

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



**Environmental, Social & Governance  
Statement**

**Voting and engagement report**

**Q2 2022**

**1 April – 30 June 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, cash, 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](#).

## Collaborations

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 such as the ACCESS pool or the Local Authority Pension Fund Forum. Participation in the pool will increase the Fund’s ability to influence positive action among the companies it invests in and accelerate the transition to a sustainable pathway (the need to engage other pool members is also important). The Fund is additionally a signatory to the Principles for Responsible Investment (PRI), Institutional Investors Group on Climate Change (IIGCC) and Pensions for Purpose. The Funds Investment Managers will also have a number of memberships which are shown in the report below.

# 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)

\*Commitment made, Statement to be send to FRC for consideration in 2022

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

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

Engagement Activities completed in Q2 2022 through LAPFF are [available here](#)

## LAPFF Engagement Activity involving the Funds Head of Pensions

### London Stock Exchange group

**Objective:** A meeting with the Head of Sustainability sought to gain a better perspective of how the company can shape and promote the adoption of best practice Climate Transition Plans and to provide challenge on targets for 'real zero' for the group and for companies in its influence. This was a follow-up to the 'Say on Climate' collaborative letter sent to all listed UK companies last year asking them to put their transition plan to the vote.

**Achieved:** The importance of the quality of data supplied through company disclosure was identified. As an active member of the UN Sustainable Stock Exchange, the group has created its own disclosure guidance for London-listed firms, as well as providing educational resources around climate; sharing 'scorings' privately with companies and providing guidance on reporting to encourage and engage companies. The challenge for 'real zero' has in part been recognised through the group moving its own net zero targets from 2050 to 2040.

**In Progress:** It was considered it would be useful to progress a meeting with the senior independent director.

## Other LAPFF Engagement Activity

### Vale

**Objective:** LAPFF Chair, Cllr McMurdo, was able to meet with Vale Chair, José Penido, in person when he came to London in early April as part of his investor road show. The objective of the meeting was to discuss further what Vale could do to improve its response to the Mariana tailings dam collapse and to discuss LAPFF's visit to Brazil.

**Achieved:** Mr Penido was very open to LAPFF's input, discussing with Cllr McMurdo his time at Samarco – operator of the dam that collapsed at Mariana – prior to the dam collapse. LAPFF also conveyed a concern that Vale's investor presentations focus too heavily on technical aspects of the company's response to tailings dam safety. While these aspects are important, LAPFF is keen to see evidence that Vale is also consulting affected communities effectively as an additional early warning measure, and to ensure that community needs are being met. For example, although Vale has stated that it has erected additional safety walls at high-risk dams, affected communities have conveyed to LAPFF that these walls would trap them in if there were to be a dam collapse at any of these sites. It is therefore critical that the company and communities have good communication to ensure adequate and appropriate safety measures are taken.

**In Progress:** LAPFF will meet with Mr Penido and other Vale staff, as well as affected community members, during the visit to Brazil to understand better the obstacles to progress. Afterwards, a further assessment will be made about how to progress in a more effective manner.

### Occupied Palestinian Territories (OPT)

**Objective:** LAPFF reached out to several companies this quarter, continuing to push for them to undertake human rights impact assessments with regards to the Occupied Palestinian Territories (OPT) and for those that do to publish them.

**Achieved:** LAPFF first met with Booking Holdings in 2021 with a follow up meeting held this quarter. LAPFF spoke with the company about publishing a human rights statement which it has now subsequently done. It would appear that the company recognises it has a way to go in developing its human rights strategy across all conflict zones but is continuing to apply due diligence on its operations. LAPFF continued to emphasise its position, insisting that companies undertake independent, third-party human rights impact assessments. General Mills reached out in May to announce that it had sold its stake in a joint venture in East Jerusalem, leaving it with no further business operations in Israel.

**In Progress:** LAPFF's position remains that companies undertaking human rights impact assessments is the best way for investors to understand the risks associated with their investments in the region.

### National Grid

**Objective:** Having secured a 'Say on Climate' resolution at the AGM, LAPFF and other lead CA100+ investors had two meetings to assess progress in the company's climate transition plan.

