the board. While there is progress, they are not matters that can be quickly or easily resolved by the board. Our ESG specialists will continue to work alongside our investors to monitor progress. This approach aligns with our view of their importance in generating long-term financial returns for clients.

## **Tesla Inc**

Objective: To learn how the board is thinking about CEO Musk's recent acquisition of Twitter.

Discussion: Our call with Chairwoman Denholm focused on whether Musk's recent purchase of Twitter is affecting his work at Tesla or any of Tesla's operations. Media coverage of the transaction and his subsequent actions indicate Musk is devoting a significant amount of time to Twitter and we had questions about its potential to distract from Tesla's long-term strategy. Denholm explained that there had been no change in Musk's focus or intensity in terms of his Tesla interactions. While he is basing himself at Twitter HQ, he is attending meetings and fulfilling his responsibilities as Tesla CEO as normal. The board is certain that Musk remains critical to Tesla and that the business continues to be a priority for him. Furthermore, in the board's opinion, operational execution has never been better, and management is working very effectively across all facilities.

Outcome: Chairwoman Denholm's comments were reassuring and helped distinguish between market noise and the reality of the current situation. We recommended that the board encourage Musk to outline a timeline for appointing a new CEO at Twitter. As a long-term shareholder in Tesla, we continue to believe that Musk's ownership of Twitter is an unwelcome distraction. We will continue to monitor developments and will reengage the board if required.

## Storebrand Global ESG Plus (Passive listed equity)

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

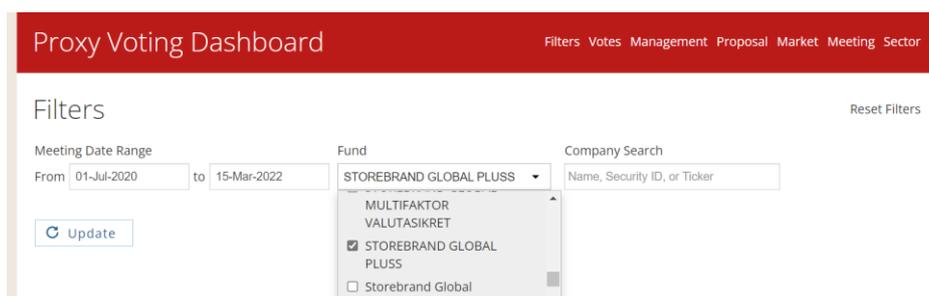
Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
51	414	374	24	16	365	49

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

### Resolutions voted on in the quarter:

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

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



The screenshot shows the 'Proxy Voting Dashboard' interface. At the top, there are navigation tabs: 'Filters', 'Votes', 'Management', 'Proposal', 'Market', 'Meeting', and 'Sector'. Below this, the 'Filters' section is active. It includes a 'Meeting Date Range' with 'From' and 'to' date pickers (01-Jul-2020 and 15-Mar-2022), a 'Fund' dropdown menu currently showing 'STOREBRAND GLOBAL PLUS' with a list of other funds (MULTIFAKTOR, VALUTASIKRET, STOREBRAND GLOBAL PLUS, Storebrand Global) below it, and a 'Company Search' field with a placeholder 'Name, Security ID, or Ticker'. An 'Update' button is located below the date range pickers, and a 'Reset Filters' link is in the top right corner of the filter area.

### Storebrand voting guidelines and policies:

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

## Engagement

**Q4 data not yet available, Q3 data below.**

Storebrand – Sustainability page [available here](#)

Storebrand – Quarterly Reports [available here](#)

### Example engagement – Meta

One of Storebrand's principles of engagement is to use a broad toolkit of strategies, including targeted escalation, utilising broader investor support, and use of shareholder resolutions, towards achieving their objectives. We also see that there is often a link between social and governance issues, as in the case of Meta Inc, formerly Facebook.

Earlier this year, Storebrand had raised its concerns with Meta, formerly Facebook, about the "metaverse" project and potential social and human rights risks that this may pose if these risks are not managed appropriately. Subsequently, Storebrand, in collaboration with Arjuna Capital, filed a shareholder resolution on the matter, which succeeded in being presented for voting at Meta's annual general meeting, despite being contested by the company's management. However, the resolution did not pass. Lack of progress with shareholder resolutions, like this one, is essentially a governance issue; support for such resolutions is significantly influenced by the dual class share structure of the company, which effectively allows the founding members of the company a disproportionate influence relative to other shareholders.

