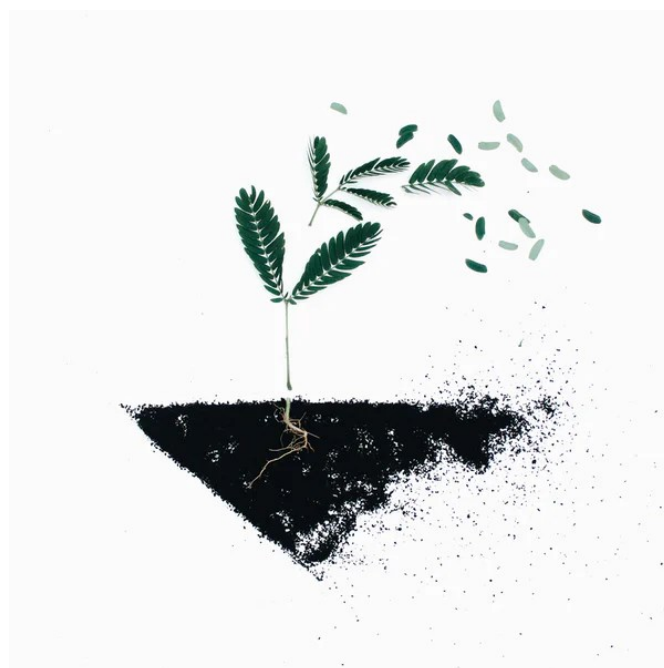


**E S East Sussex  
P F Pension Fund**



**Environmental, Social & Governance  
Statement**

**Voting and engagement report**

**Q1 2022**

**1 January - 31 March 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 Q1 2022 through LAPFF are [available here](#)

Examples of engagement activity are:

### Shell

**Objective:** Further to LAPFF's position on Shell, which is one of scepticism about Shell's climate change plans, the Forum has sought improvement in the plan and its delivery against targets. Shell does not have a 1.5°C plan, which would require both time dependent actions and a carbon budget (the total future emissions over time). Shell instead has vague aspirations of 'net zero' by 2050 which doesn't cover the necessary emissions reductions prior to 2050, and which is: i) dependent on customers, and ii) relies on vague offsets, such as Carbon Capture and Storage (CCS) and trees.

**Achieved:** A joint meeting with CA100+ members and the CEO of Shell was held in March 2021, which was the first meeting after the decision of the Dutch Court in May 2021 which also concluded that Shell's plans were not adequate. There was no discernable shift in either the strategy or the path to limiting global warming to 1.5°C. But there now appears to be more scepticism in line with the LAPFF position from asset managers and owners that had previously been supportive of the Shell plans in 2021

**In Progress:** The war in Ukraine has highlighted that in addition to climate change problems oil and gas also carry problems with the security of supply, the ethics of supply and the volatile price (as opposed to cost) of oil and gas. These matters will be built into future LAPFF engagements. High fossil fuel costs also make already unviable CCS-type projects even less viable

### Occupied Palestinian Territories (OPT)

**Engagements Objective:** LAPFF continues to ask a number of companies to undertake human rights impact assessments on their operations in the Occupied Palestinian Territories (OPT).

**Achieved:** LAPFF met with two companies this quarter: Motorola, alongside representatives for Local Government Pension Scheme (LGPS) Central, and Bezeq. Both meetings were somewhat introductory and a starting point to continue dialogue going forward. Bezeq is the first company LAPFF has met on this topic that operates under Israeli state law, and provided an overview of its operations and what areas it operates in. LAPFF also met with the UN Special Rapporteur on Human Rights to discuss a letter that was sent to LGPS Funds, as well as further information on company positions on the list and the process for companies being removed from it.

**In Progress:** LAPFF will continue to engage with a number of companies it initially engaged with – a large number of whom do not appear to have sufficient human rights due diligence processes in place, or even a human rights policy. The Forum will consider voting recommendations on these, given that the OPT is definitively a conflict zone, and such zones require enhanced human rights due diligence.

