



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

**Voting and engagement report**

**Q4 2023**

**1 October – 31 December 2023**

## Executive summary

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

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

## Investment strategy

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

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

## Investment managers

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

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

## Policies and approach

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

## Collaboration

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

## East Sussex Pension Fund Engagement

### East Sussex Pension Fund Commitments

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

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

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

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

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

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

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

## LAPFF Engagement Activity

All [engagement activities completed in Q4 2023 through LAPFF are available here](#)

### Sample engagement updates

#### BP

**Objective:** With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BP's climate commitments.

**Achieved:** LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had not changed BP's climate commitments.

**In Progress:** Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to "phase out fossil fuels." Prior commitments were in the form of far more malleable goals of "net zero by 2050" and complicating matters with Scope 1, Scope 2, and Scope 3 emissions. LAPFF's policy for several years has been that fossil fuel components of businesses need to be put into managed decline. With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2. Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with Persimmon this quarter.

#### Nestle

**Objective:** In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

**Achieved:** During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

**In Progress:** LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

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

## Engagement with policy Makers

### IIGCC

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

#### **IIGCC CEO sends letter to COP 28 President**

October 2023

IIGCC's CEO Stephanie Pfeifer sent a letter to COP28 president H.E. Dr Sultan Ahmed Al Jaber calling for ambitious outcomes at COP28. Specifically, she urged the COP28 president to focus on phasing out fossil fuels, building resilience and reducing vulnerability, and the scaling up and aligning of finance for climate action. [Read the full letter here.](#)

### **IEA predicts emissions peak and asks for five outcomes from COP28**

November 2023

The International Energy Agency (IEA) drew comparisons to the 1970s oil crisis as it released its World Energy Outlook 2023. There were also encouraging trends suggesting a predicted peak in greenhouse gas emissions in 2025.

“It is difficult to say that oil and gas represent safe choices for consumers,” said Dr Fatih Birol, the IEA’s Executive Director, making clear that new concerns add to the compounding challenge of climate change, with 2023 set to be “the hottest year in history.”

Under current policies, the world could "peak" its greenhouse gas emissions in 2025.

[Read more in the article here](#)

### **COP28 signals a transition away from fossil fuels as investors outline their needs**

December 2023

After tense extended negotiations, specific reference to fossil fuels was included in the COP28 text for the first time, marking a historic moment in Dubai. This signals global agreement on a peak in fossil fuel use and the need to transition to new energy sources.

Undoubtedly, a lack of strong language poses a risk to progress, falling short of the ‘phase-out’ we called for ahead of the conference, but this specific reference to fossil fuels does set a new precedent that national governments now need to build on and implement.

The text also highlighted unanimous agreement on the need to unlock the trillions in investment required for a carbon-neutral economy. Though the ‘how’ remains uncertain.

[Read more in the article here](#)

### **LAPFF**

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

LAPFF, alongside other investors, wrote to Deputy Governors at the Bank of England expressing concern for the potential systemic risk to the banking sector from climate change and offering suggestions for strengthening the necessary market discipline as foreseen under Pillar 3 of the Basel Framework. While commending the Bank’s leadership in promoting climate resilience, the letter outlined concerns including inadequate accounting and audit disclosures by banks specifying how material climate factors have been incorporated, and the slow progress in moving towards enhanced capital requirements to protect against systemic climate risks. Suggestions to promote more effective climate risk management included requirements for banks to disclose the key conclusions from regulatory climate stress-testing exercises and proactive enforcement of existing accounting and audit rules. The letter welcomed the opportunity to meet with the bank to discuss these matters.

## United Nations Principles of Responsible Investment (UNPRI)

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

### United Kingdom

The PRI endorse the ISSB Standards and recommend that the UK Government transpose IFRS S1 and IFRS S2 into UK regulatory requirements, as well as establishing an endorsement mechanism for current and future ISSB Standards to become part of UK law.

The PRI welcomes the guide on social factors to support pension fund trustees in approaching human rights and social issues, including in the context of the economic transition to a sustainable economy that supports people and the planet. We make recommendations to clarify that the requirement to consider ESG risks includes an obligation to consider pursuing sustainability impact goals and to supplement the guidance with the information identified in the PRI's investor data needs framework.

### European Union

In advance of the next trilogue discussion between European Commission, Parliament and Council, the PRI has published a final statement calling for appropriate and practicable inclusion of the financial sector in the Corporate Sustainability Due Diligence Directive. This statement is based on previous position papers and recent conversations with signatories. It will be sent to all relevant policymakers in negotiations.

### Global

The PRI welcomes the intention from the UN Working Group to provide practical guidance to states, businesses, financial institutions, civil society, and other stakeholders on how to align better ESG approaches with the UNGPs in the context of financial products and services. We recommended that the final report of the Working Group references: - The necessity to fully integrate social issues into the economic transition, including through sustainable finance and real economy policy regulation. - The need for policy reform to enable the improvement of the sustainability outcomes of investments. - The systemic relevance of human rights and social issues, including growing inequalities.