**Achieved:** The first meeting with National Grid representatives was timed one day after the company issued its annual report, its Responsible Business report and notice of meeting for the AGM. It was evident that significant progress had been made, notably in disclosing a science-based medium-term Scope 3 emissions target, as well as a long-term Scope 3 target for 2050. The company has made a 'strategic pivot' to electricity in the UK, selling its majority stake in the gas transmission business and its Rhode Island Business. However, there are still challenges in New York state and Massachusetts in addressing the decarbonisation

of heat. These concerns were also discussed at a later meeting with the chair, Paula Rosput Reynolds, in June.

**In Progress:** A voting alert has been issued for the company AGM which will take place in mid-July.

Further information on the Funds activities and polices 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.

### IIGCC

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

#### **IIGCC response to EU Corporate Sustainability Due Diligence Directive**

June 2022

The European Commission published their [proposal](#) for a Corporate Sustainability Due Diligence Directive on 23 February 2022, which would require companies to implement due diligence requirements covering the adverse human rights and environmental impact of their own operations, and across the value chain. Certain companies would also be required to adopt plans to ensure their business model and strategy are aligned with 1.5°C.

On 31 May, IIGCC published a position paper setting out our key recommendations to ensure the proposals uphold the objectives of the European Green Deal and foster approaches to climate risks and opportunities that prioritise long-term perspectives over short-term considerations.

#### **IIGCC, PRI and UKSIF letter to the UK Prime Minister calling for natural gas to be excluded from the UK's 'green taxonomy'**

June 2022

The CEOs of three leading institutional investor-focused organisations – [the Institutional Investors Group on Climate Change \(IIGCC\)](#), [PRI](#) and [UKSIF](#) – have published an open letter to the UK government, expressing strong opposition to the possible inclusion of natural gas activities in the UK's 'green taxonomy.'

The letter comes in response to recent media reports that the UK Government is actively considering this step. IIGCC, PRI and UKSIF together believe this action would undermine the credibility of the UK's taxonomy for many investors, while significantly damaging the UK's leadership position on sustainable finance for years to come.

#### **IIGCC response to EU "Fit for 55" Package**

June 2022

The European Commission published their "Fit for 55" package in July 2021, with the aim to ensure that EU legislation is updated and revised to meet the goals of the European Green Deal.

On 22 June 2022, IIGCC wrote to relevant EU Ministers setting out our strong support for ambitious and speedy resolutions to ongoing negotiations on key "Fit for 55" files. IIGCC's letter specifically focused on the

EU Emissions Trading System and Carbon Border Adjustment Mechanism (CBAM), energy efficiency and renewables Directives, and energy performance of buildings.

## **IIGCC response to BEIS updated Green Finance Strategy**

June 2022

The UK government's Department for Business, Energy and Industrial Strategy (BEIS) published their [Call for Evidence](#) on the updated Green Finance Strategy on 11 May 2022. The Call for Evidence was issued to obtain evidence and views from relevant stakeholders to support the further development of the Green Finance Strategy. Key objectives of the Strategy include capturing green finance opportunities, and 'greening' the UK's financial system.

On 22 June, IIGCC submitted a response to BEIS's Call for Evidence, setting out our key recommendations for the development of a leading global centre for green finance, including the need for credible, science-based policy frameworks, global interoperability and promoting flexibility and innovation.

## **LAPFF**

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

LAPFF has responded to the Transition Plan Taskforce's call for evidence on a framework for private sector climate transitions. The principles that LAPFF wish to see embedded throughout this consultation are:

- Ensuring plans comparable to 1.5°C scenario cover Scopes 1-3 emissions, and include short, medium and long-term targets (with definition of what time periods they cover).
- Focus on actual emission reductions (real zero) rather than offsetting and carbon capture (net zero).
- External verification of emission numbers and whether numbers aligned with 1.5°C.
- Include social dimension in transition plans – effectively ensuring transition plans are also 'just' transition plans.

LAPFF's response draws upon the Forum's experience of engaging with private sector companies on climate plans and a just transition

## **PRI**

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

### United Kingdom

The CEOs of IIGCC, PRI and UKSIF published an open letter to the UK Prime Minister outlining the case against including natural gas in the UK's taxonomy. The PRI and other signatories emphasise the need for a credible, science-based taxonomy that is fully aligned with the UK's ambitious net zero strategy. Gas may be necessary as a 'bridge' during the transition, but it should not be labelled as 'green'.