### Chipotle

**Objective:** LAPFF has been engaging Chipotle for over two years, the primary objective being to encourage the company to undertake a full value chain water risk assessment as well as the disclosure of quantitative performance metrics and best practices for water management targeted to the areas of water stress. LAPFF argued that without this assessment, Chipotle would not be well placed to identify its total water risk exposure and prepare for water supply uncertainties associated with climate change moving forwards.

**Achieved:** After a period of heightened engagement with the company, LAPFF member Greater Manchester Pension Fund (GMPF) filed a resolution ahead of Chipotle’s 2022 AGM. The proposal requested the company undertake an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk. Following discussions between LAPFF Executive member John Anzani, a GMPF representative and the company, an agreement was reached that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon formal commitments being made which will see significant improvement to the company’s approach to managing water risk throughout its entire value chain. The specific actions being taken by the company will be disclosed to the market upon publication of its sustainability report in April, at which time LAPFF can elaborate more on the specific actions Chipotle is taking in this space. The commitments represent significant progress in the company’s sustainability practices, the direct result of LAPFF’s active engagement.

**In Progress:** Part of the agreement with the company included a commitment to continuing engagement through 2022. LAPFF will monitor the company’s performance against its commitments on an ongoing basis and meet with the company to discuss progress during the year.

### LAPFF Engagement Activity involving the Funds Head of Pensions, February 2022

#### Uyghur Engagements - Dell

**Objective:** The Uyghurs, a Turkic ethnic group native to Xinjiang in China, and other Muslim groups in the region, have reportedly been detained against their will for a number of years. There have been instances of evidence of Uyghurs being used for forced labour in the region, amongst other accusations of human rights violations. A large number of companies have been instigated in having instances of Uyghur forced labour in their supply chains, most notably by the Australian Strategic Policy Institute (ASPI) in February 2020. LAPFF initially reached out to eight companies to discuss supply chain due diligence and to ascertain whether these companies had found instances of Uyghur forced labour in their supply chain.

**Achieved:** To date, LAPFF has met with two of the eight companies, Dell and Cisco, and has had correspondence on the matter with a further two. Tesco has agreed to a meeting in May 2022, shortly after publishing the annual report and sustainability materials, whilst Microsoft also provided further details. Both

Dell and Cisco provided similar responses during the meeting, noting that they had not found any instances of Uyghur forced labour in their due diligence processes. Both companies are members of the Responsible Business Alliance and conduct audits with its assistance. Given the complexity of technological supply chains, it was unclear how far down the audit process went for either company. Both Dell and Cisco appeared to take on board feedback from LAPFF, encouraging for better transparency around reporting, particularly on the topics of modern slavery, grievance mechanisms on whistleblowing, and more examples of precisely what serious findings they find in their audits, and how they remedy this.

**In Progress:** LAPFF has joined around 60 investors in a working group, coordinated by the Investor Alliance for Human Rights. This provides the opportunity to collaborate going forward and corroborate notes and engagement strategies with a host of other investors. LAPFF will be seeking meetings with those companies that have yet to respond, alongside Microsoft who provided further detail.

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

## **Engagement with policy Makers**

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

### **IIGCC**

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

#### **IIGCC publishes open letter calling for gas to be excluded from the EU Taxonomy**

January 2022

Following previous letters to President von der Leyen and Commissioner McGuinness, IIGCC has published an open letter to EU Member State representatives and MEPs calling for gas to be excluded from the EU Taxonomy.

Investors are using the EU Taxonomy to assess alignment of their portfolios and investments with net zero emissions. As such, they view the Taxonomy as a cornerstone for Europe's sustainable finance agenda, both from a regulatory perspective and in terms of the wider political signal it sends to financial institutions and corporates in the EU and beyond.

As we have previously stated, IIGCC strongly supports the alignment of the Taxonomy with net zero emissions, and with a science-based approach.

As a result, we remain strongly opposed to any inclusion of gas within the scope of the Taxonomy.