It is with this backdrop that Storebrand also earlier this year raised concerns about governance issues at Meta, including the dual class share structure that restricts the effective influence of shareholders; the need for an independent board chair and truly independent board directors to provide robust checks and balance on the company's direction. Concerns were sent, in the form of a co-ordinated letter with other investors, outlining Storebrand's key asks.

This quarter, the group of investors who sent the letter was invited to a meeting with one of the directors on the board, where the content of the letter was discussed, and requests and recommendations were raised by the investor group.

## Wellington (Active listed equity – impact fund)

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
3	28	27	1	0	26	1

\*One vote had an undetermined management rec and was therefore not with or against management.

**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 2021 – [available here](#)

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

### Fund Overview

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

## Engagement

Taken from Quarter 4 engagement letter:

“Engagement continues to be key in understanding the companies in your portfolio better. These conversations and onsite visits help us to identify the less tangible drivers of a company’s impact and financial performance. Here are some examples of our discussions across existing positions in the quarter:

As with last quarter, assessing our companies supply chain challenges has continued to be top of mind in this volatile geopolitical and economic climate. We met with MIPS (safety and security, Sweden), which is a leading provider in helmet-based safety protection. There have been no new requirements for helmets in decades and MIPS is the only public player trying to raise those standards. The company has an established brand, strong technology and a clear first mover advantage. MIPS continues to press their ability to deploy their technology at lower price points, growing the addressable market of their products. The company performed strongly through covid, but demand softened over 2022 and MIPS has been an underperformer in the portfolio. To confirm our thesis on the business, our discussion with management helped us to understand how soon the industry-wide backlog of supply will clear allowing MIPS to offer more distinguished results. Further, the company continues to add more brand and model partnerships and remain constructive on gaining traction in the safety category. We continue to be positive on the stock.”

## WHEB (Active listed Equity – Impact fund)

Fund Manager collaborate engagement groups - links on page 42.

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

### Additional Information

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

WHEB utilizes analysis tools to inform investors of the beneficial aspects of their investments. As of 31<sup>st</sup> December 2022, east Sussex has £213.4m invested in WHEB, which has resulted in:

81,521 MWh of renewable energy generated (equivalent to 5,762 European households)  
 57,406 tons of CO2 emissions avoided (equivalent to the energy use of an average house for 13,445 years)  
 108.8m litres of water use avoided (equivalent to the water used by 1.7m showers)

### Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
4	21	15	6	0	16	5

\*One vote had a timing option, so has not been included in the for/against section above

**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: MSA Safety

Founded in Pittsburgh in 1914, MSA originally stood for ‘Mine Safety Appliances’. This was changed in 2014 to ‘MSA Safety’ to reflect the broader range of products the company has developed. Today, MSA still manufactures products such as fixed gas and flame detection systems which are used across industry. They are also a leading manufacturer of self-contained breathing apparatus and fire helmets for firefighters as well as fall protection equipment for working at height.

Engagement issue: Net zero carbon targets

Engagement objective: Encourage the company to set a net zero carbon target.

Scope and process:

WHEB’s Voting Policy requires a vote against the election of the Chair or lead director where the company does not have a net zero carbon target. It also requires writing to company management to explain their reasons for voting against their recommendations, which is what WHEB did after voting at MSAs 2022 AGM. Initially the company did not respond to this letter, however, later in the year, WHEB’s Associate Fund Manager Victoria MacLean met the company’s Investor Relations Director at a conference where she raised the topic again.

Outcome:

Successful. After this discussion, MSA asked for WHEB’s input in setting such a goal. We have since given full feedback and detailed insights during a call. This included their own perspective on sustainability and the internal targets that we work towards at WHEB. In addition, they provided details on what WHEB expects from companies when they set carbon targets and strategy. WHEB is delighted to see one of their portfolio companies take proactive steps towards creating beneficial real economy impacts and they will continue to support MSA in setting net zero targets and strategy.