The PRI are supportive of plans to update the Green Finance Strategy and welcome the opportunity to respond to this call for evidence. In our response, we outline some high level recommendations around maintaining ambition for reporting and disclosure frameworks such as SDR and the UK Green Taxonomy, as well as ensuring consistent messaging between policymakers, both within the UK and internationally. We also call for a shift towards a regulatory environment that permits and enables sustainability outcomes-focused investment.

## European Union

The PRI welcomes increased attention by the European Commission to the market for ESG ratings and data products and the providers of these products, given the important role these products play in investment processes. PRI recommends the Commission focuses regulatory action on improving transparency of methodologies and processes, and ensuring providers have appropriate governance processes in place.

The PRI and Eurosif have written to European Parliament, Commission and Council of the EU, on behalf of the sustainable investment industry, to emphasise the need for a CSRD framework that promotes meaningful transition efforts on the part of companies and provides investors with effective tools to steer capital towards sustainability leading companies. It is crucial that, at the end of the trilogue negotiations, CSRD mandates companies to prepare transition plans and disclose the scenarios used for these plans as well as the key assumptions underpinning these scenarios.

## United States of America

The PRI recommends that the State Department considers the role of investors in the National Action Plan. The PRI supports improved disclosure on human rights and worker-related information along with clarification that human rights considerations fall within the fiduciary duties of investors.

The PRI supports the proposed disclosure requirements for publicly listed companies regarding cybersecurity risks and governance. The PRI supports the inclusion of disclosure requirements related to governance, such as disclosure of policies and procedures, board oversight and expertise, as well as management's role in mitigating cybersecurity risks

## Global

The PRI supports the recommendations of four key policy areas—across finance, climate and nature, energy and social issues—to drive a just, affordable, and urgent energy transition, in order to transform our economies and improve security, sustainability and quality of life for citizens in G7 countries and the world over.



## Activities and training undertaken directly by the Fund

The Fund has undertaken the following activities during Quarter 2 of 2022.



### Fund manager meetings

- |           |                 |                          |  |
|-----------|-----------------|--------------------------|--|
| <b>1.</b> | Baillie Gifford | Global Alpha Equity Fund | Focus on Portfolio Exclusions & Voting Policy  |
| <b>2.</b> | Wheb            | Sustainability Fund      | Focus on Biodiversity Risk & Energy Transition |
| <b>3.</b> | Wellington      | Global Impact Fund       | Focus on Engagement activity & Plans           |
| <b>4.</b> | Pantheon        | Infrastructure Fund      | Focus on Climate risk assessment progress      |
| <b>5.</b> | Osmosis         | Resource Efficiency Fund | Focus on Benchmarking & Paris Alignment        |

### Industry meetings, events and training

- 1. Briefing on the IPCC Climate Change 2022 Report** - Mitigation of Climate change, presented by UNEP GEN
- 2. Pensions for purpose** - TCFD in practice
- 3. Climate change - the science and TCFD reporting** - Training event led by University of Sussex Climate scientist

**4. LGPS in conversation Live** - “The Future of Food in Asia and its Impact on People and Planet”

**5.** Climate Awareness Training provided by ESCC

**6. Pensions for purpose** - Biodiversity and climate action: why does biodiversity matter, and how can nature-related financial disclosures help?

**7. PLSA LA Conference**

- Evaluating your fund's physical climate risk
- Complying with TCFD for pensions requirements in the LGPS
- New developments in sustainable equity investing
- UK Social Housing – Why the time is right
- Net Zero by 2050
- Local private equity investing
- Renewable infrastructure and its role in the energy transition

**8. Affordable housing training from Gresham House**

- Introduction
- Investment Characteristics Affordable Housing
- Investment Fundamentals - Supply/Demand Drivers
- Risk/Return characteristics across housing sub sectors
- Investment fundamentals for Build to Rent
- Investment fundamentals for Shared Ownership
- Case Studies for Shared Ownership

## 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

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

Isio is responsible with providing us with investment advice, as well as reporting on our current investment and strategy

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](#)

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)

## 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.

## LONGVIEW (listed equity)

### Part of Access Pool

**Fund Manager collaborate engagement groups - links on page 34**

- FRC Stewardship Code
- Institutional Investors Group on Climate Change (IIGCC)
- 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	15	1	14	0	1	14

**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 Q2 22 engagement examples provided to us are below:

#### Company A – May 2022

Longview conducted a series of engagements with Company A in 2021 and early 2022 on the topic of executive remuneration. Longview had communicated to the company that it was unlikely to vote in favour of its new remuneration policy unless the wording reflects the importance of profit metrics as part of the annual incentive scheme for executives.