#### **IIGCC response to DWP consultation on climate and investment reporting**

January 2022

The Department for Work and Pensions (DWP) issued a consultation on 21 October 2021 to introduce requirements for trustees to report on the alignment of their portfolios by selecting, calculating and reporting a portfolio alignment metric. The proposals seek to align existing TCFD disclosure rules for UK pension scheme trustees with the TCFD's updated implementation guidance, which includes a recommendation that asset owners describe the extent to which their activities are aligned with a well below 2°C scenario.

In addition, the consultation sought views on draft guidance on the Statement of Investment Principles (SIP) and the Implementation Statement, with a particular focus on stewardship.

IIGCC submitted a response on the consultation to the DWP on 6 January.

#### **IIGCC response to FCA Discussion Paper on Sustainability Disclosure Requirements and investment labels**

January 2022

The Financial Conduct Authority (FCA) published Discussion Paper 21/4: Sustainability Disclosure Requirements and investment labels on 3rd November 2021. The Discussion Paper sought initial views on Sustainability Disclosure Requirements (SDRs) for asset managers and FCA-regulated asset owners, as well

as a new sustainable investment product labelling system, following the announcement of measures by HM Treasury in its sustainable finance roadmap in October 2021.

IIGCC submitted a response to the Discussion Paper on 7 January.

## **IIGCC response to IPSF consultation on a Common Ground Taxonomy**

January 2022

The International Platform on Sustainable Finance (IPSF) published details of a consultation on the Common Ground Taxonomy (CGT) Table in November 2021.

The CGT can be used to improve the comparability and future interoperability of taxonomies around the world. Hence, it intends to provide more clarity and transparency about the commonalities and differences between approaches and eventually lower the transboundary cost of green investments and scale up the mobilisation of green capital internationally. It also provides a solid methodology on the basis of which other taxonomies can be compared in the future.

The CGT table is the result of an in-depth comparison exercise that puts forward areas of commonality and differences between the EU and China's green taxonomies. This first publication covers the initial phase of work which will be expanded over time. The table was published alongside an Instruction Report from the International Platform on Sustainable Finance on the "Common Ground Taxonomy – Climate Change Mitigation".

IIGCC submitted a response on the consultation to the IPSF on 4th January 2022.

## **LAPFF**

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

LAPFF has responded to the Climate Change Committee's call for evidence. Following on from its 2020 report 'Role of Business in Delivering the UK's Net Zero Ambition', the Committee is looking to develop a more in-depth study and has asked for feedback from concerned parties. The Committee aligns itself with the principles that the UK's carbon 'budget' should be met domestically, and not passed by 'offsetting' to other nations. LAPFF has supportively replied to the Carbon Offset call for evidence with this letter, as well as filling in the questionnaire on the Climate Change Committee's website. You can view our full response here: [LAPFF Offset Consultation](#)

## **PRI**

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

### United Kingdom

- PRI supported the Department for Work and Pensions' proposals for Paris aligned reporting and supported the FCA's proposed approach to establish a labelling system for sustainable investment products.
- PRI provided comments on Department for Business, Energy & Industrial Strategy proposals on a climate compatibility checkpoint for future oil and gas licensing in the UK.
- PRI are preparing for forthcoming UK Taxonomy consultation and are updating our net zero roadmap.

### European Union

- PRI engaged with policy-makers through letters and statements to support alternative solutions to including gas-fired power and nuclear energy in the EU Sustainable Taxonomy.

PRI welcomed the European Commission proposal for a Corporate Sustainability Due Diligence Directive (CSDD) and published a position paper supporting the extension of the scope of companies reporting under the Corporate Sustainability Reporting Directive.

### United States of America

- The Securities and Exchange Commission (SEC) proposed a climate risk disclosure rule. The PRI hosted a webinar and Q&A for signatories and will prepare a comment letter.

- PRI published signatory interviews on human capital management to inform policy makers.

PRI supported the SEC's proposed pay vs. performance rule, to link ESG to executive compensation.