## Atlas (Infrastructure listed equity)

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
2	26	20	6	0	21	5

**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:

## **Avangrid**

### Engagement status:

Engagement opened 29 April 2021 - Avangrid was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement

### Engagement objectives:

Gain additional information and / or commitments from management towards reducing emissions in line with a science based pathway to 2050, particularly with regard to anticipated closure date of the Klamath cogeneration plants and the fossil-fuel plants of to-be-acquired PNM Resources ("PNMR")

Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs

### Engagement outcomes:

During follow up meeting on September 23rd, the company did not give any commitments with regard to retirement dates of their own plants and would only comment on the PNMR plants once the merger has been completed

As a result, ATLAS financial model projections have not been updated

Management compensation around climate transition objectives is linked to distant years which is not a structure that would be recommended by ATLAS

Long-term compensation will be reviewed again in year 2024

### Investment impact / next steps

here has not been a change to company's emissions pathway performance and as a result the company is still in Tier 3

Currently awaiting company's commitments with regard to retirement of PNMR plants (if the merger is completed) and the detailed Net Zero Scope 1 emissions by 2035 achievement plans

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

Fund Manager collaborate engagement groups - links on page 42.

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

### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
43	436	362	56	18	373	63

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

### Resolutions voted on in the quarter:

UBS – voting record (Q4 2022) – [available here](#)

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



### Engagement

UBS Sustainability page available [here](#)

UBS Annual Report available [here](#)

Engagement example: Teleperformance SA

Topic: Worker rights

UBS have been in contact with Teleperformance several times during the quarter. On 10 November 2022, the company's share price dropped by more than 30% in response to the announcement of an investigation into company's practices by the government of Colombia, with regards to their content moderation service and operations.

This resulted from press reports alleging poor conditions and support for workers involved in social media content moderation: according to such reports, among other issues, workers would be exposed to highly egregious content posted on internet platforms on a regular basis, without being offered adequate psychological support by the company. There were also allegations of anti-union behaviour from the company, which were mainly raised by UNI Global Union.

In response to these allegation, and the consequent drop in share price, the company held a number of conference calls with investors, strongly rejecting the allegations and defending their position and practices in Colombia and globally. UBS participated to the conference calls, and they also had a call with UNI to better understand their viewpoint.

UNI presented a very different perspective than the company, alleging anti-union behaviour and poor support for workers. Therefore, UBS decided to challenge management on the issues raised.

During their call with the CFO and the President of Group Transformation, UBS challenged management to provide accurate responses to the allegations from the media and from UNI. Their call with management came after the company decided to engage with UNI on their stance on unions, which UBS already considered a positive step.

The company management provided very clear and transparent answers to UBS' questions on workers' health and support, and clarified that they are looking into the accusations by way of an internal and external audits. UBS' discussion with management provided them comfort that Teleperformance was not dismissing the allegations, and is committed to provide full transparency on working conditions.

UBS have also noted the agreement announced between Teleperformance and the UNI Global Union in regard to oversight of TP's approach to labour relations and employment standards, and they view this as a positive step. UBS are also satisfied with the decision by the company to open several of its sites to inspection and visit by different stakeholders in January 2023.

UBS will continue to encourage the company to remain committed to being a socially responsible corporate citizen and sustain its efforts to be a leader in the business services sector by applying its Code of Ethics and Human Rights Statement.

## Schroders (Property)

Fund Manager collaborate engagement groups - links on page 42.

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

## Engagement

Schroders - Sustainability page [available here](#)

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

## Metro Property Unit Trust – Alpha Court, York Biodiversity example

Alpha Court is a 32,000 multi-let sq. ft office.

### **Biodiversity strategy**

To transform an underutilized area of the property to increase the biodiversity, create a wellbeing area for tenants; and engage with the local community and promote local social enterprises.

### **Execution and Outcome**

13 bird boxes procured from Horti cap, a local charity providing training in horticulture for adults with learning difficulties, were installed on site. A bug hotel and hedgehog house were installed as well as 2 benches made from recycled timber from Leeds Wood recycling, a local social enterprise that diverts timber from going to landfill and gives volunteer and training opportunities to marginalized people. A wildflower meadow was created to surround the seating area.