In May 2022, the revised remuneration policy was released, including the following two changes to the Annual Incentive Scheme: Company A will ensure that at least 60% of future years' incentives will be based on financial metrics (up from 50% in the original proposal); and the company intends that “profit will be the predominant financial metric.”

Company A has taken positive steps to further align executive remuneration with shareholder interests and subsequently Longview voted in favour of the policy at the AGM in June 2022.

#### Company B – May 2022

In May 2022, Longview met with Company B's CEO and Investor Relations representative to monitor the progress of a previous ESG engagement held in March 2021 and enquire about updates made in the company's 2021 Corporate Responsibility Report. Longview also intended to follow up on Company B's LTIP performance targets disclosures. In March 2021, Longview had conveyed to Company B that although the company's climate-related efforts compared well to industry peers, they expected them to provide more information on specific targets and metrics.

Following our engagement in 2021, Company B published a comprehensive 2021 Corporate Responsibility Report in which they shared their climate target set in 2020 to reduce their absolute Scope 1 and Scope 2 emissions by 30% by 2030. Also, as part of the portfolio-wide Climate Commitment Audit that Longview held in 2021, Longview had identified that the company set its target in-line with the medium-term goals of the Paris Climate Agreement while stopping short of committing to net-zero by 2050. In this engagement,

Longview enquired about the company's plans to commit to net-zero in the future and for an update on their analysis of Scope 3 emissions reduction.

Company B explained that they are currently focused on making tangible improvements in their emissions reduction, however, they may commit to a net-zero target in the future. It is difficult for them to commit to a target beyond 2030 without identifying and potentially influencing Scope 3 emissions in their value chain. In their own words, the company does not wish to simply contribute to carbon off-setting programmes and has chosen to focus its efforts on emissions reduction. Longview also enquired about Company B's stance on Say-on-Climate. Company B confirmed that they would not be opposed to resolutions that would allow the company to improve its position on climate issues although they have not spent time thinking about this specific topic. The immediate challenge for the company is identifying how they can make improvements in sources of emissions that they cannot control as part of their Scope 3 analysis with suppliers. They are engaging with their largest clients and suppliers on this effort.

On remuneration, Longview had voted against Company B's executive pay proposal in 2019. Whilst Longview recognise an improvement in performance-based pay alignment since 2019 with better disclosure, they have found that Company B's LTIP performance thresholds are not disclosed. Company B confirmed that they are hesitant to make public such sensitive information to their competitors. However, they also agreed that LTIP targets closely match disclosed strategic objectives. When pressed, they indicated that they would consider disclosing these thresholds in the future. Going forward, Longview will keep track of Company B's progress with Scope 3 analysis and remuneration disclosures, and they may follow up with the company as appropriate.

### **Company C – April 2022**

In April 2022, Longview held a call with the Corporate Secretary and Chief Governance Officer, the Head of Investor Relations and the Director of Executive Compensation on behalf of Company C. The call was arranged as a follow-up on the 2021 AGM shareholder proposals in favour of a Diversity and Inclusion report and the right to act by written consent.

Firstly, Company C discussed the shareholder proposal for a Diversity and Inclusion report. They confirmed that following shareholder feedback, including Longview's on 22nd April 2021, the company took action to provide more transparent Diversity, Equity and Inclusion (DEI) disclosures. EEO-1 data (May 2021) was included in their full ESG report (September 2021) which detailed Promotion, Recruitment and Retention data. Given the shareholder proposal and wider feedback, the company also decided to publish a dedicated inaugural DEI Report, on 17th November 2021. Shareholders, proxy voting agents and ESG ratings providers viewed these reports as adequate disclosures of acceptable DEI standards. The shareholder proposal was submitted on 15th November 2021 and subsequently retracted in satisfaction of the DEI report publication. Secondly, Company C explained that the shareholder proposal regarding the right to act by written consent was not raised in the 2022 AGM. The lead proponent who submitted the proposal in 2021 no longer saw the issue as a priority. In response to the vote, Company C sought feedback from other shareholders on the topic. Consultations were unable to establish shareholder consensus or determine majority support for a change in the right to act. The company believes that the shareholders' right to call a special meeting is sufficient from a Governance perspective, however the topic is reviewed at the annual board meeting. Longview is now satisfied with the company's position on this topic but will monitor future proposals on the issue.