### Canada

PRI encouraged the Canadian Standards Association to mandate GHG disclosure of Scopes 1, 2 and most relevant Scope 3 emissions and align regulation with the 2021 TCFD Guidance on Metrics, Targets and Transition Plans.

### Japan

The Financial Services Agency has established a new Technical Committee for ESG Rating and Data Providers to discuss possible codes of conduct for ESG rating and data providers.

### China

The national Emissions Trading System regulation has been extended to require GHG disclosures from further sectors including petrochemicals, chemicals, iron and steel, non-ferrous metals, paper and civil aviation.

### Australia

PRI responded to Australian Prudential Regulation Authority's consultation on its standards for investment governance – SPS 530, recommending greater clarity regarding mitigation of material market-wide ESG risks



## Activities and training undertaken directly by the Fund

The Fund has undertaken the following activities during Quarter 1 of 2022.



### Fund manager meetings

1. UBS Infrastructure Fund – engagement meeting on a specific holding to understand control stature of the investment manager for the holding and governance frameworks in place.
2. Schroder Property Fund
3. Ruffer Absolute Return Fund – focus on impact of the Russia Ukraine conflict, inflation linkage and engagement on tailings dam integrity with mining companies to ensure the dams for mining byproducts do not break or leach the waste materials
4. Storebrand Global ESG Plus Fund – focus on impact of the Russia Ukraine conflict, performance of green stocks, voting policy, work on deforestation – co-chair the Investor Policy Dialogue on Deforestation (IPDD)

### Industry meetings, events and training

1. **Pensions for Purpose** - Stewart Investor - The problem with ESG scores
2. **LAPFF Business Meeting – January 2022** which covered the following areas:

## Policy

- Mining and Human Rights
- Joint Ventures
- Water companies and Sewage
- LAPFF Workplan 2022/2023

## Engagement

- Quarterly engagements

## Services

- Just Transition Inquiry
- LAPFF Exec Diversity Taskforce

### **3. National LGPS Framework for Stewardship services Re-Let Meetings as founding sponsor**

### **4. FTSE –meeting to discuss TCFD climate modelling and possible data sources**

### **5. RI roundtable – Reddington**

Responsible investment (RI) in relation to LGPS, covering everything from TCFD and the SAB RI Advisory Group, to net zero and stewardship

### **6. Presentation to Kent Pension Fund committee on activities the East Sussex Pension Fund has undertaken**

Head of Pensions presented to Kent County Council to show the RI and climate change journey of the Fund over the past 2 years to help colleagues in other Fund learn from our experience

### **7. Say on Climate: Making Climate Action Count**

Head of Pensions moderated the first session of the event introducing Sir Chris Hohn of the Children’s Investment Fund Foundation who founded the say on climate initiative which asks companies to provide annual disclosure of carbon emissions, present a plan to manage those emissions and hold at vote at the AGM on those plans.

The event included:

- What should a ‘gold standard’ climate action plan contain;
- The potential role of transition plans and transition finance in accelerating decarbonization;
- Paris Aligned Accounting;
- Company action plans – getting ahead of the mandatory reporting process.

### **8. Pensions and Lifetime Savings Association (PLSA) ESG Conference**

The PLSA’s ESG Conference was an online two-day programme with a dynamic mix of keynote speeches, educational sessions, topic deep dives, and quick-fire updates, covering every angle of ESG for the pensions sector.

## 9. Local Government Chronicle (LGC) – LGPS Investment Summit

LGC Investment Seminar includes a wide variety of topical sessions directly relevant for the Local Government Pension Scheme. There is a strong emphasis on practical approaches throughout the programme with sessions where funds and pools share how they have tackled the new reporting requirements.

**10. Impact investment training** – run by Pensions for Purposes for the Pension Committee

**11. LAPFF Executive meeting**

**12. Attendance at the LAPF Investment Awards 2021** where the Fund were announced winner of **LGPS FUND OF THE YEAR (ASSETS OVER £2.5 BILLION)** and also highly commended for the **BEST CLIMATE CHANGE STRATEGY** – further details [available here](#)



## 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

### **Barnet Waddingham (Fund Actuary)**

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

Barnet 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)**

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 - 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, (Climate consultant)**

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.