## 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 2023.



### Fund manager meetings

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

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

1. Harbourvest      Private Equity
2. Osmosis          Resource Efficient Equity
3. M&G              Infrastructure, Real Estate Debt, Alpha Opportunities, Sterling Corporate Bonds
4. Adam's Street    Private Equity
5. Atlas              Infrastructure

### Industry meetings, events, and training

- LAPFF AGM & Business Meeting
- Harbourvest LGPS Learning Exchange
- SPS LGPS Sustainable Conference
- Local Authority Responsible Investment Seminar
- Investment Manager approaches to supporting climate opportunities – training with Wellington

- LGPS Investment Forum – Room 151
- Pensions for Purpose Net Zero
- PLSA ESG Conference
- LINK Investor Day
- IFM Climate Change Webinar
- LAPFF Annual Conference

## Third party supplier commitments

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

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

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

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

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

### **ISIO (Investment Consultant)**

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 41.

- 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
4	77	32	33	9	40	37

**Note:** All data displayed is fund specific, not at fund manager level  
3 votes made were date related

### Engagement

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

Longview currently send tailored ESG reports to ESPF each Quarter. Anonymised Q4 23 engagement examples provided to us are below:

#### Company A – December 2023

In December 2023, Longview met with Company A's CFO and Head of Investor Relations for a detailed discussion on various aspects of the business. We also spoke to them about their inclusion in the United Nations High Commissioner for Human Rights Report regarding Company A's listed properties in the Occupied Palestinian Territories. The report, which is updated on an annual basis, has referenced Company A since its first publication in February 2020.

In light of the recent conflict in Israel and Palestine, we asked Company A about its approach to assessing the risks associated with their listings in Israeli settlements in the Occupied Palestinian Territories. Our aim was to better understand how they are addressing concerns raised by their inclusion in the UN's Report.

Company A had first addressed this issue in its Human Rights Statement in April 2022 by stating that it will conduct due diligence on listings located in conflict-affected areas. In our meeting, the company clarified that in practice, they investigate potential human rights violations in connection with their accommodations in the Occupied Palestinian Territories on a case-by-case basis. If they deem an accommodation to be located in a conflict-affected area, they disclose this information to their customers. They explained that their process has resulted in certain listings not being made available in some conflict zones around the world.

Company A acknowledged considering the possibility of delisting their accommodations in the West Bank. However, management believed that such action could have had negative ramifications. They maintained that as long as their due diligence showed that a property was legitimate and not involved in a crime, it can

contribute to travel being a force for good. They explained that Company A seeks to be neutral on this issue and that they consider it important for their reputation not to be taking sides.

Company A's accommodations in the West Bank represent less than 0.01% of their total room nights. The company regularly assesses the risk of being involved in conflict zones, considering the risk of human rights violations and potential impact on Company A's reputation. They said that as long as they do not find evidence of human rights abuses in their due diligence process, they believe that the best solution is to have the right disclosures for their customers to make their own choices.

## Company B – December 2023

In November 2023, Longview conducted a video conference call with Company B's General Counsel, Head of Corporate Social Responsibility and Associate General Counsel. The discussion focused on Company B's Board structure, environmental approach and potential climate commitments.

Company B explained that they intend to expand their Board by adding one or two directors, actively seeking candidates with previous CEO experience in large public companies. They highlighted how their Board refresh aligns with the company's evolution over the years. Their primary focus remains on technology, operations and delivery, while maintaining a diverse Board.

Earlier this year, we had engaged with Company B regarding a shareholder proposal advocating for an Independent Board Chair, which the company had opposed. Longview had suggested to Company B that an Independent Chair would enhance the Board's overall structure and we had supported the shareholder proposal in our vote. On the call, the company confirmed that this matter had been resolved from their perspective. Despite our support, the resolution had not secured a majority vote from shareholders.

On climate, Longview referenced the Climate Commitments Audit of the portfolio, noting that Company B had not yet established a net zero target or specific emissions reduction objectives. We asked Company B about their plans for future climate commitments. Company B highlighted that progress has been made since appointing a Head of Corporate Sustainability in 2021. They have aligned climate disclosures with the Task Force on Climate-Related Financial Disclosures (TCFD) framework and have been collecting data for three years to assess potential emissions reduction targets. They conducted a materiality assessment in 2021 and plan to update it in 2024.

Company B explained that they would prefer setting achievable short to medium-term climate objectives. Currently, they have no plans to align themselves to a 2050 net zero target and would prefer setting goals that the current leadership team can actively pursue. They have been assessing ways to meaningfully reduce Scopes 1 and 2 emissions while tackling the challenges posed by Scope 3 emissions. Their immediate priority is to work on reducing their carbon footprint while positioning themselves for setting realistic targets in the near future. Company B was interested in Longview's feedback and we mentioned the progress in emissions reductions that we have seen amongst companies in the portfolio. Going forward, Longview will continue to track Company B's efforts on climate and its target-setting progress.