## Newton (Diversified Growth Fund /Absolute Return)

### Part of Access Pool

#### Fund Manager collaborate engagement groups - links on page 34

- Climate action 100+
- FRC Stewardship Code
- 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)

#### Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
32	1,177	992	139	46	996	135

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

#### Engagement

Newton engaged with 31 issuers for the purpose of raising ESG concerns or to seek further information in the quarter

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

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

#### Example voting rational

##### Amazon.com inc

Newton voted against keeping the current auditor due to excessive auditor tenure, as well as voting against executive pay structure. Newton also voted against a number of proposals deemed un-additive as the company provides sufficient disclosures (e.g retirement plans and worker health and safety) and for a number that were deemed beneficial to shareholders (e.g human rights due diligence and efforts to reduce plastic use report)

#### Example ESG Engagement

##### Barclays

UK Bank – Equity holdings

We participated in a collaborative engagement meeting with senior representatives from the bank to discuss its climate transition plan. Positive changes included the adoption of a 'net zero by 2050' transition scenario for its loan book, which is an improvement from the International Energy Agency (IEA) Sustainable Development Scenario previously used which does not foresee net zero prior to 2070. However, a number of concerns remain with the plan, including the targets set for portfolio decarbonisation. Although the top end of the target range provides alignment with a 1.5 degrees scenario, the bottom end of the range appears to permit the continuation of business as usual. The bank emphasised that it is aiming for the top end, and that information on the bottom end of the range had been provided to make the challenges of the transition clear. While that may be the case, we consider the lower end of these targets to fall short of setting an ambitious tone from the top. Additionally, the bank has set an intensity target for the power sector, which is not considered best practice given that technologically viable and economically rational alternatives exist in this space. On the other hand, an intensity target is considered reasonable for the steel sector at this time, as significant technology and pricing challenges continue to exist around decarbonisation. The bank committed to provide absolute emissions disclosures as well as to prove that it is not growing absolute emissions while reducing emissions intensity. We discussed the bank's lack of policy around fossil fuel expansion. The bank was transparent in the challenge it is facing: if it follows the lowest cost of transition method in the IEA net zero 2050 scenario, which states that no new exploration is required, it will have to largely divest from the energy sector. This binary outcome would be financially challenging, and the bank prefers to focus on its role as an 'agent of change'. Finally, the bank confirmed it would not disclose its green financing target prior to its AGM as it is still being developed. We were disappointed with this given the banking sector's role in financing scalable affordable substitutes, which is the main method of realistically accelerating the transition in a responsible way that avoids high emissions and high prices.

## **PepsiCo**

US consumer discretionary company – Equity holdings

We participated in a collaborative engagement between Healthy Markets at ShareAction and a number of senior executives at the company. This was ShareAction's first meeting with the company and the main objectives were to acknowledge the launch of its sustainability initiative in 2021 and to hear an update on its 'positive choices' pillar and its targets to evolve its food and beverage portfolio. We also sought to encourage the company to disclose and set targets to increase the proportion of sales generated from healthier products, using a government-endorsed independent nutrient profiling model (NPM). The company seemed keen to engage and take investor feedback into account, by contrast to many other US companies. We noted that it will report against Nutri-Score for its Europe market in its June report. It also has its own internal NPM which it will continue to use across its global portfolio. As next steps we will be assessing the outcomes of the June report and additional commitments and continue to encourage the company to report against government-endorsed NPMs across its global portfolio.



# Ruffer (Diversified Growth Fund /Absolute Return)

## Part of Access Pool

### Fund Manager collaborate engagement groups - links on page 34

- Climate action 100+
- FRC Stewardship Code
- 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
19	478	401	74	3	398	80

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

### Ruffer voting guidelines and policies:

Ruffer – voting policy [available here](#)

### Engagement

#### General Motors

Ruffer met with the company to discuss their concerns about the possibility of child labour in the General Motors supply chain, following a shareholder resolution put forward at this year’s annual general meeting. The proposal requested the company provide a separate report to establish whether or not child labour exists in their supply chain of electric vehicles.