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 33**

- 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
3	51	33	18	0	33	18

**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. Q1 22 engagement examples provided to us are below:

#### Company A – January 2022

In January, Longview held a call with the outgoing CFO, the succeeding CFO, and a member of the Investor Relations team. The focus of the call was to discuss various aspects of the business and industry dynamics in detail, but Longview also sought clarity on the recent climate commitments made, as a follow-up to the thematic Climate Commitment Audit.

The company had announced in October 2021, just prior to COP26 which was held in November 2021, that it had signed the Business Ambition for 1.5°C warming Science Based Targets Initiative (SBTi), committing them to set a long-term, science-based emissions reduction target in order to reach net zero global emissions by 2050. The pledge and the intention were clear, but the announcement did not provide a timeline or much detail on the targets; Longview therefore requested clarity on the plan. The company confirmed that they were currently calculating the “baseline” carbon emissions for parts of the business, and once completed would set appropriate reduction targets. The company confirmed they expected this to be completed and published by the end of the year, possibly earlier. Longview will monitor the company to check that this timeline and the pledges are met.

#### Company B – January 2022

Longview held a video conference with Company B to discuss the company’s 2021 Sustainability Report, which was published in January 2022, and in particular, the topics of governance, executive compensation and ESG issues including climate change.

Company B recently added two non-executive directors to the board, bringing diversity of experience and background and putting the company on a good footing from a governance perspective given their size and age. The company has stated its commitment to Diversity and inclusion (D&I) and had made positive steps recently in formalising a D&I programme. In relation to executive compensation, the rationale for the

revised Long Term Incentive Plan (LTIP) was discussed. We believe more detail will be made available prior to the AGM.

Finally, our Climate Commitment Audit revealed that Company B lagged other portfolio companies in terms of climate emissions disclosure and reduction targets. Longview wished to better understand their approach to this important topic.

Longview asked Company B whether they had considered calculating and reporting their GHG emissions, and whether they might make specific reduction targets or commitments, for example to be net zero or carbon neutral, in the future. Company B noted that the company has little direct exposure to carbon risk and they lease their office buildings and contract out customer installation work. They currently find it impractical to reliably estimate and report their Scope 1 and 2 carbon emissions. In addition, whilst they no longer operate their own vehicles, but they are trying to capture more data on their distribution and supply chains, including the miles driven by contractors, for example, to better assess how they can improve. Given these difficulties and the assessed low risk to the company, reporting carbon emissions is not currently a priority. Company B does report risks in accordance with the Sustainability Accounting Standards Board (SASB), where opportunities and initiatives to reduce emissions comply with the Task Force on Climate-related Financial Disclosure (TCFD) framework, but without specific targets or data.

Longview concluded the current stance is understandable given the size and resources of the company, and the low direct exposure to carbon risk.

### **Company C – February 2022**

Longview engaged with Company C on two occasions in 2021 on the topic of executive remuneration, with the objective of ensuring alignment between management and shareholders. Most recently, in December, Longview held a call with management to discuss proposed changes to the remuneration policy. Longview made clear that it is unlikely to vote in favor of the new policy unless the wording reflects the importance of profit metrics as part of the incentives structure for executives.

In February 2022, Longview received a letter from the Chair of Company C's Remuneration Committee confirming that profit will be the "predominant element of the financial metrics adopted each year". We expect to see this made clear in the remuneration policy which is due to be released in May. This will be a positive outcome for shareholders if any ambiguity around the wording is removed.

### **Company D – March 2022**

In 2021, Longview engaged with Company D to discuss its rating from Sustainalytics, which deemed the company to be high risk from an ESG perspective. Longview discussed this with Company D and the company advised that it was communicating more with ESG data providers, believing there to be inaccuracies in the reported information.