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

Fund Manager collaborate engagement groups - links on page 41.

- 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
6	68	48	12	5	58	10

**Note:** All data displayed is fund specific, not at fund manager level  
3 votes made were date related

### Engagement

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

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

### Example ESG Engagement

#### EXELON (8 December 2023)

##### E - Climate transition risk and net zero strategy

#### Relevance for Investors

Scope 3 is the largest source of emissions for the company. Although Exelon is a pure Transmission & Distribution utility with no direct control over the generation business, it can engage and influence the generation utilities to move towards renewables and reduce Scope 3 emission through its own initiatives. The absence of Scope 3 reduction target would raise questions on the seriousness of a holistic climate transition plan and would deepen the difference between the company and peers that intend to set such targets and impact the business resilience in a low-carbon world.

#### Key takeaways

Having discussed with the company the challenges it faces in setting a credible Scope 3 target, Newton think that a comprehensive target is possible.

The company acknowledges the feasibility of setting Scope 3 targets considering that in the long run the impact of the Inflation Reduction Act will shift most power generation to non-fossil / lower carbon sources, suggesting that the value chain emissions for T&D players would be considerably lower as generation mix moves towards renewables.

The company needs to understand and strengthen its conviction in the assumptions other companies and itself have made on the probably shift towards clean energy in the medium to long-term and demand and price assumptions first better.

### **Engagement outcomes**

The company acknowledged Newton's message on the issue, and Newton will be expecting more clarity on scenarios soon as a first step to set a Scope 3 targets in the medium- to long-term.

However, Newton acknowledges the complex task for the company as it operates in far more US states with less stringent decarbonization plans compared to peers who operate in lesser states with more aggressive decarbonization plans. Setting a Scope 3 target in these cases where the company's outlook is disconnected from the demand will not add credibility to the target and make its achievement near impossible.

### **Next steps**

This will be a medium to long term engagement and Newton will continue to engage with Exelon on Scope 3 emission reduction targets. Newton expects such a target to be disclosed in the medium-term.

## **CME GROUP (11 October 2023)**

### **G - Remuneration (compensation)**

#### **Relevance for Investors**

CME has had two failed say-on-pay votes at the past two AGMs due to a problematic discretionary cash bonus paid during the 2022 AGM and a considerable salary hike to the CEO during the 2023 AGM which also had an amplifying effect on the variable pay.

#### **Key takeaways**

Newton sought an engagement with the board to provide their feedback on how they can strengthen their executive pay program. Consequently, Newton suggested the following to the company:

- No discretionary cash bonuses for the next years.
- Salary increases should be thoughtful.
- Strengthen the median target for the relative TSR metric of the long-term performance based shares.
- Cap vesting of TSR based performance shares in case the absolute TSR is negative.
- Disclose rationale that highlights the annual bonus target is sufficiently stretching (for example - compare with market consensus on ex-post basis)

#### **Engagement Outcomes**

The board members echoed Newton's main concern that the executive pay program needs to be strengthened and should be more aligned to shareholder's long-term interests. They seemed receptive to Newton's suggestions, and therefore, Newton expects some positive changes to the pay program ahead of the next AGM.

#### **Next Steps**

Newton are going to monitor pay program disclosures and changes ahead of the 2024 AGM and assess/vote accordingly.

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

Fund Manager collaborate engagement groups - links on page 41.

- 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	19	11	0	8	11	8

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

[Ruffer – Quarterly Reports available here](#)

### Engagement

#### Marks & Spencer

**OBJECTIVE** To seek more information on the decision to demolish the company's flagship store, rather than retrofit it; to gain insight into how M&S was approaching the public relations angle of the debate, to ensure its rationale for demolishing was communicated effectively in the public forum.

**OUTCOME** Environmental activists have raised concerns about embodied carbon, but M&S's research showed that, given the energy efficiency plans, the embodied carbon on the new building would be offset within 11 years, well within the building's planned life. The flagship store is old and massive, making it disproportionately energy intensive. M&S's preference is to refurbish, and the Chelmsford site highlighted this, but the poor structure of the Oxford Street buildings makes a retrofit unfeasible. On the communication, M&S said it had an extensive engagement plan and was communicating directly to architects and environmentalists on the work that went into the decision. Ruffer were pleased to see the extensive consultations M&S took when considering the next phase of the flagship store. The company recognised that, from a financial perspective, the flagship's contribution as a major store in the chain has declined, but it still has asset value and could become a growth asset.

**NEXT STEPS** Ruffer intend to monitor the news flow around the debate and the outcome of M&S's challenge of the decision by the Department of Housing and Communities to reject its plans to demolish.

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

Fund Manager collaborate engagement groups - links on page 41.