Ruffer felt engaging directly with General Motors would be a more effective way to voice their concerns over the lack of independent audits of suppliers and encourage a higher quality reporting of child labour prevention procedures in its sustainability report.

The company committed to reporting comprehensively on supplier auditing and wider efforts to combat child labour in its sustainability report. They emphasised their lack of hesitation to terminate any relationships where there are indications suppliers are not complying.

#### Hennes & Mauritz

Ruffer met with H&M representatives to explain why they voted against the re-election of two directors on the Board and to ask whether the board has a plan in place to refresh the Audit Committee. As reflected in their vote at the most recent annual general meeting (AGM), as well as at previous AGMs, Ruffer take the view that both Mr Dahlvig and Mr Sievert are not independent.

Finally, Ruffer discussed the policies H&M have in place to address possible conflicts of interest between the majority family shareholder and other shareholders, especially given the composition of the board. They were reassured that the publicly available code of ethics was explicitly a part of the Board's order of procedure and any market abuse regulation was taken very seriously.

## **Shell**

Shell invited Ruffer to meet with the newly appointed Chief Financial Officer, Sinead Gorman, to discuss strategy and recent results as a part of a wider group meeting. The key topics of discussion were Shell's capital programme, and its shareholder returns framework.

Ruffer were not completely satisfied with the coherence of Shell's energy transition spending plan, nor its consistency with the company's strengths and will be monitoring the company's response to investors' concerns over the coming quarters.

Ruffer have long supported Shell's differentiated approach to the energy transition by targeting electric vehicle charging, but the company has recently announced a move into the commoditised renewable power space, mainly solar and offshore wind energy. Ruffer anticipate challenges in finding genuine differentiation in this area and will monitor the company's progress closely.

## **Unibail-Rodamco-Westfield**

URW contacted Ruffer to discuss the resolutions to be put forward to shareholders at the upcoming annual general meeting. The proposals cover three areas: re-election or election of supervisory Board members, proposed changes to executive pay, and approvals related to share issuance and buybacks. During the meeting Ruffer also briefly discussed the companies' 'Better Places 2030' Corporate Social Responsibility (CSR) strategy.

## Baillie Gifford

### Part of Access Pool

#### Fund Manager collaborate engagement groups - links on page 34

- FRC Stewardship Code
- 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
32	929	881	41	7	871	9

**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

Abcam PLC	UK	AGM or EGM Proposals
Beyond Meat, Inc.	US	AGM or EGM Proposals, Corporate Governance
Duolingo	US	Environmental/Social
Ocado Group PLC	UK	AGM or EGM Proposals
SAP SE	Ge	AGM or EGM Proposals, Corporate Governance
Toyota Tsusho Corp	Ja	AGM or EGM Proposals

## Storebrand Global ESG Plus

### Fund Manager collaborate engagement groups - links on page 34

- 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)

### Voting

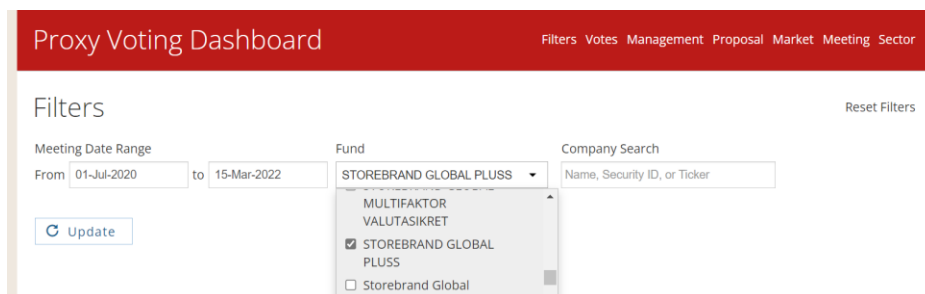
Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
210	3,369	3,099	220	50	2,970	399

**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. It includes a navigation bar with 'Filters', 'Votes', 'Management', 'Proposal', 'Market', 'Meeting', and 'Sector'. The 'Filters' section is active and contains:
 

- Meeting Date Range:** From 01-Jul-2020 to 15-Mar-2022, with an 'Update' button.
- Fund:** A dropdown menu showing 'STOREBRAND GLOBAL PLUS' selected, with other options like 'MULTIFAKTOR VALUTASIKRET' and 'Storebrand Global' visible.
- Company Search:** A text input field with the placeholder 'Name, Security ID, or Ticker'.