In March 2022, as part of Longview's quarterly engagement prioritisation meeting, where the COO, CIO, Head of Research and Institutional Clients Team discuss ongoing and potential engagements, it was noted that Company D's ESG Risk Rating from Sustainalytics had been lowered to medium risk. Company D had included greater disclosure on its quality and safety standards in its 2020 Sustainability Report and this was reflected in the positive re-rating. Sustainalytics now recognises that Company D has in place the necessary quality and safety measures, in line with industry best practice. Longview knew that this was the case prior to the release of the most recent Sustainability Report, so the change in rating does not affect the judgement of Longview's Research Team which uses Sustainalytics information to supplement our own proprietary research. Nevertheless, the lowered risk rating is a positive outcome.

# Newton (Diversified Growth Fund /Absolute Return)

## Part of Access Pool

### Fund Manager collaborate engagement groups - links on page 33

- 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
5	72	59	6	6	66	6

**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

**Amdocs AGM 28 Jan 2022** – Newton voted against the board chair who is an incumbent long-tenured member of the nomination committee, owing to concerns around independence of the board’s key committees. Newton considers the board chair to have ultimate oversight and accountability for committee composition. Newton also voted against the re-appointment of the company’s auditor as the firm has been serving in this capacity for 34 years which raises concerns around its independence and objectivity.

### Example ESG Engagement

#### CitiGroup

US Bank - Equity and Fixed Income holdings

Newton met with management to discuss the company’s approach to net zero. The bank has set tough targets to decarbonise its loan book, which currently has high exposure to heavy-emitting industries.



The company seeks to directly influence the energy transition in this way. The company has published its third TCFD report which contains a number of advancements around governance, risk management and targets.

### **Climate change**

The board now has oversight of climate change and has set up an ESG Council, chaired by the Chief Executive Officer and comprising executives and subject matter experts, to oversee the setting of policy, targets and progress. The company provides market-leading disclosures. For example, it is able to show the climate risk exposure from lending provided to each sub-industry. It has set a target to reduce financed emissions from the energy sector by 29% and from the power sector by 63% by 2030. Newton is reassured that the company is using an intensity metric for the power sector target as this helps the industry focus on decoupling energy and power from emissions, rather than simply winding down energy generation when energy generation needs to increase. Additionally, the company is going beyond the disclosure recommendations of the Partnership for Carbon Accounting Financials and committing to demonstrate its full exposure rather than only disclosing emissions based on loans drawn down. From a practical perspective, the company's priority is to provide training to bankers and client relationship managers to be able to understand the energy transition and net-zero targets. This will enable it to more meaningfully help clients with their own net-zero initiatives. The bank is positioning this as a multi-year process focused on transition, not divestment, over the next five years. The company's net-zero plan is not directly or quantitatively embedded into executive compensation as the data is not yet considered robust enough at a global level. However, the development and delivery on the plan at a broader level is part of the qualitative metrics.

## Ruffer (Diversified Growth Fund /Absolute Return)

### Part of Access Pool

#### Fund Manager collaborate engagement groups - links on page 33

- 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
4	84	79	5	0	79	5

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

#### Ruffer voting guidelines and policies:

Ruffer – voting policy [available here](#)

#### Engagement

##### Bayer

A call with senior members of Bayer’s sustainability team which covered ongoing litigation issues, genetic modification, remuneration policies and the company’s relationship with ESG ratings agencies.

##### BP

A written response to a letter from the Chair of the Remuneration Committee to shareholders on executive pay. We shared our thoughts on the current remuneration policy and suggested that the use of upward discretion in the vesting of awarded shares was inappropriate in the context of management and share price performance over the period.

### Chesapeake Energy

A call to discuss the new remuneration policy proposed by the Board, focusing on the structure and alignment of incentives, including ESG metrics, in the annual incentive plan as well as the process involved in formulating the policy.

