



East Sussex Pension Fund Statement on Israel and the Occupied Territories

The East Sussex Pension Fund (the Fund) recognises that Environmental, Social and Corporate Governance ('ESG') issues can have a material impact on the long term performance of its investments. ESG issues can impact the Fund's returns and reputation. Given this, the Fund is committed to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations.

Investors have a role in shaping and influencing company actions relating to human rights bringing the S of ESG into focus. Social performance of companies considers the operational impact on labour and other human rights issues of people and communities in which it engages. Currently metrics and transparency on social factors are less evident than factors such as environmental issues and can make traversing within social factors of ESG more difficult and less consistent.

The Fund has a long-standing commitment to stewardship and active ownership. Reflecting this, the Fund's Investment Strategy Statement (ISS) confirms that the Fund has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council and expects its investment managers to be signatories to, or to comply with, the Code. The Fund has previously reported on the original 2012 Stewardship Code and will be reporting based on the more onerous 2020 Stewardship Code in 2022. Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary.

The Fund recognises that voting at AGMs, for example, by voting against reappointment of board members, or audit committees, against reappointment of auditors, co-filing shareholder proposals and through engagement by meeting with the board of directors or senior managers can impact and drive change in companies and society and enables the Fund to be a responsible investor.

The Fund seeks to work collaboratively with like-minded institutional shareholders in order to maximise the influence that it can have on individual companies. This is achieved in a variety of ways, including through the membership of the LAPFF (Local Authority Pension Fund Forum) and other engagement groups. Collective engagement gives the Fund greater leverage over a company due to the aggregation of holdings increasing the individual power and influence of investors in order to push for change.

Following a number of questions on the Fund's holdings by members of the Fund or other stakeholders, the Fund has assessed its exposure to companies flagged by United Nations Human Rights Office of the High Commissioner's ("OHCHR") A/HRC/37/39 Report, where there were grounds to conclude companies activities may enable and support the establishment, expansion and maintenance of Israeli residential communities within Palestinian territories.

To support the review, the Fund has kept close links with LAPFF, who have been carrying out engagement on behalf of the member funds. LAPFF have been liaising with Palestinian and Jewish interest groups in respect of 16 companies operating in the occupied region where member funds have some investment. This includes all but one named company held within the Fund in March 2022 and all those held at March 2021. We are supportive of the LAPFF position on the occupied territories, which seeks to encourage companies operating in that jurisdiction to review and have regard for the human rights of all individuals with whom they interact in the conduct of their operations. In addition, the Fund has liaised with its investment managers who have exposure to a small number of companies on the OHCHR list to understand the risk to the value of the Fund of these holdings from a human rights perspective

Investment decisions in late 2020 and early 2021 have moved the Funds equity holdings to investments that have exclusion policies and indexes aligned to opportunities around the climate challenge, resource efficiency and exclude UN Compact Violators.

The Fund will continue to assess and review its exposure to underlying companies through its investment managers and look to identify emerging issues to ensure our investments are not complicit in any violations of human rights or international law, anywhere in the world.