- 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
5	81	64	13	1	67	14

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

**Resolutions voted on in quarter.**

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

**Baillie Gifford voting policies and guidelines**

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

### Engagement

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

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

Examples of engagement in quarter (as per Quarterly report)

## Amazon

**Objective:** Alongside a small group of other shareholders, Baillie Gifford met with two of the non-executive directors and a number of senior managers in Washington, DC. Over a number of hours, the conversations covered Board effectiveness, employee satisfaction, climate related impacts, supply chain expectations and more.

**Discussion:** Amazon has become one of the world's largest employers, making attraction and retention a critical challenge. The head of global workplace health and safety presented convincingly on efforts to make the company an exemplar of safety excellence and transparency. There is a similar ambition for the "career choice" training programme, which some 150,000 employees have joined so far. Keeping employee satisfaction high is almost certainly required if Amazon is to keep its locations union-free. This goal is not without controversy, but the company clearly views it as core to maximising the operational flexibility it thinks it needs for continuous improvement in process and automation. On climate, there is continued progress in renewable fuels and some response to our long-standing request for expanded scope 3 disclosures. Discussion of advancing AI as a tool for both Amazon retail and enterprise customers took the conversation into the working of the Board: how it educates itself and challenges the executive.

**Outcome:** Amazon's agenda came across as twofold: to demonstrate the engagement of the independent directors and the efforts being devoted to employee satisfaction. Baillie Gifford left messages on expanded supply chain engagement and the opportunity to lead on responsible and transparent AI.

## NVIDIA Corporation.

**Objective:** How has NVIDIA so persistently and successfully identified and delivered next generation products into the market sooner than anyone else? This was the focus of our meeting with CEO Jensen Huang and CFO Colette Kress in New York.

**Discussion:** Unlike competitors Intel and AMD, NVIDIA is much more a computing company than a chip company. Its shift to selling servers, its cloud initiatives, and its CUDA software all bear this out. Huang is positioning NVIDIA to dominate computing writ large. Its business model allows customers to pick and use what they need from NVIDIA's various hardware and software offerings. The result is that NVIDIA has insight into how almost everyone is working on AI applications and what their needs are. Huang explained that he has configured the governance of the company to support such foresight. In short, they focus on peripheral vision and the dissemination of information. Hence, Huang has a high number of direct reports who each provide him with regular updates on what they hear from their customer interactions. Baillie Gifford's discussion was useful in understanding that NVIDIA's prowess is not solely a function of Huang's astute decision-making and widespread respect for his vision - it is also thanks to the strength of the company's organisational culture and its genuinely non-siloed structure. NVIDIA, therefore, tends to know what the most interesting thing that is 'happening' is. This is a kind of secret sauce in building the next generation of products, placing the company consistently ahead of competitors.

**Outcome:** Baillie Gifford's meeting with senior management was valuable in understanding how NVIDIA is structured and governed for foresight and what this implies for the company's competitive advantage.



## Storebrand Global ESG Plus (Passive listed equity)

Fund Manager collaborate engagement groups - links on page 41.

- 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
55	580	501	49	15	513	67

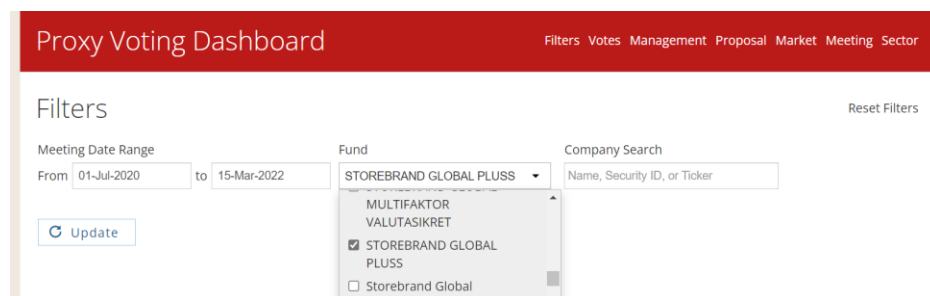
\*15 votes made were date related

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

**Resolutions voted on in the quarter:**

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

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



**Storebrand voting guidelines and policies:**

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

## Engagement

[Storebrand – Sustainability page available here](#)

[Storebrand – Quarterly Reports available here](#)

**FAIRR Progress – Two collaborative engagements on biodiversity in food production**

As part of Storebrand's efforts in their engagement themes on the race to net zero and biodiversity and ecosystems, during the fourth quarter of 2023, Storebrand formally joined two biodiversity-related collaborative engagements organized by the FAIRR Initiative (FAIRR).

FAIRR is a collaborative investor network, with 400 members globally representing over USD 70 trillion of assets, that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector. The agriculture, forestry and land use (AFOLU) sector is a central driver of both greenhouse gas (GHG) emissions and nature impacts. In particular, animal agriculture accounts for 60 per cent of the sector's GHG emissions, and 15 per cent of all GHG emissions worldwide, according to an estimate by the FAIRR initiative.