### Royal Dutch Shell

An introductory call with the Chief Financial Officer to establish a direct relationship with the Shell management team, with the intention of collaborating on the company's energy transition plans. We also engaged with Shell as a part of Climate Action 100+ and discussed the current challenges in European energy markets and progress made so far on the energy transition.

Firmwide reports are available on Ruffer's website [here](#)

## Baillie Gifford

### Part of Access Pool

#### Fund Manager collaborate engagement groups - links on page 33

- 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
5	0	32	0	1	32	1

**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

Wal-Mart de Mexico, S.A.B. de C.V. – Mexico - AGM or EGM Proposals

LEG Immobilien SE - Germany - Corporate Governance

Marks and Spencer Group plc - United Kingdom - Corporate Governance

Petroleo Brasileiro S.A. – Petrobras – Brazil - Environmental/Social

Samsung Electronics Co., Ltd. - Korea, Republic of - Environmental/Social

## Storebrand Global ESG Plus

### Fund Manager collaborate engagement groups - links on page 33

- 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

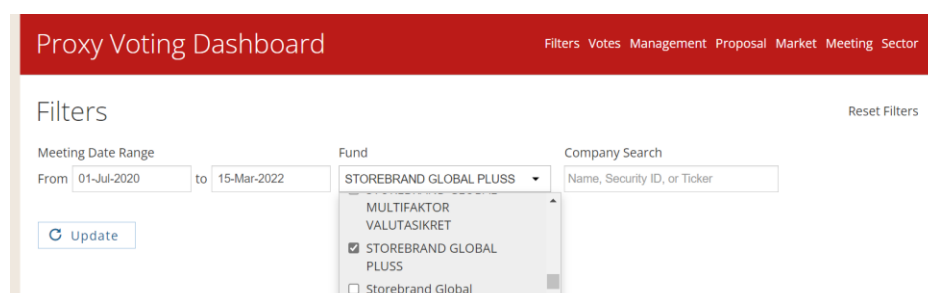
Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
72	755	690	57	8	679	76

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

### Resolutions voted on in the quarter:

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

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



The screenshot shows the 'Proxy Voting Dashboard' interface. At the top, there are navigation tabs: 'Filters', 'Votes', 'Management', 'Proposal', 'Market', 'Meeting', and 'Sector'. The 'Filters' section is active and contains the following elements:

- Meeting Date Range:** A date range selector with 'From' set to '01-Jul-2020' and 'to' set to '15-Mar-2022'. An 'Update' button is located below this field.
- Fund:** A dropdown menu currently showing 'STOREBRAND GLOBAL PLUS'. The dropdown list is open, showing options: 'MULTIFAKTOR VALUTASIKRET', 'STOREBRAND GLOBAL PLUS' (which is selected with a checkmark), and 'Storebrand Global'.
- Company Search:** A text input field with the placeholder text 'Name, Security ID, or Ticker'.
- Reset Filters:** A link located to the right of the filter section.

### 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 33

- 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
9	49	47	2	0	46	3

**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

The following are examples for Q1 22 engagement. The manager does not currently publish engagement activity.

#### Schneider Electric – Industrials

One meeting took place in the quarter focusing on

- Environment – Climate (Physical/Adaptation or Transition/Mitigation)
- Social – Culture / Talent / Labor/Health and Safety / Ethics

#### Shriram Transport Fi – Financials

Two meetings took place in the quarter. Engagement has focused on

- Governance – Long Term Corporate Strategy
- Environment – Climate – Transition/Mitigation
- Governance – Capital Structure/refinancing Requirements, General Update / Sales /Margin / Business Trends, Governance / Compensation /Succession Planning

#### Upwork Inc – Industrials

One meeting took place in the quarter and focused on Governance – General Update/ Sales /Margin / Business Trends

## WHEB (Listed Equity – Impact fund)

### Fund Manager collaborate engagement groups - links on page 33

- 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
5	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 (Q1 2022) – [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](#)



## Atlas (Infrastructure)

### Fund Manager collaborate engagement groups - links on page 33

- 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
1	18	18	0	0	18	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](#)