### Social Supported Housing Fund (SoHo)

The strategy of this fund is to develop and then hold social supported housing for working-age adults who require mid-acuity life-long care and support. All properties are pre-let to Registered Providers, i.e. Housing Associations and other not-for-profit organisations who, in turn, lease units to qualifying individuals or collectively to Local Authorities under nomination agreements.

#### Social impact to date:

The positive social impact of this strategy is significant:

- 64% of completed units are located in the 40% most deprived local authorities nationally
- Once allocated equity and debt are deployed, the Fund will have created 1200 best-in-class apartments, helping to relieve waiting lists for social housing; and improving the quality of life for residents
- Units are high quality and energy efficient:
  - o 88% have a 'B' EPC rating & 93% with design statement to achieve Net Zero Carbon by 2050
  - o 100% meet or exceed the Decent Homes Standard & meet Nationally Described Space Standards
- The Good Economy social impact report demonstrates £4.3m of fiscal savings has been achieved to date – a Social Return on Investment ratio of £2.08 per £1 invested

## Infracapital (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 42.

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

### Engagement

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

### Engagement examples:

Infracapital engaged a third-party specialist to conduct climate risk scenario analysis across the portfolio.

- We modelled c.550 critical location points across 99.6% of the portfolio, and in line with the TCFD have modelled such locations in a Paris-aligned “conservative” warming scenario of 1.5 degrees by 2100 (RCP2.6) and a No Intervention “worst-case” warming scenario of 3.5 degrees by 2100 (RCP8.5)
- The preliminary results illustrate that c.8% of the modelled locations are at high risk by 2050, both in an orderly and hot house scenario, and c.12% are at high risk by 2100.
- Modelled locations include critical location points to the portfolio companies and cover both owned, leased and third-party sites.
- Risk mitigation procedures are present across our portfolio, and we will be analysing such data to identify any material gaps and implement necessary procedures, where appropriate

Workshops have commenced with our portfolio companies to develop net-zero roadmaps in line with the guidance provided by the Science Based Targets Initiative (SBTi).

### Investment Update:

Fibus was awarded a £108.5 million contract by BDUK to reach 59k underserved premises in Cumbria with access to full fibre. This continues Fibus’ reach in providing full fibre to underserved, rural and semi-rural towns, bridging the digital divide across Europe and enabling digital inclusion.

## Pantheon (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 42.

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

### Engagement

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

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

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

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

Fund Manager collaborate engagement groups - links on page 42.

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

### Engagement

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

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

### HSBC Bank PLC

#### Objective:

To outline the requirements of M&G's coal position statement to global banking group HSBC, explain what we would like to see included in the bank's targets, and encourage it to consider additional commitments at the upcoming review of its own coal policy.

#### Action:

We met with the head of IR and the global head of climate aligned finance to make our expectations known.

#### Result:

We outlined that we would like to see a timeline to zero coal being financed by 2030/2040, with quantitative targets set for the short and medium term. We also highlighted the need for the policy to include the mining of thermal coal, existing coal operations, as well as new, and lending to businesses which have coal within their portfolio. HSBC seemed receptive to the dialogue and was grateful to have the conversation at this point in its policy review.

We will further engage where necessary.

## **Bp Plc**

### **Objective:**

To encourage British energy company BP to propose a 'Say on Climate' resolution at its upcoming AGM.

### **Action:**

M&G met with the chief executive and chief financial officer of BP.

### **Result:**

At BP's 2020 AGM, 'Follow This' proposed a very ambitious shareholder resolution which received record-high support from shareholders. The company is considering putting forward a Say on Climate vote at the 2022 AGM to address a number of the points raised within the 2021 Follow This resolution. It is likely that Follow This will propose another more ambitious resolution at the next AGM, and BP is trying to advance its own more structured climate plan that it will be tied to by the shareholder vote.

We await the 2022 AGM to see the outcome of each resolution, and to see if BP puts forward its own resolution.

Update May 2022 - BP put their own climate plan to vote at the 2022 AGM - 'Approve Net Zero - From Ambition to Action Report'. We supported this resolution, along with a total of 89% of shareholders and voted against the Follow This resolution. The Follow This resolution failed to pass, receiving 15% support.