One of the engagements Storebrand are involved in is Phase 2 of the FAIRR engagement on Animal Waste and Pollution. The objective of the engagement is to reduce pollution from animal waste, which is a significant driver of biodiversity loss. Phase 2 of the Animal Waste and Pollution engagement began in December 2023 with letters sent to 12 companies. This builds on the dialogue between investors and companies that was established during the first half 2023 in Phase 1, which Storebrand also participated in. Phase 2 is expected to last until July 2024.

In addition to targeting ten large, publicly listed pork and chicken producers, the Animal Waste and Pollution engagement targets two fertilizer companies whose range of services includes the extraction and marketing of nutrients from manure. There is huge potential for using animal waste to increase circularity in the fertilizer business.

The other engagement is FAIRR's new engagement on Seafood Traceability, which Storebrand joined in November 2023. The Seafood Traceability collaborative investor engagement aims to encourage seven major seafood companies to develop and implement supply chain traceability systems, as a means of identifying and reducing key risks such as illegal, unreported and unregulated (IUU) fishing, overfishing, habitat destruction and human rights violations. In addition to FAIRR, the investor group is supported by the World Wide Fund for Nature (WWF), UNEP FI's Sustainable Blue Economy Finance Initiative, the World Benchmarking Alliance (WBA), and Planet Tracker. The Seafood Traceability engagement is expected to last until December 2024.

## Wellington (Active listed equity – impact fund)

Fund Manager collaborate engagement groups - links on page 41.

- 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
5	45	41	3	0	43	2

\*1 vote made was date related.

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

### Resolutions voted on in the quarter:

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

### Wellington voting guidelines and policies:

[Wellington – Global proxy voting policy 2023 – available here](#)

[Wellington Sustainability related investment Disclosures October 2022 – available here](#)

### Fund Overview

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

### Engagement

During the quarter, Wellington engaged with the CEO and CFO of Westinghouse Air Brake, or Wabtec, (resource efficiency, US) to better understand the company's fundamental trajectory. Management's comments highlighted that secular growth tailwinds remain intact, driven by both logistical and environmental considerations as locomotive fleets continue to age globally. Following a period of delayed new purchases, Wellington believes WAB's customers will require fleet upgrades. Additionally, many customers have set sustainability commitments for 2030 that will necessitate an accelerating pace of

purchases. Potential environmental regulatory reform out of California could provide additional upside to Wellington's base case growth assumptions.

Wellington's engagement with management highlighted that the company understands and appreciates the role it plays to enable the broad ecosystem to meet decarbonisation and sustainability goals. This engagement reinforced wellington's conviction in both their fundamental and impact expectations.

Additionally, Wellington visited one of Cavco's (Affordable housing, US) manufacturing plants. The tour showcased the efficiency and quality of the company's operations and underscored the company's focus on affordability and creating homes at a variety of price points. Wellington's onsite underscored both the impact and fundamental case for the company.

## WHEB (Active listed Equity – Impact fund)

Fund Manager collaborate engagement groups - links on page 41.

- 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 30<sup>th</sup> September 2023, east Sussex has £209.1m invested in WHEB, which has resulted in:

65,647 MWh of renewable energy generated (equivalent to 4,390 European households)  
 42,022 tons of CO2 emissions avoided (equivalent to the average yearly energy use of 14,635 houses)  
 230m litres of water use avoided (equivalent to the water used by 3.7m showers)

### Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
3	18	15	3	0	15	3

\*One vote made was date related

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

### Resolutions voted on in the quarter:

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

### WHEB voting guidelines and policies:

[WHEB – 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

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.

### Objective

For MSA Safety to improve its gender diversity by improving female board-level representation to at least 33%.

### Background

WHEB have previously engaged MSA Safety on the topic of gender diversity. In 2022, WHEB used their voting rights to vote against the re-election of Lead Director, Robert A. Bruggeworth and wrote to the company explaining their dissatisfaction with less than 33% of board members being female.

WHEB raised the topic again later that year during a call, and MSA mentioned a challenging period for making diverse hires, possibly due to the pandemic. It did, however, express intentions to make improvements and highlighted that a diversity metric had been included in the pricing a credit facility (meaning that the company would have to pay a higher interest rate if specified targets were not met).

Later, MSA’s 2022 Impact Report highlighted other diversity-related metrics, including 30% board diversity and 36% diversity at the executive leadership level.

### Actions

WHEB spoke to MSA Safety’s Chief Financial Officer and Investor Relations at the same conference the following year and took the opportunity to raise several ongoing engagement issues as well as gender diversity.

Specifically, WHEB outlined how reporting all facets of diversity under a single metric does not allow a sufficiently detailed understanding of the different dimensions of diversity in the organisation. Instead, MSA should be aiming for a minimum of 33% female board-level representation, as well as improving representation of, and reporting on, other aspects of diversity.

## Outcome

Though WHEB attempted to probe the company about whether there is an internal differentiation between measures of diversity, they remain concerned about MSA Safety's strategy for improving diversity, and especially gender diversity at the board level. There is not only a moral case justifying the need for businesses to address diversity and inclusion concerns, but also a strong business case. Diversity at the executive-level has repeatedly been shown to improve the likelihood of financial outperformance.