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

### Fund Manager collaborate engagement groups - links on page 33

- 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)



### Engagement

Q1 22 engagement carried out by Osmosis:

Company / Sector	Theme	Activity	Outcome
Airline Sector	Ghost Flights	During the pandemic, the issue of so-called ghost flights emerged among airline companies. These companies flew near empty flights to secure landing slots at airports, with terrible environmental and efficiency consequences. Osmosis engaged with all airlines companies in our model to highlight the issue, discuss what they are doing to challenge it and advocate for a systemic solution.	Successful, Ongoing
Oil and Gas	Net Zero	Osmosis engaged with all Oil & Gas companies in our universe to discuss net zero transition plans. During these calls, we discussed net zero goals, the role of carbon offsetting and how company executives see the future of their industry. The findings and insights derived from this engagement campaign will feature in an upcoming research report.	Ongoing
Chemicals	Waste	Osmosis joined ShareAction in a collaborative engagement campaign with global chemicals companies. For instance, we joined a call with DSM, a Dutch chemicals company, to discuss their waste practices and targets.	Successful
Nestle SA	Reporting	In their latest report, Nestle SA uses reporting standards that are over a decade old. These old GRI standards do not include some key datapoints necessary for Osmosis to build the environmental balance sheet. Osmosis urged the company to adopt the current, up-to-date standards in future reporting. The company responded with new disclosures, following current reporting practices, with the promise to overhaul and streamline reporting practices from this year on.	Successful

## Schroders (Property)

### Fund Manager collaborate engagement groups - links on page 33

- 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](#)

Schroders advised:

- We conducted a climate risk analysis of the Schroder Capital Real Estate Partnership Funds (c. 42% of the portfolio). This analysis involved profiling the location of every asset in the Partnership Funds for a range of climate risks in order to understand these and the potential adaption strategies required.
- We also have also met with Managers of the various investments to receive fund updates and discuss strategies, e.g. UK Retail Warehouse Fund Investment Advisory Committee

## Infracapital (Infrastructure)

### Fund Manager collaborate engagement groups - links on page 33

- 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](#)

Their 2021 annual ESG report will be distributed in June 2022 which will provide their ESG engagement details and case studies.

## Pantheon (Infrastructure)

### Fund Manager collaborate engagement groups - links on page 33

- 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](#)

### 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 33

- 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](#)

## Adams Street (Private Equity)

### Fund Manager collaborate engagement groups - links on page 33

- 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](#)

In the first quarter of this year, Adams Street conducted their **annual ESG survey**, with the operational support of *Apex ESG Ratings and Advisory* (see further information [here](#)). This survey incorporated 38 ESG questions broadly aligned to the requirements of four key ESG standards and regulations – the EU Sustainable Finance Disclosures Regulation (SFDR), the ESG Data Convergence Project, TCFD and the UNPRI - providing data regarding ESG integration, reporting, and performance metrics, as well as an overall ESG rating.

Over 200 GPs (General Partners) were surveyed with a response rate of over 60%. Of the ~160 active GPs who responded to the survey, 82% indicated that they had an ESG policy in place; 36% are currently signatories of the UNPRI; 43% are able to report board diversity metrics; and 13% are able to report GHG emissions of their portfolios. The individual results of this year's assessment have been shared with those GPs who participated in this year's survey, as part of Adams Street's strive for continuous improvement.

In addition to the above, Adams Street also actively **engaged with 30 GPs** to which East Sussex currently has exposure through their Adams Street portfolio. The nature of these interactions during Q1 2022 were as follows:

- 2 dedicated ESG due diligence calls (these specifically pertained to reviewing a new ESG manager and assessing the ESG policy of an existing GP)
- 3 other due diligence calls
- 10 operational due diligence calls
- 20 Advisory Board meetings

## Harbourvest (Private Equity)

### Fund Manager collaborate engagement groups - links on page 33

- 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 should be available from June 2022 onwards.



## **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 \(UNPRI\)](#)