## Adams Street (Private Equity)

Fund Manager collaborate engagement groups - links on page 42.

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

### Engagement

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

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.

Post-investment engagement with all companies consists of the following:

Annual firm-level ESG survey and ESG ratings of active GPs

Ongoing RepRisk incident monitoring of portfolio companies

Firm-level ESG data and analytics to support our external, annual reporting efforts

Ad-hoc interactions with GPs/companies and the wider industry to drive ESG-related improvements

## Harbourvest (Private Equity)

Fund Manager collaborate engagement groups - links on page 42.

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

### Engagement

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

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

### Engagement Examples:

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

Through their standard incident monitoring process, the manager was made aware of a South Korean automotive company being accused of discriminating against its female employees. The allegations surrounded salary increases and opportunities for promotion. The manager contacted the GP, who challenged the allegations made in the article. In particular, the GP noted the pay differential between non-sales force and sales force employees is not driven by gender discrimination but rather that the latter category receives incentives. Sales force employees are predominately male, which is the case for other automotive players in the industry, and the female application rate for sales force positions is less than 1%. As a result, it is very difficult to increase the proportion of female sales force employees. The manager took comfort that under the GP's ownership of the company, several initiatives to improve gender diversity have been successful. As a result, the gender split of non-sales force employees is even, with one of three non-executive and one of four executive directors being female. The GP will continue to work on improving the female application rate for its sales force positions, with the manager monitoring progress.

The standard incident monitoring process identified that a Polish packaged food manufacturer and distributor announced a recall of one of its products due to reported presence of glass pieces potentially endangering consumers' health. The manager reached out to the GP to ascertain how the company was managing the issue. The company confirmed that the fault lies with a long-standing supplier who had provided contaminated material. The glass pieces were not discovered through the standard entry quality

checks due to their size and shape. Following the discovery, the company immediately notified the supplier and ordered two full audits. The other products from this supplier were also subject to additional sampling by an external testing company. The company has since discontinued its relationship with this supplier and will seek full restitution from them. Upon becoming aware the issue, the company informed all relevant customers and health authorities. Affected products were recalled and customers were offered a full refund. Through this engagement the manager gained comfort that the issue was being rectified appropriately."

## Fossil Fuel Exposure by Fund Manager

The fund actively monitors the fossil fuel exposure of its fund managers to allow for engagement when we feel that these values are of concern. The below table lists fossil fuel exposure as of 31<sup>st</sup> December 2022

Fund	Mandate	Exclusion	% Fund Assets	% Fossil fuel exposure of total fund value
UBS Osmosis	Equity - Passive - Resource Efficient	Fossil Fuels free	5%	0.0%
Longview	Equity - Global	Fossil Fuels free	12%	0.0%
WHEB	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Baillie Gifford	Equity - Global	Fossil Fuels free	4%	0.0%
Wellington	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Storebrand	Equity - Passive - ESG Plus	Fossil Fuels free	11%	0.0%
Harbourvest	Private Equity		4%	0.1%
Adams Street	Private Equity		4%	0.1%
Ruffer	Absolute Return		11%	0.3%
Newton	Absolute Return		8%	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		6%	0.1%
M&G	Fixed Income - Corporate Bonds		3%	0.0%
UBS - Over 5 Year IL Gilt	Fixed Income - Passive Index Linked Gilts		2%	0.0%
Cash	Cash		6%	0.0%
<b>Total Assets</b>			<b>100%</b>	<b>1.0%</b>

## Engagement Group Links

[Access to Medicines Foundation](#)

[B Corps](#)

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

[Chemical Footprint Project](#)

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

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

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

[Future Fit Business](#)

[Global Impact Investing Network](#)

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

[ILPA Diversity in Action Initiative](#)

[Impact Management Project](#)

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

[Investors Forum](#)

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

[Net Zero Carbon 10](#)

[Net Zero Asset Managers Initiative](#)

[RepRisk](#)

[The Big Exchange](#)

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

[Sustainable Accounting Standards Board](#)

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

[UN Global Compact](#)

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