In its 2022 Impact Report<sup>3</sup>, MSA states that it defines diversity using U.S. Government Guidelines that define "individuals as diverse if they belong to one or more of the following groups: female gender, racial or ethnic minority, protected veteran class, or persons with a disability. Employees in multiple groups are only counted once". However, there is no requirement to report all diverse individuals in a single metric.

WHEB's concern is that a combined diversity metric represents a considerable lack of ambition from leadership to improve firm-wide diversity. This may indicate, at best, a weak understanding of the benefits experienced by more diverse businesses or, at worst, implicit bias causing a resistance against efforts to diversify the workforce.

These concerns are further reinforced by the fact that, despite targets and supporting incentive structures, senior-led diversity continues to remain flat in recent years. As such, WHEB continue to monitor developments at the company and are considering how to engage on this issue further.

## Atlas (Infrastructure listed equity)

**Fund Manager collaborate engagement groups - links on page 41.**

- 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
0	0	0	0	0	0	0

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

### Resolutions voted on in the quarter:

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

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

### Atlas voting guidelines and policies:

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

## Engagement

[Atlas - ESG Page available here](#)

### Engagement Example taken from annual report:

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

##### Engagement status:

Engagement opened 23 December 2022

- Snam was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement upon portfolio entry in March 2022



- Snam has incorporated scenario planning for lower gas demand and hydrogen substitution, but long-term methane demand remains above B2DS emissions trajectories.
- Snam has continued to invest in methane-infrastructure assets outside core-market, indicating inconsistency of policy and demand assumptions.

#### **Engagement objectives:**

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

#### **Engagement outcomes:**

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

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

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

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

Fund Manager collaborate engagement groups - links on page 41.

- 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
46	508	420	67	8	442	66

\*13 votes made were date related

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

**Resolutions voted on in the quarter:**

[UBS – voting record \(Q4 2023\) – available here](#)

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



### Engagement

[UBS Sustainability page available here](#)

[UBS Annual Report available here](#)

**CRH plc** Topic: Decarbonisation strategy

Osmosis met the Head of IR and the Head of Sustainability at CRH, engaging on the company's climate transition strategy. Osmosis recognise that the construction materials sector is a challenge to decarbonize, and focused their engagement on the key decarbonisation opportunities for CRH; clinker-cement ratio, circularity of operations, alternative fuels, and kiln efficiency.

The company explained the clinker-cement ratio is harder to reduce for CRH compared to peers due to

strict US building infrastructure regulations. The technology is available to reduce the ratio, but currently no client base to sell this grade of cement to in their main market. They are in active conversations with regulators to adapt these strict building regulations but are not seeing significant progress as this point. CRH is also the largest recycler of building material in the US and biomass as an operational energy source is a key lever for CRH but is dependent on waste availability and the scale of recycling infrastructure which differs geographically.

The US doesn't currently have the waste recycling infrastructure in the quantities required. Osmosis will continue to engage with CRH on these topics and discussed their expectation that the company publicly commits to setting a SBTi Net Zero Aligned target. The company currently has SBTi validated interim targets.

## **Iberdrola**      Topic: Climate change

Osmosis visited Iberdrola's Puertollano green hydrogen project as part of their ongoing engagement with the company on its decarbonization. The company is involved in over 60 green hydrogen projects in 8 countries across Europe, Americas and Australia, and has ambitious plans of producing 350,000 tonnes of green hydrogen per year by 2030.

The 20 MW electrolyser capacity Puertollano plant Osmosis visited is one of the largest green hydrogen production systems in the world. The site visit and their conversations with the company's team on the ground confirmed that while based on a mature technology, production of green hydrogen at scale and at competitive costs is not imminent.

Moreover, utilities will need to demonstrate that they have a value-add role to play in the production of green hydrogen, in addition to benefitting from the massive build out of RE required in the process. Iberdrola believes it has a natural role in moving beyond renewable energy supply to producing green hydrogen for end market use, such as fertilizer companies.

Osmosis will continue to engage the company to provide additional clarity and disclosure on its current positioning and plans regarding green hydrogen.

## UBS Infrastructure Fund

**Fund Manager collaborate engagement groups - links on page 41.**

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

## Engagement

[UBS Sustainability page available here](#)

[UBS Annual Report available here](#)

### **Phoenix Wind**      Topic: Sustainability

#### Background and goals

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

#### Action

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

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

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

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

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

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

## Outcome

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

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

## Schroders (Property)

Fund Manager collaborate engagement groups - links on page 41.

- 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](#)

## Old Swiss, Cambridge

**Initiative:** The Fund's investment adviser, Elwood Fund Management, have recently completed a brown field regeneration scheme on a former industrial site in Cambridge, CBI. The site is located on Cherry Hinton Road, just 10 minutes' walk from Cambridge Central station and 25 minutes' walk to the historic town centre.