 A 'Reset Filters' link is located in the top right corner of the filter area.

### Storebrand voting guidelines and policies:

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

### Engagement

Storebrand – Sustainability page [available here](#)

Storebrand – Quarterly Reports [available here](#)

## Wellington (Listed equity – impact fund)

### Fund Manager collaborate engagement groups - links on page 34

- FRC Stewardship Code
- 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
57	660	609	32	36	598	29

**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 2 engagement report:

“The second quarter is the busiest time of year for proxy voting, an important engagement tool that allows us to be more transparent with our investee companies and drive change across our holding companies. This proxy season, we engaged extensively with Baxter on the subject of a board member we believe to be “over-boarded”. Baxter (Health, US) is a diversified, high-quality company, which improves health outcomes and access by innovating medically necessary devices and hospital products. We discussed our concerns regarding one of their board members being over boarded prior to the vote, allowing the company to revisit the over-boarding topic with the board member in the future. We will continue to monitor this development carefully and expect an ongoing dialogue with Baxter regarding the progress they are making in reducing board member responsibilities down the line.”

## WHEB (Listed Equity – Impact fund)

### Fund Manager collaborate engagement groups - links on page 34

- Access to Medicines Foundation
- B Corps
- British Standards Institute
- Carbon Disclosure Project
- Chemical Footprint Project
- Climate action 100+
- EUROSIF
- FRC Stewardship
- 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)

### Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
31	88	75	12	1	75	12

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

### Resolutions voted on in the quarter:

WHEB – detailed voting record (NB Q2 22 voting record is currently being uploaded) – [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

### Smurfit Kappa – allegations of land rights abuse in Colombia

Smurfit Kappa has faced criticism of its operations in Colombia where indigenous communities have accused the company of damaging local ecosystems through their commercial forestry activities and of illegal ownership of ancestral lands belong to the Misak people.

WHEB have been invested in Smurfit Kappa for nearly nine years and over this time we have engaged regularly with the company to understand the nature of their operations in Colombia. The company acquired the properties in the 1940s and neither the company nor we have heard of any of these types of allegations until protests began in 2021. All of the company's activities in the country have been certified by the Forestry Stewardship Council (FSC) since 2003. As part of this certification the company has had 19 independent international audits undertake on them with no corrective action, recommendation or any concern regarding Smurfit Kappa's conduct towards indigenous communities.

We are minded to agree with the company which has emphatically rejected the allegations of illegality or damage to local ecosystems. It seems to us that the company has been an example of a responsible business in their communities. However, we will continue to engage with the company not least to understand why these concerns have arisen in the past few years and what else the company might do to address legitimate grievances.

## Atlas (Infrastructure)

### Fund Manager collaborate engagement groups - links on page 34

- FRC Stewardship Code
- 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
15	208	204	2	2	206	2

**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 Examples:

SSE Environmental/Climate Closed June 2021

Objective: Encourage greater clarity / commitment toward retirement of gas plants to reduce emissions by 2030 – this objective was partially achieved, with closure dates obtained for gas fired generators

Avangrid Environmental/Climate Ongoing

Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet, emissions reduction targets to be included in management KPI's

- There has been no change to company's emissions pathway, and Atlas are currently awaiting the companies commitments with regard to the retirement of PNMR Plants



## UBS Osmosis Resource Efficient Core Equity (ex- Fossil Fuels) fund

### Fund Manager collaborate engagement groups - links on page 34

- Carbon Disclosure Project
- Climate action 100+
- FRC Stewardship Code
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers 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
23	3,226	2,751	390	85	2,797	429

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

### Resolutions voted on in the quarter:

UBS – voting record (Q2 2022) – [available here](#)



### Engagement

UBS Sustainability page available [here](#)

UBS Annual Report available [here](#)

Engagement example: Repsol

At the 2022 AGM, Repsol put forward its climate strategy for an advisory shareholder vote. As part of their collaborative work with other members of Climate Action 100+, UBS Asset Management UK engaged with Repsol in regard to their decarbonisation plans, and provided substantial feedback on their expectations. Ahead of the vote on the climate strategy at the 2022 AGM, UBS reviewed the Repsol decarbonisation plan, and we were pleased to see that the company provided a detailed roadmap to reduce their Scope 1 & 2 emissions in line with a 1.5 degrees scenario.