The Old Swiss scheme, which included several warehouses, was purchased during February 2022, and reached Practical Completion in November 2023. The site has a rich history formerly being the Cambridge Tannery with the cattle market next door from 1887 until 1904 when it later became the Swiss Laundry which endured for 115 years.

The emphasis for this development was on sustainability rather than demolishing the old and starting afresh.

### Outcome:

The former industrial site has been respectfully restored and sustainably repurposed into a 50,000 sq. ft, high tech modern business space campus. Current occupiers include Hewlett-Packard and CATS Global Schools with more letting activity to follow.

Some of the sustainability initiatives and features of Old Swiss include the following:

The hi-spec tech and office workspaces have been retrofitted and repurposed wherever possible to save on embodied carbon.

By retaining the existing buildings, significant reductions in carbon emissions are achieved in the construction process versus demolition and new build.

The design uses materials that are as sustainable as possible, while at the same time maximising the energy efficiency of the buildings.

The scheme is designed to BREEAM Excellent and is currently in for assessment with the Building Research Establishment.

The scheme has an EPC of A.

**Old Swiss Before Regeneration**



**Old Swiss After Regeneration**



## Infracapital (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 41.

- 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](#)

ESG Update taken from Q4 2023 Managers Report

- Our most recent investment in Project Marble is an example of our investment to support sustainable economic development. The acquisition, which forms part of our Infracapital Greenfield Partners II portfolio, is a passenger rolling stock platform in partnership with Rock Rail. The platform will mobilise capital toward sustainable rolling stock to support the decarbonisation of public transport in Germany. A new 18 four-car fully electric fleet will be financed by the platform, entering into service in December 2026. In addition to the environmental benefit, the delivery of new trains seeks also to deliver a number of social benefits such as elevated passenger experience, increased capacity per train and higher operating frequency. Private infrastructure capital will play a crucial role in replacing ageing fleets and developing Europe's sustainable and resilient rail market and we are excited about the role Marble will play in this space.
- Infracapital co-founded charity Infrastructure Industry Foundation raised c.£1 million to build a social mobility programme for the industry, with a mission to empower and inspire those from least advantaged students across the UK.



## Pantheon (Infrastructure unlisted equity)

Fund Manager collaborate engagement groups - links on page 41.

- 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.

Pantheon has been instrumental in encouraging Manager A to evolve their ESG policy and framework. When Pantheon committed to Manager A's first fund in 2018, they had a high-level ESG policy in place, but not a clear process for integration of this policy into the investment process, nor any formal ESG reporting. Additionally, they were not signatories of the UNPRI. Pantheon encouraged them to further develop their ESG processes and reporting, and regularly checked in to understand their progress in signing on to the UNPRI. In preparation for their second fundraise in 2020, Pantheon are pleased to report that Manager A made significant progress on ESG matters. They signed the UNPRI in May 2020 and have strengthened their ESG process and reporting with the help of a consultant, including the publication of their first annual ESG report in 2020. They have also supported ESG initiatives at portfolio companies, particularly around climate change. One of their portfolio companies achieved carbon neutrality as early as 2020 (becoming the first tower provider to do so).

## IFM Infrastructure Fund

**Fund Manager collaborate engagement groups - links on page 41.**

- 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:** Buckeye Partners

**Topic:** Environment – Climate Change

**Rationale:** Buckeye represents c.12% of IFM's 2030 decarbonisation target of 2.02m tCO<sub>2</sub>e across infrastructure equity, including the IFM Global Infrastructure Fund.

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

**What have IFM done:** A 100% stake in Buckeye was acquired in November 2019.

IFM engages with Buckeye through our active management approach, either at the Board level where we have two seats, or through frequent direct interactions with Buckeye management.

Post-acquisition, IFM led the launch of a refreshed corporate strategy at Buckeye, which considers the risks and targets the myriad opportunities the energy transition presents for Buckeye in our views. As part of this refreshed strategy, Buckeye announced its commitment to contribute directly to the decarbonisation of the broader economy and meet the evolving energy needs of its customers by continuing to diversify its platform and offerings to enable less carbon intensive energy solutions, and to undertake decarbonisation efforts across its operations.

**Outcomes & Next Steps:** Buckeye created an alternative energy operating segment to focus on the development of energy transition opportunities, and is diversifying its platform and offerings through investment in and development of renewables, cleaner fuels, alternative energy, and other sustainable innovations, and through adapting its existing liquid petroleum products infrastructure to facilitate the transition to cleaner energy alternatives.

In January 2023, Buckeye completed the acquisition of an additional 12.5% ownership stake in Swift Current Energy ("SCE"), which was previously held by Nala Renewables and indirectly by Trafigura, bringing total ownership to 72.5%. During the current quarter, SCE continued to progress four projects across the US that are under construction (with total capacity of c.1.4GW) namely Double Black Diamond, Tres Bahias, Castle Gap and Harvest Gold.

During Q1 2023, Buckeye launched a subsidiary named BAES Infrastructure, a diversified energy company that will focus on the development, construction, and operation of energy transition projects. BAES

Infrastructure will house Buckeye's interests in OneH2 (a U.S.-based hydrogen infrastructure and fueling solutions platform), Bear Head Energy (a low carbon hydrogen and ammonia project in Nova Scotia), as well as SCE and other advanced-stage solar development projects.

In July 2023, Buckeye acquired Elysian Carbon Management ("Elysian"), a logistics and services-based carbon management platform focused on providing integrated end-to-end carbon capture and storage solutions to large scale emitters who are seeking to transition to low-carbon products and reach emissions reduction goals. Elysian's projects target permanent sequestration of captured carbon via underground storage.

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

Fund Manager collaborate engagement groups - links on page 41.

- 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 – ING Groep NV

**Engagement Objective** – As part of a wider discussion on Dutch financial institution ING's climate targets and strategy (the company is currently committed to a near term SBTi) M&G had a number of requests to better allow them to measure and track its progress, as well as encouraging a net zero commitment, beyond its near term commitment:

- As part of its regular reporting, M&G asked for clear data disclosure in a single place - They asked that this include financed emissions.
- Requested additional scope 3 categories reporting - currently category 15 and business travel only.
- Requested a continuation of CDP disclosure, which the company had stopped completing.
- M&G also asked for the publication of milestones in its climate strategy, with remuneration links.

**Engagement Result** – ING is reviewing the latest SBTi guidance for banks (which it helped to inform) before jumping the final hurdle and submitting its targets to SBTi for approval. It currently expects to be doing this in 2024. It is focussing its attention on materiality, so engaging with the largest emitting sectors on its loan book, and encouraging relevant sectors to sign up to SBTi. The company was very receptive to M&G's requests, and they will follow up in due course to see how far on board they've been taken.

UPDATE as of 09/11/2023: CDP disclosure completed this year.

**Action Taken** - M&G met with the company's lead on customer engagement, climate lead, and investor relations.

### Standard Chartered PLC

**Engagement Objective** - Standard Chartered, along with 3 other major banks, have disassociated

themselves from the SBTi, expressing reservations about the scrutiny of climate targets imposed on corporations. M&G wanted to understand this decision and ensure sufficient climate plans moving forward.

**Engagement Result** - Standard Chartered does not think that SBTi is the most appropriate net zero guidance for banks and it does not allow SC to run its business as it requires. SC feels it is very advanced vs peers and is clearly very on top of all climate risks and opportunities. The wider industry is adopting NZBA and M&G may need to adjust to incorporate NZBA for bank net zero pathways.

**Action Taken** - M&G had a meeting with the head of IR, Corporate Affairs and Head of Net Zero and Carbon Accounting

## Adams Street (Private Equity)

Fund Manager collaborate engagement groups - links on page 41.

- 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.

During the quarter, Adams Street engaged with 21 GPs to which East Sussex currently has exposure through their Adams Street portfolio. The nature of these interactions were as follows:

- 7 due diligence calls
- 2 operational due diligence calls
- 19 advisory board meetings
- 1 additional call to discuss capacity for future climate funds

## Harbourvest (Private Equity)

Fund Manager collaborate engagement groups - links on page 41.

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

### Engagement

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

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

### Engagement Update (from 2023 ESG Report)

#### ESG Overall

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

#### Climate Change

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

#### DEI (Diversity, Equity and Inclusion)

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

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

2023 ESG Report due to be issued in July 2024

## 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 2023

Fund	Mandate	Exclusion	% Fund Assets	% Fossil fuel exposure of total fund value
UBS Osmosis	Equity - Passive - Resource Efficient	Fossil Fuel free	8%	0.0%
Longview	Equity - Global		10%	0.0%
WHEB	Equity - Sustainable Global	Fossil Fuel free	5%	0.0%
Baillie Gifford	Equity - Global	Fossil Fuel free	4%	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%	0.1%
Adams Street	Private Equity		4%	0.1%
Ruffer	Absolute Return		10%	0.5%
Newton	Absolute Return		7%	0.3%
Schroders	Property		7%	0.0%
ATLAS	Infrastructure Equity		2%	0.0%
Pantheon	Infrastructure		2%	0.0%
UBS	Infrastructure		1%	0.1%
M&G	Infrastructure		1%	0.0%
M&G	Fixed Income - Private Debt		1%	0.0%
M&G	Fixed Income - Multi Asset Credit		7%	0.0%
M&G	Fixed Income - Corporate Bonds		3%	0.0%
UBS - Over 5 Year IL Gilt	Fixed Income - Passive Index Linked Gilts		5%	0.0%
IFM	Infrastructure		5%	0.3%
Cash	Cash		1%	0.0%
<b>Total Assets</b>			<b>100%</b>	<b>1.4%</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 \(UNPRI\)](#)