While this is clearly a step in the right direction, most emissions in the Oil & Gas sector are classified as Scope 3, hence UBS scrutinised the company's intentions in this respect particularly closely. Prior to the AGM, Repsol held its Low Carbon Day, when updated carbon reduction targets were presented, aiming at Net Zero by 2050. While such targets included some Scope 3 emissions, these were only limited to the use of products coming from the company's upstream business, thus not taking into account Scope 3 emissions linked to downstream operations. This was a crucial point in UBS' analysis, as Repsol owns a sizeable refining (i.e. downstream) business, and Scope 3 emissions linked to those operations were excluded from the carbon reduction strategy. Given this crucial detail, UBS decided to vote against the company's climate strategy. Their analysis of the company's climate strategy over time led to a different voting outcome from the consensus of proxy advisors who were supportive of the plan, reflecting their view that independent and detailed analysis is essential when reviewing climate proposals.

## Schroders (Property)

### Fund Manager collaborate engagement groups - links on page 34

- 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](#)

## Infracapital (Infrastructure)

### Fund Manager collaborate engagement groups - links on page 34

- 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 example – GB Railfreight

GB railfreight is the UK's third-largest rail freight operator, providing essential haulage and ancillary rail services to a variety of critical end-user segments

GBRf contributes to sustainable cities by investing in sustainable transport solutions, operating a modern and well-invested fleet of more than 150 locomotives and 1,500 wagons, to connect communities and provide goods

GBRf are developing a KPI to tie CO2 emissions with tonnes of goods moved to draw a comparison with other Free of Charge (FOC's) and the road haulage business in the UK

During 2021, the business attended numerous meetings with Great British Railways (GBR) including nominating GBRf employees to carry out a deep-dive into policy and strategy, access, commercial, facilities and train planning

## Pantheon (Infrastructure)

### Fund Manager collaborate engagement groups - links on page 34

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

### Engagement

Pantheon - ESG Page [available here](#)

Pantheon - ESG Reports [available here](#)

Pantheon don't 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.

### Achievements in quarter

Pantheon won the Diversity & Inclusion leader of the Year at the Real Deals Private Equity Awards 2022

## M&G (Fixed Income)

### Fund Manager collaborate engagement groups - links on page 34

- 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](#)

M&G Have yet to produce a report for 2022 engagement, however the following has been taken from their 2021 report:

#### Priorities for 2022

*“Our key priority for 2022 remains to implement the steps required to deliver our 10 point sustainability plan as detailed on page 40 (Of 2021 annual report). This involves publishing interim net zero targets for our asset owner, as a member of the Net Zero Asset Owners Alliance and working to achieve our net zero carbon emissions goals for our business by 2030 at the latest, and by 2050 for our investment portfolio. We will also continue to build our reputation as a champion of diversity and inclusion, and use our influence to encourage other companies to deliver improvements.”*

## Adams Street (Private Equity)

### Fund Manager collaborate engagement groups - links on page 34

- 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](#)

Adams street is currently working on an inaugural ESG report, which will be published by the end of the summer. It will be available on their website and will include results from its annual GP survey, ESG/Impact Investments and other information.

## Harbourvest (Private Equity)

### Fund Manager collaborate engagement groups - links on page 34

- 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](#)

Some further detail on engagement with underlying GPs will be contained in the Annual Reports for some of their underlying funds which will be available on Harbourvest's website in due course.



## 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. Below table lists fossil fuel exposure as of 30<sup>th</sup> June 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	11%	0.0%
WHEB	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Baillie Gifford	Equity - Global	Fossil Fuels free	4%	0.0%
Wellington	Equity - Sustainable Global	Fossil Fuels free	5%	0.0%
Storebrand	Equity - Passive - ESG Plus	Fossil Fuels free	11%	0.0%
Harbourvest	Private Equity		4%	0.1%
Adams Street	Private Equity		5%	0.1%
Ruffer	Absolute Return		12%	0.4%
Newton	Absolute Return		11%	0.4%
Schroders	Property		10%	0.0%
ATLAS	Infrastructure Equity		2%	0.0%
Pantheon	Infrastructure		2%	0.0%
UBS	Infrastructure		1%	0.0%
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%
<b>Total Assets</b>			<b>100%</b>	<b>1.2%</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 \(UNPRI\)](#)